Mitsubishi UFJ Lease & Finance
MUFG

Value Integrator®

Opening up a new path

Annual Report 2014
For the fiscal year ended March 31, 2014

ABOUT US

Value Integrator

Growing value today into greater value tomorrow

The history of Mitsubishi UFJ Lease & Finance is a history of ceaseless innovation. From our establishment in 1971 to the present day, we have contributed to resolving customer issues with innovative solutions that meet today's needs ahead of time, not only across the leasing and financing sector but also through a range of services including eco- and energy-related services, our asset management system "e-Leasing Direct Platinum," services in factoring and the private finance initiative (PFI) sector, and support for overseas financing needs.

The Group's signature corporate phrase—"Value Integrator"—expresses both our pride in contributing to social and economic progress by providing integrated financial services and our strong commitment to continuously creating new value by combining a range of asset types with leasing- and financing-related services.

In April 2014, to step up to the next stage of growth, the Group launched its new Medium-Term Management Plan, **Limitless Evolution**, for the period from April 1, 2014 to March 31, 2017. Based on the flexibility and mobility that are our inherent characteristics as a nonbank finance company and benefiting from our comprehensive knowledge across various asset categories, we will accelerate the expansion of our business domains and development of overseas business functions to achieve sustainable growth in corporate value. We will continue meeting challenges, as a Value Integrator, to lead the way in the financial services of the future.

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Annual Report 2014

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.

BUSINESS DOMAINS

Taking advantage of its broad experience accumulated in the lease business and its exceptional economic and financial insight, Mitsubishi UFJ Lease & Finance has built up a highly diverse business platform. In today's increasingly diverse society, it is these comprehensive capabilities, enabling us to respond to various customer needs with varied solutions, that are our greatest strength and the driver of our growth.

Lease and financing business

Our finance leases and operating leases offer an effective method of funding capital expenditure or introducing outsourcing to boost administrative efficiency. Besides financial functions, we deliver asset management and other related services to provide total support to customers' capital expenditure.

Auto lease and auto finance business

We support our customers to build optimal fleet management systems through rationalization and labor saving, helping to ease demand on management resources, control costs, and reduce risks.

PFI business

Private finance initiatives (PFIs) are a method of using private-sector finance and expertise to provide social capital. From provision of finance through to overall project coordination, we support the construction and operation of educational facilities, government buildings, infrastructure, and other public-sector facilities.

MUFG Mitsubishi

International business

For customers expanding into overseas markets or developing their overseas operations, we utilize our local experience and expertise to provide optimal solutions, from capital expenditure financing to asset management and eco- and energy-related services.

Eco- and energy-related business

Our energy service company (ESCO) business supports facilities to achieve energy savings and cost reductions. Other services in our wide range of eco-related solutions are Green Leasing (leases linked to green energy certificates), carbon offset-related services, and support to power generation projects based on solar, wind, or other renewable energies.

UFJ Lease & Finance

Global asset business

We are developing services around assets with high marketability and high value in the global market, including aircraft and aircraft engines, marine vessels, containers, and railroad freight cars.

Real estate-related business

Our wide range of real estate-related services includes non-recourse loans for real estate and our "Symphony" real-estate lease, which facilitates construction and then leasing of commercial facilities, offices, logistics facilities, and others.

Rental business

Group companies equipped with specialist abilities deploy their wide expertise to meet a diverse range of rental needs, from PCs and other IT equipment to machine tools, testing devices and measurement equipment.

Other business

This area includes our insurance business, providing sales and consultancy in business and personal insurance, and a private equity investment business.

Used equipment trading business

Utilizing the experience and expertise acquired through our lease business, Group companies specializing in this sector trade in high-quality used machine tools, medical equipment, and IT equipment.

Medical and long-term care business

We provide a one-stop service for hospitals, clinics, and long-term care facilities in all areas, from startup support to acquisition of high-tech equipment and facilities, as well as funding support during building renewal and expansion.

FINANCIAL HIGHLIGHTS

Years Ended March 31, 2014, 2013, 2012, 2011, and 2010

Mitsubishi UFJ Lease & Finance Company Limited
and its consolidated subsidiaries

	Millions of Yen					Thousands of U.S. Dollars (Note 1)
	2014	2013	2012	2011	2010	**2014**
For the year:						
Total revenues	**¥ 717,760**	¥ 698,155	¥ 724,611	¥ 724,762	¥ 747,043	**$ 6,968,544**
Gross profit	**128,673**	118,033	115,078	118,729	109,569	**1,249,253**
Net income	**37,675**	36,038	34,640	25,755	20,727	**365,783**
At year-end:						
Total assets	**¥ 4,497,502**	¥ 4,177,784	¥ 3,682,299	¥ 3,721,136	¥ 3,885,161	**$ 43,665,076**
Total equity	**534,250**	468,061	420,864	389,802	366,891	**5,186,895**
Number of shares of common stock outstanding (thousands) (Note 2)	**895,834**	895,834	895,834	895,834	895,834	
	Yen					U.S. Dollars
Per share of common stock:						
Basic net income (Note 2)	**¥ 42.40**	¥ 40.56	¥ 38.72	¥ 28.76	¥ 23.14	**$ 0.41**
Cash dividends applicable to the year (Note 2)	**8.00**	6.50	6.00	5.00	4.80	**0.07**
	%					
Ratios:						
Return on equity (ROE)	**7.9**	8.5	8.9	7.1	6.1	
Return on assets (ROA)	**0.9**	0.9	0.9	0.7	0.5	
Equity ratio	**11.4**	10.7	10.9	10.0	9.1	

Notes: 1. The U.S. dollar amounts have been translated from the amounts stated in yen, solely for the convenience of readers, at the rate of ¥103=U.S.$1, the approximate exchange rate on March 31, 2014.

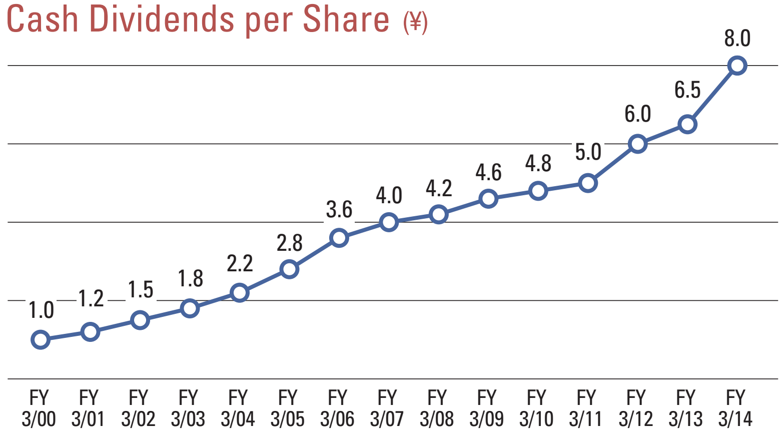
2. On April 1, 2013, Mitsubishi UFJ Lease & Finance split each share of its common stock, which were held by shareholders stated or recorded in the register of shareholders as of March 31, 2013, into ten (10) shares. Number of shares of common stock outstanding, basic net income and cash dividends applicable to the year have been retrospectively adjusted to reflect the stock split for all periods presented.

External Ratings

(as of June 30, 2014)

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

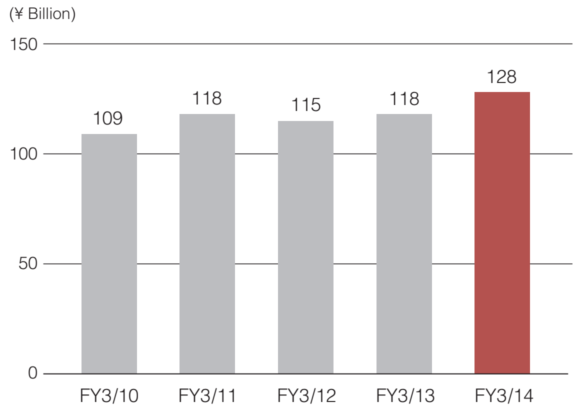
Cash Dividends per Share (¥)



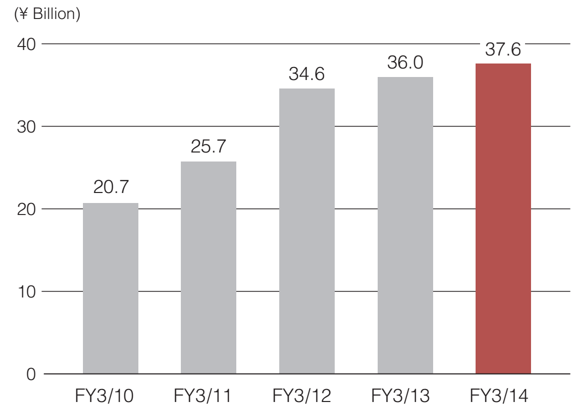
Note: On April 1, 2013, Mitsubishi UFJ Lease & Finance split each share of its common stock, which were held by shareholders stated or recorded in the register of shareholders as of March 31, 2013, into ten (10) shares. Cash dividends per share have been retrospectively adjusted to reflect the stock split for all periods presented.

KEY FIGURES

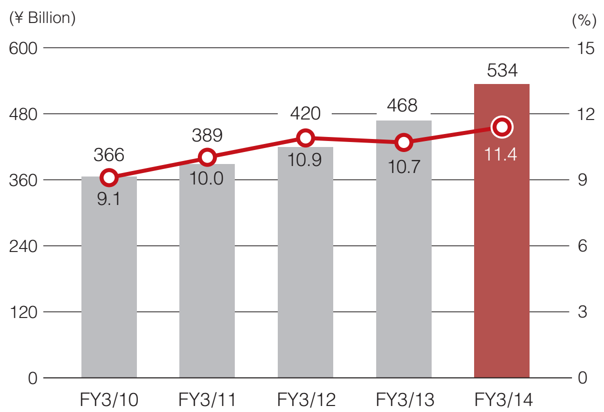
Gross Profit



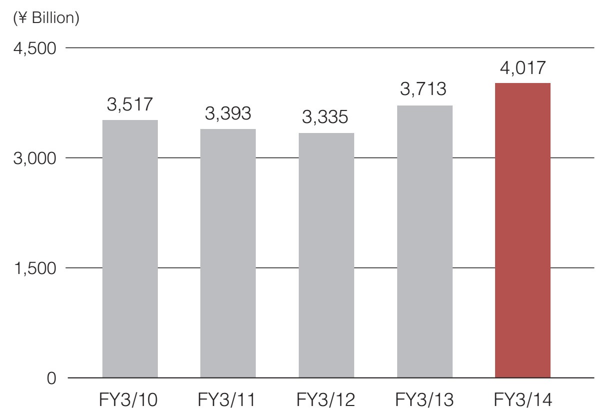
Net Income



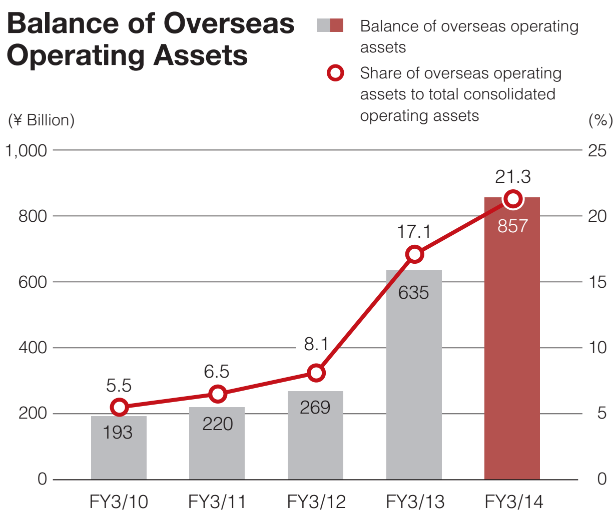
Total Equity / Equity Ratio



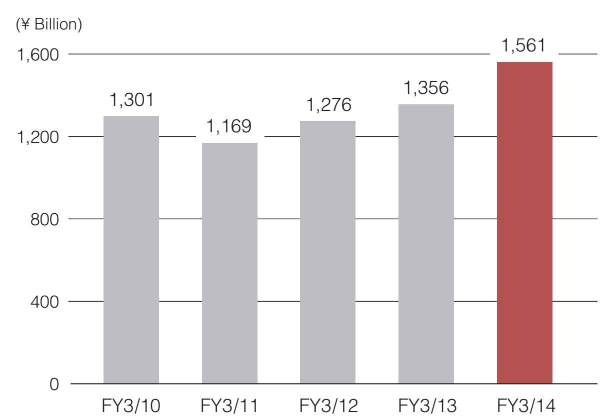
Operating Assets



Balance of Overseas Operating Assets



Volume of New Transactions



TO OUR STAKEHOLDERS

Ryuichi Murata
Chairman

Tadashi Shiraishi
President & CEO

Committed to realizing sustainable growth by delivering high-quality business solutions

During the fiscal year ended March 31, 2014, reflecting the positive impact of the government's economic and financial policies and other factors, the Japanese economy began to show signs of recovery. For some time, many companies, deterred by uncertainty over the future of the economy, have tended to hold back on investment. Recently, however, the improvement in corporate profits has encouraged a gradual move toward new capital expenditure. At the same time, the trend toward borderlessness in economic activity and corporate operations and the globalization of the supply chain have accelerated the overseas shift of capital expenditure, making it even more important for management to approach domestic and overseas operations as a single market.

Under these circumstances, the Mitsubishi UFJ Lease & Finance Group worked swiftly and flexibly to adapt to the rapid changes in business environment. To achieve a sustainable growth in corporate value, we steadily implemented the strategies and measures set out in our Medium-Term Management Plan, **Vision 2013**, for the three-year period ended March 31, 2014.

In the international business and the global asset business, which is a key business area for us, we expanded operations and enhanced functions in the aircraft leasing business, following our acquisition in January 2013 of the entire equity interest in JSA International Holdings, L.P., whose business portfolio includes the major U.S. aircraft leasing company Jackson Square Aviation, LLC. In November 2013, we launched a full-scale autoleasing business in Indonesia, supported by a tie-up with one of the country's major vehicle rental companies. These steps were part of a drive to strengthen and expand our business base through combined deployment of the distinctive capabilities acquired in our evolution as a nonbank: the flexibility to create ideas and provide functions, a deep knowledge of the products we handle and access to external networks.

Concurrently, to support strong business growth overseas, we have been focusing for some time on diversification of funding sources and in 2013 issued our first corporate bonds denominated in U.S. dollars and Thai baht, respectively.

In Japan too, alongside further refinement of the value-added financing functions that are a key strength, we expanded and enhanced services and functions, notably through initiatives in service provision and business participation. To achieve sustainable growth, we believe that it is crucial to build relationships with the customers, shareholders, local communities, and employees who are our stakeholders. We therefore engage actively in CSR initiatives throughout our business operations. At the same time, we are working to strengthen our systems of corporate governance and compliance and to reinforce information security as part of wide-ranging activities aimed at establishing solid bonds of trust with our stakeholders.

In terms of profitability for the fiscal year ended March 31, 2014, we set records at each income level, with net income up by ¥1.6 billion or 4.5% year on year to ¥37.6 billion, a record high for the third consecutive year. Recognizing the consistent support from our shareholders throughout the year, we set our dividend so as to provide a ¥1.5 annual increase to ¥8 per share. This marked the 15th consecutive year of a dividend increase.

As a reliable business partner, Mitsubishi UFJ Lease & Finance is committed to realizing sustainable growth by delivering high-quality business solutions.

Ryuichi Murata
Chairman

Tadashi Shiraishi
President & CEO

Under Limitless Evolution, we aim to build a stable and robust profit structure that will lead us to limitless growth

Achievements of the Medium-Term Management Plan, Vision 2013, and outline of the new Medium-Term Management Plan, Limitless Evolution

Under **Vision 2013**, which completed its final fiscal year on March 31, 2014, we responded swiftly and flexibly to diversifying customer needs by putting into practice the strategies and measures set out in the plan.

In our new Medium-Term Management Plan, **Limitless Evolution**, which started its first year in April 2014, we will further expand our business fields to sustainably add growth to our corporate value. By maximizing the flexibility and mobility that are the inherent characteristics of a nonbank, we aim to further develop the business base that we built up under **Vision 2013**.

01 Achievements of Vision 2013

We expanded our business domains and range of functions according to the business and management strategies set out in **Vision 2013**.

We succeeded in achieving the results set out below under our growth strategy by providing a diverse range of products beyond the limits of pure leasing and financing functions.

In the eco- and energy-related business, demand for solar power generation and other forms of renewable energy was boosted by the launch of a feed-in tariff system in July 2012. In this business environment, we took the initiative by participating in projects as project leader and not simply debt provider. For example, we linked up with Mitsubishi Materials Corporation in an equally co-financed joint venture to carry out solar power generation projects using land owned by the Mitsubishi Materials Corporation Group in Japan.

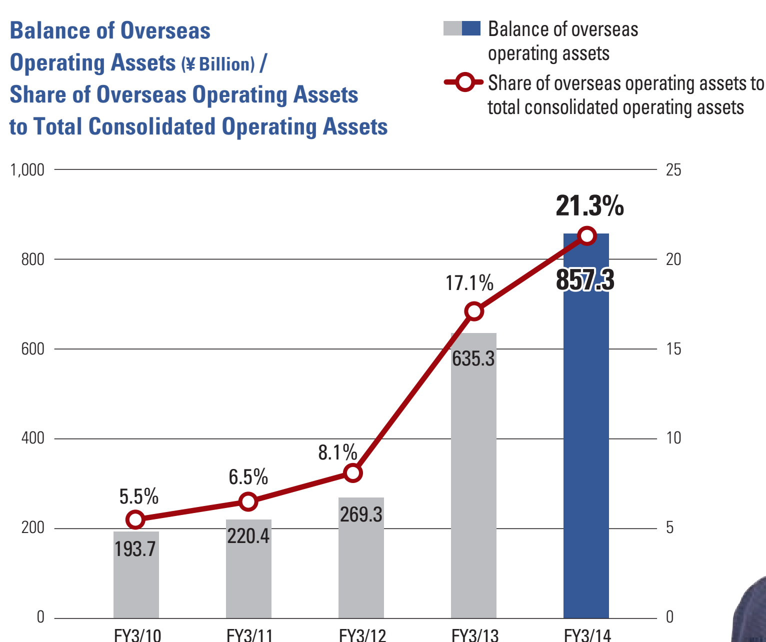
Besides the renewable energy business, we are active in the energy service company (ESCO) business, in which our energy-saving packages work to reduce energy use in facilities with constant high levels of electric power consumption, such as hospitals and shopping centers. As the top-ranked provider of ESCO in Japan, we are now expanding our service to overseas markets.

In the international business sector, the number of Japanese companies expanding overseas continues to increase due to globalization of the supply chain. Mitsubishi UFJ Lease & Finance pursued aggressive business rollout in the Asian market, America and Europe. This led to a considerable increase in the volume of our overseas operating assets, which stood at ¥857.3 billion as of March 31, 2014, far exceeding the target of ¥300 billion set in **Vision 2013**.

