CONSOLIDATED BALANCE SHEET (Translation)

As of March 31, 2018

(Millions of yen)

ASSETS		LIABILITIES	
Account item	Amount	Account item	Amount
Current assets	**1,484,293**	**Current liabilities**	**830,989**
Cash and deposits	36,145	Notes and accounts payable-trade	40,986
Notes receivable-trade	7	Short-term borrowings	220,382
Installment contract receivables	140,089	Current portion of bonds	10,000
Lease receivables and lease investment assets	904,328	Current portion of long-term debt	90,931
Loan receivables from customers	294,736	Commercial paper	382,967
Other loan receivables from customers	63,803	Payables under fluidity lease receivables	22,367
Lease contract receivables	3,213	Lease payables	8,429
Other operating assets	11,754	Accrued income taxes	4,651
Securities	10	Deferred tax liabilities	2
Merchandise	1,277	Unrealized gross profits on installment contracts	12,119
Deferred tax assets	4,117	Provision for bonuses	1,525
Other	29,942	Provision for directors' bonuses	20
Allowance for doubtful receivables	(5,132)	Asset retirement obligations	1,271
Fixed assets	**163,221**	Other	35,333
Tangible assets	**107,569**	**Long-term liabilities**	**602,472**
Property for lease and rent	105,734	Bonds	70,000
Property for lease and rent	104,489	Long-term debt	451,314
Advances for purchases of property for lease and rent	1,245	Long-term payables under fluidity lease receivables	47,085
Own-use assets	1,834	Long-term deferred tax liabilities	2,005
Intangible assets	**3,345**	Net defined benefit liability	6,424
Property for lease and rent	376	Guarantee deposits received	24,276
Goodwill	2	Asset retirement obligations	446
Software	2,805	Other	919
Other	160	**Total liabilities**	**1,433,462**
Investments and other assets	**52,305**	**NET ASSETS**	
Investment securities	43,533	**Stockholders' equity**	**211,870**
Claims provable in bankruptcy, in rehabilitation and other	1,114	**Capital stock**	**32,000**
Long-term deferred tax assets	682	**Capital surplus**	**66,282**
Other	7,991	**Retained earnings**	**113,588**
Allowance for doubtful receivables	(1,015)	**Accumulated other comprehensive income**	**(911)**
		Net unrealized gain on available-for-sale securities	**4,366**
		Deferred gains (losses) on hedges	**(81)**
		Foreign currency translation adjustments	**(4,102)**
		Remeasurements of defined benefit plans	**(1,094)**
		Non-controlling interests	**3,093**
		Total net assets	**214,052**
Total assets	**1,647,515**	**Total liabilities and net assets**	**1,647,515**

CONSOLIDATED STATEMENT OF INCOME (Translation)

For the year ended March 31, 2018

(Millions of yen)

Account item	Amount	
Revenues		450,308
Costs		403,211
Gross profit		**47,096**
Selling, general and administrative expenses		25,304
Operating income		**21,791**
Non-operating income		
Interest received	35	
Dividends received	342	
Share of profit of entities accounted for using equity method	321	
Foreign exchange gains	2,322	
Other	64	3,085
Non-operating expenses		
Interest expense	304	
Bond issuance cost	160	
Other	2	466
Ordinary income		**24,410**
Special gains		
Gain on sales of fixed assets	20	
Gain on sales of investment securities	82	102
Special losses		
Loss on sales and retirement of fixed assets	8	
Loss on sales of investment securities	6	
Loss on valuation of investment securities	8	
Loss on sales of investments in affiliated companies	83	
Loss on valuation of golf club membership	1	108
Income before income taxes		**24,405**
Income taxes-current	7,184	
Income taxes-deferred	(306)	6,877
Net income		**17,527**
Net income attributable to non-controlling interests		334
Net income attributable to owners of parent		**17,192**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (Translation)

For the year ended March 31, 2018

(Millions of yen)

	Stockholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total stockholders' equity
Balance at beginning of the year	32,000	66,264	102,522	200,787
(Changes during the year)				
Dividends from surplus			(6,127)	(6,127)
Net income attributable to owners of parent			17,192	17,192
Change in ownership interest of parent due to transactions with non-controlling interests		17		17
Changes during the year in items other than stockholders' equity (net)				
Total changes during the year	–	17	11,065	11,082
Balance at end of the year	32,000	66,282	113,588	211,870

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustments	Remeasure-ments of defined benefit plans	Total accumula-ted other compre-hensive income		
Balance at beginning of the year	3,795	(242)	(2,097)	(1,100)	354	4,087	205,229
(Changes during the year)							
Dividends from surplus							(6,127)
Net income attributable to owners of parent							17,192
Change in ownership interest of parent due to transactions with non-controlling interests							17
Changes during the year in items other than stockholders' equity (net)	570	161	(2,004)	5	(1,266)	(993)	(2,259)
Total changes during the year	570	161	(2,004)	5	(1,266)	(993)	8,822
Balance at end of the year	4,366	(81)	(4,102)	(1,094)	(911)	3,093	214,052

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Translation)

For the year ended March 31, 2018

Amounts less than one million yen have been truncated.

(Notes to Significant Matters that Serve as the Basis for Preparing the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 30

Names of principal consolidated subsidiaries are described in "Business Report 1. (6) Status of significant subsidiaries."

KJ Equipment Co., Ltd., which had been a consolidated subsidiary in the consolidated fiscal year ended March 31, 2017, has been excluded from the scope of consolidation due to the transfer of all shares, and Global Semi Co., Ltd. has been excluded from the scope of consolidation due to its decreased materiality upon commencement of liquidation procedures.

(2) Names and other information of principal non-consolidated subsidiaries

Dyna Shipholding Pte. Ltd.

ESTRELLA LEASING, INC.

(Reasons for excluding subsidiaries from the scope of consolidation)

Of the non-consolidated subsidiaries, Dyna Shipholding Pte. Ltd. and 55 other companies are business operators that conduct the leasing business mainly through silent partnership investments, and their assets, liabilities and profit and loss are not attributable to those subsidiaries. Therefore, they have been excluded from the scope of consolidation.

ESTRELLA LEASING, INC. and 25 other companies are small in scale and each company's total assets, revenues, profit and loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) do not significantly affect the consolidated financial statements. Therefore, they have been excluded from the scope of consolidation.

2. Application of equity method

(1) Affiliated companies accounted for by the equity method: 11

MICHINOKU LEASING CO., LTD.

