NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Financial Statements for the
Years Ended March 31, 2012 and 2011,

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Balance Sheets
March 31, 2012 and 2011

ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT ASSETS:			
Cash and cash equivalents (Note 13)	¥ 80,443	¥ 66,563	$ 978,744
Leases receivable and investments in leases (Notes 12, 15 and 19)	389,164	464,311	4,734,931
Trade accounts receivable (Note 13):			
Installment sales (Note 15)	20,562	26,780	250,176
Loans (Notes 3 and 19)	450,480	412,209	5,480,958
Rents (Note 15)	19,791	20,112	240,795
Credit cards	34,605	31,371	421,036
Others (Note 3)	59,864	65,524	728,361
Allowance for doubtful receivables	(18,132)	(29,795)	(220,610)
Investments in venture businesses (Note 13)	1,351	1,781	16,437
Securities (Notes 4 and 13)	6,210	5,244	75,556
Deferred tax assets (Note 11)	1,471	0	17,897
Other (Notes 15 and 19)	9,207	9,532	112,020
Total current assets	1,055,019	1,073,639	12,836,342
PROPERTY AND EQUIPMENT, NET (Note 5):			
Leased assets (Note 15)	9,384	10,306	114,174
Assets held for own use (Note 6)	924	469	11,242
Total property and equipment, net	10,309	10,775	125,428
INTANGIBLE ASSETS—Assets held for own use (Note 6)	4,734	4,430	57,598
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4, 7 and 13)	37,281	29,185	453,595
Deferred tax assets (Note 11)	6,197	7,990	75,398
Others (Notes 3, 6, 7 and 13)	16,951	22,920	206,241
Allowance for doubtful receivables	(9,313)	(13,343)	(113,310)
Allowance for investment loss	(587)	(877)	(7,141)
Total investments and other assets	50,529	45,876	614,782
TOTAL ASSETS	¥ 1,120,593	¥ 1,134,721	$ 13,634,176

LIABILITIES AND NET ASSETS	Millions of Yen 2012	Millions of Yen 2011	Thousands of U.S. Dollars (Note 1) 2012
CURRENT LIABILITIES:			
Short-term borrowings (Notes 8 and 13)	¥ 41,643	¥ 265,489	$ 506,667
Current portion of long-term debt (Notes 8, 13 and 15)	90,659	113,774	1,103,041
Lease obligations (Notes 8, 12 and 13)	1,545	2,589	18,797
Trade notes and accounts payable (Note 13)	12,538	9,873	152,548
Accrued income taxes	1,905	3,018	23,178
Deferred tax liabilities (Note 11)	-	1,636	-
Deposits received (Notes 13 and 19)	60,329	59,940	734,018
Deposits received from shareholders, directors or employees (Notes 13 and 19)	392,249	169,139	4,772,466
Other (Notes 8, 15 and 19)	79,514	73,929	967,441
Total current liabilities	680,388	699,391	8,278,233
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8, 13 and 15)	330,799	332,681	4,024,808
Lease obligations (Notes 8 and 13)	33	37	401
Accrued retirement benefits (Note 9)	5,002	4,760	60,858
Accrued directors' retirement benefits	40	44	486
Reserve for loss on business of affiliates	869	1,442	10,573
Asset retirement obligations	197	150	2,396
Other (Notes 15 and 19)	15,657	24,800	190,497
Total long-term liabilities	352,602	363,917	4,290,083
Total liabilities	1,032,990	1,063,309	12,568,317
NET ASSETS:			
Shareholders' equity (Note 10)			
Common stock—authorized, 80,000 shares; issued, 51,960 shares in 2012 and 2011	16,770	16,770	204,039
Capital surplus	15,950	15,950	194,062
Retained earnings	55,149	39,319	670,994
Total shareholders' equity	87,870	72,041	1,069,108
Accumulated other comprehensive income/(loss):			
Unrealized gain/(loss) on available-for-sale securities	237	(145)	2,883
Foreign currency translation adjustments	(1,135)	(1,068)	(13,809)
Total accumulated other comprehensive loss	(897)	(1,213)	(10,913)
Minority interests	629	584	7,652
Total net assets	87,602	71,412	1,065,847
TOTAL LIABILITIES AND NET ASSETS	¥ 1,120,593	¥ 1,134,721	$ 13,634,176

See notes to accompanying consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
REVENUE:			
Leases (Note 19)	¥ 184,070	¥ 206,875	$ 2,239,566
Installment sales	11,322	14,828	137,753
Credit cards	7,531	6,907	91,629
Loans	6,585	7,047	80,119
Other	15,316	14,038	186,348
TOTAL REVENUE	224,827	249,697	2,735,454
COSTS:			
Leases	162,179	182,641	1,973,220
Installment sales	10,824	14,076	131,694
Credit cards	3,690	3,354	44,895
Financing costs	5,629	6,514	68,487
Other	12,124	11,994	147,511
TOTAL COSTS	194,449	218,582	2,365,847
Gross profit	30,377	31,114	369,594
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	11,310	15,116	137,607
Operating income	19,067	15,998	231,986
OTHER INCOME (EXPENSES):			
Interest and dividend income (Note 19)	19	14	231
Interest expense (Note 19)	(522)	(574)	(6,351)
Bond issuance costs	(108)	(117)	(1,314)
Equity in earnings of affiliates	99	40	1,204
Foreign exchange gain	-	121	-
Gain on bad debts recovered	203	340	2,469
Gain on investments in silent partnerships (Note 7)	110	313	1,338
Gain on sales of investment securities	-	1,473	-
Impairment losses on long-lived assets (Note 6)	(75)	(508)	(912)
Cumulative effect on adoption of a new accounting standard for asset retirement obligations	-	(149)	-
Special provision for Great East Japan Earthquake	-	(2,312)	-
Other—net	(66)	102	(803)
Other expenses—net	(337)	(1,255)	(4,100)
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	18,730	14,744	227,886
INCOME TAXES (Note 11):			
Current	3,669	3,179	44,640
Deferred	(1,576)	(11,537)	(19,175)
Total income taxes	¥ 2,092	¥ (8,358)	$ 25,453

(Continued)

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
INCOME BEFORE MINORITY INTERESTS	¥ 16,638	¥ 23,102	$ 202,433
MINORITY INTERESTS	29	55	352
NET INCOME	¥ 16,608	¥ 23,046	$ 202,068

	Yen		U.S. Dollars
	2012	2011	2012
PER SHARE OF COMMON STOCK:			
Weighted average number of shares outstanding	51,960	51,960	
Basic net income	¥ 319,648.58	¥ 443,545.91	$ 3,889.14
Cash dividends applicable to the year (Note 20)	87,472.00	15,000.00	1,064.26

See notes to accompanying consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
INCOME BEFORE MINORITY INTERESTS	¥ 16,638	¥ 23,102	$ 202,433
OTHER COMPREHENSIVE INCOME/(LOSS) (Note 17):			
Net unrealized gain/(loss) on available-for-sale securities	382	(806)	4,647
Foreign currency translation adjustments	(25)	(219)	(304)
Share of other comprehensive loss of affiliates accounted for using equity method	(41)	(73)	(498)
Total other comprehensive income/(loss)	315	(1,099)	3,832
COMPREHENSIVE INCOME	¥ 16,954	¥ 22,002	$ 206,278
Comprehensive income attributable to:			
Owners of the parent	¥ 16,924	¥ 21,946	$ 205,913
Minority interests	29	55	352

See notes to accompanying consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Changes in Equity
Years Ended March 31, 2012 and 2011

	Millions of Yen									
		Shareholders' Equity				Accumulated Other Comprehensive Income/(Loss)				
	Number of Shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income/(Loss)	Minority Interests	Total Net Assets
BALANCE, APRIL 1, 2010	51,960	¥ 16,770	¥ 15,950	¥ 16,273	¥ 48,994	¥ 661	¥ (775)	¥ (113)	¥ 528	¥ 49,409
Net income				23,046	23,046					23,046
Net change in the year						(806)	(292)	(1,099)	55	(1,044)
BALANCE, MARCH 31, 2011	51,960	16,770	15,950	39,319	72,041	(145)	(1,068)	(1,213)	584	71,412
Cash dividends, ¥15,000.00 per share				(779)	(779)					(779)
Net income				16,608	16,608					16,608
Net change in the year						382	(66)	315	44	360
BALANCE, MARCH 31, 2012	51,960	¥ 16,770	¥ 15,950	¥ 55,149	¥ 87,870	¥ 237	¥ (1,135)	¥ (897)	¥ 629	¥ 87,602

