CONSOLIDATED BALANCE SHEET (Translation)

As of March 31, 2019

(Millions of yen)

ASSETS		LIABILITIES	
Account item	Amount	Account item	Amount
Current assets	**1,543,209**	**Current liabilities**	**900,251**
Cash and deposits	32,069	Notes and accounts payable-trade	43,478
Notes receivable-trade	8	Short-term borrowings	245,500
Installment contract receivables	139,328	Current portion of bonds	20,000
Lease receivables and lease investment assets	940,979	Current portion of long-term debt	129,422
Loan receivables from customers	300,092	Commercial paper	374,966
Other loan receivables from customers	80,048	Payables under fluidity lease receivables	27,623
Lease contract receivables	3,628	Lease payables	9,374
Other operating assets	13,161	Accrued income taxes	3,701
Securities	1,387	Unrealized gross profits on installment contracts	11,473
Merchandise	6,887	Provision for bonuses	1,534
Other	28,747	Provision for directors' bonuses	21
Allowance for doubtful receivables	(3,131)	Asset retirement obligations	1,347
Fixed assets	**167,415**	Other	31,808
Tangible assets	**103,243**	**Long-term liabilities**	**590,076**
Property for lease and rent	101,422	Bonds	80,000
Property for lease and rent	101,384	Long-term debt	429,021
Advances for purchases of property for lease and rent	38	Long-term payables under fluidity lease receivables	45,364
Own-use assets	1,821	Deferred tax liabilities	2,653
Intangible assets	**3,628**	Net defined benefit liability	6,516
Property for lease and rent	413	Guarantee deposits received	25,245
Software	2,617	Asset retirement obligations	447
Other	597	Other	827
Investments and other assets	**60,543**	**Total liabilities**	**1,490,328**
Investment securities	41,944	**NET ASSETS**	
Claims provable in bankruptcy, in rehabilitation and other	3,032	**Stockholders' equity**	**221,180**
Deferred tax assets	5,659	**Capital stock**	**32,000**
Other	11,836	**Capital surplus**	**66,281**
Allowance for doubtful receivables	(1,929)	**Retained earnings**	**122,898**
		Accumulated other comprehensive income	**(3,622)**
		Net unrealized gain on available-for-sale securities	**3,142**
		Deferred gains (losses) on hedges	**(86)**
		Foreign currency translation adjustments	**(5,692)**
		Remeasurements of defined benefit plans	**(985)**
		Non-controlling interests	**2,739**
		Total net assets	**220,297**
Total assets	**1,710,625**	**Total liabilities and net assets**	**1,710,625**

CONSOLIDATED STATEMENT OF INCOME (Translation)

For the year ended March 31, 2019

(Millions of yen)

Account item	Amount	
Revenues		452,376
Costs		403,675
Gross profit		**48,700**
Selling, general and administrative expenses		24,279
Operating income		**24,420**
Non-operating income		
Interest received	88	
Dividends received	358	
Share of profit of entities accounted for using equity method	467	
Other	99	1,014
Non-operating expenses		
Interest expense	296	
Bond issuance cost	149	
Foreign exchange losses	1,194	
Other	2	1,643
Ordinary income		**23,791**
Special gains		
Gain on sales of fixed assets	24	
Gain on sales of investment securities	233	258
Special losses		
Loss on sales and retirement of fixed assets	4	
Impairment loss	0	
Loss on valuation of investment securities	3	
Loss on liquidation of subsidiaries and associates	5	
Loss on sales of golf club memberships	2	16
Income before income taxes		**24,034**
Income taxes-current	7,344	
Income taxes-deferred	156	7,501
Net income		**16,532**
Net income attributable to non-controlling interests		356
Net income attributable to owners of parent		**16,176**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS (Translation)

For the year ended March 31, 2019

(Millions of yen)

	Stockholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total stockholders' equity
Balance at beginning of the year	32,000	66,282	113,588	211,870
(Changes during the year)				
Dividends from surplus			(6,865)	(6,865)
Net income attributable to owners of parent			16,176	16,176
Change in ownership interest of parent due to transactions with non-controlling interests		(0)		(0)
Changes during the year in items other than stockholders' equity (net)				
Total changes during the year	—	(0)	9,310	9,310
Balance at end of the year	32,000	66,281	122,898	221,180