Mitsui Rail Capital, LLC and nine other companies

MRC Logistica Ferroviária DZSS-FC Ltda. and five other companies have been included in the scope of the equity method effective from the consolidated fiscal year ended March 31, 2018, due to the acquisition of equity interests.

(2) Of the non-consolidated subsidiaries or affiliated companies not accounted for by the equity method, names of the principal companies, etc.

Dyna Shipholding Pte. Ltd. (Non-consolidated subsidiary)

ESTRELLA LEASING, INC. (Non-consolidated subsidiary)

(Reasons for not applying the equity method)

Of the non-consolidated subsidiaries, Dyna Shipholding Pte. Ltd. and 55 other companies are business operators that conduct the leasing business mainly through silent partnership investments and their profit and loss are not attributable to those subsidiaries. Therefore, they have been excluded from the scope of the equity method.

Non-consolidated subsidiaries, ESTRELLA LEASING, INC. and 25 other companies have been excluded from the scope of the equity method due to their respective amounts of profit and loss (amount corresponding to equity) and retained earnings (amount corresponding to equity) which might not affect the consolidated financial statements, as well as their overall insignificance to the Group’s interests.

3. Fiscal years of the consolidated subsidiaries

Of the consolidated subsidiaries, the closing date of PT. Mitsui Leasing Capital Indonesia and three other companies is December 31 and the closing date of JAML Natural Energy Investment Limited Partnership and one other company is January 31. In preparing the consolidated financial statements, financial statements as of these dates are used and necessary adjustments for consolidation are made for any significant transactions that occur between the consolidated closing date and these dates.

The closing date of Silent Partnership Grape Lease and one other company is September 30, however, in preparing the consolidated financial statements, their financial statements as of March 31 through the temporary settlement are used.

4. Accounting standards

(1) Valuation basis and methods applied for significant assets

① Securities

Held-to-maturity securities	Amortized cost method
Available-for-sale securities	
Those with determinable fair values	At fair value based on market price, etc., as of the balance sheet date (All valuation differences are reported as a component of net assets. The cost of securities sold is determined by the moving-average method.)
Those without determinable fair values	At cost determined by the moving-average method Investments in limited partnerships, which are considered securities under Article 2, Paragraph 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.
② Derivative financial instruments	At fair value
③ Inventories	At cost determined by the specific identification method (balance sheet amount is subject to the book value reduction method based on decreased profitability)

(2) Methods of depreciation and amortization applied for significant fixed assets

① Property for lease and rent

Property for lease and rent is depreciated under the straight-line method within the estimated lease and rent period, assuming that useful lives are the same as the estimated lease and rent period, and that residual values are the disposal price estimable at the end of the estimated lease and rent period.

For some of the property for lease and rent, tangible assets are depreciated under the declining-balance method. However, for buildings (excluding facilities attached to buildings) acquired after April 1, 1998, and facilities attached to buildings acquired after April 1, 2016, the straight-line method is applied. Intangible assets are amortized under the straight-line method.

② Other fixed assets

Tangible assets

The declining-balance method is applied. However, for buildings (excluding facilities attached to buildings) acquired after April 1, 1998, and facilities attached to buildings and structures acquired after April 1, 2016, the straight-line method is applied.

The principal useful lives are as follows.

Buildings	3 to 18 years
Furniture and equipment	2 to 20 years

Intangible assets

The straight-line method is applied. Software for internal use is amortized under the straight-line method over internal useful lives (5 years).

(3) Accounting method of deferred assets

Bond issuance cost

Bond issuance cost is recognized as expense at the time of expenditure.

(4) Significant allowance and provisions

① Allowance for doubtful receivables

For general receivables, allowance for estimated uncollectible receivables is provided for at an adequate rate calculated based on the probability of bankruptcy, while allowance for certain categories including seriously doubtful receivables is provided for based on a case-by-case collectability assessment.

For receivables from businesses under a bankruptcy or rehabilitation process, an estimated uncollectible amount which is calculated by subtracting estimated collectable amounts from the receivables amount. For the year ended March 31, 2018, such estimated uncollectible amount is ¥2,036 million.

② Provision for bonuses

Of the estimated amount of bonuses payable to employees in the following fiscal year, the portion attributable to their service during the consolidated fiscal year ended March 31, 2018, has been set aside as provision for employees' bonuses.

③ Provision for directors' bonuses

Of the estimated amount of bonuses payable to directors in the following fiscal year, the portion attributable to their service during the consolidated fiscal year ended March 31, 2018, has been set aside as provision for directors' bonuses.

(5) Significant income and expenses

① Accounting policy for revenues and costs from finance lease transactions

The Group adopts the method in which lease revenue and cost of lease are recorded at the time when lease fees are collectible.

② Accounting policy for revenues from operating lease transactions

The Group records lease revenues corresponding to the elapsed period of the lease contract term, on the basis of the monthly lease fees collectible according to the lease contract for such contract term.

(6) Translation of significant foreign currency accounts

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates on the consolidated balance sheet date, and the foreign exchange gains and losses therefrom are recognized in the statement of income.

Assets and liabilities of the overseas consolidated subsidiaries are translated into Japanese yen at the spot exchange rate on the closing date of each company. Their income and expenses are translated into Japanese yen by using the average exchange rate during the fiscal year of each company. These translation adjustments are recorded as foreign currency translation adjustments and non-controlling interests under net assets.

(7) Significant method of hedge accounting

① Method of hedge accounting

Gains or losses on derivatives are deferred until maturity of the hedged items. For a currency swap, the Group applies designated hedge accounting as far as it qualifies for the required rules, and for an interest rate swap, the Group applies the exceptional method as far as it qualifies for the required rules.

② Hedging instruments and hedged items

Hedging instruments

Interest rate swap transactions

Cross-currency interest rate swap transactions

Hedged items

Loan receivables from customers and borrowings

Lease receivables and lease investment assets

③ Hedge accounting policy and evaluation of the hedging effectiveness

For the purposes of hedging risks from fluctuations in interest rates arising from assets and liabilities, integrated management of assets, liabilities and profit and loss (ALM) and securing stable income, the Group conducts derivative transactions in accordance with the internal regulations stipulated by the Management Committee.

The Group compares the cumulative changes in market fluctuations and cash flows of the hedged items against those of the hedging instruments during the period from the start of the hedging until the time when effectiveness is determined. This comparison serves as the basis for evaluating the effectiveness of hedging.