	Thousands of U.S. Dollars (Note 1)								
	Shareholders' Equity				Accumulated Other Comprehensive Income/(Loss)				
	Common Stock	Capital Surplus	Retained Earnings	Total Shareholders' Equity	Unrealized Gain/(Loss) on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Total Accumulated Other Comprehensive Income/(Loss)	Minority Interests	Total Net Assets
BALANCE, MARCH 31, 2011	$ 204,039	$ 194,062	$ 478,391	$ 876,518	$ (1,764)	$ (12,994)	$ (14,758)	$ 7,105	$ 868,864
Cash dividends, $182.50 per share			(9,478)	(9,478)					(9,478)
Net income			202,068	202,068					202,068
Net change in the year					4,647	(803)	3,832	535	4,380
BALANCE, MARCH 31, 2012	$ 204,039	$ 194,062	$ 670,994	$ 1,069,108	$ 2,883	$ (13,809)	$ (10,913)	$ 7,652	$ 1,065,847

See notes to accompanying consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 18,730	¥ 14,744	$ 227,886
Adjustments for:			
Depreciation of leased assets and assets held for own use	1,482	2,537	18,031
Impairment loss	75	508	912
Loss on disposal of leased assets and assets held for own use	234	363	2,847
Decrease in allowance for investment loss	(289)	(303)	(3,516)
Increase in accrued retirement benefits	242	387	2,944
Decrease in allowance for doubtful receivables	(15,691)	(13,167)	(190,911)
Decrease in reserve for loss on business of affiliates	(572)	(1,970)	(6,959)
Interest and dividend income	(19)	(14)	(231)
Financing costs and interest expense	6,153	7,094	74,863
Equity in earnings of affiliates	(99)	(40)	(1,204)
Gain on sales of investment securities	-	(1,473)	-
Gain on investments in silent partnerships	(110)	(313)	(1,338)
Bond issuance costs	108	117	1,314
Cumulative effect on adoption of a new accounting standard for asset retirement obligations	-	149	-
Decrease in leases receivable and investments in leases	75,106	71,096	913,809
Increase in trade accounts receivable	(29,695)	(33,874)	(361,296)
Decrease in investments in venture businesses	697	988	8,480
Increase in other operational securities	(7,391)	(6,784)	(89,925)
Purchase of leased assets	(315)	(407)	(3,832)
Increase/(decrease) in trade notes and accounts payable	2,664	(6,135)	32,412
Other—net	9,759	10,776	118,737
Subtotal	61,073	44,278	743,070
Interest and dividend income received	32	14	389
Interest paid	(6,365)	(7,422)	(77,442)
Income taxes paid	(4,769)	(249)	(58,024)
Net cash provided by operating activities—(Forward)	¥ 49,969	¥ 36,621	$ 607,969

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NTT FINANCE CORPORATION and Consolidated Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2012 and 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Net cash provided by operating activities—(Forward)	¥ 49,969	¥ 36,621	$ 607,969
INVESTING ACTIVITIES:			
Proceeds from withdrawal of time deposits	-	35,000	-
Proceeds from withdrawal of negotiable certificates of deposit	-	15,000	-
Purchases of investment securities	(1,079)	(3,658)	(13,128)
Proceeds from sales or redemptions of investment securities	2	2,715	24
Purchase of investments in affiliates	(205)	(9)	(2,494)
Proceeds from sales of investments in affiliates	-	223	-
Purchases of assets held for own use	(1,245)	(3,597)	(15,147)
Other--net	1,267	639	15,415
Net cash (used in)/provided by investing activities	(1,260)	46,312	(15,330)
FINANCING ACTIVITIES:			
(Decrease)/increase in short-term borrowings	(223,845)	37,002	(2,723,506)
Increase in long-term debt	89,414	92,453	1,087,893
Repayment of long-term debt	(114,362)	(114,792)	(1,391,434)
Decrease in payables associated with securitization of receivables	(9,000)	(4,000)	(109,502)
Cash dividends paid	(779)	-	(9,478)
Increase/(decrease) in deposits received	223,353	(66,060)	2,717,520
Proceeds from long-term deposits received	400	20,000	4,866
Repayments of long-term deposits received	-	(35,000)	-
Other-net	8	(35)	97
Net cash used in financing activities	(34,810)	(70,430)	(423,530)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(17)	(89)	(206)
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,879	12,414	168,864
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	66,563	54,149	809,867
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 80,443	¥ 66,563	$ 978,744

See notes to accompanying consolidated financial statements.

NTT FINANCE CORPORATION and Consolidated Subsidiaries

Notes to Consolidated Financial Statements
Years Ended March 31, 2012 and 2011

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

NTT FINANCE CORPORATION (the "Company") maintains its books of account in accordance with the provisions set forth in the Companies Act of Japan (the “Companies Act”) and the Financial Instruments and Exchange Act of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements that were filed with the Director of the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements in yen do not necessarily agree with the sums of the individual amounts.

The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and have been made at the rate of ¥82.19 to $1.00, the approximate rate of exchange at March 30, 2012, and were then rounded down. As a result, the amount shown in the accompanying financial statements in U.S. dollar do not necessarily agree with the sums of the individual amounts. Such translation should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation*****—**The consolidated financial statements as of March 31, 2012 include the accounts of the Company and its 13 significant subsidiaries (12 in 2011), such as NTTL CAYMAN, LTD. (together, the "Group"). NTT Finance Asset Service, Inc. is included in consolidated subsidiaries since its establishment during the year ended March 31, 2012.

In addition, entities over which the Company has, directly or indirectly, a controlling financial interest are fully consolidated, and entities over which the Group has the ability to exercise significant influence are accounted for by the equity method.

Investments in two affiliates are accounted for by the equity method.

Investments in 89 unconsolidated subsidiaries (81 in 2011), including 77 operators under silent partnership agreements (66 in 2011) whose profit/loss and assets do not vest in the operators, and one affiliate (two in 2011) are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material. See Note 7 for description of silent partnerships.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is recognized as goodwill and is amortized on a straight-line basis over the reasonably estimated useful lives or five years, if useful lives are not reliably determined. However, insignificant goodwill is charged to income when incurred.

The fiscal year-ends of two consolidated silent partnerships are March 15 and 25, respectively. The financial statements of such partnerships as of and for the year ended their respective closing dates are used for consolidation and necessary adjustments were made to the consolidated financial statements to reflect any significant transactions between their fiscal year-end and March 31. The fiscal year-end of one consolidated silent partnership is September 30. Pro forma financial statements as of March 31 are prepared in a manner that is substantially same as the fiscal year-end financial statements and used for consolidation. Another consolidated investment business limited partnership changed its fiscal-year end from December 31 to March 31 during the year ended March 31, 2012. As a result, its operating results for 15 months were included in the accompanying consolidated financial statements for the year ended March 31, 2012.

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

b. ***Cash Equivalents—***Cash equivalents are short-term investments that are readily convertible into cash and that are not exposed to significant risk of changes in value. All cash equivalents mature or become due within three months of the date of acquisition.

c. ***Securities, Investment Securities and Investments in Venture Businesses—***Securities, investment securities and investments in venture businesses are classified and accounted for, depending on management's intent, as follows: (i) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, (ii) available-for-sale securities, which are not classified as held-to-maturity securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity. Costs of securities sold are determined by the moving-average method and (iii) non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For other than temporary declines in fair value, these securities are written down to net realizable value.

d. ***Property and Equipment—***Property and equipment are stated at cost less accumulated depreciation. Depreciation of assets held for own use is computed using the declining-balance method at rates based on the estimated useful lives of the assets, while the straight-line method is applied to buildings held for own use acquired on or after April 1, 1998. The range of useful lives is principally from 15 to 47 years for buildings and structures, and from 4 to 20 years for furniture and fixtures. Leased assets are depreciated using the declining-balance method except for those held by consolidated silent partnerships engaged in the aircraft leasing business, which are depreciated over the lease terms to a residual value using the straight-line method.

e. ***Intangible Assets—***Assets held for own use are stated at cost less accumulated amortization, which is calculated by the straight-line method. Software for internal use is amortized using the straight-line method over an estimated useful life of 5 years.

f. ***Long-Lived Assets—***The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured at the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. ***Bonds Issuance Costs—***Bond issuance costs are charged to expense as incurred.

h. ***Allowance for Doubtful Receivables—***Allowance for doubtful receivables is provided at an amount sufficient to cover probable losses on collection. It consists of the estimated uncollectible amount with respect to certain identified doubtful receivables such as due from debtors likely to become bankrupt and/or from debtors in bankruptcy and reorganization based on the examination on their financial conditions and the amount calculated based on the historical rate of losses for the other regular receivables.

i. ***Allowance for Investment Loss—***Allowance for investment loss is provided at an amount sufficient to cover probable losses on investments in securities, taking into account financial conditions of issuers as well as recoverability of investments.

j. ***Reserve for Loss on Business of Affiliates—***Reserve for loss on business of affiliates is provided at an amount sufficient to cover the Company's share of reasonably estimated equity losses of affiliates to be incurred in the future, taking into account financial conditions and results of operations of affiliates.

k. ***Retirement Benefit Plan*—**The Company has defined-benefit pension plans as well as a severance indemnity plan. Accrued retirement benefits are provided based on the estimated amounts of projected benefit obligations and the fair value of plan assets at the balance sheet date. Actuarial gains or losses and prior service costs are charged to income when incurred.