	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	4,366	(81)	(4,102)	(1,094)	(911)	3,093	214,052
(Changes during the year)							
Dividends from surplus							(6,865)
Net income attributable to owners of parent							16,176
Change in ownership interest of parent due to transactions with non-controlling interests							(0)
Changes during the year in items other than stockholders' equity (net)	(1,224)	(4)	(1,590)	108	(2,710)	(354)	(3,065)
Total changes during the year	(1,224)	(4)	(1,590)	108	(2,710)	(354)	6,244
Balance at end of the year	3,142	(86)	(5,692)	(985)	(3,622)	2,739	220,297

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Translation)

For the year ended March 31, 2019

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: 28

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

Silent Partnership Grape Lease and one other company have been excluded from the scope of consolidation due to the expiration of the silent partnership agreements in the consolidated fiscal year ended March 31, 2019.

(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 60 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 15 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

(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 60 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 15 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 Iolanda Lease 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 collectibility assessment.

For receivables from businesses under a bankruptcy or rehabilitation process, an estimated uncollectible amount is calculated by subtracting estimated collectible amounts from the receivables amount. For the year ended March 31, 2019, such estimated uncollectible amount is ¥2,555 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, 2019, 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, 2019, 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 consolidated 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 hedge effectiveness

For 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 hedge effectiveness.

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 utilizing 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, 2019, 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.

(Changes in Presentation Method)

Consolidated balance sheet

The Group has applied the “Ministerial Order for Partially Amending the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting” (Ministry of Justice Order No. 5, March 26, 2018) in line with the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the consolidated fiscal year ended March 31, 2019. Accordingly, the presentation method has been changed to indicate deferred tax assets under investments and other assets, and deferred tax liabilities under long-term liabilities.

As a result, “deferred tax assets” of ¥4,117 million under “current assets” in the consolidated fiscal year ended March 31, 2018, have been included in “deferred tax assets” of ¥5,659 million under “investments and other assets” in the consolidated fiscal year ended March 31, 2019. “Deferred tax liabilities” of ¥2 million under “current liabilities” in the consolidated fiscal year ended March 31, 2018, have been included in “deferred tax liabilities” of ¥2,653 million under “long-term liabilities” in the consolidated fiscal year ended March 31, 2019.

(Notes to Consolidated Balance Sheet)

1. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(Millions of yen)
Installment contract receivables	5,767
Lease receivables and lease investment assets	69,111
Loan receivables from customers	25,184
Other loan receivables from customers	10,656
Investment securities	1,053
Other (investments and other assets)	15
Total	111,789

(2) Liabilities corresponding to assets pledged as collateral

	(Millions of yen)
Current portion of long-term debt	7,548
Payables under fluidity lease receivables	27,623
Long-term debt	15,238
Long-term payables under fluidity lease receivables	45,364
Total	95,776

2. Accumulated depreciation of tangible assets

	(Millions of yen)
Accumulated depreciation of property for lease and rent	47,141
Accumulated depreciation of own-use assets	1,905

3. Contingent liabilities

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

	(Millions of yen)
M&M Shipholding Pte. Ltd.	4,548
Mitsui Rail Capital, LLC	2,740
ICE GAS LNG Shipping Co., Ltd.	1,506
Others	883
Total	9,679

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, 2019, was 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, 2019.

	(Millions of yen)
Notes receivable-trade	40
Notes received for installment contract receivables	164
Notes received for lease receivables and lease investment assets	16
Notes received for other loan receivables from customers	800
Other notes received	100
Notes payable-trade	466

(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 10th annual general meeting of shareholders held on June 28, 2018

- 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

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

At the 11th annual general meeting of shareholders scheduled to be held on June 27, 2019, the Company will make the following proposals to be discussed and resolved.

- Total amount of dividends: ¥6,422 million
- Dividend per share:
  - Ordinary shares ¥87
  - Class I classified shares ¥87
  - Class II classified shares ¥87
  - Class III classified shares ¥87
- Record date: March 31, 2019
- Effective date: June 28, 2019

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 hedge effectiveness.

(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 ¥1,775 million based on the scenario where the benchmark interest rate increases by 10 basis points (0.1%) as of March 31, 2019.