Evaluation of the effectiveness of interest rate swap transactions based on the exceptional method has been omitted.

(8) Amortization method and amortization period of goodwill

Goodwill is amortized by the straight-line method over five years.

(9) Other significant matters that serve as the basis for preparing the consolidated financial statements

① Accounting treatment for retirement benefits

Attribution method of the estimated amount of retirement benefits

In calculating projected benefit obligations, the estimated amount of retirement benefits by the end of the consolidated fiscal year ended March 31, 2018, is attributed on a straight-line basis.

Accounting method for actuarial differences and past service costs

Past service costs are recognized in each fiscal year as they arise.

Actuarial differences are charged to income on a straight-line basis, beginning from the consolidated fiscal year following the respective accounting period of recognition, over a period within the average remaining years of service of employees (9 to 19 years) at that time.

② Accounting treatment for consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(Notes to Consolidated Balance Sheet)

1. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(Millions of yen)
Installment contract receivables	5,895
Lease receivables and lease investment assets	79,788
Loan receivables from customers	25,914
Other loan receivables from customers	11,391
Property for lease and rent (tangible assets)	469
Investment securities	1,112
Other (investments and other assets)	15
Total	124,586

(2) Liabilities corresponding to assets pledged as collateral

	(Millions of yen)
Current portion of long-term debt	12,675
Payables under fluidity lease receivables	22,367
Long-term debt	20,234
Long-term payables under fluidity lease receivables	47,085
Total	102,363

2. Accumulated depreciation of tangible assets

	(Millions of yen)
Accumulated depreciation of property for lease and rent	64,297
Accumulated depreciation of own-use assets	1,725

3. Contingent liabilities

Contingent liabilities for other companies’ borrowings, etc., from financial institutions

	(Millions of yen)
M&M Shipholding Pte. Ltd.	4,318
Mitsui Rail Capital, LLC	3,939
ICE GAS LNG Shipping Co., Ltd.	1,539
Others	1,238
Total	11,036

4. Notes maturing at the end of the consolidated fiscal year

For accounting treatment of notes maturing at the end of the consolidated fiscal year, they are settled as of their clearance dates. Since the end of the consolidated fiscal year ended March 31, 2018, fell on a bank holiday, the following notes maturing at the end of the consolidated fiscal year are included in the balance at the end of the consolidated fiscal year ended March 31, 2018.

	(Millions of yen)
Notes receivable-trade	41
Notes received for installment contract receivables	236
Notes received for lease receivables and lease investment assets	18
Notes received for other loan receivables from customers	700
Other notes received	93
Notes payable-trade	364

(Notes to Consolidated Statement of Changes in Net Assets)

1. Number of issued and outstanding shares

(Thousand shares)

Class of shares	Number of shares at the beginning of the consolidated fiscal year	Number of increased shares during the consolidated fiscal year	Number of decreased shares during the consolidated fiscal year	Number of shares at the end of the consolidated fiscal year
Issued and outstanding shares				
Ordinary shares	32,415	–	–	32,415
Class I classified shares	4,077	–	–	4,077
Class II classified shares	33,448	–	–	33,448
Class III classified shares	3,883	–	–	3,883
Total	73,824	–	–	73,824

2. Matters regarding dividends

(1) Amount of dividend payments

Dividend payments resolved at the 9th annual general meeting of shareholders held on June 29, 2017

- Total amount of dividends ¥6,127 million
- Dividend per share
  - Ordinary shares ¥83
  - Class I classified shares ¥83
  - Class II classified shares ¥83
  - Class III classified shares ¥83
- Record date March 31, 2017
- Effective date June 30, 2017

(2) Dividends with a record date in the current consolidated fiscal year and effective date in the next consolidated fiscal year

At the 10th annual general meeting of shareholders scheduled to be held on June 28, 2018, the Company will make the following proposals to be discussed and resolved.

- Total amount of dividends ¥6,865 million
- Dividend per share
  - Ordinary shares ¥93
  - Class I classified shares ¥93
  - Class II classified shares ¥93
  - Class III classified shares ¥93
- Record date March 31, 2018
- Effective date June 29, 2018

The source of dividends is retained earnings.

(Notes to Financial Instruments)

1. Matters relating to the status of financial instruments

(1) The Group's policy for financial instruments

The Group raises funds by direct financing such as issuance of commercial paper and bonds as well as securitization of receivables, along with indirect financing including bank borrowings, in order to develop its core business leasing and other financial service businesses including installment sales and loans to customers. The Group avoids concentration risk on specific industries or companies. It also periodically quantifies the amount of credit risks associated with its credit portfolios (the difference between credit VaR at a specified confidence level and credit costs) with the aim of maintaining a sound financial position.

From the perspective of stable finance, the Group seeks to diversify methods of financing and deconcentrate trading financial institutions for borrowings, the issuance of commercial paper and bonds. It also implements integrated asset and liability management (ALM) with the aim of keeping up with changes in financial conditions and engages in derivative transactions as part of ALM. Derivative transactions are used with the objective of avoiding risks and not for speculative purposes.

(2) Details of financial instruments and their risks

Financial assets held by the Group are primarily lease receivables, lease investment assets, installment contract receivables and loans to customers involving domestic clientele, all of which are exposed to credit risk associated with the event of default by customers.

Bank borrowings and issuance of commercial paper and bonds are all exposed to liquidity risk involving difficulty in ensuring the procurement of sufficient funds via normal fund-raising activities in the event of significant dysfunction of the financial/capital markets. Furthermore, borrowings at variable interest rates are exposed to interest rate risk, which is partially avoided by interest rate swap transactions. Leases, installment sales and loan transactions denominated in foreign currencies are exposed to exchange risk, which is mitigated by foreign currency denominated borrowing.

One area of the derivative transactions in which the Group is engaged is interest rate swap transactions deployed as hedging instruments as part of the integrated asset and liability management (ALM) in which interest rate risk associated with the hedged borrowing is subject to hedge accounting. Under hedge accounting, the Group compares the cumulative changes in cash flows of the hedged items against those of the hedging instruments during the period from the start of the hedging until the time at which effectiveness is determined. This comparison serves as the basis for evaluating the effectiveness of hedging.

(3) Risk management system for financial instruments

① Management of credit risks

In accordance with the internal rules for credit risk management, the Group has developed and maintains a credit management system in respect of its trade receivables, including credit assessment and management of credit limits and credit data on a case-by-case basis, internal credit rating, application of a ceiling system to avoid credit concentration risk, arrangement of guarantee and security, and response to questionable receivables. In addition, the Group periodically quantifies credit risks (the difference between credit VaR at a specified confidence level and credit costs) in order to analyze and monitor its exposure to credit risks.