Accrued directors' retirement benefits are provided at an estimated amount in accordance with internal policies which would be payable if all directors were to retire as of the balance sheet date.

l. ***Asset Retirement Obligations*—**In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations."

Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized in the period when a reasonable estimate of the asset retirement obligation can be made.

Upon initial recognition of liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

This standard was effective for fiscal years beginning on or after April 1, 2010.

The Group applied this accounting standard effective April 1, 2010. The effect of the adoption of this accounting standard for the year ended March 31, 2011 was to decrease operating income and income before income taxes and minority interests by ¥3 million and ¥152 million, respectively.

m. ***Revenue Recognition on Finance Lease Transactions*—**Revenues from finance lease contracts and corresponding costs are recognized at the time of actual collection of the payments.

n. ***Income Taxes*—**Provision for income taxes is computed based on taxable income and charged to income on an accrual basis. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

o. ***Foreign Currency Transactions*—**All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the statement of income to the extent that they are not hedged by forward exchange contracts.

p. ***Foreign Currency Financial Statements*—**The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate for a year.

q. ***Derivatives and Hedge Accounting*—**All derivatives, except for certain contracts described below, are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statement of income. For derivatives which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until the corresponding hedged items are recognized in income.

Assets and liabilities denominated in foreign currencies and hedged by foreign exchange forward contracts which meet specific matching criteria are translated at the foreign exchange rate stipulated in the contracts. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differentials paid or received under the swap agreements are recognized and included in interest expense or income.

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

Diluted net income per share reflects the potential dilution that could occur if stock acquisition rights were exercised into common stock. Diluted net income per share of common stock assumes full exercise of the outstanding stock acquisition rights at the beginning of the year (or at the time of grant).

Diluted net income per share is not disclosed because no potentially dilutive securities are outstanding.

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

3. LOANS AND OTHERS

Loans and others as of March 31, 2012 and 2011 include claims to borrowers in bankruptcy and past due loans as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Claims to borrowers in bankruptcy (Note a)	¥ 582	¥ 3,251	$ 7,081
Past due loans (Note b)	8,241	8,517	100,267
Delinquent loans contractually past due three months or more (Note c)	-	-	-
Restructured loans (Note d)	1,380	116	16,790

Notes:
a. Claims to borrowers in bankruptcy represent non-accrual loans which are defined in Article 96, Paragraph 1, Subparagraph 3 of the Enforcement Ordinance for the Corporation Tax Law of Japan.
b. Past due loans are non-accrual loans other than "claims to borrowers in bankruptcy" and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulty.
c. Delinquent loans contractually past due three months or more are loans for which the payment of principal and/or interest was contractually past due three months or more, excluding "claims to borrowers in bankruptcy" and "past due loans."
d. Restructured loans are loans of which the Group restructured the terms, such as a reduction of the original interest rate, forbearance of interest and/or principal payments, and/or an extension of the maturity date in order to support borrowers in their financial recovery or restructuring, excluding "claims to borrowers in bankruptcy," "past due loans" and "delinquent loans contractually past due three months or more" mentioned above.

4. SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN VENTURE BUSINESSES

Acquisition cost and fair value of available-for-sale securities as of March 31, 2012 and 2011 were as follows:

	Millions of Yen		
	2012		
	Fair Value	Acquisition Cost	Difference
Securities with fair values exceeding acquisition costs:			
Equity securities	¥ 251	¥ 202	¥ 49
Debt securities	25,724	25,350	374
Others	4,549	4,393	156
Sub-total	30,525	29,946	579
Securities with fair values not exceeding acquisition costs:			
Equity securities	3	4	(1)
Debt securities	7,177	7,310	(132)
Sub-total	7,181	7,315	(133)
Total	¥ 37,707	¥ 37,261	¥ 446

	Thousands of U.S. Dollars		
	2012		
	Fair Value	Acquisition Cost	Difference
Securities with fair values exceeding acquisition costs:			
Equity securities	$ 3,053	$ 2,457	$ 596
Debt securities	312,982	308,431	4,550
Others	55,347	53,449	1,898
Sub-total	371,395	364,350	7,044
Securities with fair values not exceeding acquisition costs:			
Equity securities	36	48	(12)
Debt securities	87,322	88,940	(1,606)
Sub-total	87,370	89,001	(1,618)
Total	$ 458,778	$ 453,351	$ 5,426

Unlisted equity securities of ¥5,094 million ($61,978 thousand) and investments in partnerships of ¥1,848 million ($22,484 thousand) are excluded from the above table because they do not have readily determinable market values and their fair values are not practically estimable.

	Millions of Yen		
	2011		
	Fair Value	Acquisition Cost	Difference
Securities with fair values exceeding acquisition costs:			
Equity securities	¥ 192	¥ 96	¥ 96
Debt securities	9,671	9,517	153
Others	975	965	10
Sub-total	10,839	10,579	260
Securities with fair values not exceeding acquisition costs:			
Equity securities	108	111	(3)
Debt securities	16,932	17,259	(327)
Others	1,595	1,650	(54)
Sub-total	18,636	19,022	(385)
Total	¥ 29,476	¥ 29,601	¥ (125)

Unlisted equity securities of ¥4,320 million and investments in partnerships of ¥2,201 million are excluded from the above table because they do not have readily determinable market values and their fair values are not practically estimable.

Securities sold during the years ended March 31, 2012 and 2011 are as follow:

	Millions of Yen		
	2012		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 321	¥ 200	¥ 51

	Thousands of U.S. Dollars		
	2012		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	$ 3,905	$ 2,433	$ 620

	Millions of Yen		
	2011		
	Sales Amounts	Gain on Sale	Loss on Sale
Available-for-sale equity securities	¥ 3,207	¥ 1,635	¥ 270

If the market value of a security as of the fiscal year-end declines more than 50% from its acquisition cost, the difference between fair market value and the carrying amount is recognized as loss on impairment.

In addition, if the fair value of a security as of the fiscal year-end declines 30% to 50% from its acquisition cost and if such decline is considered to be unrecoverable, the difference between fair value and the carrying amount is recognized as loss on impairment.

Losses on impairment of available-for-sale securities and investments in affiliates for the year ended March 31, 2012 were ¥328 million ($3,990 thousand) and ¥42 million ($511 thousand), respectively. Losses on impairment of available-for-sale securities for the year ended March 31, 2011 were ¥1,050 million.

As of March 31, 2012, debt securities held by the Group to earn financial income are included in securities and investment securities in the amount of ¥6,210 million ($75,556 thousand) and ¥31,241 million ($380,107 thousand), respectively. As of March 31, 2011, debt securities held by the Group to earn financial income are included in securities and investment securities in the amount of ¥5,244 million and ¥23,930 million, respectively.

5. PROPERTY AND EQUIPMENT, NET

Accumulated depreciation of leased assets and assets for own use as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Leased assets	¥ 5,118	¥ 4,560	$ 62,270
Assets held for own use	1,206	1,220	14,673

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2012 and 2011. Asset groupings for the impairment test are based on the business segment used for managerial accounting purposes. As a result, the Group recognized an impairment loss on tangible and intangible fixed assets for own use and other investments attributed to the credit card business, amounting to ¥75 million ($912 thousand) and ¥ 508 million for the years ended March 31, 2012 and 2011, respectively ,due to significant underperformance of expected and/or historical cash flows. These losses are included in other expense in the accompanying consolidated statements of income.

7. INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in non-consolidated subsidiaries and affiliates as of March 31, 2012 and 2011 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Investment securities	¥ 194	¥ 213	$ 2,360
Other	776	634	9,441

Silent partnerships are Japanese bilateral contracts governed by the Commercial Code of Japan between silent partners and an operator.