In November 2013, we launched an autoleasing business in Indonesia which is a joint project with a major Indonesian vehicle rental company, PT. Takari Sumber Mulia. Our objective is to expand the scale of our autoleasing business and further enhance our services in the Indonesian market. We started our overseas autoleasing business in Thailand in the 1990s, and then took a stake in Turkey's largest autoleasing company in 2008. We have continued to promote initiatives in areas with a strongly growing automobile market.

Mitsubishi UFJ Lease & Finance targets the global asset business as a priority area offering high marketability and high value through assets such as aircraft and marine vessels. In January 2013, we acquired the entire equity interest in JSA

Balance of Overseas Operating Assets (¥ Billion) **/ Share of Overseas Operating Assets to Total Consolidated Operating Assets**



International Holdings, L.P., whose business portfolio includes the U.S. aircraft leasing company Jackson Square Aviation, LLC, a move that reinforced our capabilities in the aircraft leasing business. Apart from aircraft, we are actively targeting other global assets with high marketability and broad utility, for instance aircraft engines, containers, and railroad freight cars.

At the same time, we are successively extending our services to overseas customers in business sectors where Mitsubishi UFJ Lease & Finance has built up considerable experience and expertise in the Japanese market. In the eco-related business, we engaged in an environmental program in Thailand in cooperation with International Finance Corporation to finance purchase of energy-saving and eco equipment. In the used equipment trading business, U-Machine Inc., a major dealer of our Group in used industrial machinery and machine tools, established a local base in Thailand to supply high-quality used machinery and tools to customers developing their operations in the Asian market.

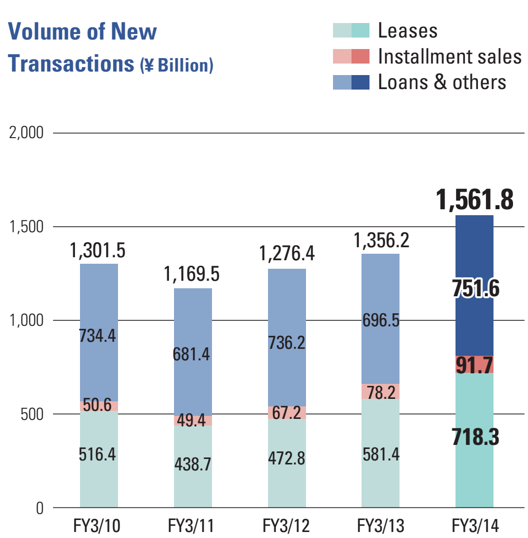
Meanwhile, to support the global expansion of the Mitsubishi UFJ Lease & Finance Group as part of our management strategy, we have set up a department specializing in developing and evolving our international IT infrastructure.

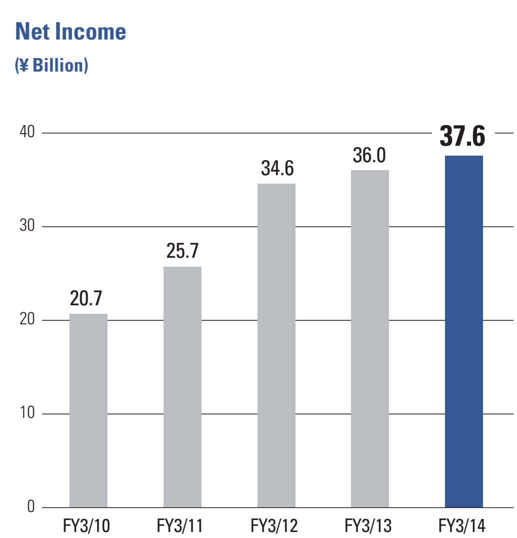
In terms of raising funds, we are taking steps to diversify our funding methods to match our expanding overseas business. Backed by our top-class international credit rating, we recently issued corporate bonds denominated in U.S. dollars, Thai baht, and renminbi in overseas markets to ensure a stable funding base.

On the human resources front, we have set up a Diversity Promotion Office within our personnel department. In addition to focusing on the development of our global human resources, the new department's role is to enhance the supply of experts in strategic business sectors and to actively support a healthy work-life balance for employees.

02 Results for the Fiscal Year Ended March 31, 2014

During the fiscal year ended March 31, 2014, the Japanese economy began to show signs of recovery led by the positive impact of the government's economic and fiscal policies. However, with a slackening of growth in the emerging countries that had previously been the driving force of the global economy, there is some uncertainty as to the future. Confronting this challenging situation, the Mitsubishi UFJ Lease & Finance Group adapted





swiftly and flexibly to the changing environment to ensure a timely response to diverse customer needs as a comprehensive finance company. To achieve further development, we put into practice the strategies and measures set out in our Medium-Term Management Plan, **Vision 2013**.

We responded proactively to customer demand in both the domestic and overseas markets by providing a diverse range of value-added products and services. As a result, we posted year-on-year growth of 15.2% in the volume of new transactions, which totaled ¥1,561.8 billion.

Consolidated revenues increased by 2.8% year on year to ¥717.7 billion. Growth was also recorded in each of the other profit metrics, with gross profit increasing to ¥128.6 billion and operating income to ¥65.2 billion. Net income, meanwhile, grew by 4.5% from the previous fiscal year to ¥37.6 billion, setting a new record for the third consecutive year.

Total assets grew by 7.7% from the previous year-end to ¥4,497.5 billion. Due to the increase in net income and other factors, total equity increased by 14.1% year on year to ¥534.2 billion. The equity ratio moved up by 0.7 percentage point to 11.4%.

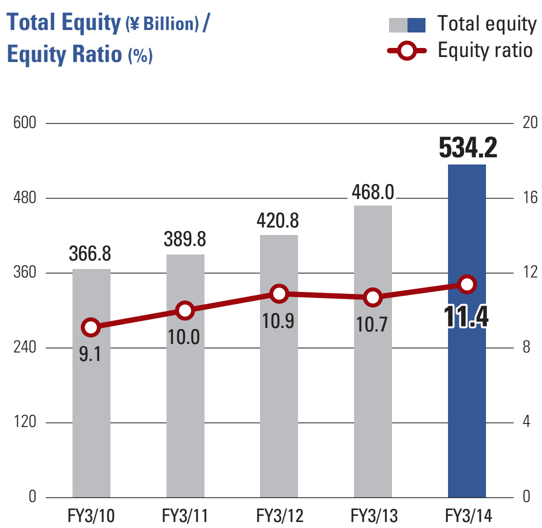
Our dividend policy is to make stable and continuous dividend payouts while maintaining an appropriate balance between return to shareholders and adequate equity reserves.

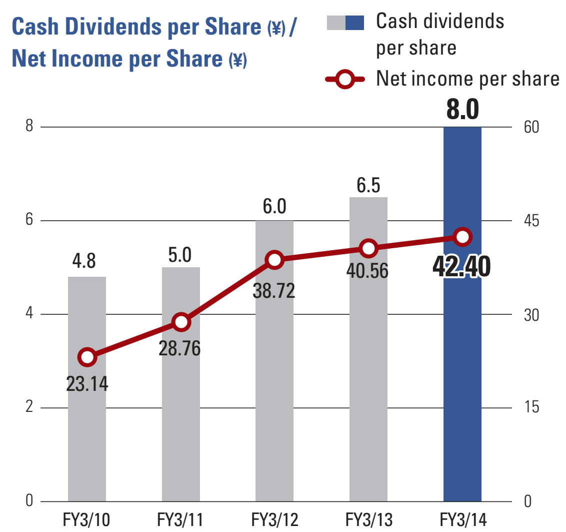
The dividend for the fiscal year ended March 31, 2014 was calculated to reflect the setting of a new profit record for the third consecutive year, as outlined above, and to recognize the consistent support of our valued shareholders throughout the year. Accordingly, we set a year-end dividend of ¥4.65 per share, which, combined with the interim dividend of ¥3.35, represents an annual dividend of ¥8 per share.

Effective April 1, 2013, Mitsubishi UFJ Lease & Finance carried out a 10-for-1 stock split. Assuming the stock split to have been carried out in the previous fiscal year, the result is a dividend increase of ¥1.5, the 15th consecutive year of a dividend increase.

03 Outline of the New Medium-Term Management Plan, Limitless Evolution

The new Medium-Term Management Plan, **Limitless Evolution**, is designed to cover the three-year period starting on April 1, 2014. By making the best use of the mobility and flexibility that are inherent characteristics of a nonbank, and benefiting from our know-how and skills in many asset categories, Mitsubishi UFJ Lease & Finance aims to serve globally as a reliable business partner by converting





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management resources—products, funds, human resources, information, and functions—into packages that fulfill customer needs. We will provide advanced services on a global basis and will work to build a business portfolio that offers stability together with growth potential.

To achieve its goals, **Limitless Evolution** sets out concrete measures around the two pillars of "growth strategy" and "business infrastructure reinforcement strategy." We will steadily and continuously put this plan into action.

The business targets set out in **Limitless Evolution** are indicated below.

To achieve these targets, we will pursue high-quality management practices and build a stable asset portfolio by controlling risk appropriately and improving capital efficiency.

By carrying out stable fund raising and upgrading our operational infrastructure and human resource bases, under **Limitless Evolution**, we aim to build a stable and robust profit structure that will lead us to limitless growth.

The new Medium-Term Management Plan, **Limitless Evolution**, is explained in detail in a special feature in this report.

Business Targets

	Year ending March 31, 2017
Consolidated net income	Over ¥45 billion
Share of overseas operating assets to total consolidated operating assets*	30%

* Share of operating assets of overseas consolidated subsidiaries as a proportion of consolidated operating assets.

The Two Pillars of Limitless Evolution

Growth strategy

1. Evolve business models
2. Accelerate international business
3. Create Group synergies
4. Continuously create new businesses
5. Promote non-organic growth strategy

Business infrastructure reinforcement strategy

1. Enhance management infrastructure
2. Put in place a globalization-adapted operational infrastructure
3. Intensify Group management
4. Reinforce human resources management
5. Encourage a free, open, and dynamic corporate ethos
6. Strengthen and make strategic use of IT infrastructure
7. Earn firm trust

New Medium-Term Management Plan, Limitless Evolution (FY2014–2016)

1 Outline of the Medium-Term Management Plan, Limitless Evolution

Based on the flexibility and mobility that are our inherent characteristics as a nonbank finance company, and benefiting from our expertise in many asset categories, Mitsubishi UFJ Lease & Finance aims to serve as a reliable business partner. This means providing management resources—products, funds, human resources, information, and functions—arranged in flexible packages to meet customer needs, and delivering advanced services on a global basis that help resolve customer issues. At the same time, we will work to build a business portfolio that combines stability with growth potential.

2 Strategies to Achieve the Plan's Targets

We will start to roll out full-scale operation of new projects at home as well as overseas in business areas where we have already begun activities. While enhancing risk management and human resources management to match the diversification, specialization, and evolution of our business activities, we will strike a good balance between promotion of business expansion and enhancement of management control. To achieve its goals, the plan sets out two pillars, "growth strategy" and "business infrastructure reinforcement strategy." We will steadily and continuously put these strategies into action.

Business Targets

The target values for key business indicators under the new Medium-Term Management Plan are set out as follows:

	Year ended March 31, 2014	Limitless Evolution Year ending March 31, 2017
Consolidated net income	¥37.6 billion	Over ¥45 billion
Share of overseas operating assets to total consolidated operating assets	21.3%	30%

Growth Strategy

1 Evolve business models

We will aggressively implement four business models, pursuing service provision and business participation in addition to our core businesses of corporate finance and asset finance.

2 Accelerate international business

We will extend the competitive edge that we have built up through business operations in Japan to overseas markets, adapting ourselves flexibly to the economic and industrial environment and the customer and market needs.

1 2

For the evolution of business models and acceleration of international business development, we will target the seven business areas listed below as key business segments.

3 Create Group synergies

We will aim to maximize top-line profit by effectively and aggressively utilizing the functions and wide-ranging sales channels available through our Group companies.

4 Continuously create new businesses

We will continuously create new businesses in growth sectors in both the domestic and overseas markets, mainly in the services provision and business participation sectors, by combining our Group functions with the expertise of outside business partners.

5 Promote non-organic growth strategy

We will promote a non-organic growth strategy that contributes to expanding our customer base and enhancing our functions in both the domestic and overseas markets.

Limitless

Business Infrastructure Reinforcement Strategy

1 Enhance management infrastructure

We will establish a risk management system that enables us to undertake independent and proactive risk control in a broad range of risk scenarios and business models. We will also further enhance our portfolio management.

2 Put in place a globalization-adapted operational infrastructure

We will enhance our international business operational infrastructure by developing and enhancing human resources, improving the self-sufficiency and autonomy of overseas entities, and maintaining the full support of each corporate division.

3 Intensify Group management

We will work to improve operational efficiency by deepening collaboration to create synergies and promoting Group-wide strategies, as well as ensuring effective utilization of management resources.

4 Reinforce human resources management

We will work to recruit and develop diverse human resources to match our comprehensive operations and ensure effective utilization of management resources. Moreover, we will ensure appropriate systems for performance evaluation and appropriate terms of employment.

5 Encourage a free, open, and dynamic corporate ethos

We will foster a free, open, and dynamic corporate ethos to maintain and improve individual motivation in a workplace with diverse values. We will also promote organizational reform toward a more challenge-friendly corporate culture.

6 Strengthen and make strategic use of IT infrastructure

We will work to improve operational stability and efficiency by strengthening and making strategic use of IT systems and telecommunications infrastructure.

7 Earn firm trust

We will continue to aim for sustainable growth by further strengthening our internal control system and building strong bonds of trust with customers, business partners, and the market.

Evolution

01 Further development of our global asset business

Expansion from the core business domains of aircraft and marine vessels to aircraft engines, containers, and railroad freight cars

Mitsubishi UFJ Lease & Finance is proactively expanding its global asset business, which deals in aircraft, marine vessels, containers, railroad freight cars, and other assets with high marketability and high value in the global market.

In January 2013, we expanded our aircraft leasing business by acquiring the entire equity interest in JSA International Holdings, L.P. (JSA), whose business portfolio includes the major U.S. aircraft leasing company Jackson Square Aviation, LLC. This was followed in November 2013 by our launch of a full-scale autoleasing business in Indonesia through a joint project with one of the country's major vehicle rental companies, PT. Takari Sumber Mulia.

Carrying on from these initiatives, in May 2014, we concluded a basic agreement to acquire all the outstanding shares of the major aircraft engine leasing company Engine Lease Finance Corporation, and all the equity interest in Beacon Intermodal Leasing, LLC (BIL), which operates a worldwide marine container leasing business. We also agreed on a strategic operational alliance with the major U.S. railroad freight car leasing company Greenbrier Leasing Company LLC. Going forward, we will continue to actively develop an optimal business platform that can adapt to the distinctive character of our individual assets and business models.

Aircraft Business

Due to the expansion in demand for passenger air transportation in emerging countries and the rise of low-cost carriers (LCCs), strong growth in the aircraft leasing industry is expected.

Following our acquisition of JSA in 2013, we have promoted post-merger integration by introducing the Japanese Sarbanes-Oxley Act (J-SOX) guidelines at the new subsidiary and working to harmonize our corporate cultures, thus developing a system that will achieve a high level of synergy between our companies. In addition, our Ireland-based aircraft leasing subsidiary has been integrated into the global JSA brand, creating a fully fledged tripolar system with bases in the United States, Europe, and Japan. As a result, the JSA Group made a major contribution to the increase in the consolidated profit of the Mitsubishi UFJ Lease & Finance Group for the fiscal year ended March 31, 2014.

Business Platform of the Aircraft Leasing Business

Marine Vessel and Container Business

In our marine vessel leasing operations, we undertake stringent screening before committing to a contract. This is a distinctive feature of our business, which enables us to maintain appropriate risk control even amid the strongly fluctuating conditions of the marine transportation market. In the leasing business for containers—a product with high marketability and broad liquidity—we have been participating since 2010 through a joint venture with BIL. Containers play a very important role in the growing international transportation market and are an attractive investment due to the long-term stable cash flow and the wide secondary market.

After completion of the planned procedures to acquire BIL, we will have established a system enabling us to benefit more strongly from advantages of scale and market expertise in the container business sector. Because containers are closely linked to marine vessel transportation, strong synergies can also be expected in our marine transportation sector as a whole.

02 Overseas rollout of the Group's long-standing expertise from domestic operations

Delivering the same high-quality services globally as in Japan

Autoleasing Business

Our overseas autoleasing business started in the 1990s with the launch of operations in Thailand, followed by capital participation in Turkey's largest domestic autoleasing company in 2008. Since then, we have continued to pursue initiatives in areas with a strongly growing automobile market. In Indonesia, which is a strategic business area for the ASEAN market where increasing automobile demand and strong economic growth are expected, we launched an autoleasing business in 2013 through a joint project with a major automobile rental company with more than 30 years' experience in the local market.

Used Machinery Trading

Based on its highly reliable performance and its efficiency, used machinery and medical equipment originally manufactured by Japanese corporations enjoy a good reputation and attract solid demand, especially in the Asian market. Mitsubishi UFJ Lease & Finance has access to used equipment trading companies within its Group that have high-level expertise in various business fields.

In 2012, a subsidiary handling used machine tools established a business base in Thailand and started sales to Japanese companies that are setting up local operations. The Group aims to support wide-ranging corporate capital expenditure by not only providing finance at the installation stage but also offering various functions at the maturity or disposal stage.

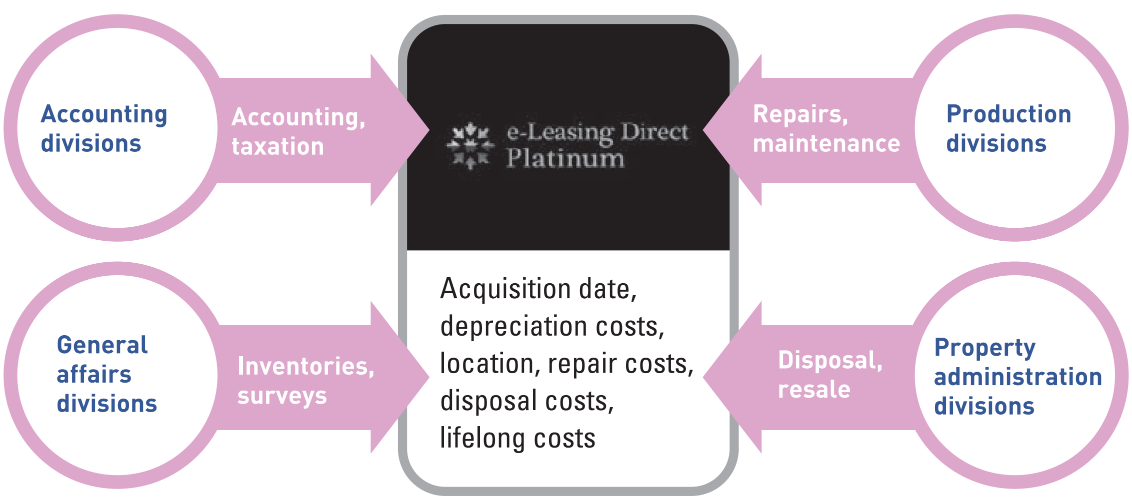
Machine yard

Asset Management Service

"e-Leasing Direct" is an original and innovative asset management service. Launched ahead of competitor asset management systems, it offers a one-stop online solution for all operations from lease contract procedures to asset management, cost control, and obtaining of data on financial results. We are currently extending this service to overseas-based customers, focusing on Thailand, Indonesia, and other Asian countries. In 2013, we also began operating the "e-Leasing Direct Platinum" service in Asia, which enables management of both leased assets as well as all assets held by the customer.