② Management of market risks

The Group manages interest rate risk on the basis of the integrated asset and liability management (ALM).

Details of the methods and procedures of the risk management are set out under the Group's Risk Management Policies, while analysis of financial market trends and identification/confirmation of interest rate risk position, along with discussion/approval on the future policies for handling this type of risk, are carried out by the Integrated Risk Management Committee. Exchange risk is managed on a case-by-case basis. Furthermore, for quantitative analysis of the interest rate risk, the Group calculates the amount of impact on profit and loss by simulating the reasonably expected moving range of interest rate risk after the year-end; and assuming that all risk variables other than interest rates remain the same, calculations indicate that the fair value of financial assets and financial liabilities will decrease by ¥1,512 million based on the scenario where the benchmark interest rate increases by 10 basis points (0.1%) as of March 31, 2018.

③ Management of liquidity risks concerning financing

The Group engages in liquidity management of company-wide funds via ALM, along with other measures including the maintenance of adequate balance of cash and deposits, diversification of fund-raising methods, establishment of commitment lines from a number of financial institutions and an optimum mix of short-term and long-term financing in consideration of the market environment.

(4) Supplementary information on matters relating to the fair value of financial instruments

The fair value of financial instruments is stated at either their market prices, or reasonably estimated values if no market prices are available. These reasonably estimated values are calculated based on certain assumptions; therefore these values may vary if different assumptions are applied. In addition, the contract amounts stated in the note “Derivative transactions” themselves do not indicate the market risks associated with derivative transactions.

2. Matters relating to the fair value of financial instruments

Consolidated balance sheet amounts, fair value, and the differences as of March 31, 2018, are as follows. Those items for which fair value is considered extremely difficult to determine are not included.

(Millions of yen)

	Consolidated balance sheet amounts	Fair value	Differences
(1) Installment contract receivables (*1)	127,969		
Allowance for doubtful receivables (*2)	(793)		
	127,176	128,694	1,517
(2) Lease receivables and lease investment assets	904,328		
Estimated residual value (*3)	(34,633)		
Allowance for doubtful receivables (*2)	(1,285)		
	868,409	887,695	19,286
(3) Loan receivables from customers	294,736		
Allowance for doubtful receivables (*2)	(2,647)		
	292,089	295,382	3,293
(4) Other loan receivables from customers	63,803		
Allowance for doubtful receivables (*2)	(152)		
	63,650	65,355	1,705
(5) Investment securities			
Held-to-maturity securities	4,661	4,621	(39)
Available-for-sale securities	14,359	14,359	—
(6) Claims provable in bankruptcy, in rehabilitation and other	1,114		
Allowance for doubtful receivables (*2)	(749)		
	364	364	—
Total assets	1,370,710	1,396,473	25,763
(1) Short-term borrowings	220,382	220,382	—
(2) Commercial paper	382,967	382,967	—
(3) Bonds (*4)	80,000	79,373	(626)
(4) Long-term debt (*5)	542,246	543,445	1,199
(5) Long-term payables under fluidity lease receivables (*6)	69,452	69,938	486
Total liabilities	1,295,049	1,296,108	1,058
Derivative transactions (*7)			
1) Derivative transactions to which hedge accounting is not applied	(495)	(495)	—
2) Derivative transactions to which hedge accounting is applied	(34)	(34)	—
Total derivative transactions	(530)	(530)	—

(*1) Deferred unrealized gross profits on installment contracts have been deducted from installment contract receivables.

(*2) Corresponding allowance for doubtful receivables has been deducted.

(*3) Estimated residual value included in lease investment assets has been deducted.

(*4) Current portion of bonds is included.

(*5) Current portion of long-term debt is included.

(*6) Long-term payables under fluidity lease receivables scheduled to be repaid within one year as included in payables under fluidity lease receivables are included.

(*7) Actual receivables and payables derived from derivative transactions are represented as net amounts. Net payables are presented in parentheses.

(Note 1) Matters relating to the calculation method of fair value of financial instruments and derivative transactions

Assets

(1) Installment contract receivables, (2) Lease receivables and lease investment assets, (3) Loan receivables from customers and (4) Other loan receivables from customers

Financial instruments based on variable interest rates reflect market rates at short intervals, thus their book value approximates fair value unless the credit standing of the customers involved therein changes significantly. Hence, they are stated at book values. On the other hand, financial instruments based on fixed interest rates are calculated by discounting the sum of principal and interest using the hypothetical interest rate assumed applicable to new borrowings under similar conditions, by type of receivable, by grade of internal rating and by term basis. Doubtful receivables are calculated based on the estimated amount recoverable through repossession or guarantee, in which their consolidated balance sheet amount less estimated bad debt at the closing date is approximate to fair value, and thus are stated as such.

(5) Investment securities

The fair values of shares and bonds are calculated using the quoted market prices and the prices quoted by financial institutions, respectively.

(6) Claims provable in bankruptcy, in rehabilitation and other

Receivables from businesses under a bankruptcy or rehabilitation process are calculated based on the estimated amount recoverable through repossession or guarantee, in which their consolidated balance sheet amount at the closing date less the currently estimated bad debt is approximate to fair value, and thus are stated as such.

Liabilities

(1) Short-term borrowings and (2) Commercial paper

Since these are settled in a short period and their book value is approximate to their fair value, they are stated at book values.

(3) Bonds

Of the bonds issued by the Group, those based on variable interest rates reflecting market rates at short intervals, without significant change in the Group’s credit standing since the issuance, are stated at their book value which is deemed to approximate fair value. On the other hand, those based on fixed interest rates are stated at their fair value calculated by discounting the sum of their principal and interest for each of certain time periods within the term, using the hypothetical interest rate assumed applicable to bonds issued under similar conditions as at the end of each such time period.

(4) Long-term debt and (5) Long-term payables under fluidity lease receivables

Of the long-term debt, those based on variable interest rates reflecting market rates at short intervals, without significant change in the Group’s credit standing since the borrowings, are stated at their book value which is deemed to approximate fair value. On the other hand, those based on fixed interest rates are stated at their fair value calculated by discounting the sum of their principal and interest (*) for each of certain time periods within the term, using the hypothetical interest rate assumed applicable to borrowings under similar conditions as at the end of each such time period.