Under a silent partnership agreement, silent partners provide funds for partnership business and are entitled to be allocated all profits or losses arising from the business. However, the silent partners do not have any interest or right to the assets of the partnership business. Also, the silent partners shall have no authority, control over, or interest in the partnership business except participating in the allocated profits or losses.

The operator operates the partnership business for the benefit of the silent partners and makes distributions of profits and losses to the silent partners in accordance with the partnership agreement.

8. SHORT-TERM AND LONG-TERM DEBT

Short-term and long-term debt as of March 31, 2012 and 2011 consisted of the following:

	Interest Rate (%) (Notes a, b and c)	Millions of Yen		Thousands of U.S. Dollars
		2012	2011	2012
Short-term debt:				
Short-term bank loans	0.503	¥ 41,643	¥ 96,500	$ 506,667
Commercial paper	-	-	168,989	-
Short-term borrowings		41,643	265,489	506,667
Lease obligations, current portion	-	703	546	8,553
Payables associated with securitization of receivables	0.272	11,000	20,000	133,836
Long-term debt:				
Long-term borrowings	1.157	216,492	233,488	2,634,043
Unsecured bonds	0.36 – 1.69	204,967	212,968	2,493,819
Sub-total		421,459	446,456	5,127,862
Less current portion		90,659	113,774	1,103,041
Long-term debt		330,799	332,681	4,024,808
Lease obligations, excluding current portion	-	875	2,080	10,646

Notes: a. Interest rate represents a weighted-average rate of interest on the outstanding balance of debt (excluding bonds and finance lease obligations) as of March 31, 2012.
b. Interest rate for bonds represents the range of annual coupon rates on series 30th to 41st bonds, rounded down to the nearest hundredth percent.
c. Interest rate for finance lease obligations is not disclosed since related interest charges are allocated using the straight-line method over the lease terms.

The aggregate annual maturities of long-term debt as of March 31, 2012 are summarized as follows:

	Millions of Yen					
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Long-term borrowings	¥ 50,661	¥ 47,352	¥39,840	¥29,285	¥21,793	¥27,558
Bonds payable	39,998	39,997	39,991	44,992	39,987	-
Lease obligations	703	502	204	49	23	94

	Thousands of U.S. Dollars					
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Long-term borrowings	$616,388	$576,128	$484,730	$356,308	$265,153	$335,296
Bonds payable	486,652	486,640	486,567	547,414	486,519	-
Lease obligations	8,553	6,107	2,482	596	279	1,143

9. RETIREMENT BENEFITS

Accrued retirement benefits for employees as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥ (8,625)	¥ (8,147)	$ (104,939)
Fair value of pension assets	3,622	3,387	44,068
Net accrued retirement benefits	¥ (5,002)	¥ (4,760)	$ (60,858)

Retirement benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Service costs	¥ 420	¥ 398	$ 5,110
Interest cost	200	188	2,433
Expected return on plan assets	(78)	(79)	(949)
Amortization of actuarial differences	10	136	121
Net periodic retirement benefit costs	¥ 553	¥ 643	$ 6,728

The discount rate used by the Company is 2.5% for the years ended March 31, 2012 and 2011. The rates of expected return on plan assets are from 2.0% to 2.5% and from 2.25% to 2.5% for the years ended March 31, 2012 and 2011, respectively. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Actuarial gains or losses and prior service costs are fully charged to income when incurred.

10. EQUITY

Japanese companies are subject to the Companies Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. *Dividends*

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

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

b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

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

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also permits companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in statutory tax rates of approximately 40.55% and 40.54% for the years ended March 31, 2012 and 2011, respectively. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Current:			
Allowance for doubtful receivables	¥ 4,505	¥ 10,005	$ 54,812
Accrued enterprise taxes	151	239	1,837
Accrued bonuses	163	194	1,983
Accounts payable	195	223	2,372
Loss on investment securities	614	641	7,470
Unearned profit on installment sales	264	527	3,212
Others	186	153	2,263
Sub-total	6,081	11,985	73,987
Valuation allowance	(4,220)	(10,114)	(51,344)
Total deferred tax assets - current	1,860	1,871	22,630
Noncurrent:			
Allowance for doubtful receivables	3,071	4,995	37,364
Accrued retirement benefits	1,771	1,930	21,547
Depreciation on leased assets	49	72	596
Impairment loss	333	511	4,051
Loss on investment securities	322	466	3,917
Allowance for investment loss	211	355	2,567
Reserve for loss on business of affiliates	329	584	4,002
Others	1,314	1,379	15,987
Sub-total	7,403	10,297	90,071
Valuation allowance	(933)	(2,194)	(11,351)
Total deferred tax assets – noncurrent	6,469	8,103	78,707
Total deferred tax assets	8,330	9,974	101,350
Deferred tax liabilities:			
Current:			
Finance lease transactions	(384)	(3,481)	(4,672)
Unrealized gain on available-for-sale securities	(3)	(24)	(36)
Others	(0)	(1)	(0)
Total deferred tax liabilities- current	(389)	(3,507)	(4,732)
Noncurrent:			
Unrealized gain on available-for-sale securities	(231)	(80)	(2,810)
Others	(40)	(32)	(486)
Total deferred tax liabilities- noncurrent	(271)	(112)	(3,297)
Total deferred tax liabilities	(660)	(3,620)	(8,030)
Net deferred tax assets	¥ 7,669	¥ 6,354	$ 93,308

Net deferred tax assets for the years ended March 31, 2012 and 2011 were included in the following accounts:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Current assets	¥ 1,471	¥ 0	$ 17,897
Investments and other assets	6,197	7,990	75,398
Current liabilities	-	1,636	-

Reconciliation between the statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011 is as follows:

	2012	2011
Statutory tax rate	40.55%	40.54%
Entertainment expense permanently not deductible for income tax purposes	0.06	0.11
Tax on undistributed profits for a family corporation	0.41	0.95
Per capita portion	0.21	0.26
Changes in valuation allowance	(33.99)	(97.85)
Equity in earnings of affiliates	(0.21)	(0.11)
Minority interests	(0.06)	(0.15)
Adjustment to deferred tax assets due to changes in tax rate (Note)	4.23	-
Others	(0.03)	(0.43)
Actual effective tax rate	11.16%	(56.68)%

Note: Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), Japanese corporation tax rates will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these revisions, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.5% to 37.8% for temporary differences which are expected to reverse during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014. Similarly, the Company changed the statutory tax rate to calculate deferred tax assets and liabilities from 40.5% to 35.5% for temporary differences which are expected to reverse from the fiscal years beginning on or after April 1, 2015.

As a result of this change, the net amount of deferred tax assets decreased by ¥793 million ($9,648 thousand) and income taxes – deferred increased by the same amount.

12. LEASES

Lease transactions as lessor

Information relating to finance leases of the Group as lessor for the years ended March 31, 2012 and 2011 was summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Lease payments receivable	¥ 340,645	¥ 401,901	$ 4,144,603
Estimated residual value	5,835	5,593	70,994
Unearned interest income	(34,496)	(39,274)	(419,710)
Investments in leases	¥ 311,984	¥ 368,220	$ 3,795,887

The aggregate annual maturities of leases receivable and investments in leases as of March 31, 2012 and 2011 are summarized as follows:

	Millions of Yen					
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Leases receivable	¥ 27,258	¥ 21,664	¥ 14,003	¥ 7,790	¥ 3,944	¥ 4,332
Investments in leases	109,971	83,822	60,732	40,066	23,190	22,862

	Thousands of U.S. Dollars					
March 31, 2012	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Leases receivable	$331,646	$263,584	$170,373	$94,780	$47,986	$52,707
Investments in leases	1,338,009	1,019,856	738,922	487,480	282,151	278,160

	Millions of Yen					
March 31, 2011	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Leases receivable	¥ 30,399	¥ 25,261	¥ 19,873	¥ 12,116	¥ 5,971	¥ 6,355
Investments in leases	135,404	97,576	70,181	46,225	25,807	26,706

Future leases receivable under non-cancelable operating leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due in 1 year or less	¥ 1,225	¥ 1,427	$ 14,904
Due after 1 year	3,224	3,894	39,226
Total	¥ 4,450	¥ 5,321	$ 54,142

Information on sub-lease transactions for the years ended March 31, 2012 and 2011was summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Leases receivable and investments in leases	¥ 1,435	¥ 2,480	$ 17,459
Lease obligations	1,509	2,550	18,359

Lease transactions as lessee

Future leases payable under non-cancelable operating leases are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due in 1 Year or Less	¥ 276	¥ -	$ 3,358
Due after 1 year	693	-	8,431
Total	¥ 969	¥ -	$ 11,789

13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group provides a wide range of financial services, including the areas of leasing, corporate loans, venture capital, investments and credit cards. Financial assets held by the Group mainly consist of installment sales receivable, leases receivable, investments in leases, loans receivable, rents receivable, credit card receivables, other receivable, investments in venture businesses, securities and investment securities. In order to avoid concentration of credit risk, the Group diversifies its exposure across counterparties and industries. In addition, in order to maintain quality of operating receivables, the Group regularly measures the amount of credit risk (unexpected credit loss) defined as the difference between credit VaR and expected credit loss at a certain confidence level.