As the number of Japanese companies expanding overseas increases, the importance of overseas bases is growing among our clients. This trend requires a more active approach to asset management for internal control purposes. Accordingly, we expect demand for these services to grow.

One-stop management through the "asset life log"




Solar power generation site

Enhancement of Eco- and Energy-Related Business Fields

Mitsubishi UFJ Lease & Finance is focusing on the eco-related business as a key sector, and has moved to support corporate environmental activities by rolling out a diverse range of businesses, including emissions credit-related services, the ESCO business, Green Lease, and eco-related finance. As part of these activities, we are promoting alternative energy initiatives and are offering services in the Japanese domestic market, where our activities have evolved from pure finance to include business participation. These efforts have achieved strong results thus far.

We are now promoting this business field in overseas markets as well. In Thailand, we are participating in a mega solar power generation business with a local partner enterprise. Also in Thailand, we have launched a joint environmental program with International Finance Corporation to provide finance for locally based energy-saving projects and new energy resources.

03 Putting in place business infrastructure to support growth, and creating an asset portfolio that minimizes risk

Stable fund raising and advanced portfolio management

Diversification of Funding Sources

Overseas operating assets as a share of total operating assets for the entire Group stood at more than 20% as of March 31, 2014. To continue with the active rollout of our overseas business and global asset business, stable fund raising in currencies other than the yen has therefore become indispensable.

Following its issue in 2011 of renminbi-denominated corporate bonds, in 2013 the Mitsubishi UFJ Lease & Finance Group issued bonds in U.S. dollars and Thai baht. Through these initiatives, we took timely steps to diversify our funding sources so as to support further development of our overseas business. We will continue to issue bonds on overseas markets periodically, monitoring the market environment to ensure stable funding based on secure liquidity.

Advanced Portfolio Management

Along with stable fund raising, advanced portfolio management is crucial for sustainable growth. We will aim to create an asset portfolio that maximizes return with minimum risk and to improve capital efficiency. This will be targeted not by simply expanding the scale of our assets indiscriminately, but rather by combining advanced portfolio management with a highly developed risk management system.

As a specific means to this end, in April 2014 we established a new task force known as the Asset Finance Credit Assessment Department to carry out more appropriate and more advanced credit assessments in our asset business sector, including global assets such as aircraft and aircraft engines, containers, and railroad freight cars. In addition, we will exert firm control of risks inherent in overseas operations to ensure stable conduct of our business activities.

CORPORATE SOCIAL RESPONSIBILITY

Our Three Solutions to Tackle Issues in Society

In our daily lives, we face a variety of serious issues. These wide-ranging problems include resource- and energy-related issues, the problem of global warming caused by increasing greenhouse gas emissions, and difficulties with aging public infrastructure.To help resolve these issues, we are taking practical action in unique ways that make the most of our expertise.

PFI Business

01 Private-sector resources help to renew the aging public infrastructure built during Japan's postwar boom period

Educational institutions, government buildings, water purification facilities, and school kitchen facilities are examples of public facilities and infrastructure that bring safety and security to our daily lives. But many of the facilities built during Japan's strong economic growth period from the 1950s to the 1970s have become aged and outdated. In recent years, there has been growing interest in private finance initiatives (PFIs) as a way to utilize private-sector funds and expertise to answer the need for social capital provision.

The Japanese government, which sees great potential in using private-sector expertise to renew social infrastructure, has identified the widespread use of PFIs as one strand of its growth strategy.

The Cabinet Office's action plan for dramatic reform of PPPs/PFIs

The action plan, outlined below, foresees a ¥12 trillion investment in public-private partnership (PPP)/PFI projects in key areas over the next 10 years.

1	PFI projects benefiting from licenses to operate public facilities	¥2–3 trillion
2	PFI projects incorporating profit-making facilities that generate income to recover project costs	¥3–4 trillion
3	PPP projects based on private-sector proposals, e.g., effective utilization of publicly owned real estate	¥2 trillion
4	Other project types (introduction of performance-linking, bundling of multiple facilities in a single package, etc.)	¥3 trillion

Our project total to date (As of March 2014) **53**

Mitsubishi UFJ Lease & Finance has been actively involved in this business since the pioneering days when PFIs were first introduced in Japan. In many of the projects, we have acted as the lead company responsible for overall project coordination.

CASE STUDY Renewal of the Kawai Water Purification Plant

The Kawai Water Purification Plant in Yokohama City, Kanagawa Prefecture, was an aging facility built in 1901. We used a PFI contract to completely renew the plant. The new facility is fitted with Japan's largest ceramic membrane filtration system. It also makes comprehensive use of IT systems and natural energy such as solar power, ensuring a reliable and continuous water supply of improved quality to local communities. We will remain actively involved in the project for the next 20 years.

Aerial view of Kawai Water Purification Plant

Interior of the membrane filtration plant

Name of the facility	Kawai Water Purification Plant "Cerarokka"
Start of operation	April 2014

Eco- and Energy-Related Business

02 Support for energy-efficient facilities realizes energy-saving operation

With the price of fossil fuel-based energy rising daily, switching to energy-saving operation is becoming increasingly important for office buildings, factories, hospitals, and other facilities that consume large amounts of energy.

For customers who want to reduce energy consumption and associated costs while maintaining levels of amenity and convenience, we deliver inclusive energy-saving packages through our ESCO business and related environmental solutions.

ESCO Business

This is a service that proposes comprehensive energy-saving packages to office buildings, factories, hotels, hospitals, and other facilities to help reduce the environmental impact and costs.

First we assess the upgrading work required to convert the customer facilities to an energy-saving operation. Then we present a comprehensive package combining the necessary technology, equipment, and financing with energy-saving guarantees and maintenance and management services. We are also making efforts to expand the service overseas, as part of which we have joined the ESCO Committee of China Energy Conservation Association (EMCA), China's equivalent of the Japan Association of Energy Service Companies.

Energy service company (ESCO)

Our project total to date (As of March 2014) **430**

CASE STUDY Converting the nation's street lighting to LEDs

The majority of Japan's 10 million security streetlights run on old-style incandescent or fluorescent light fittings. Converting all of these to LED operation would achieve an estimated CO_2 reduction of around 430,000 tons. Our ESCO business is contributing to this reduction by working on the conversion to LED of security streetlights in a number of areas, including Niigata, Gunma, and Kanagawa prefectures. We plan to introduce LED lighting in other local government areas.

Myoko City, Niigata Prefecture

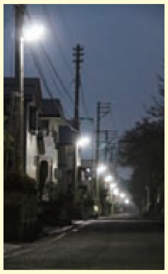
Approximately 5,000 LED security streetlights installed throughout the city area

CO_2 reduction (FY3/14 results) **110.7 t/kWh**

Yugawara Town, Kanagawa Prefecture

Approximately 3,300 LED security streetlights installed throughout town area

CO_2 reduction (Projected figure) **185.0 t/kWh**



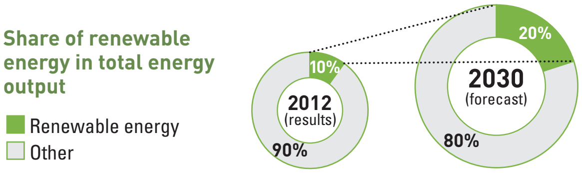
LED security streetlighting (Niigata Prefecture)

03 Renewable energy projects with low environmental impact help realize a low-carbon society

Securing a safe and reliable energy supply is an important step toward realizing a low-carbon society. Since the Great East Japan Earthquake of 2011, diversification of energy sources has been recognized in Japan as an important task that must be tackled urgently.

Compared to fossil fuels such as petroleum and coal, renewable energies based on biomass or solar, hydro, and wind power reduce environmental impact, and have attracted growing attention as sustainable energy sources. Since the introduction of feed-in tariffs (FITs) for renewable power generation in 2012, related projects have developed rapidly. Strong growth is forecast to continue in the number of electricity generation facilities that produce renewable energy.

Share of renewable energy in total energy output



Source: Prepared in-house with reference to "Strategic Energy Plan of Japan" and "Energy Supply and Demand in 2030" by the Agency for Natural Resources and Energy, and "Fiscal 2012 Electricity Generation by Power Source" by the Federation of Electric Power Companies of Japan.

Eco-related finance

We provide a wide range of services and functions that cater to the eco-related needs of business. The projects we support, with a close eye to business viability, range from upgrading of waste treatment facilities to installation of solar panels or wind power facilities to generate renewable energy. As well as providing the financial services that are one of our areas of special expertise, we have advanced into other new and challenging business fields, such as operating electricity generation projects in business partnerships with customers.

CASE STUDY Solar power generation project with Mitsubishi Materials Corporation

We established an equally financed joint venture company with Mitsubishi Materials Corporation to launch a solar power generation project. This initiative was designed to make effective use of land owned by the Mitsubishi Materials Group and involved electricity generation schemes at four locations (Ibaraki, Fukui, Fukuoka, and Miyagi prefectures). The planned electricity generation capacity of the four facilities combined is 16.4MW.

Site area

Approximately 230,000 m^2 (total of four sites)

Electricity generation capacity

16.4 MW (total of four sites)

Start of operation

Sakuragawa City, Ibaraki Prefecture: December 2013
Fukui City, Fukui Prefecture: December 2013
Miyako County, Fukuoka Prefecture: April 2014
Kurihara City, Miyagi Prefecture: January 2015 (planned)

Solar power generation plant (Fukui Prefecture)

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 enhancing the Board of Directors and upgrading the internal audit system.

Corporate Governance Structure

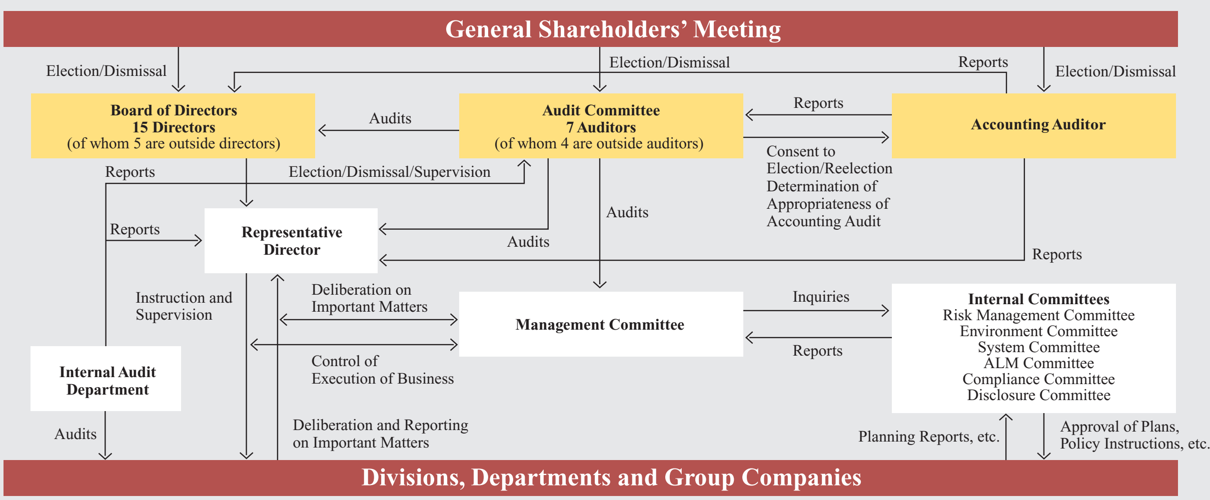
We work to improve the transparency and soundness of our business by enhancing corporate governance.

Mitsubishi UFJ Lease & Finance recognizes the importance of corporate governance and is working actively to strengthen this area.

We have a team of 15 directors, of whom five are outside directors. In addition to its regular meeting, the Board of Directors holds ad hoc meetings when necessary to promote flexible decision-making. We also operate an executive officer system, which separates management decision-making and oversight functions from business execution functions.

Of the seven corporate auditors, four are outside corporate auditors. The corporate auditors work closely with the accounting auditor, internal audit departments, and other entities to ensure management transparency and soundness.

Organization of Corporate Governance



Internal Committees

To ensure the appropriate operation of internal control system, 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

To strengthen its compliance system, Mitsubishi UFJ Lease & Finance holds a meeting of the Compliance Committee every three months to inspect, audit, and check compliance status. An officer with company-wide coordinating responsibility is appointed in the form of the Chief Compliance Officer, a role filled by the executive officer in charge of the Legal & Compliance Department, which provides compliance-related support, instruction, and training to the other corporate departments and branches. The implementation of these activities is verified regularly by the Internal Audit Department to increase the practical effectiveness of the compliance system.

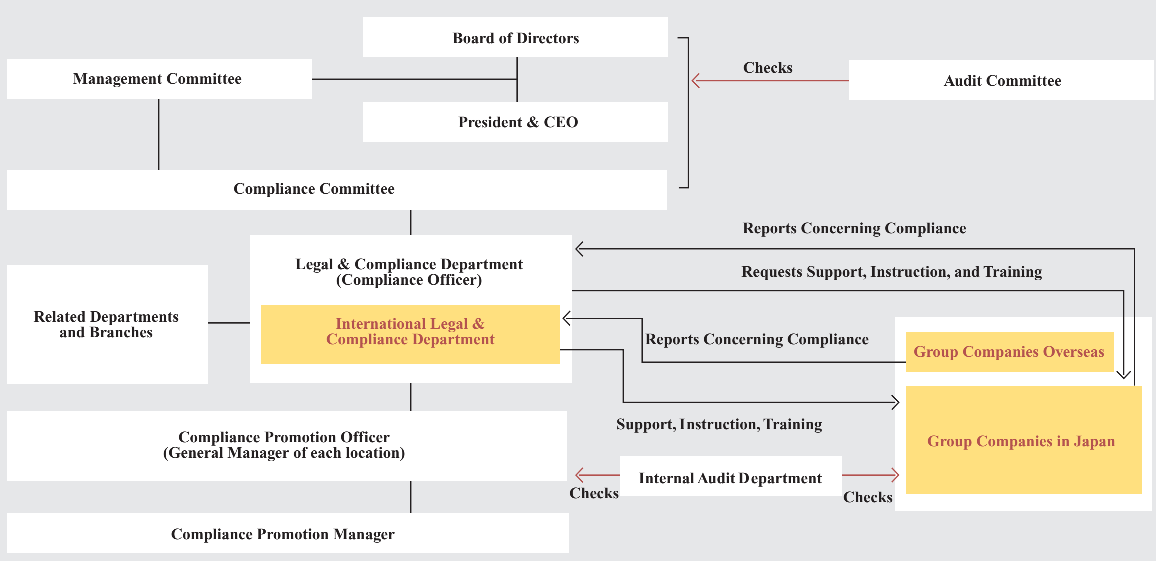
As an additional measure, we formulate a Compliance Risk Map to identify latent risk, which allows us to take swift action if an issue emerges.

Improving Compliance Awareness

At Mitsubishi UFJ Lease & Finance, each corporate department or branch appoints a Compliance Promotion Officer, who attends the Compliance Promotion Officer Training held each year. Promotion officers play the key role in keeping corporate departments and branches fully informed of issues around compliance with the Money Lending Business Act, the Financial Instruments and Exchange Act, and other relevant laws and regulations, while ensuring that compliance is implemented company-wide.

To boost the awareness of individual employees, we carry out regular training for each staff grade and e-learning-based self-checks. In the case of certain operations, the Legal & Compliance Department visits individual corporate departments and branches directly to check the status of business operations and takes other steps to implement and strengthen compliance on the ground.

Compliance Structure



Action on the Internal Control System

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

The relevant corporate departments and branches and Group companies report on the implementation status of internal control to the Accounting Department. Following an audit by the Internal Audit Department, this department presents an internal control implementation plan and report evaluating the effectiveness of internal control to the Disclosure Committee on a quarterly basis. These documents are also presented to the accounting auditor.

Additionally, employees receive a copy of the Internal Controls Handbook to ensure full compliance with the standards of behavior of the internal control system.

Internal Controls Handbook

Legal Study Meetings

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

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

Legal Study Meeting

International Financial Reporting Standards (IFRS)

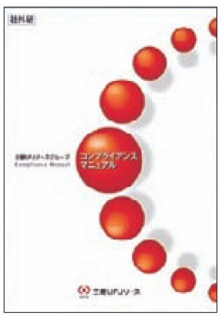
Currently, the International Accounting Standards Board (IASB) is engaged in a revision of the International Financial Reporting Standards (IFRS) that will also affect lease accounting. As a core member of the Japan Leasing Association, Mitsubishi UFJ Lease & Finance has taken part in panel discussions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

RISK MANAGEMENT

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

Group Management

We make stringent efforts to enforce Group management. A copy of the Compliance Manual is provided to all Group employees to familiarize them with our shared basic values and ethical approach, as set out in the Mitsubishi UFJ Lease & Finance Group Code of Ethics and Code of Conduct. We also jointly hold regular study meetings and seminars with Group companies to improve Group-wide management.



Compliance Manual

Code of Ethics

1. Establishing Trust
2. Taking a Customer-First Approach
3. Complying Strictly with Laws and Regulations
4. Respecting Human Rights and the Environment
5. Confronting Antisocial Forces


Group seminar for employees of Group company legal departments

Risk Management System

To minimize the impact on operations caused by natural or manmade disasters, accidents, and similar events, we have prepared a set of risk management rules as well as contingency plans and response manuals. Following the experience of the Great East Japan Earthquake, we have also set up a practical Business Continuity Plan (BCP), and we periodically carry out related drills to boost the effectiveness of the risk management system.

Risk Management Policy

- We fulfill our responsibilities as a corporate citizen.
- We act under full compliance.
- We work to maintain ongoing communication with customers, shareholders, and employees.

DBJ BCM Rating Acquired

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

In the fiscal year ended March 31, 2014, for the second consecutive year, Mitsubishi UFJ Lease & Finance obtained the highest rating under the BCM Rating system of DBJ.

DBJ BCM Rating certificate

Action on Information Security

As part of reinforcement of its information security management system, Mitsubishi UFJ Lease & Finance sets out information security management rules and manuals. Procedures include rules for the use, management, and disposal of information.

In the area of personal information protection, we have established a personal information protection policy, a set of personal information protection rules, and a personal information protection manual for employee education. These help to ensure that data are handled appropriately in line with relevant legislation.

We also regularly carry out information security audits, checks on employee awareness, and other measures as part of a continuous program of in-house education to ensure implementation.