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, 2019, 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)	127,854		
Allowance for doubtful receivables (*2)	(582)		
	127,272	127,952	679
(2) Lease receivables and lease investment assets	940,979		
Estimated residual value (*3)	(34,695)		
Allowance for doubtful receivables (*2)	(1,229)		
	905,054	927,409	22,355
(3) Loan receivables from customers	300,092		
Allowance for doubtful receivables (*2)	(871)		
	299,220	299,858	637
(4) Other loan receivables from customers	80,048		
Allowance for doubtful receivables (*2)	(200)		
	79,848	80,904	1,056
(5) Securities and Investment securities			
Held-to-maturity securities	3,474	3,473	(1)
Available-for-sale securities	14,699	14,699	—
(6) Claims provable in bankruptcy, in rehabilitation and other	3,032		
Allowance for doubtful receivables (*2)	(1,506)		
	1,526	1,526	—
Total assets	1,431,096	1,455,824	24,727
(1) Short-term borrowings	245,500	245,500	—
(2) Commercial paper	374,966	374,966	—
(3) Payables under fluidity lease receivables (*4)	3,000	3,000	—
(4) Bonds (*5)	100,000	99,253	(746)
(5) Long-term debt (*6)	558,444	560,290	1,846
(6) Long-term payables under fluidity lease receivables (*7)	69,988	70,468	479
Total liabilities	1,351,899	1,353,479	1,580
Derivative transactions (*8)			
1) Derivative transactions to which hedge accounting is not applied	281	281	—
2) Derivative transactions to which hedge accounting is applied	92	92	—
Total derivative transactions	374	374	—

(*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) Long-term payables under fluidity lease receivables scheduled to be repaid within one year as included in payables under fluidity lease receivables have been deducted.
(*5) Current portion of bonds is included.
(*6) Current portion of long-term debt is included.
(*7) Long-term payables under fluidity lease receivables scheduled to be repaid within one year as included in payables under fluidity lease receivables are included.
(*8) Actual receivables and payables derived from derivative transactions are represented as net amounts.

(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 approximates fair value, and thus are stated as such.

(5) Securities and 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, (2) Commercial paper, and (3) Payables under fluidity lease receivables

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

(4) 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.

(5) Long-term debt and (6) 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 ¥25,158 million), are not included in "Assets (5) Securities and 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	¥4,838.64
2. Net income per share of ordinary shares	¥219.12

BALANCE SHEET (Translation)

As of March 31, 2019

(Millions of yen)

ASSETS		LIABILITIES	
Account item	Amount	Account item	Amount
Current assets	**1,269,680**	**Current liabilities**	**729,110**
Cash and deposits	23,430	Notes payable-trade	4,464
Notes receivable-trade	8	Accounts payable-trade	30,051
Installment contract receivables	90,919	Short-term borrowings	101,630
Lease receivables	182,073	Current portion of bonds	20,000
Lease investment assets	566,567	Current portion of long-term debt	111,707
Loan receivables from customers	109,868	Commercial paper	374,966
Other loan receivables from customers	79,027	Payables under fluidity lease receivables	27,623
Lease contract receivables	1,108	Lease payables	8,363
Other operating assets	12,164	Accounts payable	13,675
Advance on contracts	10,178	Accrued expenses	1,052
Prepaid expenses	2,014	Accrued income taxes	956
Short-term loan receivables	185,120	Advances received on lease contracts	6,564
Other	8,350	Deposits received	17,942
Allowance for doubtful receivables	(1,151)	Deferred income	48
Fixed assets	**120,995**	Unrealized gross profits on installment contracts	8,540
Tangible assets	**16,414**	Provision for bonuses	1,180
Property for lease and rent	15,527	Provision for directors' bonuses	21
Own-use assets	887	Other	320
Intangible assets	**3,054**	**Long-term liabilities**	**484,038**
Property for lease and rent	357	Bonds	80,000
Software	2,132	Long-term debt	345,989
Other	565	Long-term payables under fluidity lease receivables	45,364
Investments and other assets	**101,526**	Provision for employees' retirement benefits	3,957
Investment securities	26,547	Guarantee deposits received	7,533
Investments in affiliated companies	41,053	Other	1,192
Long-term loan receivables	21,897	**Total liabilities**	**1,213,148**
Claims provable in bankruptcy, in rehabilitation and other	2,395	**NET ASSETS**	
Long-term prepaid expenses	52	**Stockholders' equity**	**174,555**
Deferred tax assets	3,423	**Capital stock**	**32,000**
Other	7,500	**Capital surplus**	**66,264**
Allowance for doubtful receivables	(1,344)	Legal capital surplus	30,000
		Other capital surplus	36,264
		Retained earnings	**76,290**
		Earned surplus reserve	412
		Other retained earnings	75,878
		Unappropriated	75,878
		Valuation and translation adjustments	**2,972**
		Net unrealized gain on available-for-sale securities	**3,045**
		Deferred gains (losses) on hedges	**(73)**
		Total net assets	**177,527**
Total assets	**1,390,676**	**Total liabilities and net assets**	**1,390,676**

