



Annual Report  
**2015**

The cover features a central blue globe with the text 'Annual Report 2015' overlaid. Surrounding the globe are several smaller, semi-transparent blue globes. The background is a collage of images: an airplane flying in the sky, a large cargo ship at sea, a modern skyscraper, and a wind turbine. The entire scene is set against a light blue background with a grid of white lines.

For the fiscal year ended March 31, 2015

**IBJ LEASING CO., LTD.**

IBJ Leasing Company, Limited was established in 1969 as a general leasing company under an initiative by The Industrial Bank of Japan, Ltd. (now Mizuho Bank, Ltd.), with the participation of 16 major companies representing Japanese industries, including life insurance companies.

The IBJ Leasing Group, which has proactively developed its operations in leasing and installment sales—the financing of physical items—operates as a multimodal financial services group that provides services for corporate clients in Japan and overseas. In addition to financing related to capital expenditure, including industrial equipment, information and communication equipment and medical equipment, we are expanding the scope of our business activities by proposing a wide range of solutions that meet clients' increasingly diversified needs, through initiatives in a broad range of financial sectors and through M&A activities.

In the coming years, in keeping with changes in the times and the operating environment we will continue to meet increasingly sophisticated and diversified financial needs on a host of fronts and earn the satisfaction and trust of our clients.

#### Forward-Looking Statements

This annual report contains statements concerning management policies and future operating results. Such statements are not guarantees. Please be aware that future performance is subject to various changes in conditions in the operating environment.

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### The IBJ Leasing Group Characteristics

The IBJ Leasing Group is a multimodal financial services group oriented toward corporate clients. We expand our business by leveraging five characteristic strengths.



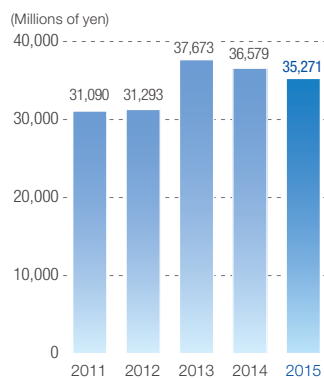
# Consolidated Financial Highlights

IBJ Leasing Company, Limited and consolidated subsidiaries, years ended March 31

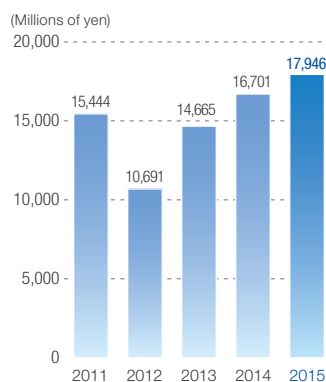
(Millions of yen)

	2011	2012	2013	2014	2015
<b>Summary of income:</b>					
Revenues	256,059	270,066	352,492	354,779	<b>353,733</b>
Gross profit	31,090	31,293	37,673	36,579	<b>35,271</b>
Operating income	15,444	10,691	14,665	16,701	<b>17,946</b>
Net income	9,025	4,296	8,920	10,531	<b>11,144</b>
<b>Financial position:</b>					
Operating assets	928,633	1,211,268	1,263,116	1,343,046	<b>1,432,299</b>
Total assets	1,028,020	1,332,963	1,372,246	1,462,183	<b>1,551,704</b>
Interest-bearing debt	877,629	1,133,481	1,176,464	1,226,274	<b>1,309,951</b>
Equity	69,392	74,717	84,905	109,840	<b>123,297</b>
<b>Per share data: (Yen)</b>					
Net income	249.33	118.71	246.43	264.75	<b>261.32</b>
Equity	1,889.18	1,954.63	2,218.77	2,458.28	<b>2,764.23</b>
Dividend	46.00	48.00	50.00	54.00	<b>56.00</b>
<b>Key indicators: (%)</b>					
ROE	13.9	6.2	11.8	11.4	<b>10.0</b>
Equity ratio	6.7	5.3	5.9	7.2	<b>7.6</b>