(*) Long-term borrowings applicable to the exceptional method for interest rate swap transactions are the sum of their principal and interest (calculated by the rate applicable to such interest rate swap transactions).

Derivative transactions

Fair value is calculated using prices quoted by financial institutions.

Of the derivative transactions subject to hedge accounting, those subject to the exceptional method for interest rate swap transactions are treated as part of hedged long-term borrowings. For this reason, their fair value is included in the fair value of such long-term borrowings.

(Note 2) Financial instruments of which fair values are extremely difficult to determine

Unlisted shares, etc. (consolidated balance sheet amount of ¥24,523 million), are not included in “Assets (5) Investment securities” because there are no market prices, their future cash flows cannot be estimated and it is extremely difficult to determine their fair values.

(Notes to Per Share Information)

1. Net assets per share of ordinary shares	¥4,635.05
2. Net income per share of ordinary shares	¥232.88

BALANCE SHEET (Translation)

As of March 31, 2018

(Millions of yen)

ASSETS		LIABILITIES	
Account item	Amount	Account item	Amount
Current assets	**1,198,347**	**Current liabilities**	**677,546**
Cash and deposits	24,281	Notes payable-trade	3,765
Notes receivable-trade	7	Accounts payable-trade	29,514
Installment contract receivables	92,096	Short-term borrowings	98,364
Lease receivables	172,475	Current portion of bonds	10,000
Lease investment assets	546,388	Current portion of long-term debt	80,749
Loan receivables from customers	105,884	Commercial paper	382,967
Other loan receivables from customers	62,730	Payables under fluidity lease receivables	22,367
Lease contract receivables	2,203	Lease payables	7,829
Other operating assets	11,094	Accounts payable	13,420
Advance on contracts	9,033	Accrued expenses	1,050
Prepaid expenses	1,859	Accrued income taxes	3,040
Short-term loan receivables	159,568	Advances received on lease contracts	6,791
Deferred tax assets	3,216	Deposits received	7,310
Other	10,045	Deferred income	8
Allowance for doubtful receivables	(2,538)	Unrealized gross profits on installment contracts	8,852
Fixed assets	**160,030**	Provision for bonuses	1,172
Tangible assets	**46,431**	Provision for directors' bonuses	20
Property for lease and rent	45,467	Other	321
Own-use assets	964	**Long-term liabilities**	**504,304**
Intangible assets	**3,080**	Bonds	70,000
Property for lease and rent	315	Long-term debt	374,476
Software	2,644	Long-term payables under fluidity lease receivables	47,085
Other	120	Provision for employees' retirement benefits	3,731
Investments and other assets	**110,518**	Guarantee deposits received	7,821
Investment securities	24,678	Other	1,189
Investments in affiliated companies	41,152	**Total liabilities**	**1,181,851**
Long-term loan receivables	42,522	**NET ASSETS**	
Claims provable in bankruptcy, in rehabilitation and other	353	**Stockholders' equity**	**172,366**
Long-term prepaid expenses	55	**Capital stock**	**32,000**
Long-term deferred tax assets	118	**Capital surplus**	**66,264**
Other	2,261	Legal capital surplus	30,000
Allowance for doubtful receivables	(624)	Other capital surplus	36,264
		Retained earnings	**74,101**
		Earned surplus reserve	412
		Other retained earnings	73,689
		Unappropriated	73,689
		Valuation and translation adjustments	**4,159**
		Net unrealized gain on available-for-sale securities	**4,261**
		Deferred gains (losses) on hedges	**(101)**
		Total net assets	**176,526**
Total assets	**1,358,377**	**Total liabilities and net assets**	**1,358,377**

STATEMENT OF INCOME (Translation)

For the year ended March 31, 2018

(Millions of yen)

Account item	Amount	
Revenues		
Lease revenue	290,286	
Installment sales	25,343	
Finance revenue	4,886	
Other revenue	6,959	327,475
Costs		
Cost of lease	266,834	
Cost of installment sales	23,454	
Cost of finance	248	
Financing costs	4,658	
Cost of other sales	5,662	300,859
Gross profit		**26,616**
Selling, general and administrative expenses		16,255
Operating income		**10,360**
Non-operating income		
Interest received	1,100	
Dividends received	2,328	
Foreign exchange gains	2,149	
Other	238	5,816
Non-operating expenses		
Interest expense	1,243	
Bond issuance cost	160	
Other	0	1,403
Ordinary income		**14,774**
Special gains		
Gain on sales of fixed assets	1	
Gain on sales of investment securities	9	10
Special losses		
Loss on sales and retirement of fixed assets	2	
Loss on sales of investment securities	6	
Loss on valuation of investments in affiliated companies	8	
Loss on valuation of golf club membership	1	19
Income before income taxes		**14,765**
Income taxes-current	4,462	
Income taxes-deferred	(180)	4,282
Net income		**10,482**

STATEMENT OF CHANGES IN NET ASSETS (Translation)

For the year ended March 31, 2018

(Millions of yen)

	Stockholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total stockholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Earned surplus reserve	Other retained earnings: Unappropriated	Total retained earnings	
Balance at beginning of the year	32,000	30,000	36,264	66,264	412	69,333	69,746	168,010
(Changes during the year)								
Dividends from surplus						(6,127)	(6,127)	(6,127)
Net income						10,482	10,482	10,482
Changes during the year in items other than stockholders' equity (net)								
Total changes during the year	—	—	—	—	—	4,355	4,355	4,355
Balance at end of the year	32,000	30,000	36,264	66,264	412	73,689	74,101	172,366

	Valuation and translation adjustments			Total net assets
	Net unrealized gain on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments	
Balance at beginning of the year	3,667	(190)	3,476	171,487
(Changes during the year)				
Dividends from surplus				(6,127)
Net income				10,482
Changes during the year in items other than stockholders' equity (net)	594	88	683	683
Total changes during the year	594	88	683	5,038
Balance at end of the year	4,261	(101)	4,159	176,526

NOTES TO FINANCIAL STATEMENTS (Translation)

For the year ended March 31, 2018

Amounts less than one million yen have been truncated.