STATEMENT OF INCOME (Translation)

For the year ended March 31, 2019

(Millions of yen)

Account item	Amount	
Revenues		
Lease revenue	308,817	
Installment sales	22,513	
Finance revenue	5,167	
Other revenue	8,332	344,830
Costs		
Cost of lease	286,378	
Cost of installment sales	20,924	
Cost of finance	119	
Financing costs	4,692	
Cost of other sales	6,665	318,781
Gross profit		**26,049**
Selling, general and administrative expenses		14,941
Operating income		**11,107**
Non-operating income		
Interest received	1,052	
Interest income on securities	61	
Dividends received	2,814	
Other	205	4,133
Non-operating expenses		
Interest expense	1,192	
Bond issuance cost	149	
Foreign exchange losses	1,255	
Other	0	2,597
Ordinary income		**12,643**
Special gains		
Gain on sales of fixed assets	0	
Gain on sales of investment securities	82	82
Special losses		
Loss on sales and retirement of fixed assets	1	
Impairment loss	0	
Loss on valuation of investments in affiliated companies	3	
Loss on liquidation of subsidiaries and associates	5	
Loss on sales of golf club memberships	2	13
Income before income taxes		**12,712**
Income taxes-current	3,309	
Income taxes-deferred	348	3,657
Net income		**9,054**

STATEMENT OF CHANGES IN NET ASSETS (Translation)

For the year ended March 31, 2019

(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	73,689	74,101	172,366
(Changes during the year)								
Dividends from surplus						(6,865)	(6,865)	(6,865)
Net income						9,054	9,054	9,054
Changes during the year in items other than stockholders' equity (net)								
Total changes during the year	—	—	—	—	—	2,189	2,189	2,189
Balance at end of the year	32,000	30,000	36,264	66,264	412	75,878	76,290	174,555

	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	4,261	(101)	4,159	176,526
(Changes during the year)				
Dividends from surplus				(6,865)
Net income				9,054
Changes during the year in items other than stockholders' equity (net)	(1,215)	28	(1,187)	(1,187)
Total changes during the year	(1,215)	28	(1,187)	1,001
Balance at end of the year	3,045	(73)	2,972	177,527

NOTES TO FINANCIAL STATEMENTS (Translation)

For the year ended March 31, 2019

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 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. 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 collectibility assessment.

For receivables from businesses under a bankruptcy or rehabilitation process, an estimated uncollectible amount is calculated by subtracting estimated collectible amounts from the receivables amount. For the year ended March 31, 2019, such estimated uncollectible amount is ¥2,331 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 hedge effectiveness

For 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 hedge effectiveness.

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.

(Changes in Presentation Method)

Balance sheet

The Company has applied the “Ministerial Order for Partially Amending the Regulation for Enforcement of the Companies Act and the Regulation on Corporate Accounting” (Ministry of Justice Order No. 5, March 26, 2018) in line with the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the fiscal year ended March 31, 2019. Accordingly, the presentation method has been changed to indicate deferred tax assets under investments and other assets, and deferred tax liabilities under long-term liabilities.

As a result, deferred tax assets of ¥3,216 million under “current assets” in the fiscal year ended March 31, 2018, have been included in “deferred tax assets” of ¥3,423 million under “investments and other assets” in the fiscal year ended March 31, 2019.