BOARD OF DIRECTORS, CORPORATE AUDITORS AND EXECUTIVE OFFICERS (as of June 27, 2014)

Board of Directors

Chairman	**Ryuichi Murata**
President & CEO	**Tadashi Shiraishi***
Managing Directors	**Kazuo Seki***
	Koichi Sakamoto*
	Nobuyoshi Ishii*
	Yasuyuki Sakata*
	Kiyoshi Tada*
	Tatsuhisa Takahashi*
	Hideki Kobayakawa*
	Tsuyoshi Nonoguchi*
Directors	**Teruyuki Minoura** Senior Advisor to the Board of Toyota Boshoku Corporation
	Eiichi Tanabe Executive Vice President of Mitsubishi Corporation Group CEO, Industrial Finance, Logistics & Development Group
	Tadashi Kuroda Managing Director ofMitsubishi UFJ Financial Group, Inc.
	Hajime Inomata President of Meiji Yasuda Life Foundation of Health and Welfare
	Toshio Haigou Managing Director of Nagoya Railroad Co., Ltd.

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

Corporate Auditors

Corporate Auditors	**Kaoru Matsumoto**
	Kunihiko Sato
	Keiji Funahashi
	Shota Yasuda
	Shoji Tokumitsu Chairman of the Board of Chukyo TV. Broadcasting Co., Ltd.
	Shinichiro Hayakawa Professor of The University of Tokyo, Graduate School of Arts and Sciences
	Shigeru Tsuburaya President of Mitsubishi UFJ Real Estate Services Co., Ltd.

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

Executive Officers

Managing Executive Officers	**Naoki Sato**
	Tetsuo Kasuya
	Akira Hane
	Yuzuru Suzuki
	Hiroto Yamashita
	Yoshiaki Yamamoto
	Takeo Kudo
	Takatoshi Haruna
Executive Officers	**Shinichi Hongo**
	Naohito Suzuki
	Masaki Komoro
	Kazuhide Yamauchi
	Hiroshi Mii
	Kazuo Shibayama
	Haruhiko Honda
	Naoki Matsumuro
	Shuji Miake
	Hiroshi Nishikita
	Masaki Mizutani
	Osamu Muramoto

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

FINANCIAL INFORMATION

2014

For the year ended March 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Results

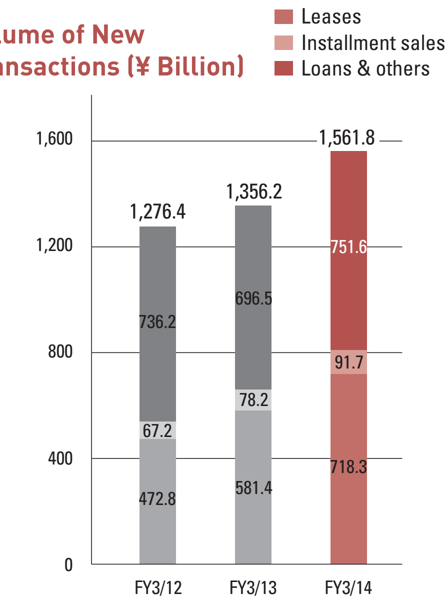
The fiscal year ended March 31, 2014 saw signs of recovery in Japan's domestic economy led by the economic and fiscal policies promoted by the government. However, reflecting a slackening of growth in the emerging nations that had been the driving force of the global economy thus far, there was an overall lack of vitality in the Company's operating environment.

To respond to this challenging situation, through its Medium-Term Management Plan, **Vision 2013**, which ended in the fiscal year under review, Mitsubishi UFJ Lease & Finance put into execution the strategies and measures set out in the plan, including the expansion of functions in the value chain and the acceleration of the global rollout, bringing together the capabilities and knowledge of the entire Group. Especially, on the sales front, by delivering a wide range of value-added products and services, the Company worked to respond proactively to capital expenditure-related demand in domestic and overseas markets.

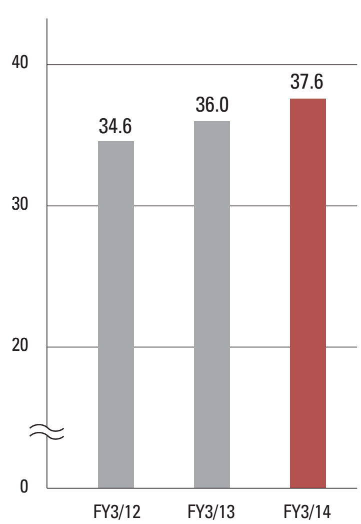
As a result, the volume of new transactions during the fiscal year ended March 31, 2014 showed year-on-year growth of 15.2%, reaching ¥1,561.8 billion. The volume of new transactions also posted year-on-year increases in every business, growing by 23.5% in the leasing business to ¥718.3 billion, by 17.2% in the installment sales business to ¥91.7 billion, by 4.1% in the loans business to ¥701.9 billion, and by 125.8% in other businesses to ¥49.7 billion.

Consolidated revenues for the fiscal year ended March 31, 2014 increased by ¥19.6 billion or 2.8% to ¥717.7 billion. Gross profit expanded by ¥10.6 billion or 9.0% to ¥128.6 billion, operating income rose by ¥5.2 billion or 8.8% to ¥65.2 billion, and net income improved by ¥1.6 billion or 4.5% to ¥37.6 billion. All income levels recorded all-time-high performance. In particular, consolidated net income posted a record result for the third consecutive year.

Volume of New Transactions (¥ Billion)



Net Income (¥ Billion)



Financial Position

As of March 31, 2014, the total assets of Mitsubishi UFJ Lease & Finance stood at ¥4,497.5 billion, an increase of ¥319.7 billion over the previous fiscal year-end. Due among other factors to the increase in net income, total equity expanded by ¥66.1 billion from the previous fiscal year-end to ¥534.2 billion, driving the equity ratio up by 0.7 percentage point to 11.4%. The balance of interest-bearing debt rose by ¥169.1 billion to ¥3,484.4 billion.

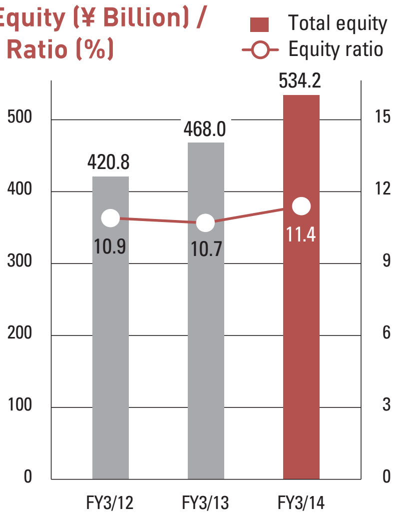
The main items in cash flows from operating activities were inflows of ¥66.8 billion in income before income taxes and minority interests, ¥111.9 billion in non-cash expenses relating to leased assets—specifically depreciation and amortization as well as disposal and sale of leased assets—and ¥47.2 billion from decreases in loan receivables, operating securities, and investment in private equity. Outflows included ¥213.7 billion used for purchase of leased assets and ¥89.8 billion used for increases in lease receivables and investments in leases. The result of these and other movements was a net cash outflow of ¥41.7 billion, compared with a net outflow of ¥63.4 billion in the previous fiscal year.

Investing activities provided net cash of ¥8.7 billion compared to a net outflow of ¥102.3 billion in the previous fiscal year. Cash used consisted mainly of ¥9.8 billion for acquisition of newly consolidated subsidiaries and ¥4.6 billion for purchase of investment securities. This was balanced by inflows including ¥22.1 billion from sales and redemption of investment securities.

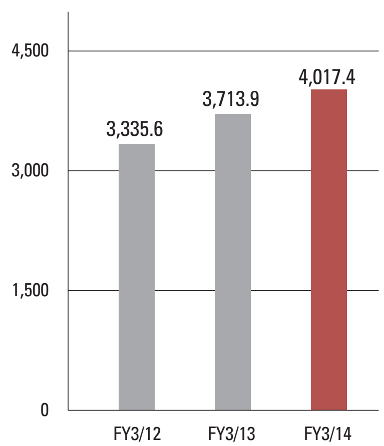
Financing activities provided net cash of ¥77.7 billion compared with a net inflow of ¥183.5 billion in the previous fiscal year. Direct financing such as corporate bonds and commercial paper provided net proceeds of ¥101.2 billion, while indirect financing such as bank loans provided net payments of ¥16.6 billion. Among the main outflows was ¥5.9 billion in cash dividend paid.

As a result of these movements, cash and cash equivalents as of March 31, 2014 stood at ¥120.5 billion, an increase of ¥47.5 billion or 65.2% from the previous fiscal year-end.

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



Operating Assets (¥ Billion)



BUSINESS AND RELATED RISKS

The Mitsubishi UFJ Lease & Finance Group engages in business activities mainly in the field of leases, installment sales, and finance. The Group is exposed to various risks. The primary risks are credit risk (delinquency and insolvency by 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. Detailed reports on risk factors are made to the committee, which then makes decisions on response policies against these risks and takes other measures to prevent risk from emerging or to facilitate a versatile response when it does emerge.

The forward-looking statements herein are based on judgments made by the Group as of the end of the consolidated fiscal year ended March 31, 2014 and may differ from actual outcomes due to changes in the external environment and other factors. Being aware of these risks, the Group has put in place the necessary functions for risk management and strives to avoid risk or to minimize its impact when it occurs.

01 Credit Risk

The Mitsubishi UFJ Lease & Finance Group is exposed to credit risk arising from non-payment of lease or installment sales fees or similar due to a bankruptcy or equivalent situation in the counterparty's organization.

In response, the Group operates a credit assessment system for each individual transaction, including assessment of country risk, and implements a careful screening process. After entering into a transaction, the Group continues to monitor both the credit and market conditions and takes any necessary action as appropriate. In the event of a customer default or similar cases, the Group takes measures to avert loss, for instance by selling the lease property or other assets or by setting up a secondary lease.

The Group takes further measures to analyze and quantify the potential credit risk in its portfolio using external data on corporate bankruptcy trends, in-house calculations of the likelihood of bankruptcy based on individual corporate credit ratings, or annual data on leased property value fluctuation based on the unique expertise we have acquired through long-term operation. This quantitative approach to credit risk enables us to maintain stable operations and management. We also make use of the relevant data to map out our business strategies and to promote portfolio management, in which the final aim is to maximize return with minimum risk.

02 Interest Rate Fluctuation Risk

The Mitsubishi UFJ Lease & Finance Group is exposed to interest rate fluctuation risk arising from imbalances between assets and liabilities.

To manage the interest rate fluctuation risk appropriately, the Group carries out constant monitoring of not only interest rate movements, but also any imbalances in interest conditions or in the duration between invested assets and financing liabilities. The interest rate fluctuation risk is monitored at the quarterly meeting of the ALM (Asset Liability Management) Committee, composed of directors and managers of relevant departments. The ALM Committee reviews market conditions, analyses the asset and liability portfolio, and makes policy decisions on risk management, new fund procurement, and related matters.

03 System Change Risk

The Mitsubishi UFJ Lease & Finance Group is exposed to system risk arising from changes or amendments to legislation, taxation, accounting, or other systems.

The Group operates its various finance businesses based on existing systems. In the event of a material change in these systems, the Group could be adversely affected.

04 Risk from Natural Disaster

Earthquake, torrential rain, flood, or other natural disasters could disrupt our business activities or related operations. To prepare for such events, 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 adversely affected by disturbance of the smooth conduct of business or other negative consequences.

05 Risk Relating to Strategic Alliances and Corporate Acquisitions

To achieve sustainable growth as a comprehensive finance company which leads the industry, not only do we strengthen and expand the functions we provide, but we also actively promote alliances, acquisitions, and related strategies. In the case of such alliances and acquisitions, factors such as system changes or changes in the external environment may make it impossible to maintain the alliance relationship, while the acquisitions may fail to achieve the expected benefit. Moreover, planned alliances or acquisitions may be delayed or fail to be implemented due to various reasons, and unexpected costs may occur.

06 Other Risk

Besides 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 a critical factor in 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 operation.

Consolidated Balance Sheets

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Assets			
Current assets:			
Cash and cash equivalents (Notes 11 and 21)	**¥120,540**	¥72,954	**$1,170,293**
Time deposits other than cash equivalents (Notes 11 and 21)	**6,995**	9,158	**67,916**
Marketable securities (Notes 4 and 21)	**26,789**	33,800	**260,092**
Receivables:			
Lease	**15,750**	14,008	**152,920**
Installment sales (Note 21)	**253,572**	245,557	**2,461,869**
Loans (Notes 11 and 21)	**1,288,819**	1,256,032	**12,512,808**
Lease receivables and investments in leases (Notes 7, 11 and 21)	**1,405,716**	1,286,146	**13,647,731**
Inventories (Note 5)	**3,076**	2,730	**29,869**
Deferred tax assets (Note 19)	**7,522**	9,310	**73,029**
Prepaid expenses and other	**67,885**	89,110	**659,083**
Allowance for doubtful receivables (Note 21)	**(10,728)**	(13,601)	**(104,159)**
Total current assets	**3,185,939**	3,005,208	**30,931,456**
Property and equipment:			
Leased assets — at cost	**1,256,968**	1,035,959	**12,203,580**
Accumulated depreciation	**(305,488)**	(268,194)	**(2,965,903)**
Net leased assets	**951,480**	767,765	**9,237,676**
Advances for purchases of leased assets	**926**	361	**8,995**
Total leased assets (Notes 6, 8 and 11)	**952,407**	768,126	**9,246,671**
Other operating assets — at cost	**7,799**		**75,725**
Accumulated depreciation	**(288)**		**(2,803)**
Net other operating assets	**7,510**		**72,922**
Own used assets — at cost	**14,869**	19,370	**144,368**
Accumulated depreciation	**(7,049)**	(7,716)	**(68,445)**
Net own used assets (Note 10)	**7,820**	11,653	**75,922**
Total property and equipment	**967,738**	779,780	**9,395,516**
Investments and other assets:			
Investment securities (Notes 4, 11 and 21):			
Unconsolidated subsidiaries and associated companies	**40,076**	36,043	**389,093**
Other securities	**142,763**	189,564	**1,386,050**
Goodwill (Note 9)	**86,839**	78,364	**843,101**
Long-term receivables (Note 21)	**33,223**	46,066	**322,559**
Deferred tax assets (Note 19)	**15,554**	14,779	**151,014**
Other (Note 11)	**37,861**	43,898	**367,584**
Allowance for doubtful receivables (Note 21)	**(12,494)**	(15,921)	**(121,301)**
Total investments and other assets	**343,824**	392,795	**3,338,103**
Total assets	**¥4,497,502**	¥4,177,784	**$43,665,076**

See notes to consolidated financial statements.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
Liabilities and Equity			
Current liabilities:			
Short-term loans from banks and other financial institutions (Notes 12, 18 and 21)	¥679,077	¥778,749	$6,592,986
Commercial paper (Notes 12 and 21)	762,300	806,200	7,400,970
Current maturities of bonds (Notes 12 and 21)	177,577	121,432	1,724,048
Current maturities of long-term loans (Notes 11, 12 , 18 and 21)	274,215	291,212	2,662,286
Current maturities of loans from the securitizations of the minimum future rentals on lease contracts (Notes 11, 12, and 21)	54,755	66,385	531,609
Current maturities of lease obligations (Note 12)	13,004	11,185	126,257
Notes and accounts payables — trade (Note 21)	129,319	86,857	1,255,525
Income taxes payable	12,615	9,612	122,481
Deferred profit on installment sales (Note 21)	26,253	28,857	254,891
Other (Notes 11 and 19)	104,450	96,700	1,014,078
Total current liabilities	2,233,568	2,297,191	21,685,135
Long-term liabilities:			
Bonds, less current maturities (Notes 12 and 21)	427,204	355,885	4,147,619
Long-term loans from banks and other financial institutions, less current maturities (Notes 11, 12 , 18 and 21)	999,692	822,170	9,705,749
Loans from the securitizations of the minimum future rentals on lease contracts, less current maturities (Notes 11, 12 and 21)	109,657	73,259	1,064,635
Lease obligations, less current maturities (Note 12)	41,505	33,427	402,965
Liability for retirement benefits (Note 13)	6,430	2,987	62,430
Asset retirement obligations	13,016	12,525	126,372
Deferred tax liabilities (Note 19)	17,102	13,509	166,044
Other (Note 11)	115,074	98,765	1,117,229
Total long-term liabilities	1,729,683	1,412,530	16,793,045
Commitments and contingent liabilities (Notes 14 and 22)			
Equity (Notes 15 and 26)**:**			
Common stock — authorized, 3,200,000,000 shares in 2014 and 2013; issued, 895,834,160 shares in 2014 and 2013*	33,196	33,196	322,291
Capital surplus	166,776	166,783	1,619,188
Stock acquisition rights (Note 16)	899	712	8,728
Retained earnings	269,506	237,832	2,616,566
Treasury stock — at cost, 7,116,137 shares in 2014 and 7,202,460 shares in 2013*	(2,489)	(2,517)	(24,170)
Accumulated other comprehensive income:			
Net unrealized gain on available-for-sale securities	12,978	9,442	126,002
Deferred gain (loss) on derivatives under hedge accounting	910	(775)	8,835
Foreign currency translation adjustments	33,173	4,037	322,073
Defined retirement benefit plans	(2,223)		(21,590)
Total	512,726	448,713	4,977,924
Minority interests	21,524	19,348	208,971
Total equity	534,250	468,061	5,186,895
Total liabilities and equity	¥4,497,502	¥4,177,784	$43,665,076

*On April 1, 2013, Mitsubishi UFJ Lease & Finance Company Limited split each share of its common stock, which were held by shareholders stated or recorded in the register of shareholders as of March 31, 2013, into ten (10) shares. Number of shares of common stock and treasury stock have been retrospectively adjusted to reflect the stock split for all periods presented.

See notes to consolidated financial statements.

Consolidated Statements of Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Revenues	**¥717,760**	¥698,155	**$6,968,544**
Costs (Note 18)	**589,086**	580,121	**5,719,290**
Gross profit	**128,673**	118,033	**1,249,253**
Selling, general, and administrative expenses (Note 17)	**63,395**	58,045	**615,486**
Operating income	**65,278**	59,987	**633,767**
Other income (expenses):			
Dividend income	**1,312**	1,126	**12,742**
Interest expense — net of interest income of ¥93 million ($910 thousand) in 2014 and ¥59 million in 2013 (Note 18)	**(2,956)**	(2,408)	**(28,705)**
Impairment loss (Note 10)	**(3,006)**		**(29,192)**
Other — net	**6,268**	3,760	**60,863**
Other income — net	**1,617**	2,477	**15,707**
Income before income taxes and minority interests	**66,895**	62,465	**649,475**
Income taxes (Note 19)**:**			
Current	**24,664**	27,518	**239,461**
Deferred	**2,544**	(3,005)	**24,701**
Total income taxes	**27,208**	24,512	**264,162**
Net income before minority interests	**39,687**	37,952	**385,312**
Minority interests in net income	**2,011**	1,913	**19,528**
Net income	**¥37,675**	¥36,038	**$365,783**

	Yen		U.S. Dollars
	2014	2013	**2014**
Amounts per share of common stock (Note 25)**:**			
Basic net income*	**¥42.40**	¥40.56	**$0.41**
Diluted net income*	**42.27**	40.45	**0.41**
Cash dividends applicable to the year*	**8.00**	6.50	**0.07**

*On April 1, 2013, Mitsubishi UFJ Lease & Finance Company Limited split each share of its common stock, which were held by shareholders stated or recorded in the register of shareholders as of March 31, 2013, into ten (10) shares. The figures of basic net income, diluted net income, and cash dividends applicable to the year have been retrospectively adjusted to reflect the stock split for all periods presented.