(Notes to Significant Accounting Policies)

1. Valuation basis and methods applied for assets

(1) Securities

Investments in subsidiaries and associates.....	At cost determined by the moving-average method
Available-for-sale securities	
Those with determinable fair values..........	At fair value based on market price, etc., as of the balance sheet date (All valuation differences are reported as a component of net assets. The cost of securities sold is determined by the moving-average method.)
Those without determinable fair values.....	At cost determined by the moving-average method Investments in limited partnerships, which are considered securities under Article 2, Paragraph 2 of the Japanese Financial Instruments and Exchange Act, are recorded under the equity method and based on the latest financial statements available on the reportable date ruled by the partnership contracts.
(2) Derivative financial instruments.........................	At fair value

2. Methods of depreciation and amortization applied for fixed assets

(1) Property for lease and rent

Property for lease and rent is depreciated under the straight-line method within the estimated lease and rent period, assuming that useful lives are the same as the estimated lease and rent period, and that residual values are the disposal price estimable at the end of the estimated lease and rent period.

For some of the property for lease and rent, tangible assets are depreciated under the declining-balance method. Intangible assets are amortized under the straight-line method.

(2) Other fixed assets

Tangible assets

The declining-balance method is applied. However, for facilities attached to buildings acquired after April 1, 2016, the straight-line method is applied.

The principal useful lives are as follows.

Buildings	3 to 15 years
Furniture and equipment	2 to 20 years

Intangible assets

The straight-line method is applied. Software for internal use is amortized under the straight-line method over internal useful lives (5 years).

3. Accounting method of deferred assets

Bond issuance cost

Bond issuance cost is recognized as expense at the time of expenditure.

4. Translation of foreign currency accounts

All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rates on the balance sheet date, and the foreign exchange gains and losses therefrom are recognized in the statement of income.

5. Allowance and provisions

(1) Allowance for doubtful receivables

For general receivables, allowance for estimated uncollectible receivables is provided for at an adequate rate calculated based on the probability of bankruptcy, while allowance for certain categories including seriously doubtful receivables is provided for based on a case-by-case collectability assessment.

For receivables from businesses under a bankruptcy or rehabilitation process, an estimated uncollectible amount which is calculated by subtracting estimated collectable amounts from the receivables amount. For the year ended March 31, 2018, such estimated uncollectible amount is ¥1,972 million.

(2) Provision for bonuses

Of the estimated amount of bonuses payable to employees in the following fiscal year, the portion attributable to their service during the current fiscal year has been set aside as provision for employees' bonuses.

(3) Provision for directors' bonuses

Of the estimated amount of bonuses payable to directors in the following fiscal year, the portion attributable to their service during the current fiscal year has been set aside as provision for directors' bonuses.

(4) Provision for employees' retirement benefits

The Company provides for the estimated year-end liabilities for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Past service costs are recognized in each fiscal year as they arise.

Actuarial differences are charged to income on a straight-line basis, beginning from the year after they are recognized, over the average remaining years of service of employees (13 to 16 years).

6. Income and expenses

(1) Lease accounting

① Accounting policy for revenues and costs from finance lease transactions

The Company adopts the method in which lease revenue and cost of lease are recorded at the time when lease fees are collectible.

② Accounting policy for revenues from operating lease transactions

The Company records lease revenues corresponding to the elapsed period of the lease contract term, on the basis of the monthly lease fees collectible according to the lease contract for such contract term.

(2) Accounting for installment contracts

The Company accounts for the full amount of contracts as installment contract receivables upon delivery of goods and records installment sales and costs of installment sales as each payment becomes due.

Unrealized gross profits on installment contract receivables with installment payments becoming due at later dates are deferred.

Meanwhile, for some of the installment contracts, the amount equivalent to interest is allocated to each period as installment sales.

(3) Accounting treatment for financial expenses

Total assets are divided into assets based on sales transactions and other assets, where financial expenses corresponding to the former are recorded as financing costs under the heading of operating expenses while financial expenses corresponding to the latter are recorded as non-operating expense, based on the balance proportion of such assets.

Financial expenses related to operating assets less corresponding interest received, etc., are recorded as financing costs.

7. Method of hedge accounting

(1) Method of hedge accounting

Gains or losses on derivatives are deferred until maturity of the hedged items. For an interest rate swap, the Company applies the exceptional method as far as it qualifies for the required rules.

(2) Hedging instruments and hedged items

Hedging instruments

Interest rate swap transactions

Hedged items

Loan receivables from customers and borrowings

Lease receivables and lease investment assets

(3) Hedge accounting policy and evaluation of the hedging effectiveness

For the purposes of hedging risks from fluctuations in interest rates arising from assets and liabilities, integrated management of assets, liabilities and profit and loss (ALM) and securing stable income, the Company conducts derivative transactions in accordance with the internal regulations stipulated by the Management Committee.

The Company compares the cumulative changes in market fluctuation and cash flows of the hedged items against those of the hedging instruments during the period from the start of the hedging until the time when effectiveness is determined. This comparison serves as the basis for evaluating the effectiveness of hedging.

Evaluation of the effectiveness of interest rate swap transactions based on the exceptional method has been omitted.

8. Other significant matters that serve as the basis for preparing financial statements

(1) Accounting treatment for consumption taxes

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(2) Accounting treatment for retirement benefits

The method of accounting treatment for actuarial differences yet to be recognized in retirement benefits differs from the method applied for the consolidated financial statements.

(Notes to Balance Sheet)

1. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(Millions of yen)
Lease receivables	52,324
Lease investment assets	20,174
Loan receivables from customers	25,914
Other loan receivables from customers	11,391
Property for lease and rent (tangible assets)	469
Investment securities	1,112
Other (investments and other assets)	15
Total	111,402

(2) Liabilities corresponding to assets pledged as collateral

	(Millions of yen)
Current portion of long-term debt	11,842
Payables under fluidity lease receivables	22,367
Long-term debt	7,868
Long-term payables under fluidity lease receivables	47,085
Total	89,163

2. Accumulated depreciation of tangible assets

	(Millions of yen)
Accumulated depreciation of property for lease and rent	44,144
Accumulated depreciation of own-use assets	746

3. Contingent liabilities

Contingent liabilities for other companies’ borrowings, etc., from financial institutions

	(Millions of yen)
JA Mitsui Leasing Capital Corporation	72,091
PT. Mitsui Leasing Capital Indonesia	46,757
JA Mitsui Leasing Singapore Pte. Ltd.	25,178
Altair Lines S.A.	18,323
Others	13,553
Total	175,904

4. Breakdown of lease receivables and lease investment assets

(Millions of yen)

	Lease receivables	Lease investment assets
Amount of receivables	192,498	564,183
Estimated residual value	―	25,497
Amount equivalent to interest receivables	20,023	43,292
Total	172,475	546,388