(Notes to Balance Sheet)

1. Assets pledged as collateral and corresponding liabilities

(1) Assets pledged as collateral

	(Millions of yen)
Lease receivables	44,054
Lease investment assets	17,910
Loan receivables from customers	25,184
Other loan receivables from customers	10,656
Investment securities	1,053
Other (investments and other assets)	15
Total	98,875

(2) Liabilities corresponding to assets pledged as collateral

	(Millions of yen)
Current portion of long-term debt	6,677
Payables under fluidity lease receivables	27,623
Long-term debt	3,191
Long-term payables under fluidity lease receivables	45,364
Total	82,857

2. Accumulated depreciation of tangible assets

	(Millions of yen)
Accumulated depreciation of property for lease and rent	20,920
Accumulated depreciation of own-use assets	921

3. Contingent liabilities

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

	(Millions of yen)
JA Mitsui Leasing Capital Corporation	109,442
PT. Mitsui Leasing Capital Indonesia	50,551
JA Mitsui Leasing Singapore Pte. Ltd.	24,465
Altair Lines S.A.	16,882
Others	13,323
Total	214,665

4. Breakdown of lease receivables and lease investment assets

(Millions of yen)

	Lease receivables	Lease investment assets
Amount of receivables	200,064	584,594
Estimated residual value	－	25,538
Amount equivalent to interest receivables	17,991	43,566
Total	182,073	566,567

5. Notes received as guarantees

	(Millions of yen)
Notes received for installment contract receivables	5,377
Notes received for lease receivables	0
Notes received for lease investment assets	457
Notes received for other loan receivables from customers	20,808

6. Operating lease contract receivables under the remaining lease terms

	(Millions of yen)
Other lease contract receivables	8,806

7. Trade receivables due after one year

	(Millions of yen)
Installment contract receivables	59,237
Lease receivables	113,635
Lease investment assets	390,985
Loan receivables from customers	78,731
Other loan receivables from customers	34,030
Operating lease contract receivables under the remaining lease terms	6,057
Total	682,677

8. Receivables and payables with affiliated companies

	(Millions of yen)
Short-term receivables	189,611
Long-term receivables	21,890
Short-term payables	64,217
Long-term payables	26,100

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, 2019, 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, 2019.

	(Millions of yen)
Notes received for installment contract receivables	159
Notes received for lease receivables	0
Notes received for lease investment assets	10
Notes received for other loan receivables from customers	800
Other notes received	100

(Notes to Statement of Income)

1. Transactions with affiliated companies

	(Millions of yen)
Amount of operating transactions	
Revenues	2,311
Costs	493
Selling, general and administrative expenses	(560)
Amount of non-operating transactions	3,734

2. Breakdown of financing costs

	(Millions of yen)
Interest expense, etc.	5,427
Interest received, etc.	(734)
Net balance	4,692

(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	1,438
Provision for employees' retirement benefits	1,211
Allowance for doubtful receivables	1,092
Investments in affiliated companies	700
Provision for bonuses	361
Other	931
Deferred tax assets subtotal	5,736
Less valuation allowance	(894)
Total deferred tax assets	4,842
Deferred tax liabilities	
Net unrealized gain on available-for-sale securities	(1,317)
Other	(100)
Total deferred tax liabilities	(1,418)
Net deferred tax assets	3,423

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

Statutory tax rate	30.6%
(Adjustments)	
Permanent differences such as dividends received	(3.0)%
Withholding tax	0.2%
Inhabitant tax on per capita basis	0.5%
Other	0.4%
Effective tax rate after adjustments for tax effect accounting	28.7%