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Net income before minority interests	**¥39,687**	¥37,952	**$385,312**
Other comprehensive income (Note 23)**:**			
Net unrealized gain on available-for-sale securities	**3,500**	5,947	**33,989**
Deferred gain on derivatives under hedge accounting	**1,685**	182	**16,365**
Foreign currency translation adjustments	**29,320**	1,850	**284,666**
Share of other comprehensive income in associates	**58**	86	**572**
Total other comprehensive income	**34,566**	8,066	**335,593**
Comprehensive income	**¥74,253**	¥46,018	**$720,905**
Total comprehensive income attributable to:			
Owners of the parent	**¥72,032**	¥43,910	**$699,343**
Minority interests	**2,220**	2,107	**21,562**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Thousands				
	Number of shares of common stock issued*	Common stock	Capital surplus	Stock acquisition rights (Note 16)	Retained earnings
BALANCE, APRIL 1, 2012	895,834	¥33,196	¥166,789	¥548	¥207,676
Net income					36,038
Cash dividends					(5,775)
Purchase of treasury stock (0 thousands of shares*)					
Disposal of treasury stock (66 thousands of shares*)			(5)		
Adjustment of retained earnings for newly consolidated subsidiaries					(106)
Net change in the year				164	
BALANCE, MARCH 31, 2013	895,834	33,196	166,783	712	237,832
Net income					**37,675**
Cash dividends					**(5,998)**
Purchase of treasury stock (11 thousands of shares)					
Disposal of treasury stock (98 thousands of shares)			**(7)**		
Adjustment of retained earnings for newly consolidated subsidiary and associated companies accounted for by the equity method					**(3)**
Net change in the year				**186**	
BALANCE, MARCH 31, 2014	**895,834**	**¥33,196**	**¥166,776**	**¥899**	**¥269,506**

	Common stock	Capital surplus	Stock acquisition rights (Note 16)	Retained earnings
BALANCE, MARCH 31, 2013	**$322,291**	**$1,619,256**	**$6,921**	**$2,309,056**
Net income				**365,783**
Cash dividends				**(58,237)**
Purchase of treasury stock (11 thousands of shares)				
Disposal of treasury stock (98 thousands of shares)		**(68)**		
Adjustment of retained earnings for newly consolidated subsidiary and associated companies accounted for by the equity method				**(36)**
Net change in the year			**1,806**	
BALANCE, MARCH 31, 2014	**$322,291**	**$1,619,188**	**$8,728**	**$2,616,566**

*On April 1, 2013, Mitsubishi UFJ Lease & Finance Company Limited split each share of its common stock, which were held by shareholders stated or recorded in the register of shareholders as of March 31, 2013, into ten (10) shares. Number of shares of common stock issued, purchase of treasury stock, and disposal of treasury stock have been retrospectively adjusted to reflect the stock split for all periods presented.

See notes to consolidated financial statements.

Millions of yen							
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
¥(2,540)	¥3,447	¥(960)	¥(4,603)		¥403,552	¥17,311	¥420,864
					36,038		36,038
					(5,775)		(5,775)
23					17		17
					(106)		(106)
	5,995	184	8,641		14,986	2,037	17,024
(2,517)	9,442	(775)	4,037		448,713	19,348	468,061
					37,675		**37,675**
					(5,998)		**(5,998)**
(6)					**(6)**		**(6)**
34					**27**		**27**
					(3)		**(3)**
	3,535	**1,685**	**29,135**	**¥(2,223)**	**32,318**	**2,175**	**34,494**
¥(2,489)	**¥12,978**	**¥910**	**¥33,173**	**¥(2,223)**	**¥512,726**	**¥21,524**	**¥534,250**

Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income						
Treasury stock	Net unrealized gain on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Foreign currency translation adjustments	Defined retirement benefit plans	Total	Minority interests	Total equity
$(24,440)	**$91,679**	**$(7,530)**	**$39,201**		**$4,356,437**	**$187,852**	**$4,544,289**
					365,783		**365,783**
					(58,237)		**(58,237)**
(63)					**(63)**		**(63)**
333					**264**		**264**
					(36)		**(36)**
	34,322	**16,365**	**282,871**	**$(21,590)**	**313,776**	**21,119**	**334,895**
$(24,170)	**$126,002**	**$8,835**	**$322,073**	**$(21,590)**	**$4,977,924**	**$208,971**	**$5,186,895**

Consolidated Statements of Cash Flows

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Operating activities:			
Income before income taxes and minority interests	**¥66,895**	¥62,465	**$649,475**
Adjustment for:			
Income taxes-paid	**(20,354)**	(29,500)	**(197,615)**
Depreciation and amortization	**89,240**	75,181	**866,415**
Amortization of negative goodwill	**(25)**	(25)	**(243)**
Reversal of allowance for doubtful receivables	**(7,075)**	(5,641)	**(68,695)**
Loss on disposals and sales of leased assets	**32,020**	18,717	**310,875**
Impairment loss	**3,006**		**29,192**
Changes in assets and liabilities:			
Increase in receivables	**(6,666)**	(31,211)	**(64,726)**
Increase in lease receivables and investments in leases	**(89,873)**	(48,943)	**(872,561)**
Decrease in operating securities and investments in private equity securities	**41,823**	39,227	**406,053**
Increase (decrease) in trade payables	**41,529**	(4,572)	**403,199**
Increase (decrease) in interest payable	**541**	(436)	**5,261**
Purchases of leased assets	**(213,780)**	(136,895)	**(2,075,538)**
Other — net	**20,941**	(1,774)	**203,313**
Total adjustments	**(108,672)**	(125,872)	**(1,055,070)**
Net cash used in operating activities	**(41,776)**	(63,407)	**(405,595)**
Investing activities:			
Purchases of own used assets	**(2,654)**	(3,262)	**(25,767)**
Purchases of investment securities	**(4,630)**	(3,327)	**(44,956)**
Proceeds from sales and redemption of investment securities	**22,124**	7,350	**214,805**
Payments for acquisition of newly consolidated subsidiaries	**(9,877)**	(103,059)	**(95,902)**
Payments into time deposits	**(3,355)**	(1,478)	**(32,581)**
Proceeds from withdrawal of time deposits	**4,010**	1,000	**38,941**
Other — net	**3,122**	404	**30,314**
Net cash provided by (used in) investing activities	**8,739**	(102,372)	**84,853**
Financing activities:			
Net (decrease) increase in short-term loans	**(126,706)**	169,051	**(1,230,164)**
Net (decrease) increase in commercial paper	**(43,900)**	86,900	**(426,213)**
Proceeds from loans from the securitizations of the minimum future rentals on lease contracts	**177,666**	196,903	**1,724,912**
Repayments of loans from the securitizations of the minimum future rentals on lease contracts	**(152,897)**	(161,473)	**(1,484,440)**
Proceeds from long-term loans	**559,636**	275,746	**5,433,367**
Repayments of long-term loans	**(449,535)**	(414,168)	**(4,364,421)**
Proceeds from issuance of bonds	**241,406**	235,010	**2,343,755**
Redemption of bonds	**(121,002)**	(198,100)	**(1,174,776)**
Cash dividends paid	**(5,998)**	(5,775)	**(58,237)**
Other — net	**(940)**	(532)	**(9,130)**
Net cash provided by financing activities	**77,729**	183,560	**754,651**
Foreign currency translation adjustments on cash and cash equivalents	**2,893**	985	**28,088**
Net increase in cash and cash equivalents	**47,585**	18,766	**461,998**
Increase in cash and cash equivalents resulting from change in the scope of consolidated subsidiaries		2,422	
Cash and cash equivalents, beginning of year	**72,954**	51,765	**708,295**
Cash and cash equivalents, end of year	**¥120,540**	¥72,954	**$1,170,293**

See notes to consolidated financial statements.

Additional information

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

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

	Millions of yen
	2013
Current assets	¥10,694
Fixed assets	275,772
Goodwill	40,784
Current liabilities	(21,234)
Fixed liabilities	(191,682)
Foreign currency translation adjustment	(7,142)
Acquisition cost	107,192
Cash and cash equivalents	(4,133)
Net cash paid for acquisition of JSA	¥103,059

Notes to Consolidated Financial Statements

Mitsubishi UFJ Lease & Finance Company Limited and Consolidated Subsidiaries

Years ended March 31, 2014 and 2013

1. Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2013 consolidated financial statements to conform to the classifications used in 2014.

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 ¥103 to USD1, the approximate rate of exchange at March 31, 2014.

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.

Japanese yen figures less than a million yen and U.S. dollars figures less than a thousand dollar are rounded down to the nearest million yen and thousand dollars, except for per share data. As a result, totals in millions of yen and thousands of U.S. dollars may not add up exactly.

2. Summary of Significant Accounting Policies

a. Consolidation — The consolidated financial statements as of March 31 2014, include the accounts of the Company and its 216 (197 in 2013) significant subsidiaries.

Under the control and influence concepts, 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 one (none in 2013) unconsolidated subsidiary and eight (five in 2013) associated companies are accounted for by the equity method.

In September 2006, the Accounting Standards Board of Japan (ASBJ) issued Practical Issues Task Force No. 20, *Practical Solution Application of Control Criteria and Influence Criteria to Investment Associations*. The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, silent partnerships, and other entities with similar characteristics. The Company applied this practical solution and consolidated four such collective investment vehicles in 2014 (three in 2013).

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

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

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

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

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

The consolidated financial statements as of March 31, 2014, include only the balance sheet of PT.Takari Kokoh Sejahtera since the deemed acquisition date was December 31, 2013, and the Company consolidated PT.Takari Kokoh Sejahtera using its financial statements as of December 31, 2013.

Koken Chemical Co., Ltd. ("Koken"), acquired by a consolidated subsidiary, which is a private equity firm of the Company was not consolidated though the Company acquired a majority of its voting rights for the years ended March 31, 2014 and 2013. The reason was the Company had not intended to control it as an owner, but to improve its business for investment purpose through the consolidated subsidiary.

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

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

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

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

Cash equivalents include time deposits, all of which mature or become due within three months of the date of acquisition. Time deposits in trust, restricted for payment of maintenance of leased assets and reserved to refund security deposits under lease contracts to lessees are not included in cash equivalents.

d. Lease Accounting — In March 2007, the ASBJ issued ASBJ Statement No. 13, *Accounting Standard for Lease Transactions*, which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

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

The Company and its consolidated domestic subsidiaries applied the revised accounting standard effective April 1, 2008.

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

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

e. Revenue Recognition

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

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

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

The Companies follow the industry practice of including installment receivables due after one year in current assets. Receivables due after one year amounted to ¥174,637 million ($1,695,513 thousand) in 2014 and ¥171,389 million in 2013.

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

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

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

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

The Companies have operating securities to gain interest or dividend income. The amount of operating securities included in "Marketable Securities" and "Investment Securities" were ¥26,634 million ($258,591 thousand) and ¥94,172 million ($914,296 thousand), respectively, as of March 31, 2014, and ¥32,806 million and ¥135,802 million, respectively, as of March 31, 2013. In addition, the Companies record income from those securities as "Revenues" in the consolidated statements of income.

As mentioned in Note 2. a., the Companies also have investments in private equity (Koken). Investments in private equity, included in "Investment Securities," as of March 31, 2014 and 2013, were ¥2,498 million ($24,255 thousand) and ¥2,498 million, respectively. In addition, the Companies record income from selling those securities as "Revenues" in the consolidated statements of income.

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

h. Property and Equipment
Leased Assets — See Note 2.d.
Other operating assets — Property and equipment held for the Companies' operating use other than leased assets are stated at cost. Depreciation is computed based on the estimated useful lives of the assets under the straight-line method.
Own used assets — Property and equipment held for the Companies' own use are stated at cost. Depreciation is computed based on the estimated useful lives of the assets under the declining-balance method while the straight-line method is applied to assets held by consolidated foreign subsidiaries and buildings acquired after April 1, 1998, by the Company and its consolidated domestic subsidiaries.

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

Buildings: 3 to 47 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 circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows (DCFs) from the continued use and eventual disposition of the asset or the net selling price at disposition.

j. Allowance for Doubtful Receivables —The allowance for doubtful receivables is stated at the amount considered to be appropriate based on the Companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding. The amounts of long-term receivables considered uncollectible were directly written off from the accounts. The amounts directly written off were ¥18,256 million ($177,249 thousand) and ¥18,313 million at March 31, 2014 and 2013, respectively.

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

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

Assumptions were set forth as follows:

Method of attributing expected retirement benefit to periods	Straight-line method
Amortization period of prior service cost	13 to 15 years
Recognition period of actuarial gain/loss	10 to 20 years

In May 2012, the ASBJ issued ASBJ Statement No. 26, *Accounting Standard for Retirement Benefits*, and ASBJ Guidance No. 25, *Guidance on Accounting Standard for Retirement Benefits*, which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

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

(b) Treatment in the consolidated statement of income and the consolidated statement of comprehensive income
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are 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.

(c) Amendments relating to the method of attributing expected benefits to periods and relating to the discount rate and expected future salary increases
The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases (see Note 2.r.).

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

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥6,295 million ($61,122 thousand) was recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥2,223 million ($21,590 thousand).

Retirement Allowances for Directors and Audit and Supervisory Board Members —Retirement allowances for directors and Audit and Supervisory Board members of certain consolidated domestic subsidiaries are recorded as a liability included in liability for retirement benefits in the consolidated balance sheets at the amount that would be required if all directors and Audit and Supervisory Board members retired at the consolidated balance sheet date.

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

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

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

o. Translation of Foreign Currency Accounts

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

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

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

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

All derivative transactions are utilized to hedge interest and foreign currency exposures incorporated within the Companies' businesses. Accordingly, market risk in these derivatives is basically offset by opposite movements in the value of the hedged assets or liabilities. The Companies do not hold or issue derivatives for trading or speculative 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 financial instruments are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value and gains or losses on the derivative transactions are recognized in the consolidated statements of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

All derivative transactions, except for interest rate swaps and currency interest rate swaps which qualify for hedge accounting and meet specific matching criteria, are assessed for their hedging effectiveness to verify whether hedge instruments offset interest rate risk or foreign exchange risk of hedged items in application of hedge accounting.

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

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

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

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

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

On April 1, 2013, the Company completed a ten-for-one stock split by way of a free share distribution based on the resolution of the Board of Directors' meeting held on December 20, 2012. The number of shares in the prior year and per share figures have been restated to reflect the impact of the stock split and to provide data on a basis comparable to the year ended March 31, 2014. Such restatements include calculations regarding the Company's weighted-average number of common shares, basic net income per share, diluted net income per share, stock option data of the Company's common stock, and cash dividends per share.

r. New Accounting Pronouncements

Accounting Standard for Retirement Benefits—As discussed in Note 2. k, the Company and certain consolidated domestic subsidiaries expect to apply the revised accounting standard relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases effective from the beginning of the annual period beginning on April 1, 2014.

The effect of applying the revised accounting standard is expected to decrease the liability for retirement benefits of the beginning of annual period beginning on April 1, 2014, by ¥4,228 million ($41,053 thousand) and increase the consolidated retained earnings by ¥2,721 million($26,421 thousand).

Accounting Standards for Business Combinations and Consolidated Financial Statements—On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, *Accounting Standard for Business Combinations*, revised ASBJ Statement No. 22, *Accounting Standard for Consolidated Financial Statements*, revised ASBJ Statement No.7, *Accounting Standard for Business Divestitures*, revised ASBJ Statement No. 2, *Accounting Standard for Earnings Per Share*, revised ASBJ Guidance No. 10, *Guidance on Accounting Standards for Business Combinations and Business Divestitures*, and revised ASBJ Guidance No. 4, *Guidance on Accounting Standard for Earnings Per Share*.

Major accounting changes are as follows:

Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

Presentation of the consolidated balance sheets

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

Presentation of the consolidated statements of income

In the consolidated statement of income, "net income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs," "presentation of the consolidated balance sheets" and "presentation of the consolidated statements of income" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation of the consolidated balance sheets and presentation of the consolidated statements of income. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" is effective for a business combination, which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination, which will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

The Company expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. Business Combination

On January 11, 2013, the Company acquired all of the outstanding equity interests of JSA International Holdings, L.P. (JSA) (country of incorporation: Cayman Islands) according to the equity purchase agreement executed on October 4, 2012. The consolidated financial statements as of March 31, 2013, include only the balance sheet of JSA since the deemed acquisition date was January 1, 2013, and the Company consolidated JSA using its financial statements as of December 31, 2012. The excess of the acquisition cost over the fair value of the net assets of JSA was ¥40,784 million at January 1, 2013, which was recognized as goodwill in the accompanying consolidated balance sheets and is amortized using the straight-line method over a period of 20 years.

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

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

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

The details of the acquisition cost were as follows:

		Millions of yen
Consideration	Consideration cash	¥105,344
Direct cost	Advisory costs and other expenses	1,848
Acquisition cost		¥107,192

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

	Millions of yen
Current assets	¥10,694
Leased assets, investments, other assets, and property and equipment	275,772
Total	¥286,467
Current liabilities	¥21,234
Long-term liabilities	191,682
Total	¥212,916

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

	Millions of yen
Total revenues	¥26,814
Operating income	5,287
Income before income taxes and minority interests	4,552
Net income	2,046

	Yen
Basic net income per share	¥2.30

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

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

Particular accounts related to the business combination are included in other current liabilities amounting to ¥3,426 million and other long-term liabilities amounting to ¥1,503 million as of March 31, 2013. These are mainly disbursement amounts of loan refinancing expenses estimated when the Company acquired JSA.