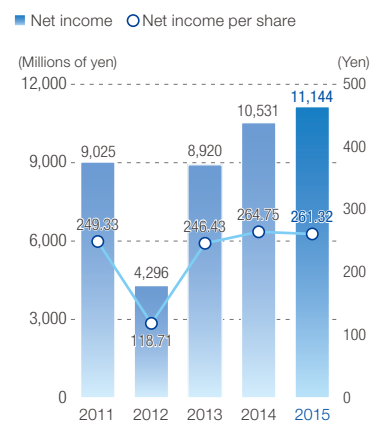
## Gross Profit



## Operating Income



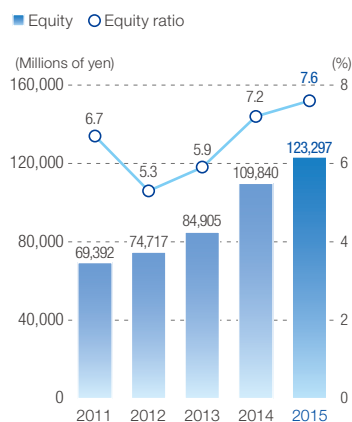
## Net Income/Net Income per Share



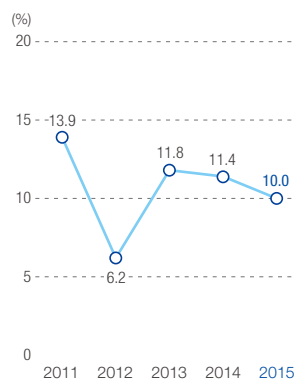
## Fiscal 2014 Highlights

- >> Launched the Medium-Term Management Plan, which was off to a strong start as we promoted basic strategies aimed at achieving plan objectives.
- >> Met a wide range of medium-sized and large company needs in particular, substantially expanding operating assets to ¥1,432.3 billion.
- >> Achieved all-time highest operating income, ordinary income and net income for the second straight fiscal year.
- >> The annual dividend per share increased for the 13th consecutive year.

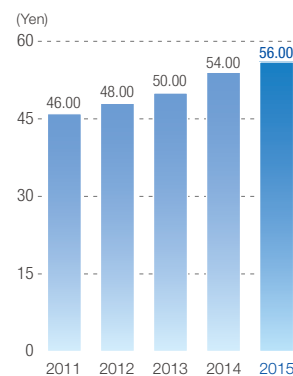
Equity/Equity Ratio



ROE



Dividend per Share





## A Message from the President



## Economic Environment in Fiscal 2014

In fiscal 2014, the year ended March 31, 2015, the global economy continued toward a mild recovery. Overseas, the U.S. economy gained traction as steady economic expansion continued amid employment environment improvements and a rally in personal consumption, although the economies of Europe and China were impacted by continued slow growth.

In the Japanese economy, despite weak personal consumption due to unseasonable weather and the pullback in demand caused by the consumption tax increase, the business environment continued toward a mild recovery. In the leasing industry, optimism buoyed by improving performance and recovering business sentiment underpinned capital investment, primarily by large companies. However, this was not enough to overcome the pullback from the consumption tax hike during the fiscal year, thus leasing transaction volumes did not exceed those in the previous fiscal year.

In the financial markets, in October 2014 the Bank of Japan substantially increased quantitative and qualitative monetary easing measures. This, combined with a sudden drop in crude oil prices at the beginning of the year and uncertainty over the political situation in Greece, temporarily drove long-term interest rates below 0.2%, while short-term interest rates maintained low and stable levels.

## Achievements in the First Year of the Fourth Medium-Term Management Plan

Within this business environment, the IBJ Leasing Group aims to become a general financial services group fully in tune with needs and trends of the time, uniquely positioned to grow with clients. To this end, the three-year Medium-Term Management Plan was launched in April 2014. Under the theme of “Challenging for renewed growth,” this plan sets out to capitalize on IBJL’s distinctiveness as a general financial services group and support corporate growth by responding to a wide range of customer needs while pursuing further advancements by proactively responding to environmental changes.

In fiscal 2014, the first year of this management plan, we took the first step toward achieving plan objectives with the steady deployment of three basic strategies aimed at further enhancing our core businesses (leasing, installment sales and financing), improving our specialized financing portfolio and reinforcing and expanding our overseas businesses.

On the sales front, in leasing and installment sales, industry-wide performance fell short of the previous fiscal year, partly due to the consumption tax hike. The IBJ Leasing Group proactively engaged in comprehensive proposal-based sales anticipating latent customer needs to further expand its medium-sized and large company client base. As a result, we captured demand for large-scale investments to augment capacity, significantly increasing leasing transactions in core industrial and factory equipment. In the internal demand-related business focus area, we strengthened sales aimed at logistics and retail businesses through alliances with leading store developers and banks, capturing demand for the introduction of environment-related equipment aimed at rationalizing energy usage, while at the same time further expanding real estate lease transactions targeting land and buildings for retail use. Furthermore, this approach to utilizing real estate leases proactively responds to proposals targeting large logistics facilities where investment remains active, substantially expanding transactions.