5. Notes received as guarantees

	(Millions of yen)
Notes received for installment contract receivables	5,661
Notes received for lease receivables	2
Notes received for lease investment assets	571
Notes received for other loan receivables from customers	5,092

6. Operating lease contract receivables under the remaining lease terms

	(Millions of yen)
Other lease contract receivables	19,339

7. Trade receivables due after one year

	(Millions of yen)
Installment contract receivables	58,529
Lease receivables	108,006
Lease investment assets	379,502
Loan receivables from customers	79,654
Other loan receivables from customers	37,321
Operating lease contract receivables under the remaining lease terms	6,925
Total	669,938

8. Receivables and payables with affiliated companies

	(Millions of yen)
Short-term receivables	165,116
Long-term receivables	42,514
Short-term payables	45,507
Long-term payables	25,750

9. Notes maturing at the end of the fiscal year

For accounting treatment of notes maturing at the end of the fiscal year, they are settled as of their clearance dates. Since the end of the fiscal year ended March 31, 2018, fell on a bank holiday, the following notes maturing at the end of the fiscal year are included in the balance at the end of the fiscal year ended March 31, 2018.

	(Millions of yen)
Notes receivable-trade	2
Notes received for installment contract receivables	224
Notes received for lease receivables	0
Notes received for lease investment assets	11
Notes received for other loan receivables from customers	700
Other notes received	92

(Notes to Statement of Income)

1. Transactions with affiliated companies

	(Millions of yen)
Amount of operating transactions	
Revenues	2,767
Costs	509
Selling, general and administrative expenses	(674)
Amount of non-operating transactions	3,392

2. Breakdown of financing costs

	(Millions of yen)
Interest expense, etc.	5,329
Interest received, etc.	(670)
Net balance	4,658

(Notes to Income Taxes)

1. Significant components of the Company's deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Excess provision for depreciation and amortization	1,826
Provision for employees' retirement benefits	1,142
Allowance for doubtful receivables	1,019
Investments in affiliated companies	702
Provision for bonuses	359
Other	1,060
Deferred tax assets subtotal	6,110
Less valuation allowance	(897)
Total deferred tax assets	5,212
Deferred tax liabilities	
Net unrealized gain on available-for-sale securities	(1,767)
Other	(110)
Total deferred tax liabilities	(1,877)
Net deferred tax assets	3,334

2. Significant components of difference between statutory tax rate and effective tax rate after adjustments for tax effect accounting

Statutory tax rate	30.8%
(Adjustments)	
Withholding tax	(1.3)%
Permanent differences such as dividends received	(0.8)%
Inhabitant tax on per capita basis	0.4%
Other	(0.1)%
Effective tax rate after adjustments for tax effect accounting	29.0%

(Notes to Leased Fixed Assets)

In addition to fixed assets stated in the balance sheet, the Company uses information equipment and vehicles under lease contracts.

(Notes to Related Party Transactions)

1. Parent company and major corporate stockholder

Category	Name of related company	Percentage of voting rights (of the Company)	Relationship with related party	Description of the transaction	Transactions (Millions of yen)	Account	Balance (Millions of yen)
Other affiliated company	The Norinchukin Bank	Directly 33.40%	Loan Doubled as director	Borrowings (*1)	421,284	Short-term borrowings	29,616
						Current portion of long-term debt	8,520
						Long-term debt	25,750
				Payment of the interest	302	Accrued expenses	5

The terms and conditions of the above transactions and their related policies, etc.

(*1) Interest rates, etc., are subject to general terms and conditions.

2. Subsidiaries, etc.

Category	Name of related company	Equity ownership percentage	Relationship with related party	Description of the transaction	Transactions (Millions of yen)	Account	Balance (Millions of yen)
Subsidiary	KINKI SOGO LEASING CO., LTD.	Directly 94.90%	Loan Doubled as executive officer	Loan (*2)	143,300	Short-term loan receivables	15,800
						Long-term loan receivables	700
				Receipt of the interest	51	Accrued income	1
Subsidiary	Nishi-Nippon Sogo Lease Co., Ltd. (*1)	Directly 100%	Loan Doubled as executive officer	Loan (*2)	273,200	Short-term loan receivables	31,040
						Long-term loan receivables	4,790
				Receipt of the interest	125	Accrued income	0
Subsidiary	JA Mitsui Leasing Auto, Ltd.	Directly 100%	Loan Doubled as executive officer	Loan (*2)	389,900	Short-term loan receivables	47,400
						Long-term loan receivables	4,600
				Receipt of the interest	173	Accrued income	3
Subsidiary	JA MITSUI LEASING TATEMONO CO., LTD.	Directly 100%	Loan	Loan (*2)	658,900	Short-term loan receivables	52,660
						Long-term loan receivables	16,660
				Receipt of the interest	314	Accrued income	4
Subsidiary	JA Mitsui Leasing Capital Corporation	Indirectly 100%	Guarantee of liability	Guarantee of liabilities (*3)	72,091	—	—
				Receipt of the guarantee fee	94	Accrued income	25
Subsidiary	PT. Mitsui Leasing Capital Indonesia	Directly 85.00% Indirectly 14.99%	Guarantee of liability	Guarantee of liabilities (*3)	46,757	—	—
				Receipt of the guarantee fee	59	Accrued income	11
Subsidiary	JA Mitsui Leasing Singapore Pte. Ltd.	Directly 100%	Guarantee of liability	Guarantee of liabilities (*3)	25,178	—	—
				Receipt of the guarantee fee	31	Accrued income	6
Subsidiary	Altair Lines S.A.	Directly 100%	Loan	Loan (*2)	13,756	Short-term loan receivables	7,515
						Long-term loan receivables	9,308
				Receipt of the interest	287	Accrued income	7
			Guarantee of liability	Guarantee of liabilities (*3)	18,323	—	—
				Receipt of the guarantee fee	28	Accrued income	14

The terms and conditions of the above transactions and their related policies, etc.

(*1) Nishi-Nippon Sogo Lease Co., Ltd. changed its trade name to JA MITSUI LEASING KYUSHU, LTD. as of April 1, 2018.

(*2) The terms and conditions of the loans are determined in consideration of the prevailing market interest rates and other factors.

(*3) The guarantee of liabilities is for borrowings from financial institutions, and the rate of guarantee fee is reasonably determined in consideration of the prevailing market interest rates.