The Group raises funds through a variety of methods, including bank borrowings, and issuance of corporate bonds and commercial paper. In managing its funding, the Group periodically adjusts the balance between short-term and long-term products, taking market conditions into account, and intends to further diversify its financing methods and counterparties and obtains credit facilities from various financial institutions.

In order to quickly respond to changes in financial markets, the Group aims to optimize the relationship between sources and uses of funds, taking into account market trends in various interest rates and foreign exchange rates and implementing appropriate asset liability management (“ALM”). In line with this goal, the Group enters into various derivative transactions, most of which are for hedging purposes; Derivative transactions for non-hedging purposes are internally examined in advance, and those for speculative purposes are not permitted.

(2) Nature and Extent of Risks Arising from Financial Instruments

Installment sales receivable, leases receivable and investments in leases, loans receivable, rents receivable, credit card receivables and other receivable held by the Group are exposed to credit loss due to counterparties’ default and fluctuations in interest rates. Moreover, for loans receivable, credit risk is concentrated in Nippon Telegraph and Telephone Corporation (“NTT”) and its group companies (together, the “NTT Group”), which accounted for approximately 72% and 67% of loans receivable as of March 31, 2012 and 2011, respectively. Consequently, changes in business environment surrounding NTT Group could have an adverse effect on the financial condition of the Group.

Investments in venture businesses, and securities and investment securities mainly consist of equity securities, debt securities and investments in partnerships. These securities are held to maturity, for capital gain or to promote business relationships, which are exposed to credit risk of issuers, interest rate risk and market price risk, respectively.
Bank borrowings, bonds and commercial paper are exposed to liquidity risk, i.e., the risk the Group cannot meet its contractual obligations in full on maturity dates for such reasons as the Group would be unable to access financial markets under certain circumstances. Furthermore, the Group uses funds based on variable rates, which are exposed to risk resulting from fluctuations in interest rates. In order to avoid such risk, the Group uses interest rate swaps for certain financing transactions.

Assets and liabilities denominated in foreign currencies are exposed to foreign exchange rate risk. The Group manages each transaction to limit exchange rate risk by matching the timing and amount of cash flows attributed to these assets and liabilities or by using currency swap contracts.

In addition to hedging derivatives such as interest rate swaps and currency swaps, the Group uses other derivative transactions; The Group invests in hybrid financial instruments which incorporate credit derivatives, as a part of its fund management activities, and uses forward exchange rate contracts to meet specific customer needs. Moreover, credit derivatives could be used to avoid credit risk of assets held by the Group, if appropriate. Hedging derivatives are exposed to risk associated with fluctuations in market prices and risk attributable to counterparties' default, but the Group considers that neither market nor credit risk is significant because fair value of such derivatives is highly correlated with that of hedged item and the counterparty is limited to creditworthy financial institutions with limited risk of default. As for hybrid financial instruments which incorporate credit derivatives, even though such instruments are exposed to market price risk as well as credit risk of reference entities, the Group regards that the effect of such risk on its overall business performance is limited. Forward exchange rate contracts for specific customers are also exposed to market risk and credit risk related to counterparties' default, but the risk to the Group is minimal because the Group enters into such transactions only after ascertaining that it would never be responsible for the resulting loss, if any.

(3) Risk Management for Financial Instruments

Credit risk management

The Group manages credit risk in accordance with internal rules for each business segment. For each credit transaction, the Group has implemented such procedures as performing ex-ante evaluation and ex-post monitoring of customer credit as well as setting credit limit, managing related information, assigning internal credit rating, securing collateral or guarantees, and addressing troubled receivables, if any. The Credit Analysis Department and the Credit Administration Department as well as relevant sales departments are responsible for such credit management. In addition, the Integrated Risk Management Office, which is responsible for overall portfolio management of financial instruments, measures the amount of credit risk (unexpected credit loss) and regularly reports the results to the Integrated Risk Management Committee.

Liquidity risk management

The Group manages its liquidity risk, taking market conditions into account, by adjusting the balance of financial products between long-term and short-term on a regular basis, using the ALM technique, by diversifying financing methods and counterparties and by obtaining credit facilities from various financial institutions.

Market risk management

Risks of interest rate fluctuations
The Finance Department comprehensively monitors interest rates and terms of financial assets and liabilities on a continual basis, using the ALM technique and performing gap analysis and sensitivity analysis, and reports the results to the Meetings of Management Board on a monthly and quarterly basis.

Risk of exchange rate fluctuations
Each transaction denominated in foreign currency is managed to avoid exchange rate risk by matching the payment terms and conditions of corresponding assets and liabilities or by using currency swap contracts.

Risks of price fluctuations
Securities and investment securities, which are exposed to risk of price fluctuations, are managed through periodic monitoring of their fair values and the financial positions of issuers.

Quantitative information on market risk
Installment sales receivable, leases receivable and investments in leases, loans receivable, long-term borrowings, corporate bonds and interest rate swaps are exposed to interest rate risk.

Effects of interest rate fluctuations on these financial instruments, which are measured based on the maximum interest rate change observed during a certain period after the zero-interest-rate policy ended, are used in quantitative analysis for managing interest rate risk. In measuring the effects, financial instruments subject to this analysis are classified into two kinds: those with fixed rates and with variable rates. Each of them is further broken down by maturity in order to apply relevant interest rate change corresponding to maturity. Increase in interest rate by one basis point (0.01%) as of March 31, 2012 and 2011 is estimated to decrease market value of the Group's net financial assets by ¥65 million ($790 thousand) and ¥63 million, respectively, keeping all other parameters fixed. This analysis does not consider correlation between interest rate and other parameters.

Management of derivative transactions

The Group enters into derivative transactions in accordance with its internal "Derivative Transaction Rule," which governs a transaction process including a negotiation of terms and conditions, an execution of an agreement and designation of a hedge relationship.

Specifically for a derivative transaction not qualifying for hedge accounting, the nature of associated risk, its management techniques of risk and methods to estimate fair value are internally examined before entering the transaction.

Moreover, the nominal amount, fair value, terms and conditions of each derivative transaction and effectiveness of hedging instruments are reported to the Meetings of Management Board quarterly.

(4) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If a quoted price is not available, other rational valuation techniques are used instead. The results of valuation may differ among assumptions because the rational valuation techniques include variable factors. Carrying amount of derivative transactions in the following table does not represent market risk.

(a) Fair value of financial instruments

The carrying amounts of financial instruments presented in the consolidated balance sheets, their fair values and the unrealized gains or losses as of March 31, 2012 and 2011 are as follows. Financial instruments whose fair value cannot be reliably determined are not included in the following table; Information on such instruments is presented in the table (b) below.