In financing, specialized financing efforts were focused on aggressively capturing financing projects targeting aircraft and engines in the aircraft business, which continues to expand globally. In addition to strengthening overseas project finance and syndicated loans, we launched initiatives aimed at new real estate financing in Europe and the United States in collaboration with influential partners in an attempt to accumulate quality assets in Japan and overseas. In corporate finance, we proactively responded to a diverse array of customer financing needs, focusing on proposal-based sales for the securitization of receivables and the guarantee business in support of diverse customer funding needs.

Asia continued to be a focus of our overseas business. We conducted sales strategically, narrowing our focus to target automotive-related and other specific industries and corporate groups, enabling us to consistently meet Japanese corporate financing needs, including large capital investment projects. In the Philippines, where in recent years Japanese companies have been actively advancing, we increased our equity holdings in local subsidiaries. We are also selling in Vietnam, despite having no base there, from the Asia Desk in Thailand, among other efforts focused on expanding markets in the Asia region. Furthermore, in addition to transactions aimed at Japanese companies, we intend to further expand our overseas business base by cultivating transactions with non-Japanese blue-chip companies in Asia.

On the profit front, market interest rates remained low, leading to an unavoidable decrease in the balance of operating assets and gross profit. At the same time, in addition to enhancing credit risk management, corporate bankruptcy declined nationwide. Curtailing new credit costs and reversing credit cost provision enabled us to achieve record operating income, ordinary income and net income for the second fiscal year in a row.

### Outlook for the Second Year of the Fourth Medium-Term Management Plan

In terms of the business environment surrounding the IBJ Leasing Group, the Japanese economy is expected to expand as employment and income environments improve, in turn stimulating personal consumption, while corporate earnings recover against the backdrop of a weaker yen and lower crude oil prices, fueling ongoing capital investment.

Accordingly, we will promote three basic strategies aimed at further enhancing our core businesses (leasing, installment sales and financing), improving our specialized financing portfolio and reinforcing and expanding our overseas businesses in fiscal 2015, the second year of the Medium-Term Management Plan. The entire Group will make an effort to further expand its client base and accumulate quality operating assets. While proactively engaging in proposal-based sales meeting a variety of customer needs, we will further enhance our ability to support various financial businesses through alliances with influential partners. Moreover, we will go beyond the conventional sales framework to aggressively pursue new business opportunities in an attempt to further enhance profitability with the aim of firmly positioning ourselves to achieve objectives in the final year of Medium-Term Management Plan.

### Enhancing Corporate Governance and Promoting CSR

To live up to the trust and expectations of all its stakeholders, the IBJ Leasing Group considers robust corporate governance to be one of management's top priorities. In addition to the man-



agement of an effective and appropriate internal control system deployed at all Group companies, we engage in further enhancements to our internal management structures through strict compliance and comprehensive risk management.

To achieve sustainable corporate growth, it is also critical to retain personnel with a diverse array of perspectives and values based on a variety of experiences and skills, while providing all employees with a meaningful and engaging workplace. In recognition of this, a project team was started up in fiscal 2014 to create a workplace empowering women to play a more active role. We believe this will enable us to cultivate a corporate culture that encourages women to pursue full-time careers while expanding the ratio of women in management positions, resulting in a more engaging workplace.

Furthermore, corporate social responsibility (CSR) is the basis of our business management. We aim to become a corporate group that contributes broadly to society through the systematic and ongoing promotion of environmental initiatives based on ISO 14001 and social contribution activities aimed at realizing a sustainable society.

## Dividends

The Company's basic policy on shareholder returns is to pay dividends in accordance with business performance in an attempt to improve profitability. At the same time, as the distinctive characteristics of the financial services industry make a strong shareholders' equity position key to increasing corporate value, we intend to pay dividends while maintaining a balance between shareholder returns and shareholders' equity. We intend to continue paying steady dividends. Retained earnings are effectively utilized as funds for future growth in an attempt to further expand our business base and increase ROE over the medium to long term.