(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)	302,096	Short-term borrowings	38,644
						Current portion of long-term debt	7,750
						Long-term debt	26,100
				Payment of the interest	335	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 94.92%	Loan Doubled as executive officer	Loan (*1)	195,700	Short-term loan receivables	19,700
				Receipt of the interest	57	Accrued income	1
Subsidiary	JA MITSUI LEASING KYUSHU, LTD.	Directly 100%	Loan Doubled as executive officer	Loan (*1)	333,170	Short-term loan receivables	32,510
						Long-term loan receivables	2,450
				Receipt of the interest	121	Accrued income	0
Subsidiary	JA Mitsui Leasing Auto, Ltd.	Directly 100%	Loan Doubled as executive officer	Loan (*1)	514,300	Short-term loan receivables	52,300
				Receipt of the interest	167	Accrued income	2
Subsidiary	JA MITSUI LEASING TATEMONO CO., LTD.	Directly 100%	Loan Doubled as executive officer	Loan (*1)	689,300	Short-term loan receivables	64,060
						Long-term loan receivables	11,800
				Receipt of the interest	298	Accrued income	4
Subsidiary	JA Mitsui Leasing Capital Corporation	Indirectly 100%	Guarantee of liability	Guarantee of liabilities (*2)	109,442	–	–
				Receipt of the guarantee fee	94	Accrued income	27
Subsidiary	PT. Mitsui Leasing Capital Indonesia	Directly 85.00% Indirectly 14.99%	Guarantee of liability	Guarantee of liabilities (*2)	50,551	–	–
				Receipt of the guarantee fee	51	Accrued income	12
Subsidiary	JA Mitsui Leasing Singapore Pte. Ltd.	Directly 100%	Guarantee of liability	Guarantee of liabilities (*2)	24,219	–	–
				Receipt of the guarantee fee	24	Accrued income	6
Subsidiary	Altair Lines S.A.	Directly 100%	Loan	Loan (*1)	10,875	Short-term loan receivables	9,359
						Long-term loan receivables	6,713
				Receipt of the interest	268	Accrued income	10
			Guarantee of liability	Guarantee of liabilities (*2)	16,882	–	–
				Receipt of the guarantee fee	18	Accrued income	8

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

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

(*2) 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)	3,796	Lease investment assets	19,274

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 ¥3,603.71
2. Net income per share of ordinary shares ¥122.65

(Notes to Significant Subsequent Events)

Transactions under common control

The Company, at the meeting of the Board of Directors held on December 27, 2018, resolved to enter into an absorption-type company split agreement effective April 1, 2019, in which JA MITSUI LEASING KYUSHU, LTD. shall succeed to the businesses that we had conducted in the Kyushu region, including the lease of various machinery, equipment and other goods, installment sales, finance, and services related to these businesses, and entered into such agreement on the same day.

1. Purpose of absorption-type company split

The Group has proceeded with improving the earning power of the domestic sales infrastructure in line with our medium-term management plan "Real Change 2020" that started during the fiscal year ended March 31, 2018. We determined that JA MITSUI LEASING KYUSHU, LTD. will continue with the businesses that we conducted in the Kyushu region, including the lease of various machinery, equipment and other goods, installment sales, finance, and services related to these businesses as a measure to establish our efficient, optimum business operation system toward the enhancement of the Group's sales promotion in the Kyushu region.

2. Method of company split; Details of the absorption-type company split agreement, including the details of allotment of shares related to absorption-type company split

(1) Method of company split

Absorption-type company split in which the Company shall be the splitting company and JA MITSUI LEASING KYUSHU, LTD. shall be the successor company.

(2) Details of allotment of shares related to absorption-type company split

In conducting this absorption-type company split, JA MITSUI LEASING KYUSHU, LTD. delivers all of the treasury shares (8,493 shares) that it owns to the Company.

(3) Effective date of absorption-type company split

April 1, 2019

(4) Status of assets and liabilities to be split (as of March 31, 2019)

Assets	Amount (Millions of yen)	Liabilities	Amount (Millions of yen)
Current assets	43,398	Current liabilities	38,445
Fixed assets	377	Long-term liabilities	20
Total	43,775	Total	38,466

3. Overview of the accounting procedures applied

The transaction is treated as a transaction under common control in accordance with the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019).

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

May 21, 2019

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, 2019 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, 2018 to March 31, 2019, 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, 2019, 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 21, 2019

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, 2019 of JA MITSUI LEASING, Ltd. (the "Company"), and the related statements of income and changes in net assets for the 11th fiscal year from April 1, 2018 to March 31, 2019, 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, 2019, 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 11th fiscal year from April 1, 2018, to March 31, 2019, 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, 2019

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

Standing corporate auditor	Kunio Watanabe (Seal)
Standing corporate auditor	Tetsuya Watanabe (Seal)
Corporate auditor	Hideo Tsukamoto (Seal)

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