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	¥ 80,443	¥ 80,443	¥ -
Installment sales receivable	19,873		
Less: allowance for doubtful receivables (Note a)	(879)		
	18,993	19,125	132
Leases receivable and investments in leases	389,054		
Less: allowance for doubtful receivables (Note a)	(8,941)		
	380,113	384,273	4,160
Loans receivable	450,480		
Less: allowance for doubtful receivables (Note a)	(3,768)		
	446,711	449,294	2,583
Other advances receivable	59,864		
Less: allowance for doubtful receivables (Note a)	(1,851)		
	58,012	58,044	32
Rents receivable	19,791		
Less: allowance for doubtful receivables (Note a)	(332)		
	19,458	19,464	5
Credit card receivables	34,605		
Less: allowance for doubtful receivables (Note a)	(2,355)		
	32,249	32,249	-
Investments in venture businesses, and securities and investment securities:			
Available-for-sale securities	37,707	37,707	-
Investments and other assets (including receivables from companies in bankruptcy and reorganization)	11,192		
Less: allowance for doubtful receivables (Note a)	(9,313)		
	1,878	1,878	-
Total assets	¥ 1,075,568	¥ 1,082,482	¥ 6,913
Trade notes and accounts payable	¥ 12,538	¥ 12,538	¥ -
Short-term borrowings	41,643	41,643	-
Lease obligations	1,579	1,597	18
Deposits received	60,329	60,329	-
Deposits received from shareholders, directors or employees	392,249	392,249	-
Bonds payable	204,967	206,885	1,917
Long-term borrowings	216,492	218,969	2,477
Total liabilities	¥ 929,800	¥ 934,213	¥ 4,413
Derivative transactions:			
Not qualifying for hedge accounting (Note b)	¥ 30	¥ 30	¥ -
Qualifying for hedge accounting (Note c)	144,686	(773)	-
Total derivative transactions	¥ -	¥ (743)	¥ -

March 31, 2012	Thousands of U.S. Dollars Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	$ 978,744	$ 978,744	$ -
Installment sales receivable	241,793		
Less: allowance for doubtful receivables (Note a)	(10,694)		
	231,086	232,692	1,606
Leases receivable and investments in leases	4,733,592		
Less: allowance for doubtful receivables (Note a)	(108,784)		
	4,624,808	4,675,422	50,614
Loans receivable	5,480,958		
Less: allowance for doubtful receivables (Note a)	(45,844)		
	5,435,101	5,466,528	31,427
Other advances receivable	728,361		
Less: allowance for doubtful receivables (Note a)	(22,520)		
	705,827	706,217	389
Rents receivable	240,795		
Less: allowance for doubtful receivables (Note a)	(4,039)		
	236,744	236,817	60
Credit card receivables	421,036		
Less: allowance for doubtful receivables (Note a)	(28,653)		
	392,371	392,371	-
Investments in venture businesses, and securities and investment securities:			
Available-for-sale securities	458,778	458,778	-
Investments and other assets (including receivables from companies in bankruptcy and reorganization)	136,172		
Less: allowance for doubtful receivables (Note a)	(113,310)		
	22,849	22,849	-
Total assets	$ 13,086,360	$ 13,170,483	$ 84,109
Trade notes and accounts payable	152,548	152,548	-
Short-term borrowings	506,667	506,667	-
Lease obligations	19,211	19,430	219
Deposits received	734,018	734,018	-
Deposits received from shareholders, directors or employees	4,772,466	4,772,466	-
Bonds payable	2,493,819	2,517,155	23,324
Long-term borrowings	2,634,043	2,664,180	30,137
Total liabilities	$ 11,312,811	$ 11,366,504	$ 53,692
Derivative transactions:			
Not qualifying for hedge accounting (Note b)	$ 365	$ 365	$ -
Qualifying for hedge accounting (Note c)	1,760,384	(9,405)	-
Total derivative transactions	$ -	$ (9,040)	$ -

Notes:
a. General allowance for doubtful receivables and special allowance for specific receivables corresponding to respective receivables are deducted.
b. Receivables and payables arising from derivative transactions are presented on a net basis and numbers in parenthesis denote net payables.
c. The carrying amount of derivative transactions represents their nominal amount.

March 31, 2011	Millions of Yen Carrying Amount	Fair Value	Unrealized Gain/(Loss)
Cash and cash equivalents	¥ 66,563	¥ 66,563	¥ -
Installment sales receivable	25,768		
Less: allowance for doubtful receivables (Note a)	(1,910)		
	23,857	24,203	345
Leases receivable and investments in leases	464,136		
Less: allowance for doubtful receivables (Note a)	(16,110)		
	448,026	452,869	4,843
Loans receivable	412,209		
Less: allowance for doubtful receivables (Note a)	(5,790)		
	406,419	408,631	2,212
Other advances receivable	65,524		
Less: allowance for doubtful receivables (Note a)	(2,514)		
	63,009	63,091	81
Rents receivable	20,112		
Less: allowance for doubtful receivables (Note a)	(572)		
	19,540	19,560	19
Credit card receivables	31,371		
Less: allowance for doubtful receivables (Note a)	(2,892)		
	28,478	28,478	-
Investments in venture businesses, and securities and investment securities:			
Held-to-maturity securities	4,000	4,001	1
Available-for-sale securities	25,476	25,476	-
Investments and other assets (including receivables from companies in bankruptcy and reorganization)	16,297		
Less: allowance for doubtful receivables (Note a)	(13,343)		
	2,954	2,954	-
Total assets	¥ 1,088,327	¥ 1,095,831	¥ 7,503
Trade notes and accounts payable	¥ 9,873	¥ 9,873	¥ -
Short-term borrowings	265,489	265,489	-
Lease obligations	2,627	2,646	18
Deposits received	59,940	59,940	-
Deposits received from shareholders, directors or employees	169,139	169,139	-
Bonds payable	212,968	215,308	2,340
Long-term borrowings	233,488	234,734	1,245
Total liabilities	¥ 953,526	¥ 957,131	¥ 3,605
Derivative transactions:			
Not qualifying for hedge accounting	¥ -	¥ -	¥ -
Qualifying for hedge accounting (Note b)	150,006	(835)	-
Total derivative transactions	¥ -	¥ (835)	¥ -

Notes: a. General allowance for doubtful receivables and special allowance for specific receivables corresponding to respective receivables are deducted.

b. The carrying amount of derivative transactions represents their nominal amount.

Assets

Cash and Cash Equivalents, and Credit Card Receivables

The carrying amounts of these items approximate fair values because of their short maturities.

Installment Sales Receivable, and Leases Receivable and Investments in leases

The fair values of these items are calculated by discounting contractual cash flows using interest rates currently available to the Group for similar transactions. The carrying value of installment sales receivable is presented net of unearned profit included in liabilities in the accompanying consolidated balance sheets. Similarly, the carrying amounts of leases receivable and investments in leases are presented net of lease fee received in advance.

The carrying amounts of doubtful receivables approximate their fair values because allowance for such accounts is estimated based on collectible amounts through liquidation of collateral and/or realization of guarantees.

Loans Receivable and Other Receivable

The carrying amounts of loans with variable interest rates approximate their fair values because such loans reflect short-term market rates and credit conditions of counterparties do not significantly change after the loan executions. Fair value of loans with fixed interest rates is calculated by discounting contractual cash flows using interest rates currently available to the Group for similar transactions.

The carrying amounts of doubtful receivables approximate their fair values due to the same reason as described above.

Rents Receivable

The fair value of receivables is calculated by discounting contractual cash flows using interest rates currently available to the Group for similar transactions.

The carrying amounts of doubtful receivables approximate their fair values due to the same reason as described above.

Investments in Venture Businesses, and Securities and Investment Securities

The fair values of listed stocks are determined based on quoted market prices, and the fair values of debt securities are generally valued at the market quotes obtained from financial institutions, which are estimated taking into account relevant factors such as fluctuations in interest rates, credit rating, remaining maturity and the fair value of underlying assets in case of asset-backed securities. If market quotes from financial institutions are not available, the fair value is calculated by discounting expected future cash flows using interest rates currently available to the Group for similar transactions.

The information on securities classified by holding purpose is presented in Note 4 on securities, investment securities and investments in venture businesses.

Investments and Other Assets (Including Receivables from Companies in Bankruptcy and Reorganization)

The carrying amounts of these items approximate their fair values because allowance for these items is estimated based on collectible amounts through liquidation of collateral and/or realization of guarantees.

Liabilities

Trade Notes and Accounts Payable, Short-term Borrowings, Deposits Received and Deposits Received from Shareholders, Directors or Employees

The carrying amounts of these items approximate their fair values because of their short maturities.

Lease Obligations

The fair value of lease obligations is calculated by discounting contractual cash flows using interest rates currently available to the Group for similar transactions.

Bonds Payable

The fair value of bonds is estimated based on the Reference Statistical Prices for OTC Bond Transactions.

Long-term Borrowings

The carrying amount of borrowings with variable interest rates approximates their fair values because such borrowings reflect short-term market rates and credit condition of the Group does not significantly change after the borrowing executions. The fair value of borrowings with fixed interest rates is calculated by discounting contractual cash flows using interest rates currently available to the Group for similar transactions.

Derivative Transactions

The information on derivative transactions is presented in Note 14 on derivative transactions.

(b) Financial instruments whose fair value cannot be reliably determined

Carrying amounts of financial instruments whose fair values cannot be reliably determined as of March 31, 2012 and 2011 are summarized as follows. These instruments are excluded from investments in venture businesses, securities and investment securities in the above table.