4. Marketable and Investment Securities

The carrying amounts of marketable and investment securities recognized in the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Marketable securities	**¥26,789**	¥33,800	**$260,092**
Investment securities:			
Unconsolidated subsidiaries and associated companies	**40,076**	36,043	**389,093**
Others	**142,763**	189,564	**1,386,050**
Total	**¥209,629**	¥259,408	**$2,035,236**

Marketable and investment securities as of March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Equity securities	**¥73,231**	¥67,527	**$710,981**
Debt securities	**59,648**	106,112	**579,114**
Trust fund investments and other	**76,749**	85,768	**745,140**
Total	**¥209,629**	¥259,408	**$2,035,236**

The carrying amounts and aggregate fair values of marketable and investment securities as of March 31, 2014 and 2013, were as follows:

	Millions of yen			
March 31, 2014	Cost	Unrealized gains	Unrealized (losses)	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**¥19,888**	**¥18,471**	**¥(339)**	**¥38,020**
Debt securities	**59,445**	**203**		**59,648**
Trust fund investments and other	**4,196**			**4,196**
Total	**¥83,530**	**¥18,674**	**¥(339)**	**¥101,866**

	Millions of yen			
March 31, 2013	Cost	Unrealized gains	Unrealized (losses)	Fair value
Securities classified as:				
Available for sale:				
Equity securities	¥23,444	¥14,977	¥(680)	¥37,741
Debt securities	97,201	381	(2)	97,580
Trust fund investments and other	8,195	6	(661)	7,541
Total	¥128,840	¥15,366	¥(1,344)	¥142,862

	Thousands of U.S. dollars			
March 31, 2014	Cost	Unrealized gains	Unrealized (losses)	Fair value
Securities classified as:				
Available for sale:				
Equity securities	**$193,093**	**$179,331**	**$(3,292)**	**$369,132**
Debt securities	**577,138**	**1,975**		**579,114**
Trust fund investments and other	**40,745**			**40,745**
Total	**$810,978**	**$181,306**	**$(3,292)**	**$988,992**

Marketable and investment securities whose fair value is not readily determinable as of March 31, 2014 and 2013, were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Investments in unconsolidated subsidiaries and associated companies	**¥38,286**	¥34,288	**$371,713**
Available for sale:			
Equity securities	**10,146**	10,276	**98,508**
Debt securities		8,532	
Trust beneficiary interests	**388**	407	**3,772**
Silent partnership and other	**58,941**	63,041	**572,249**
Total	**¥107,763**	¥116,545	**$1,046,243**

The proceeds from realized gains and losses of the available-for-sale securities, which were sold during the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Proceeds	**¥14,559**	¥13,677	**$141,358**
Realized gains	**336**	6,652	**3,268**
Realized (losses)	**(4)**	(179)	**(42)**

The impairment losses on marketable and investment securities recognized for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Equity securities	**¥26**	¥1,858	**$254**
Debt securities		2,068	
Trust fund investments and other	**4,897**	2,037	**47,547**
Total	**¥4,923**	¥5,964	**$47,801**

5. Inventories

Inventories as of March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Merchandise	**¥1,166**	¥849	**$11,330**
Real estate for resale	**1,909**	1,881	**18,539**
Total	**¥3,076**	¥2,730	**$29,869**

6. Investment Property

The Companies own certain rental properties, such as office buildings, commercial facilities, and rental residential properties, in major cities throughout Japan. The net of rental income and operating expenses for those properties was ¥7,039 million ($68,348 thousand) and ¥6,955 million for the fiscal years ended March 31, 2014 and 2013, respectively.

The carrying amounts, changes in such balances, and fair value of those properties as of March 31, 2014 and 2013, were as follows:

Millions of yen			
2014			
Carrying amount (1)			Fair value (3)
Beginning of year	Net increase (2)	End of year	End of year
¥196,741	**¥9,289**	**¥206,030**	**¥210,727**

Millions of yen			
2013			
Carrying amount (1)			Fair value (3)
Beginning of year	Net increase (2)	End of year	End of year
¥173,040	¥23,700	¥196,741	¥197,160

Thousands of U.S. dollars			
2014			
Carrying amount (1)			Fair value (3)
Beginning of year	Net increase (2)	End of year	End of year
$1,910,106	**$90,184**	**$2,000,291**	**$2,045,895**

Notes:

(1) Carrying amounts recognized in the consolidated balance sheets are net of accumulated depreciation and accumulated impairment losses, if any.

(2) Increases during the fiscal years ended March 31, 2014 and 2013, were primarily attributable to ¥14,408 million ($139,887 thousand) and ¥32,481 million from the acquisition of real estate, respectively.

(3) For fair value disclosure related to major properties, the Company obtains fair value using third-party real estate appraisers or by the DCF method. When changes in facts or circumstances indicate that there is no significant change in indices from the latest appraisal, the Companies use the fair value of these properties based on such 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 indices, or appropriate book value for certain depreciable assets or properties newly acquired in this fiscal year.

7. Lease Receivables and Investments in Leases

The aggregate annual maturities of the future rentals on lease receivables as of March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2014**	**2014**
2015	**¥103,078**	**$1,000,762**
2016	**83,163**	**807,414**
2017	**57,379**	**557,081**
2018	**37,937**	**368,328**
2019	**24,245**	**235,390**
Thereafter	**44,638**	**433,386**
Total	**¥350,443**	**$3,402,363**

Investments in leases as of March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Gross investments in leases	**¥1,295,512**	¥1,252,317	**$12,577,787**
Residual values	**46,764**	48,866	**454,025**
Unearned interest income	**(253,915)**	(260,784)	**(2,465,195)**
Total	**¥1,088,361**	¥1,040,400	**$10,566,617**

The aggregate annual maturities of the future rentals on investments in leases as of March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	**2014**	**2014**
2015	**¥333,117**	**$3,234,151**
2016	**271,560**	**2,636,508**
2017	**212,855**	**2,066,554**
2018	**157,713**	**1,531,202**
2019	**106,026**	**1,029,379**
Thereafter	**214,238**	**2,079,989**
Total	**¥1,295,512**	**$12,577,787**

As discussed in Note 2.d., the Company and its consolidated domestic subsidiaries applied the revised accounting standard for leases effective April 1, 2008. Due to this change, interest on finance lease contracts that do not transfer ownership of the leased property to the lessee and existed on the transition date was recorded using the straight-line method. Interest was ¥4,160 million ($40,397 thousand) larger for the year ended March 31, 2014, and ¥5,667 million larger for the year ended March 31 2013, than would be recorded using the interest method from the beginning of the transition date.

The consolidated balance sheet amounts of sublease contracts, including those that aim to disperse credit risks, including interest as of March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Lease receivables	**¥12,570**	¥11,579	**$122,047**
Investments in leases	**40,607**	31,935	**394,248**
Lease obligations	**54,437**	44,530	**528,521**

8. Leased Assets

The minimum future rentals on lease contracts as of March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Due within one year	**¥103,608**	¥89,299	**$1,005,903**
Due after one year	**490,606**	385,504	**4,763,174**
Total	**¥594,215**	¥474,803	**$5,769,077**

9. Goodwill

Goodwill as of March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Goodwill in connection with acquisition	**¥27,763**	¥29,899	**$269,549**
Consolidation goodwill	**59,075**	48,465	**573,552**
Total	**¥86,839**	¥78,364	**$843,101**

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

10. Long-lived Assets

The Companies reviewed its long-lived assets for impairment as of March 31, 2014 and 2013. As a result, the Companies recognized impairment losses of ¥3,006 million ($29,192 thousand) on the following long-lived assets for the year ended March 31, 2014. No impairment loss was recognized in 2013.

Location	Use	Type of assets	Millions of yen	Thousands of U.S. dollars
Chuo-ku, Tokyo	Own used assets	Land and buildings	**¥3,006**	**$29,192**
Total			**¥3,006**	**$29,192**

The Company mainly categorizes leased assets as an individual independent unit. Due to the change in use of the above assets from own used assets to leased assets, the carrying amount of the above assets were reduced to the recoverable amount and the reduction was recorded as an impairment loss in other income (expenses). The recoverable amount of the asset group is measured at the net selling price determined by the appraisal amount by third-party real estate appraiser.

11. Pledged Assets

As of March 31, 2014, 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
	2014	**2014**
Cash, cash equivalents, and time deposits	**¥2,501**	**$24,283**
Receivables—loans	**131,155**	**1,273,352**
Lease receivables and investments in leases	**16,573**	**160,904**
Leased assets	**277,289**	**2,692,135**
Investment securities	**4,368**	**42,412**
Investments and other assets—other	**213**	**2,076**
Total	**¥432,102**	**$4,195,165**

The liabilities secured by the foregoing assets were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Long-term loans from banks and other financial institutions	**¥160,002**	**$1,553,422**
Loans from the securitization of the minimum future rentals on lease contracts	**119,247**	**1,157,740**
Other current liabilities	**37**	**367**
Other long-term liabilities	**532**	**5,172**
Total	**¥279,820**	**$2,716,702**

12. Short-Term Borrowings and Long-Term Debt

Short-term borrowings and long-term debt as of March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Short-term loans from banks and other financial institutions:			
0.54%	**¥679,077**		**$6,592,986**
0.72%		¥778,749	
Commercial paper:			
0.11%	**¥762,300**		**$7,400,970**
0.12%		¥806,200	
Bonds:			
Bonds without collateral:			
Due 2014-2021, 0.235% - 0.796%	**¥385,000**		**$3,737,864**
Due 2013-2017, 0.235% - 1.110%		¥340,000	
U.S. dollar Bond without collateral:			
Due 2018, 2.000%	**51,350**	46,837	**498,544**
U.S. dollar bonds issued under the MTN program:			
Due 2016-2019, 1.160% - 1.875%	**82,172**		**797,793**
Euroyen bonds issued under the MTN program:			
Due 2014-2016, 0.170% - 1.120%	**63,100**		**612,621**
Due 2013-2016, 0.190% - 1.500%		77,900	
Chinese yuan bonds issued under the MTN program:			
Due 2015-2017, 3.280% - 3.600%	**13,272**		**128,854**
Due 2013-2015, 1.650% - 3.600%		7,580	
Bond without collateral issued by Hirogin Lease Co., Ltd., due 2016, 0.250%	**5,000**	5,000	**48,543**
U.S. dollar Bond without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd., due 2018, 0.276%	**1,687**		**16,378**
Thai Baht Bond without collateral issued by Bangkok Mitsubishi UFJ Lease Co., Ltd., due 2016, 3.670%	**3,200**		**31,067**
Total	**¥604,781**	¥477,317	**$5,871,667**
Long-term loans from banks and other financial institutions, partially collateralized:			
Due within one year, 0.84%	**¥274,215**		**$2,662,286**
Due 2015-2031, 1.18%	**999,692**		**9,705,749**
Due within one year, 0.92%		¥291,212	
Due 2014-2031, 1.22%		822,170	
Total	**¥1,273,907**	¥1,113,383	**$12,368,036**
Lease obligations, included fixed interests:			
Due within one year	**¥13,004**		**$126,257**
Due 2015-2029	**41,505**		**402,965**
Due within one year		¥11,185	
Due 2014-2024		33,427	
Total	**¥54,509**	¥44,613	**$529,222**

Loans from the securitization of the minimum future rentals on lease contracts:			
Due within one year, 0.42%	**¥54,755**		**$531,609**
Due 2015-2024, 0.61%	**109,657**		**1,064,635**
Due within one year, 0.51%		¥66,385	
Due 2014-2023, 0.68%		73,259	
Total	**¥164,413**	¥139,644	**$1,596,244**
Other current liabilities and other long-term liabilities:			
Due within one year	**¥442**		**$4,299**
Due 2015-2018	**19,448**		**188,819**
Due within one year		¥258	
Due 2014-2018		10,207	
Total	**¥19,891**	¥10,465	**$193,118**

The interest rates of loans from banks and other financial institutions, commercial paper, and loans from the securitization of the minimum future rentals on lease contracts represent weighted-average rates on outstanding balances at March 31, 2014 and 2013.

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, 2014, the Company has not received any such request.

Annual maturities of long-term debt as of March 31, 2014, for the next five years and thereafter were as follows:

	Millions of yen					
March 31, 2014	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
Short-term loans from banks and other financial institutions	**¥679,077**					
Commercial paper	**762,300**					
Bonds	**177,577**	**¥90,500**	**¥162,791**	**¥101,350**	**¥52,563**	**¥20,000**
Long-term loans from banks and other financial institutions	**274,215**	**209,705**	**225,164**	**145,440**	**164,468**	**254,912**
Lease obligations	**13,004**	**12,663**	**9,333**	**7,466**	**5,441**	**6,599**
Loans from the securitization of the minimum future rentals on lease contracts and other	**55,198**	**35,769**	**25,335**	**22,591**	**13,505**	**31,903**
Total	**¥1,961,373**	**¥348,639**	**¥422,625**	**¥276,848**	**¥235,978**	**¥313,416**

March 31, 2014	Thousands of U.S. dollars Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans from banks and other financial institutions	**$6,592,986**					
Commercial paper	**7,400,970**					
Bonds	**1,724,048**	**$878,640**	**$1,580,502**	**$983,981**	**$510,320**	**$194,174**
Long-term loans from banks and other financial institutions	**2,662,286**	**2,035,976**	**2,186,063**	**1,412,045**	**1,596,781**	**2,474,882**
Lease obligations	**126,257**	**122,948**	**90,617**	**72,490**	**52,834**	**64,074**
Loans from the securitization of the minimum future rentals on lease contracts	**535,908**	**347,279**	**245,976**	**219,333**	**131,122**	**309,743**
Total	**$19,042,457**	**$3,384,845**	**$4,103,159**	**$2,687,850**	**$2,291,058**	**$3,042,875**

The Company and certain consolidated domestic subsidiaries had loan commitment agreements as of March 31, 2014 and 2013, amounting to ¥370,797 million ($3,599,970 thousand) and ¥376,067 million, respectively, of which ¥369,088 million ($3,583,380 thousand) and ¥371,897 million were unused, respectively.

13. Retirement and Pension Plans

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

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

The liabilities for retirement benefits for directors and Audit and Supervisory Board members of the consolidated domestic subsidiaries at March 31, 2014 and 2013, were ¥134 million ($1,307 thousand) and ¥143 million, respectively. The retirement benefits for directors and Audit and Supervisory Board members are paid subject to the approval of the shareholders.

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at beginning of year	¥20,963	$203,531
Current service cost	1,242	12,067
Interest cost	186	1,809
Actuarial losses	123	1,194
Benefits paid	(544)	(5,286)
Balance at end of year	¥21,971	$213,316

(2) The changes in plan assets for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at beginning of year	¥13,774	$133,731
Expected return on plan assets	223	2,173
Actuarial gains	723	7,023
Contributions from the employer	1,224	11,889
Benefits paid	(270)	(2,623)
Balance at end of year	¥15,676	$152,194

(3) Reconciliation between the liability recorded in the consolidated balance sheets and the balances of defined benefit obligation and plan assets

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded defined benefit obligation	¥21,167	$205,513
Plan assets	(15,676)	(152,194)
	5,491	53,318
Unfunded defined benefit obligation	803	7,803
Net liability arising from defined benefit obligation	¥6,295	$61,122
Liability for retirement benefits	¥6,295	$61,122
Net liability arising from defined benefit obligation	¥6,295	$61,122

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥1,242	$12,067
Interest cost	186	1,809
Expected return on plan assets	(223)	(2,173)
Recognized actuarial losses	419	4,071
Amortization of prior service cost	72	707
Others	14	143
Net periodic benefit costs	¥1,712	$16,626

(5) Accumulated other comprehensive income on defined retirement benefit plans, before income tax effect as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
	2014	**2014**
Unrecognized prior service cost	**¥108**	**$1,055**
Unrecognized actuarial losses	**3,223**	**31,293**
Total	**¥3,332**	**$32,349**

(6) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2014
General account	**43%**
Equity investments	**35**
Debt investments	**20**
Others	**2**
Total	**100%**

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return, which are expected currently and in the future from the various components of the plan assets.

(7) Assumptions used for the year ended March 31, 2014, were set forth as follows:

	2014
Discount rate	**0.5 to 1.0%**
Expected rate of return on plan assets	**1.5 to 1.7**

Year Ended March 31, 2013

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

	Millions of yen
	2013
Projected benefit obligation	¥20,963
Fair value of plan assets	(13,774)
Unrecognized actuarial loss	(4,242)
Unrecognized prior service cost	(181)
Net liability	2,764
Prepaid pension cost	(79)
Accrued liability	¥2,843

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

	Millions of yen
	2013
Service cost	¥1,026
Interest cost	262
Expected return on plan assets	(188)
Recognized actuarial loss	286
Amortization of prior service cost	72
Additionally paid retirement benefits	11
Net periodic benefit costs	¥1,471

Assumptions used for the year ended March 31, 2013, were set forth as follows:

	2013
Discount rate	0.5 to 1.0%
Expected rate of return on plan assets	1.5 to 1.7%
Amortization period of prior service cost	13 to 15 years
Recognition period of actuarial gain/loss	10 to 20 years

14. Commitments and Contingent Liabilities

The Companies, as lenders, have loan commitment agreements as of March 31, 2014, totaling ¥147,896 million ($1,435,891thousand), the used portion is ¥18,533 million ($179,936 thousand), and the unused portion is ¥129,363 million ($1,255,954 thousand). This amount includes unused portions of the facilities of ¥103,885 million ($1,008,592 thousand) which will not necessarily be utilized in full because these facilities are subject to periodic reviews of the borrower’s purpose for the loan, credit standing, etc.

The Companies are contingently liable as of March 31, 2014, as guarantor or co-guarantor for borrowings and others of ¥6,624 million ($64,311 thousand) for their unconsolidated subsidiaries and others.

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

15. Equity

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

(a) Dividends

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

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

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

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

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

(c) Treasury stock and treasury stock acquisition rights

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

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

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

16. Stock Based Compensation

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

The stock options outstanding as of March 31, 2014, were as follows:

	2010 stock option	2011 stock option	2012 stock option
Persons granted	9 directors 17 executive officers	9 directors 17 executive officers	10 directors 17 executive officers
Number of options granted*	684,400	651,600	721,700
Date of grant	October 15, 2009	October 15, 2010	October 14, 2011
The fair value of options granted under the plan at the grant dates*	¥264.3 ($2.56)	¥250.1 ($2.42)	¥283.1 ($2.74)

	2013 stock option	2014 stock option
Persons granted	10 directors 17 executive officers	10 directors 19 executive officers
Number of options granted*	583,100	419,000
Date of grant	October 15, 2012	October 15, 2013
The fair value of options granted under the plan at the grant dates*	¥312.8 ($3.03)	¥502 ($4.87)

The total stock-based compensation costs recognized for the years ended March 31, 2014 and 2013, were ¥210 million ($2,042 thousand) and ¥182 million, respectively.

The fair value of 2014 stock option is estimated using the Black-Scholes option-pricing model with the assumptions noted as follows table:

	2014 stock option
Volatility of stock price	30.52%
Estimated remaining outstanding period	4.1 years
Estimated dividend	1.22%
Risk-free interest rate	0.17%

The volatility of the stock price is based on the historical volatility of the Company's stock for the period equal to the option's estimated remaining outstanding period from the grant date. The estimated remaining outstanding period is based on the average term period and the average age as of retirement. The estimated dividend is based on the per share dividends (*) of ¥6.5 ($0.06) made in the preceding year for the year ended March 31, 2014. The risk-free interest rate is based on the yield of government bonds having a remaining life equal to the option's estimated remaining outstanding period.