3. Fellow subsidiaries, etc.

Category	Name of related company	Percentage of voting rights (of the Company)	Relationship with related party	Description of the transaction	Transactions (Millions of yen)	Account	Balance (Millions of yen)
Subsidiary of other affiliated company	Mitsui & Co. Plant Systems, Ltd.	None	Equipment lease	Receipt of the lease fees (*1)	3,648	Lease investment assets	20,490

The terms and conditions of the above transactions and their related policies, etc.

(*1) The terms and conditions of the lease transactions are determined based on similar terms and conditions applied to general transactions, in consideration of the prevailing market interest rate and other factors.

(Notes to Per Share Information)

1. Net assets per share of ordinary shares ¥ 3,572.81
2. Net income per share of ordinary shares ¥ 142.00

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 18, 2018

To the Board of Directors of
JA MITSUI LEASING, Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hayato Yoshida

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Masahiko Inoue

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hiroaki Aoki

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated balance sheet as of March 31, 2018 of JA MITSUI LEASING, Ltd. (the "Company") and its consolidated subsidiaries, and the related consolidated statements of income and changes in net assets for the fiscal year from April 1, 2017 to March 31, 2018, and the related notes.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JA MITSUI LEASING, Ltd. and its consolidated subsidiaries as of March 31, 2018, and the results of their operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 18, 2018

To the Board of Directors of
JA MITSUI LEASING, Ltd.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hayato Yoshida

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Masahiko Inoue

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Hiroaki Aoki

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the balance sheet as of March 31, 2018 of JA MITSUI LEASING, Ltd. (the “Company”), and the related statements of income and changes in net assets for the 10th fiscal year from April 1, 2017 to March 31, 2018, and the related notes and the accompanying supplemental schedules.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, 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 financial statements and the accompanying supplemental schedules 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 financial statements and the accompanying supplemental schedules.

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

Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of JA MITSUI LEASING, Ltd. as of March 31, 2018, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

(Translation)

Audit Report by the Board of Corporate Auditors

Certified Copy

Audit Report

The board of corporate auditors, following deliberations on the reports made by each corporate auditor concerning the audit of performance of duties by directors of the Company for the 10th fiscal year from April 1, 2017, to March 31, 2018, has prepared this Audit Report, and hereby reports as follows:

1. Auditing Method Used by Each Corporate Auditor and the Board of Corporate Auditors and Details Thereof

(1) The board of corporate auditors established auditing policies, assignment of duties and other relevant matters, and received reports from each corporate auditor regarding the progress and results of audits, as well as received reports from the directors, other relevant personnel and the independent auditors regarding the performance of their duties, and sought explanations as necessary.

(2) In conformity with the corporate auditors' auditing standard policies established by the board of corporate auditors, and in accordance with the auditing policies, assignment of duties and other relevant matters, each corporate auditor endeavored to gather information and to create an improved environment for auditing through close communication with the directors, employees including those working in the Internal Audit Department and other relevant personnel, and conducted audits as follows:

1) Each corporate auditor attended meetings of the board of directors and other important meetings, received reports from the directors, employees and other relevant personnel regarding the performance of their duties, sought explanations as necessary, inspected documents involving important resolutions, and examined the operations and financial position of the Company at the Head Office and other principal offices of the Company. As for the subsidiaries of the Company, each standing corporate auditor, concurrently holding the office of corporate auditor of significant subsidiary, attended meetings of the board of directors of significant subsidiaries, endeavored to keep communication and share information with the directors and other related personnel of the subsidiaries, and received reports from the subsidiaries, the directors and other relevant personnel regarding their businesses as necessary. Each standing corporate auditor also reviewed the business report for the fiscal year and supplementary schedules thereto.

2) Each corporate auditor monitored and verified the content and the status of the resolution of the board of directors to establish the systems provided by Article 100, Section 1 and 3 of the Ordinance for Enforcement of the Companies Act and the systems established pursuant to such resolution (the "Internal Control System"), which are necessary to establish the systems to ensure directors carry out their duties described in the business report in accordance with laws and regulations and the Company's Articles of Incorporation and other systems to ensure appropriateness of business of the corporate group consisting of the Company and its subsidiaries. Each corporate auditor also sought explanations from the directors, employees and other relevant personnel as necessary, and expressed his/her opinions.

3) The corporate auditors monitored and verified whether the independent auditors maintained their independence and implemented appropriate audits, as well as received reports from the independent auditors regarding the performance of its duties and sought explanations as necessary.

Each corporate auditor was notified by the independent auditors that it has established a “system to ensure that duties of independent auditors are being conducted properly” (matters prescribed in each item of Article 131 of the Corporate Accounting Regulations) and that the system is developed and implemented in accordance with the “Quality Control Standards for Audit” (Business Accounting Council, October 28, 2005) and other applicable standards, and sought explanations as necessary.

Based on the foregoing method, the corporate auditors reviewed the business report and the financial statements for the fiscal year (balance sheet, statement of income, statement of changes in net assets and the related notes) and supplementary schedules thereto, as well as the consolidated financial statements for the fiscal year (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and the related notes).

2. Audit Results

(1) Audit Results on the Business Report, etc.

1) In our opinion, the business report fairly represents the Company’s condition in conformity with the applicable laws and regulations as well as the Articles of Incorporation of the Company.

2) We have found no evidence of misconduct or material facts in violation of the applicable laws and regulations, nor of any violation with respect to the Articles of Incorporation of the Company, related to performance of duties by the directors.

3) In our opinion, the status of the operation and maintenance of the Internal Control System is appropriate. We have found no issues to be mentioned on the contents of the business report and the directors’ performance of their duties with respect to the Internal Control System.

(2) Results of Audit of the Financial Statements and Supplementary Schedules

In our opinion, the method and the results of the audit used and conducted by Deloitte Touche Tohmatsu LLC, the independent auditors are appropriate.

(3) Results of Audit of the Consolidated Financial Statements

In our opinion, the method and the results of the audit used and conducted by Deloitte Touche Tohmatsu LLC, the independent auditors are appropriate.

May 29, 2018

The board of corporate auditors of JA Mitsui Leasing, Ltd.

Standing corporate auditor	Tetsuya Watanabe (Seal)
Standing corporate auditor	Kunio Watanabe (Seal)
Corporate auditor	Katsuhisa Kiyozuka (Seal)

(Note) Tetsuya Watanabe and Kunio Watanabe, standing corporate auditors, and Katsuhisa Kiyozuka, corporate auditor, are the outside corporate auditors as set forth in Article 2, Item 16 and Article 335, Section 3 of the Companies Act.