		Carrying Amount		
		Millions of Yen		Thousands of U.S. Dollars
Classification	Type	2012	2011	2012
Investments in affiliates	Unlisted equity securities	¥ 194	¥ 213	$ 2,360
Available-for-sale securities	Unlisted equity securities	5,094	4,320	61,978
	Investments in partnerships	1,848	2,201	22,484
	Total Available-for-sale securities	¥ 6,942	¥ 6,521	$ 84,462

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

March 31, 2012	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and cash equivalents	¥ 80,443	¥ -	¥ -	¥ -	¥ -	¥ -
Installment sales receivable	8,595	5,297	3,154	1,659	785	1,069
Leases receivable and investments in leases (Note)	137,230	105,486	74,735	47,856	27,135	27,194
Loans receivable	168,410	63,273	78,745	66,761	31,100	42,187
Other receivable	21,496	16,070	8,709	2,774	4,812	6,001
Rents receivable	8,542	3,259	2,926	2,361	1,593	1,107
Credit card receivables	34,605	-	-	-	-	-
Investments in venture businesses, securities and investment securities:						
Available-for-sale securities with contractual maturities	6,210	2,487	1,943	6,222	2,763	11,480

March 31, 2012	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and cash equivalents	$978,744	$ -	$ -	$ -	$ -	$ -
Installment sales receivable	104,574	64,448	38,374	20,184	9,551	13,006
Leases receivable and investments in leases (Note)	1,669,667	1,283,440	909,295	582,260	330,149	330,867
Loans receivable	2,049,032	769,838	958,084	812,276	378,391	513,286
Other receivable	261,540	195,522	105,961	33,751	58,547	73,013
Rents receivable	103,929	39,652	35,600	28,726	19,381	13,468
Credit card receivables	421,036	-	-	-	-	-
Investments in venture businesses, securities and investment securities:						
Available-for-sale securities with contractual maturities	75,556	30,259	23,640	75,702	33,617	139,676

Note: Leases receivable and investments in leases are presented including interest.

March 31, 2011	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and cash equivalents	¥ 66,563	¥ -	¥ -	¥ -	¥ -	¥ -
Installment sales receivable	10,598	7,279	4,367	2,240	863	1,431
Leases receivable and investments in leases (Note)	165,804	122,838	90,054	58,341	31,778	33,062
Loans receivable	148,120	75,138	50,998	57,818	43,218	36,913
Other receivable	20,899	17,390	7,548	8,471	2,095	9,119
Rents receivable	8,038	3,296	3,022	2,548	1,834	1,371
Credit card receivables	31,371	-	-	-	-	-
Investments in venture businesses, and securities and investment securities:						
Held-to-maturity securities	4,000	-	-	-	-	-
Available-for-sale securities with contractual maturities	1,244	3,120	3,955	1,984	2,977	7,655

Note: Leases receivable and investments in leases are presented including interest.

(6) Maturity Analysis for Bonds Payable, Long-term Borrowings and Other Debts

The information on maturity analysis for bonds payable, long-term borrowings and other debts is presented in Note 8 on short-term and long-term debt.

14. DERIVATIVES

The aggregate amounts contracted to be paid or received, fair value and unrealized gains (losses) of derivative transactions other than market trades as of March 31, 2012 and 2011 (excluding hedging transactions) were as follows. Fair value is quoted based on the price information from the contracted financial institution.

	Millions of Yen				Thousands of U.S. Dollars	
	Notional Amount Total	Notional Amount Due after 1 Year	Fair Value	Unrealized Gains (Losses)	Fair Value	Unrealized Gains (Losses)
March 31,2012						
Currency swaps	¥ 288	¥ 146	¥ 30	¥ 30	$ 365	$ 365
March 31, 2011						
Hybrid financial instruments (Debt securities)	¥ 1,247	¥ -	¥1,244	¥ (2)		

Derivative instruments which qualify as hedging instruments as of March 31, 2012 and 2011 are summarized as follows. Fair value is quoted based on the price information from the contracted financial institution.

	Hedged Item	Notional Amount Total	Due after 1 Year	Fair Value
		Millions of Yen		
March 31,2012				
Interest rate swaps (Pay fixed rate, receive variable rate) (Note a)	Long-term borrowings	¥ 55,655	¥ 45,875	¥ (654)
	Loans receivable	84,500	54,500	(440)
Currency swaps (Note b)	Lease payments receivable	4,531	4,406	321
Total		¥ 144,686	¥ 104,781	¥ (773)
		Thousands of U.S. Dollars		
March 31,2012				
Interest rate swaps (Pay fixed rate, receive variable rate) (Note a)	Long-term borrowings	$ 677,150	$ 558,157	$(7,957)
	Loans receivable	1,028,105	663,097	(5,353)
Currency swaps (Note b)	Lease payments receivable	55,128	53,607	3,905
Total		$1,760,384	$1,274,863	$(9,405)
		Millions of Yen		
March 31, 2011				
Interest rate swaps (Pay fixed rate, receive variable rate) (Note a)	Long-term borrowings	¥ 60,611	¥ 49,611	¥ (337)
	Loans receivable	88,500	74,500	(581)
Currency swaps (Note b)	Lease payments receivable	894	520	83
Total		¥ 150,006	¥ 124,632	¥ (835)

Notes:
a. These contracts not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income.
b. Hedged items are translated at the foreign exchange rates stipulated in the contracts, and gains or losses on swap transactions are deferred until the corresponding hedged items are recognized in income.

15. PLEDGED ASSETS AND COLLATERAL

The assets pledged as collateral and corresponding debt as of March 31, 2012 and 2011 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Assets pledged as collateral:			
Leases receivable and investments in leases	¥ 8,489	¥ 16,577	$ 103,285
Rents receivable	1,565	2,087	19,041
Leased assets	5,533	5,834	67,319
Total	¥ 15,589	¥ 24,499	$ 189,670
Corresponding debt:			
Current portion of long-term debt	¥ 448	¥ 423	$ 5,450
Other current liabilities (Payables associated with securitization of receivables)	11,000	20,000	133,836
Long-term debt	1,656	2,127	20,148
Other noncurrent liabilities (Deposits received)	157	232	1,910

As of March 31, 2012, the Group had received ¥1,934 million ($23,530 thousand) of notes receivable which was primarily obtained for installment sales.

In addition, as of March 31, 2012, the Group had received marketable securities as collateral that can be sold or repledged, with fair value of ¥10,933 million ($133,021). Such collateral was obtained for a repurchase agreement for the same amount and included in other current assets.

16. COMMITMENTS AND CONTINGENCIES

As of March 31, 2012, the Group had the following contingent liabilities:

	Millions of Yen	Thousands of U.S. Dollars
Commitment to guarantee bank loan of an affiliate	¥ 31	$ 377
Guarantee of penalty for breach of lease contracts	780	9,490
Guarantee of property lease contracts	991	12,057
Guarantee of bank loans	3,202	38,958
Other guarantees	1,005	12,227
Property purchase commitments for leases and installment sales	5,255	63,937
Unexecuted loan commitments (Note)	819,420	9,969,826

Note: The Group enters into loan commitment agreements with customers. As of March 31, 2012, loan commitments given to customers were ¥908,588 million ($11,054,726 thousand), of which ¥89,167 million ($1,084,888 thousand) had been executed.

These credit lines are not necessarily executed to the maximum amount, because these contracts contain a clause to lower the credit lines if there are reasonable grounds.

17. COMPREHENSIVE INCOME

Reclassification adjustments and related tax effect on other comprehensive income for the year ended March 31, 2012 were as follows:

	2012	
	Millions of Yen	Thousands of U.S. Dollars
Unrealized gain on available-for-sale securities:		
Other comprehensive income arising during the year	¥ 448	$ 5,450
Reclassification adjustments	195	2,372
Unrealized gain on available-for-sale securities before related tax effect	644	7,835
Related tax effect	(261)	(3,175)
Unrealized gain/(loss) on available-for-sale securities	382	4,647
Foreign currency translation adjustments:		
Other comprehensive loss arising during the year	(25)	(304)
Net transfer to equity in earnings of affiliates:		
Other comprehensive loss arising during the year	(41)	(498)
Total other comprehensive income	¥ 315	$ 3,832

18. SEGMENT INFORMATION

Description of reportable segments

Reportable segments of the Group are defined as components of the Group whose financial information is separately available and evaluated periodically by management in order for management to determine the allocation of resources and assess business performance.

The Group is engaged in financial service businesses mainly comprised of lease activities. The reportable segments of the Group are composed of five segments: “Lease business,” “Corporate loan business,” “Venture capital business,” “Investment business” and “Credit card business.”