The stock option activity for the fiscal years ended March 31, 2014 and 2013, was as follows:

	2010 stock option	2011 stock option	2012 stock option
	Number of shares*		
For the year ended March 31, 2013			
Outstanding at beginning of fiscal year	684,400	651,600	721,700
Granted			
Canceled or expired			
Exercised	66,700		
Outstanding at end of fiscal year	617,700	651,600	721,700
Vested at end of fiscal year	617,700	651,600	721,700
For the year ended March 31, 2014			
Outstanding at beginning of fiscal year	617,700	651,600	721,700
Granted			
Canceled or expired			
Exercised	74,800	17,800	
Outstanding at end of fiscal year	542,900	633,800	721,700
Vested at end of fiscal year	542,900	633,800	721,700

	2013 stock option	2014 stock option
	Number of shares*	
For the year ended March 31, 2013		
Outstanding at beginning of fiscal year		
Granted	583,100	
Canceled or expired		
Exercised		
Outstanding at end of fiscal year	583,100	
Vested at end of fiscal year	583,100	
For the year ended March 31, 2014		
Outstanding at beginning of fiscal year	583,100	
Granted		419,000
Canceled or expired		
Exercised		
Outstanding at end of fiscal year	583,100	419,000
Vested at end of fiscal year	583,100	419,000

* On April 1, 2013, the Company split each share of its common stock, which were held by shareholders stated or recorded in the register of shareholders as of March 31, 2013, into ten (10) shares. Number of options, the fair value of options, and per share dividends have been retrospectively adjusted to reflect the stock split for all periods presented.

17. Selling, General, and Administrative Expenses

Selling, general, and administrative expenses for the years ended March 31, 2014 and 2013, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Provision for doubtful receivables	**¥1,423**	¥2,010	**$13,817**
Loss on operating securities	**5,315**	6,042	**51,606**
Employees' salaries, bonuses, and allowances	**16,255**	15,356	**157,824**
Other	**40,400**	34,637	**392,237**
Total	**¥63,395**	¥58,045	**$615,486**

18. Related-Party Transactions

The transactions with subsidiaries of the company which has significant influence over the Company for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Interest expense*	**¥2,952**	¥2,632	**$28,662**

* Interest expense recorded in costs and other income (expenses).

Amounts due from and to subsidiaries of the company which has significant influence over the Company as of March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Short-term loans	**¥144,703**	¥275,445	**$1,404,891**
Long-term loans, including current maturities	**166,226**	137,574	**1,613,853**

19. Income Taxes

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 38.0% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences, which resulted in deferred tax assets and liabilities as of March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets:			
Tax loss carryforwards	**¥14,717**	¥10,272	**$142,887**
Allowance for doubtful receivables	**12,275**	14,585	**119,175**
Investment securities	**7,264**	9,040	**70,527**
Advances received—leases	**3,449**	3,333	**33,489**
Accrued expenses	**3,247**	1,573	**31,527**
Other	**15,185**	14,868	**147,428**
Total deferred tax assets	**56,138**	53,673	**545,034**
Less valuation allowance	**(5,857)**	(8,607)	**(56,866)**
Less deferred tax liabilities	**(27,204)**	(20,976)	**(264,125)**
Net deferred tax assets	**¥23,076**	¥24,089	**$224,043**

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	**¥17,009**	¥9,531	**$165,142**
Difference in assets and liabilities of newly consolidated subsidiaries between fair value and tax basis	**13,328**	12,686	**129,403**
Net unrealized gain on available-for-sale securities	**6,959**	5,052	**67,566**
Deferred revenues from certain finance lease transactions	**6,284**	5,843	**61,012**
Other	**3,852**	3,148	**37,401**
Total deferred tax liabilities	**47,434**	36,262	**460,525**
Less deferred tax assets	**(27,204)**	(20,976)	**(264,125)**
Net deferred tax liabilities	**¥20,229**	¥15,286	**$196,400**

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

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2014, with the corresponding figures for 2013 is as follows:

	2014	2013
Normal effective statutory tax rate	**38.0%**	38.0%
Amortization of goodwill	**3.1**	1.8
Other—net	**(0.4)**	(0.6)
Actual effective tax rate	**40.7%**	39.2%

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 38.0% to 35.6%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥471 million ($4,582 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by the same amount.

20. Leases

The future minimum payments under noncancelable operating leases as lessee as of March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Due within one year	**¥2,414**	¥2,008	**$23,445**
Due after one year	**4,140**	5,188	**40,201**
Total	**¥6,555**	¥7,196	**$63,647**

21. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

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

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

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

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

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

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

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

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

The Companies mainly conduct business of lease transactions, installment sales, and financial transactions. Some receivables relating to leases, installment sales, and loans are with fixed interest rates. However, the Companies use some floating interest rate financing instruments, which expose them to interest rate risk.

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

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

Please see Note 22 for more details about derivatives.

(3) Risk management for financial instruments

(a) Credit risk management

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

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

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

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

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

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

(v) Quantitative information of market risk
The Companies have financial instruments exposed to market risk, which are composed chiefly of installment sales receivables, lease receivables and investments in leases, loans, marketable and investment securities, short-term borrowings, and long-term debt. To measure market risks, the Companies use the Value at Risk (VaR) method, which estimates changes in the market value of portfolios within a certain period by statistically analyzing past market data. In calculating the VaR, the Companies adopt a historical simulation model (holding period, one year; confidence interval, 99%; and observation period, five years). The aggregate VaR at March 31, 2014 and 2013, was ¥5,884 million ($57,134 thousand) and ¥12,659 million, respectively. The Companies measure and manage market risks, including the risks of the future rentals on and residual values of operating lease transactions, since they are also exposed to market risks similar to lease receivables and investments in lease (which are related to finance lease transactions).

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

(c) Liquidity risk management on financing

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

(4) Supplementary information on fair value of financial instruments

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

Regarding the fair value of financial instruments other than derivatives as of March 31, 2014 and 2013, see Note 22 for fair value information for derivatives.

	Millions of yen		
March 31, 2014	Carrying amount	Fair value	Unrealized gain/(loss)
Cash and cash equivalents	**¥120,540**	**¥120,540**	
Time deposits other than cash equivalents	**6,995**	**6,995**	
Receivables:			
Installment sales	**253,572**		
Deferred profit on installment sales	**(26,253)**		
Allowance for doubtful receivables	**(1,021)**		
Sub-total	**226,296**	**243,434**	**¥17,137**
Loans	**1,288,819**		
Allowance for doubtful receivables	**(6,235)**		
Sub-total	**1,282,583**	**1,321,659**	**39,075**
Lease receivables and investments in leases	**1,405,716**		
Residual values of investments in leases	**(46,764)**		
Allowance for doubtful receivables	**(3,255)**		
Sub-total	**1,355,696**	**1,424,517**	**68,820**
Marketable and investment securities	**101,866**	**101,866**	
Long-term receivables	**33,223**		
Allowance for doubtful receivables	**(12,452)**		
Sub-total	**20,770**	**20,770**	
Total	**¥3,114,750**	**¥3,239,784**	**¥125,033**

Short-term loans from banks and other financial institutions	**¥679,077**	**¥679,077**	
Commercial paper	**762,300**	**762,300**	
Notes and accounts payables—trade	**129,319**	**129,319**	
Bonds	**604,781**	**605,305**	**¥523**
Loans from the securitizations of the minimum future rentals on lease contracts	**164,413**	**164,727**	**314**
Long-term loans from banks and other financial institutions	**1,273,907**	**1,270,053**	**(3,854)**
Total	**¥3,613,799**	**¥3,610,782**	**¥(3,016)**

	Millions of yen		
March 31, 2013	Carrying amount	Fair value	Unrealized gain/(loss)
Cash and cash equivalents	¥72,954	¥72,954	
Time deposits other than cash equivalents	9,158	9,158	
Receivables:			
Installment sales	245,557		
Deferred profit on installment sales	(28,857)		
Allowance for doubtful receivables	(1,648)		
Sub-total	215,051	234,359	¥19,308
Loans	1,256,032		
Allowance for doubtful receivables	(8,722)		
Sub-total	1,247,309	1,285,142	37,832
Lease receivables and investments in leases	1,286,146		
Residual values of investments in leases	(48,866)		
Allowance for doubtful receivables	(2,957)		
Sub-total	1,234,322	1,308,618	74,296
Marketable and investment securities	142,862	142,862	
Long-term receivables	46,066		
Allowance for doubtful receivables	(15,854)		
Sub-total	30,211	30,211	
Total	¥2,951,870	¥3,083,306	¥131,436

Short-term loans from banks and other financial institutions	¥778,749	¥778,749	
Commercial paper	806,200	806,200	
Notes and accounts payables—trade	86,857	86,857	
Bonds	477,317	479,406	¥2,089
Loans from the securitizations of the minimum future rentals on lease contracts	139,644	139,952	307
Long-term loans from banks and other financial institutions	1,113,383	1,115,018	1,635
Total	¥3,402,151	¥3,406,183	¥4,032

March 31, 2014	Thousands of U.S. dollars Carrying amount	 Fair value	 Unrealized gain/(loss)
Cash and cash equivalents	**$1,170,293**	**$1,170,293**	
Time deposits other than cash equivalents	**67,916**	**67,916**	
Receivables:			
Installment sales	**2,461,869**		
Deferred profit on installment sales	**(254,891)**		
Allowance for doubtful receivables	**(9,920)**		
Sub-total	**2,197,057**	**2,363,441**	**$166,384**
Loans	**12,512,808**		
Allowance for doubtful receivables	**(60,540)**		
Sub-total	**12,452,268**	**12,831,645**	**379,376**
Lease receivables and investments in leases	**13,647,731**		
Residual values of investments in leases	**(454,025)**		
Allowance for doubtful receivables	**(31,602)**		
Sub-total	**13,162,103**	**13,830,264**	**668,160**
Marketable and investment securities	**988,992**	**988,992**	
Long-term receivables	**322,559**		
Allowance for doubtful receivables	**(120,900)**		
Sub-total	**201,659**	**201,659**	
Total	**$30,240,292**	**$31,454,214**	**$1,213,921**
Short-term loans from banks and other financial institutions	**$6,592,986**	**$6,592,986**	
Commercial paper	**7,400,970**	**7,400,970**	
Notes and accounts payables—trade	**1,255,525**	**1,255,525**	
Bonds	**5,871,667**	**5,876,750**	**$5,082**
Loans from the securitizations of the minimum future rentals on lease contracts	**1,596,244**	**1,599,296**	**3,052**
Long-term loans from banks and other financial institutions	**12,368,036**	**12,330,616**	**(37,419)**
Total	**$35,085,430**	**$35,056,145**	**$(29,285)**

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

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

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

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

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

Lease receivables and investments in leases

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

(*) As to the lease receivables and investments in leases involved in the foreign exchange forward contracts that qualify for hedge accounting and meet specific matching criteria, the amount to be received is exchanged at the contract rate (see Note 22).

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

Long-term receivables

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

Short-term loans from banks and other financial institutions

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

Commercial paper

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

Notes and accounts payables — trade

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

Bonds

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

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

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

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

The carrying values of loans from the securitizations of the minimum future rentals on leases settled in the long term with floating interest rates approximate fair value because the floating interest 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, including principal and interest based on its specific period, at interest rates assumed when a similar and new securitization is made.

Long-term loans from banks and other financial institutions

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

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

Derivatives

Information regarding the fair value of derivatives is included in Note 22.

Financial instruments of which fair value is not readily determinable

Nonmarketable securities as of March 31, 2014 and 2013, were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Shares of subsidiaries and associated companies	**¥25,064**	¥19,509	**$243,340**
Unlisted shares	**10,146**	10,276	**98,508**
Unlisted domestic bonds		8,532	
Trust beneficiary interests	**388**	407	**3,772**
Silent partnership interests and other	**72,164**	77,819	**700,622**
Total	**¥107,763**	¥116,545	**$1,046,243**

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

	Millions of yen					
March 31, 2014	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	**¥120,540**					
Time deposits other than cash equivalents	**6,995**					
Receivables						
Installment sales (1)	**78,934**	**¥57,606**	**¥42,509**	**¥28,812**	**¥16,195**	**¥29,514**
Loans	**351,314**	**200,611**	**204,166**	**153,970**	**108,893**	**269,863**
Lease receivables and investments in leases (2)	**436,196**	**354,724**	**270,234**	**195,651**	**130,271**	**258,877**
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	**14,891**	**14,921**	**3,862**	**6,466**	**1,443**	**18,062**
Other	**11,897**	**5,154**	**10,446**	**4,201**	**11,159**	**13,297**
Total	**¥1,020,770**	**¥633,018**	**¥531,220**	**¥389,103**	**¥267,962**	**¥589,615**

	Millions of yen					
March 31, 2013	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	¥72,954					
Time deposits other than cash equivalents	9,158					
Receivables						
Installment sales (1)	74,167	¥53,670	¥40,377	¥27,210	¥15,617	¥34,514
Loans	347,795	222,141	179,321	177,210	116,077	213,486
Lease receivables and investments in leases (2)	405,033	317,168	251,561	176,261	112,327	263,014
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	23,280	12,084	36,840	6,129	8,438	10,177
Other	17,810	14,298	4,116	11,387	7,562	15,321
Total	¥950,200	¥619,364	¥512,215	¥398,199	¥260,022	¥536,513

March 31, 2014	Thousands of U.S. dollars Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and cash equivalents	$1,170,293					
Time deposits other than cash equivalents	67,916					
Receivables						
Installment sales (1)	766,356	$559,287	$412,711	$279,736	$157,234	$286,543
Loans	3,410,816	1,947,680	1,982,202	1,494,857	1,057,219	2,620,030
Lease receivables and investments in lease (2)	4,234,914	3,443,923	2,623,636	1,899,530	1,264,769	2,513,376
Investment securities						
Available-for-sale securities with contractual maturities						
Debt securities	144,578	144,868	37,501	62,786	14,015	175,363
Other	115,513	50,045	101,424	40,788	108,340	129,105
Total	$9,910,390	$6,145,806	$5,157,476	$3,777,699	$2,601,579	$5,724,420

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

22. Derivatives

Derivative transactions to which hedge accounting is not applied as of March 31, 2014 and 2013, were as follows:

	Millions of yen 2014 Contract amount	2014 Contract amount due after one year	2014 Fair value	2014 Unrealized gain/loss	2013 Contract amount	2013 Contract amount due after one year	2013 Fair value	2013 Unrealized gain/(loss)
Foreign exchange forward contracts:								
Selling Chinese yuan	¥662	¥496	¥(34)	¥(34)	¥79	¥52	¥(4)	¥(4)
Selling U.S. dollars	7							
Selling Japanese yen					325		(18)	(18)
Currency interest rate swap contracts:								
Chinese yuan payment, U.S. dollars receipt	481	346	(35)	(35)	507	395	(15)	(15)
Indonesia rupia payment, Japanese yen receipt	7,076	2,728	(139)					
Interest rate swap contracts:								
Fixed-rate payment, floating-rate receipt	9,258	6,307	(133)	(133)	8,796	4,212	(186)	(186)
Floating-rate payment, floating-rate receipt	2,000	2,000	40	40	4,000	2,000	60	60
Interest rate cap:								
Buying	3,309	2,978	141	66	3,188	2,718	61	

	Thousands of U.S. dollars			
	2014			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain/(loss)
Foreign exchange forward contracts:				
Selling Chinese yuan	**$6,428**	**$4,821**	**$(331)**	**$(331)**
Selling U.S. dollars	**68**		**(5)**	**(5)**
Currency interest rate swap contracts:				
Chinese yuan payment, U.S. dollars receipt	**4,678**	**3,364**	**(343)**	**(343)**
Indonesia rupia payment, Japanese yen receipt	**68,703**	**26,487**	**(1,359)**	
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	**89,885**	**61,241**	**(1,298)**	**(1,298)**
Floating-rate payment, floating-rate receipt	**19,417**	**19,417**	**393**	**393**
Interest rate cap:				
Buying	**32,130**	**28,916**	**1,374**	**642**

Derivative transactions to which hedge accounting is applied as of March 31, 2014 and 2013, were as follows:

		Millions of yen		
		2014		
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Chinese yuan payment, U.S. dollars receipts	Lease receivables, receivables—loan	**¥2,598**	**¥2,354**	**¥(106)**
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables – trade	**344**		**(15)**
Selling Chinese yuan	Payables – trade	**290**		**(17)**
Cross-currency interest rate swap contracts:				
Yen payment, U.S. dollars receipt	Long-term loans	**41,719**	**6,719**	
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	**17,390**	**14,099**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	**985**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans, bonds	**404,181**	**360,790**	**(43)**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	**5,000**	**5,000**	
Fixed-rate payment, floating-rate receipt	Long-term loans	**122,909**	**113,524**	

	Hedged item	Millions of yen 2013 Contract amount	Contract amount due after one year	Fair value
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables – trade	¥195		¥ (10)
Selling Chinese yuan	Payables – trade	904		(34)
Cross-currency interest rate swap contracts:				
Yen payment, U.S. dollars receipt	Long-term loans	41,140	¥41,140	
Thai baht payment, U.S. dollars receipt	Long-term loans	11,549	10,232	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	1,411		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans, bonds, receivables—loan	156,241	83,890	(2,195)
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	5,000	5,000	
Fixed-rate payment, floating-rate receipt	Long-term loans	79,396	57,859	

	Hedged item	Thousands of U.S. dollars **2014** Contract amount	Contract amount due after one year	Fair value
Currency interest rate swap contracts:				
Chinese yuan payment, U.S. dollars receipts	Lease receivables, receivables—loan	**$25,229**	**$22,859**	**$(1,037)**
Foreign exchange forward contracts:				
Selling U.S. dollars	Payables – trade	**3,345**		**(148)**
Selling Chinese yuan	Payables – trade	**2,824**		**(172)**
Cross-currency interest rate swap contracts:				
Yen payment, U.S. dollars receipt	Long-term loans	**405,046**	**65,240**	
Thai baht payment, U.S. dollars receipt	Long-term loans, bonds	**168,842**	**136,888**	
Foreign exchange forward contracts:				
Selling U.S. dollars	Lease receivables	**9,566**		
Interest rate swap contracts:				
Fixed-rate payment, floating-rate receipt	Short-term loans, long-term loans, bonds	**3,924,088**	**3,502,822**	**(425)**
Interest rate swap contracts:				
Floating-rate payment, fixed-rate receipt	Long-term loans	**48,543**	**48,543**	
Fixed-rate payment, floating-rate receipt	Long-term loans	**1,193,293**	**1,102,182**	

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

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

The cross-currency interest rate swap contracts, interest rate swap contracts, and foreign currency exchange contracts which qualify for hedge accounting and meet specific matching criteria are assigned to the associated long-term loans from banks and other financial institutions and lease receivables, recorded in the consolidated balance sheets at March 31, 2014 and 2013, and included in the fair value of hedged items.

23. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gain on available-for-sale securities:			
Gains arising during the year	¥5,553	¥8,517	$53,921
Reclassification adjustments to profit or (loss)	(145)	692	(1,415)
Amount before income tax effect	5,408	9,210	52,506
Income tax effect	(1,907)	(3,263)	(18,516)
Total	3,500	5,947	33,989
Deferred gain on derivatives under hedge accounting:			
Gains/(losses) arising during the year	430	(765)	4,183
Reclassification adjustments to profit	2,069	1,073	20,095
Amount before income tax effect	2,500	308	24,278
Income tax effect	(815)	(126)	(7,912)
Total	1,685	182	16,365
Foreign currency translation adjustments—			
Adjustments arising during the year	29,320	1,850	284,666
Total	29,320	1,850	284,666
Share of other comprehensive income in associates:			
Gains arising during the year	58	70	572
Reclassification adjustments to profit		15	
Total	58	86	572
Total other comprehensive income	¥34,566	¥8,066	$335,593

24. Segment Information

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

1. Description of reportable segments

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

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

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

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

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

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

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

	Millions of yen				
	Reportable segment				
Year Ended March 31, 2014	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	**¥550,795**	**¥166,964**	**¥717,760**		**¥717,760**
Intersegment revenue or transfers		**252**	**252**	**¥(252)**	
Total	**550,795**	**167,216**	**718,012**	**(252)**	**717,760**
Segment profit	**38,472**	**34,372**	**72,845**	**(7,566)**	**65,278**
Segment assets	**2,730,728**	**1,586,234**	**4,316,963**	**180,539**	**4,497,502**
Other items:					
Depreciation	**10,423**	**72,994**	**83,418**	**410**	**83,828**
Amortization of goodwill	**2,918**	**2,493**	**5,411**		**5,411**
Investments in equity method affiliates	**13,557**	**7,533**	**21,091**		**21,091**
Increase in property and equipment and intangible assets	**368**	**213,224**	**213,592**	**2,454**	**216,046**

	Millions of yen				
	Reportable segment				
Year Ended March 31, 2013	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	¥558,338	¥139,816	¥698,155		¥698,155
Intersegment revenue or transfers	34	266	301	¥ (301)	
Total	558,373	140,083	698,456	(301)	698,155
Segment profit	45,680	21,422	67,103	(7,115)	59,987
Segment assets	2,538,507	1,493,042	4,031,549	146,234	4,177,784
Other items:					
Depreciation	11,074	60,770	71,845	417	72,262
Amortization of goodwill	2,918		2,918		2,918
Investments in equity method affiliates	10,847	7,365	18,212		18,212
Increase in property and equipment and intangible assets (3)	526	136,656	137,182	2,828	140,010

Year Ended March 31, 2014	Thousands of U.S. dollars				
	Reportable segment				
	Customer finance	Asset finance	Total	Adjustments (1) (2)	Consolidated
Revenues:					
Revenue from external customers	**$5,347,533**	**$1,621,010**	**$6,968,544**		**$6,968,544**
Intersegment revenue or transfers		**2,448**	**2,448**	**$(2,448)**	
Total	**5,347,533**	**1,623,458**	**6,970,992**	**(2,448)**	**6,968,544**
Segment profit	**373,516**	**333,716**	**707,233**	**(73,465)**	**633,767**
Segment assets	**26,511,927**	**15,400,337**	**41,912,265**	**1,752,811**	**43,665,076**
Other items:					
Depreciation	**101,199**	**708,686**	**809,886**	**3,985**	**813,871**
Amortization of goodwill	**28,334**	**24,208**	**52,543**		**52,543**
Investments in equity method affiliates	**131,626**	**73,140**	**204,767**		**204,767**
Increase in property and equipment and intangible assets	**3,574**	**2,070,142**	**2,073,717**	**23,825**	**2,097,542**

Notes:

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

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

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

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

(2) "Adjustments" for segment profit are adjusted to reach operating income in the consolidated statements of income.

(3) "Increase in property and equipment and intangible assets" for Asset Finance year ended March 31,2013 does not include property and equipment of JSA and its subsidiaries amounting to ¥272,408 million as of the deemed acquisition date and related goodwill of ¥40,784 million due to the acquisition of all of the outstanding equity interests of JSA.

4. Information about products and services

	Millions of yen				
	2014				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**¥579,753**	**¥83,270**	**¥35,068**	**¥19,667**	**¥717,760**

	Millions of yen				
	2013				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	¥546,625	¥85,021	¥35,592	¥30,914	¥698,155

	Thousands of U.S. dollars				
	2014				
	Lease	Installment sales	Loans	Other	Total
Revenue from external customers	**$5,628,675**	**$808,451**	**$340,471**	**$190,945**	**$6,968,544**

5. Information about geographical areas

Revenues in Japan for the years ended March 31, 2014 and 2013, represented more than 90% of consolidated revenues. Accordingly, information on revenues for geographical areas is not required to be disclosed.

Property and equipment

Millions of yen					
2014					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥507,456	**¥96,052**	**¥188,079**	**¥127,510**	**¥48,639**	**¥967,738**

Millions of yen					
2013					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
¥453,286	¥75,818	¥153,230	¥79,232	¥18,212	¥779,780

Thousands of U.S. dollars					
2014					
Japan	North America	Europe/ Middle and Near East	Asia/Oceania	Other	Total
$4,926,763	**$932,544**	**$1,826,011**	**$1,237,965**	**$472,230**	**$9,395,516**

6. Information about impairment loss for property and equipment

	Millions of yen				
	2014				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Impairment loss				**¥3,006**	**¥3,006**

	Thousands of U.S. dollars				
	2014				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Impairment loss				**$29,192**	**$29,192**

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

	Millions of yen				
	2014				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**¥2,918**	**¥2,493**	**¥5,411**		**¥5,411**
Unamortized balance of goodwill	**39,676**	**47,163**	**86,839**		**86,839**

	Millions of yen				
	2013				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	¥2,918		¥2,918		¥2,918
Unamortized balance of goodwill	37,579	¥40,784	78,364		78,364

	Thousands of U.S. dollars				
	2014				
	Customer finance	Asset finance	Total	Adjustments	Consolidated
Amortization of goodwill	**$28,334**	**$24,208**	**$52,543**		**$52,543**
Unamortized balance of goodwill	**385,208**	**457,893**	**843,101**		**843,101**

25. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share (EPS) for the years ended March 31, 2014 and 2013, was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2014	Net income	Weighted-average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥37,675**	**888,665**	**¥42.40**	**$0.41**
Effect of dilutive securities:				
Warrants		**2,720**		
Diluted EPS				
Net income for computation	**¥37,675**	**891,386**	**¥42.27**	**$0.41**

	Millions of yen	Thousands of shares	Yen
For the year ended March 31, 2013	Net income	Weighted-average shares	EPS
Basic EPS			
Net income available to common shareholders	¥36,038	888,594	¥40.56
Effect of dilutive securities:			
Warrants		2,290	
Diluted EPS			
Net income for computation	¥36,038	890,884	¥40.45

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

26. Subsequent Event

a. On May 14, 2014, the Board of Directors declared the appropriation of retained earnings as follows:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥4.65 ($0.04) per share	**¥4,132**	**$40,121**

b. Acquisition of Shares and Equity Interests

The Company has resolved at the Board of Directors' meeting held on May 12, 2014, to acquire all of the outstanding shares of Engine Lease Finance Corporation (ELF) (country of incorporation: Ireland) and all of the equity interests of Beacon Intermodal Leasing, LLC (BIL) (country of incorporation: USA) and has executed an equity purchase agreement.

The Company demonstrates its flexibility and mobility as a nonbank to the maximum extent possible and provides financing in reliance on the business characteristics and potential value in assets, and engages in overall development of businesses, such as planning and management of business plans. With respect to one of its priority strategies, the business involving global asset, including aircraft, vessels and containers, in which high marketability and value on assets can be found and recognized in global markets, in addition to the reinforcing of the aircraft leasing business through the acquisition of all of the equity interests of JSA International Holdings, L.P., with its US-based aircraft leasing subsidiary Jackson Square Aviation, LLC, in January 2013, the Company commenced full-scale development of the auto leasing business with the cooperation of PT. Takari Sumber Mulia, a major Indonesian automobile rental company, in November 2013, thereby establishing an optimal business platform suited to asset characteristics and business models.

In furtherance of these efforts, the Company has decided to acquire all of the outstanding shares of ELF, a leading aircraft engine leasing company engaged in the aircraft engine leasing business and the management of aircraft engines held by other companies, and to acquire all of the equity interests of BIL, a company engaged in the marine container leasing business on a global scale. The Company will develop a system whereby the Company may establish itself globally as a main player in the business areas related to aircraft engines and containers by turning ELF and BIL into its group companies.

The Company acquired the shares of ELF and the equity interests of BIL from BTMU Capital Corporation that owned 100% of ELF and BIL. The acquisition price (including the purchase price of the shares and equity interests, commissions, advisory fees or other costs, etc., to be paid pertaining to the acquisition) is equivalent to approximately ¥40 billion, subject to post-closing adjustments in accordance with the method provided for in the equity purchase agreement. The closing of the acquisition is subject to the satisfaction of certain conditions precedent, including regulatory fillings required under applicable laws and regulations. The U.S. dollar portion of the acquisition price is translated into Japanese yen using at the rate of ¥102.61 to USD1, the prevailing rate of exchange at April 30, 2014.

Consolidated financial conditions for the newly acquired subsidiaries as of December 31, 2013, are as follows:

(1) ELF

	Millions of U.S. dollars
Consolidated total equity	**$ 250**
Consolidated total assets	**1,389**

(2) BIL

	Millions of U.S. dollars
Consolidated total equity	**$ 145**
Consolidated total assets	**1,057**

Number of shares acquired and the shares held or percentages of investment before and after the acquisition are as follows:

(1) ELF

Number of shares held before the acquisition or the amount of equity held	- shares (Number of voting rights: -) (Percentage of voting rights held: - %)
Number of shares acquired	1,000 shares (Class A Common Stock: 950 shares; Class B Common Stock: 50 shares)
Number of shares held after the acquisition	1,000 shares (Class A Common Stock: 950 shares; Class B Common Stock: 50 shares) (Number of voting rights: 950) (Percentage of voting rights held: 100%)

(2) BIL

Percentage of investment before the acquisition	- % (Percentage of voting rights held: - %)
Percentage of investment after the acquisition	100% (Percentage of voting rights held: 100%)

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheets of Mitsubishi UFJ Lease & Finance Company Limited and its consolidated subsidiaries as of March 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Mitsubishi UFJ Lease & Finance Company Limited and its consolidated subsidiaries as of March 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 27, 2014

Member of
Deloitte Touche Tohmatsu Limited

CORPORATE HISTORY

History of Diamond Lease

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

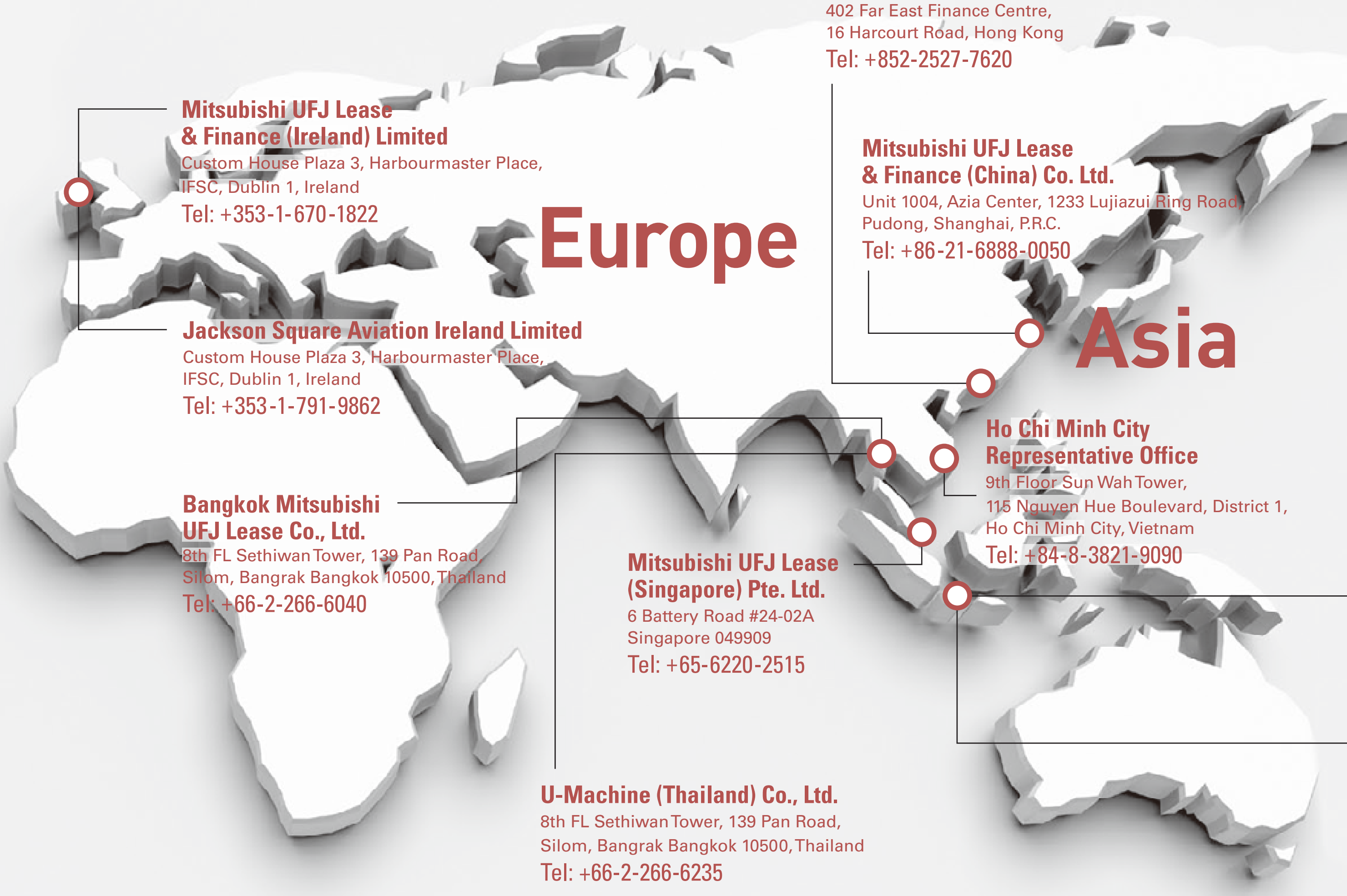
History of UFJ Central Leasing

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

Mitsubishi UFJ Lease & Finance

April 2007	Diamond Lease Company Limited and UFJ Central Leasing Co., Ltd. merged to form Mitsubishi UFJ Lease & Finance Company Limited
October 2007	Mitsubishi Auto Leasing Corporation merged with Diamond Auto Lease Co., Ltd.
February 2009	Mitsubishi Auto Leasing Corporation merged with Central Auto Leasing Co., Ltd. Company Name: Mitsubishi Auto Leasing Corporation
July 2009	Acquired major share of Miyuki Building Co., Ltd.
January 2013	Acquired entire equity interest in JSA International Holdings, L.P., which owns aircraft leasing companies such as Jackson Square Aviation, LLC
November 2013	Acquired major share of PT. Takari Kokoh Sejahtera

GROUP NETWORK



Mitsubishi UFJ Lease & Finance (Hong Kong) Limited
402 Far East Finance Centre,
16 Harcourt Road, Hong Kong
Tel: +852-2527-7620

Mitsubishi UFJ Lease & Finance (Ireland) Limited
Custom House Plaza 3, Harbourmaster Place,
IFSC, Dublin 1, Ireland
Tel: +353-1-670-1822

Mitsubishi UFJ Lease & Finance (China) Co. Ltd.
Unit 1004, Azia Center, 1233 Lujiazui Ring Road,
Pudong, Shanghai, P.R.C.
Tel: +86-21-6888-0050

Jackson Square Aviation Ireland Limited
Custom House Plaza 3, Harbourmaster Place,
IFSC, Dublin 1, Ireland
Tel: +353-1-791-9862

Ho Chi Minh City Representative Office
9th Floor Sun Wah Tower,
115 Nguyen Hue Boulevard, District 1,
Ho Chi Minh City, Vietnam
Tel: +84-8-3821-9090

Bangkok Mitsubishi UFJ Lease Co., Ltd.
8th FL Sethiwan Tower, 139 Pan Road,
Silom, Bangrak Bangkok 10500, Thailand
Tel: +66-2-266-6040

Mitsubishi UFJ Lease (Singapore) Pte. Ltd.
6 Battery Road #24-02A
Singapore 049909
Tel: +65-6220-2515

U-Machine (Thailand) Co., Ltd.
8th FL Sethiwan Tower, 139 Pan Road,
Silom, Bangrak Bangkok 10500, Thailand
Tel: +66-2-266-6235

Overseas Network

Japan Network

Domestic Network

- **Head Office**
  Shin-Marunouchi Building, 5-1,
  Marunouchi 1-chome, Chiyoda-ku,
  Tokyo 100-6525, Japan
  Tel: 81-3-6865-3000
- **Nagoya Head Office**
  22-24, Marunouchi 3-chome, Naka-ku,
  Nagoya City, Aichi 460-8407, Japan
  Tel: 81-52-857-9200
- Shinkawa Office
- Kanda Office
- Business Center
- Shinjuku Business Department
- Sapporo Branch
- Tohoku Branch
- Omiya Branch
- Ueno Branch
- Gotanda Branch
- Ikebukuro Branch
- Yokohama Branch
- Kariya Business Department
- Hokuriku Branch
- Hamamatsu Branch
- Shizuoka Business Office
- Osaka Office
- Kyoto Branch
- Kobe Branch
- Okayama Branch
- Shikoku Branch
- Kyushu Branch
- Minami Kyushu Business Office

Mitsubishi UFJ Lease & Finance (U.S.A.) Inc.
(Head Office)
7300 Turfway Road, Suite 510,
Florence, KY 41042, U.S.A.
Tel: +1-859-594-4380
(Los Angeles Branch)
21250 Hawthorne Blvd., Suite 500,
Torrance, CA 90503, U.S.A.
Tel: +1-310-792-7440

Jackson Square Aviation, LLC
909 Montgomery Street, Suite 500,
San Francisco, CA 94133, U.S.A.
Tel: +1-415-821-8300

New York Representative Office
100 Park Avenue, Suite 1656,
New York, NY 10017, U.S.A.
Tel: +1-212-880-2652

United States

PT. Takari Kokoh Sejahtera
Jl. Arjuna Utara No. 131
Jakarta Barat 11470, Indonesia
Tel: +62-21-564-0101

PT. Mitsubishi UFJ Lease & Finance Indonesia
MIDPLAZA 1, 10th Floor, Jalan Jendral
Sudirman Kav. 10-11, Jakarta 10220, Indonesia
Tel: +62-21-573-5905

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 finance business
- MMC Diamond Finance Corporation
- Hirogin Auto Lease Co. Ltd.
- Mitsubishi Auto Leasing Holdings Corporation
- Mitsubishi Auto Leasing Corporation

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

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

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
- MUL Insurance Company Limited

CORPORATE DATA

(as of March 31, 2014)

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: 3,200,000,000 Number of Issued Shares: 895,834,160 Number of Shareholders: 9,455 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: 2,511, Parent: 1,247
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	179,182	20.00
Mitsubishi UFJ Financial Group, Inc.	120,356	13.43
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	54,487	6.08
Japan Trustee Services Bank, Ltd. (trust account)	37,493	4.18
Meiji Yasuda Life Insurance Company	30,896	3.44

Mitsubishi UFJ Lease & Finance Company Limited

Shin-Marunouchi Building, 5-1, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-6525, Japan
Tel: +81-3-6865-3000
URL: http://www.lf.mufg.jp/english/

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Published in July 2014
Printed in Japan