“Lease business” leases and sells on installment information and office equipment, industrial machine tools as well as commercial, manufacturing and hospital facilities. “Corporate loan business” provides loans to business customers. “Venture capital business” invests in venture businesses and provides related services. “Investment business” consists of investments in debt securities, silent partnerships and visual contents, and provides related services. “Credit card business” collects fees on credit cards from member stores and cardholders, and provides sales financing and consumers loans.

Method of measurement for the amounts of revenue, profit (loss), assets, and other items for each reportable segment

The accounting policies of the reportable segments are consistent to the description of the summary of significant accounting policies (see Note 2). The segment profit (loss) is based on the operating income (loss) of each reportable segment.

Information about revenue, profit (loss), assets and other items by reportable segment

The following tables represent information about revenue and profit (loss) by reportable segment for the years ended March 31, 2012 and 2011. Assets are not allocated to reportable segments.

	Millions of Yen							
	2012							
	Reportable Segment							
	Lease	Loan	Venture Capital	Investment	Credit Card	Sub-total	Other (Note)	Total
Revenue from external customers	¥ 208,251	¥ 5,749	¥ 375	¥ 1,526	¥ 8,628	¥ 224,531	¥ 295	¥ 224,827
Intersegment sales or transfers	-	-	-	-	-	-	-	-
Total	¥ 208,251	¥ 5,749	¥ 375	¥ 1,526	¥ 8,628	¥ 224,531	¥ 295	¥ 224,827
Segment profit (loss)	¥ 20,132	¥ 3,311	¥ (240)	¥ 802	¥ 1,057	¥ 25,063	¥ (300)	¥ 24,762

	Thousands of U.S. Dollars							
	2012							
	Reportable Segment							
	Lease	Loan	Venture Capital	Investment	Credit Card	Sub-total	Other (Note)	Total
Revenue from external customers	$2,533,775	$ 69,947	$ 4,562	$ 18,566	$ 104,976	$2,731,853	$ 3,589	$2,735,454
Intersegment sales or transfers	-	-	-	-	-	-	-	-
Total	$2,533,775	$ 69,947	$ 4,562	$ 18,566	$ 104,976	$2,731,853	$ 3,589	$2,735,454
Segment profit (loss)	$ 244,944	$ 40,284	$ (2,920)	$ 9,757	$ 12,860	$ 304,939	$ (3,650)	$ 301,277

	Millions of Yen							
	2011							
	Reportable Segment							
	Lease	Loan	Venture Capital	Investment	Credit Card	Sub-total	Other (Note)	Total
Revenue from external customers	¥ 233,810	¥ 5,900	¥ 296	¥ 1,123	¥ 8,302	¥ 249,434	¥ 263	¥ 249,697
Intersegment sales or transfers	-	-	-	-	-	-	-	-
Total	¥ 233,810	¥ 5,900	¥ 296	¥ 1,123	¥ 8,302	¥ 249,434	¥ 263	¥ 249,697
Segment profit (loss)	¥ 20,421	¥ 3,146	¥ (844)	¥ (237)	¥ (148)	¥ 22,337	¥ (339)	¥ 21,997

Note: "Other" includes business segments not identified as reportable segment, including cash management business, guarantee business and insurance agent business for NTT Group.

Differences between total amounts for reportable segments and amounts in the consolidated statements of income and main details of these differences

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Revenue			
Reportable segments total	¥ 224,531	¥ 249,434	$ 2,731,853
Other revenue	295	263	3,589
Revenue in the consolidated statements of income	¥ 224,827	¥ 249,697	$ 2,735,454
Segment profit (loss)			
Reportable segments total	¥ 25,063	¥ 22,337	$ 304,939
Other profits	(300)	(339)	(3,650)
Corporate expenses (Note)	(5,695)	(5,998)	(69,290)
Operating profit	¥ 19,067	¥ 15,998	$ 231,986

Note: Corporate expenses represent general and administrative expenses not attributable to reportable segment.

Related information

Disclosures on information by product and service are omitted, as the information is equivalent to the above information by reportable segment.

Disclosures on information by geographical areas are omitted, as each of revenue from external customers and total property and equipment in Japan exceeds 90 % of consolidated sales and property and equipment.

Disclosures on sales by customer are omitted, as no customer accounts for more than 10% of consolidated revenue.

Loss on Impairment of Long-lived Assets by reportable segment

Loss on impairment of long-lived assets by reportable segments for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen							
	2012							
	Lease	Loan	Venture Capital	Investment	Credit Card	Other	Corporate/ Elimination	Total
Impairment loss	¥ -	¥ -	¥ -	¥ -	¥ 75	¥ -	¥ -	¥ 75

	Thousands of U.S. Dollars							
	2012							
	Lease	Loan	Venture Capital	Investment	Credit Card	Other	Corporate/ Elimination	Total
Impairment loss	$ -	$ -	$ -	$ -	$ 912	$ -	$ -	$ 912

	Millions of Yen							
	2011							
	Lease	Loan	Venture Capital	Investment	Credit Card	Other	Corporate/ Elimination	Total
Impairment loss	¥ -	¥ -	¥ -	¥ -	¥ 508	¥ -	¥ -	¥ 508

Goodwill by reportable segment

Disclosures on information by reportable segment are omitted, as there is no applicable information to disclose.

19. RELATED PARTY TRANSACTIONS

Transactions and account balances of the Company with NTT, which has a 91.11% (direct) and 8.19% (indirect) ownership share in the Company in 2012 and 2011, as of and for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Transactions:			
Acceptance of excess funds	¥ 2,422,000	¥ 2,097,000	$ 29,468,305
Interest expense on deposits	324	467	3,942
Execution of loans	-	115,000	-
Interest income on loans	-	15	-
Collection of charges as an agent	31	-	377
Account balances:			
Deposits received from shareholders, directors or employees	152,331	91,950	1,853,400
Other current liabilities	5	2	60

In addition to the above, the Group enters into several other transactions with related parties, most of which are companies under common control. Specifically, significant transactions and related account balances with 15 other NTT Group companies (14 in 2011) as of and for the years ended March 31, 2012 and 2011 were summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Transactions:			
Acceptance of excess funds	¥ 1,013,885	¥ 1,371,490	$12,335,868
Acceptance of excess funds under a cash management agreement	30,628	61,940	372,648
Interest expense on deposits	247	332	3,005
Execution of loans	187,450	127,100	2,280,691
Execution of loans under a cash management agreement	23,023	25,818	280,119
Interest income on loans	2,348	2,746	28,567
Execution of leases	-	3,133	-
Acceptance of lease payments	-	5,884	-
Collection of telephone charge as an agent	35,421	37,381	430,964
Account balances:			
Deposits received	27,256	28,292	331,621
Deposits received from shareholders, directors or employees	245,443	60,000	2,986,287
Other current liabilities	48	25	584
Other noncurrent liabilities (deposits received)	10,000	20,000	121,669
Loans receivable	288,717	254,830	3,512,799
Leases receivable and investments in leases	-	15,355	-
Other current assets	482	523	5,864

20. SUBSEQUENT EVENTS

a. Resolution of entering into service provider contracts

On June 1, 2012, the Board of Directors of the Company resolved to enter into service provider contracts such as an “Agreement for the Transfer of Receivables” and an “Agent Service Agreement for Telecommunications Service Charges” in order to launch new services (i.e., billing and collection of telecommunications service charges on behalf of service providers).

(a) Purpose of the contracts

To enhance convenience of customers of telecommunications service providers, and to improve quality and efficiency of billing and collection of telecommunications service charges.

(b) Counterparties of the contracts

NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION, NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION, NTT Communications Corporation and NTT DOCOMO, INC.

(c) Scheduled date of conclusion of the contracts

By the end of June, 2012

(d) Outline of the contracts

The “Agreement for the Transfer of Receivables” provides that the Company shall purchase and pay for telecommunications service charges receivable held by each of the above counterparties, and that the Company shall receive the relevant factoring charges.
The “Agent Service Agreement for Telecommunications Service Charges” provides that the billing and collection of telecommunications service charges currently performed by each of the above counterparties shall be outsourced to the Company, and that the Company shall receive the relevant agent fees.

(e) Significant effect of the contracts on the business of the Company

The Company is still in the process of evaluating the effect of the contracts on its business because the contracts are not yet concluded and the Company has not yet reached final agreement with the above counterparties.

b. Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2012 was approved at the Company’s shareholders meeting held on June 20, 2012:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥87,472.00 ($1,064.26) per share	¥ 4,545	$ 55,298

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