In line with this policy, in fiscal 2014 we continued to increase shareholder returns by raising the dividend ¥2, to ¥56 per share. Based on our dividend policy and annual profit expectations, we expect to raise the dividend per share an additional ¥4 in fiscal 2015, to ¥60 per share, amounting to the 14th consecutive year of dividend increases.

In fiscal 2014, although the pullback after the consumption tax increase created challenging conditions in the business environment throughout the entire industry, the IBJ Leasing Group achieved solid results by following the basic strategies defined in the Medium-Term Management Plan. In fiscal 2015, the second year of the plan, we will carry this momentum forward to ensure profit targets are met in the final fiscal year, focusing on accumulating quality operating assets in an attempt to achieve the operating asset balance target of ¥1,500.0 billion a year ahead of schedule.

We ask for the continued understanding and support of our stakeholders in the coming years.



*Setsu Onishi*

President and CEO



# Fourth Medium-Term Management Plan

## Overview of the Fourth Medium-Term Management Plan

Fiscal 2014 marked the start of the IBJ Leasing Group’s Fourth Medium-Term Management Plan. This plan aims to carry forward the developments of the previous medium-term management plan, accelerate its initiatives, make steady progress on identifying potential business opportunities in light of Japanese economic and market trends and corporate moves into overseas markets, and further reinforce and enhance the business infrastructure. Themed “Challenging for renewed growth,” while positively differentiating ourselves as a general financial services group this plan calls for us to support the growth of our corporate clients by responding to their broad-ranging needs and to respond proactively to changes in the operating environment.



**Fourth Medium-Term Management Plan**  
(Fiscal 2014 to Fiscal 2016)

**“Challenging for renewed growth”**

- Positively differentiate ourselves in our ability to support growth for corporate clients
- Pursue further evolutionary growth from a new stage of development

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**Vision**                    General financial services group fully in tune with needs and trends of the time, uniquely positioned to grow with clients

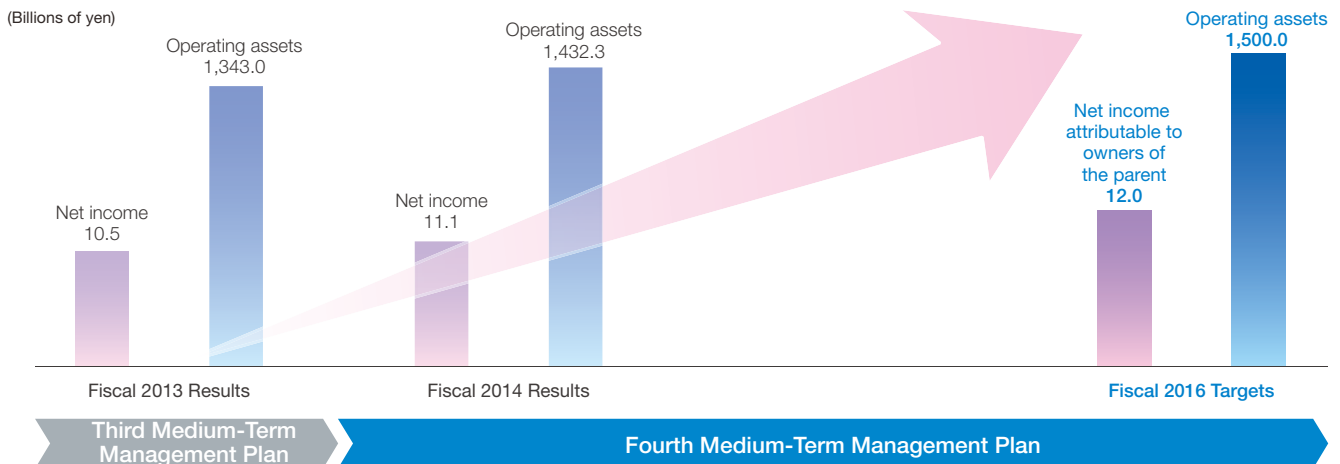
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**Basic Strategies**

1. Further enhance core businesses and build robust business infrastructure
2. Improve quality and volume of specialized financing portfolio
3. Build robust infrastructure and expand business areas for overseas businesses
4. Build business infrastructure reflecting changes in business environment

### <Consolidated Numerical Targets in the Final Year of the Plan>



## Fiscal 2014 Results

In fiscal 2014, the first year of the Medium-Term Management Plan, the steady execution of basic operational strategies resulted in net income of ¥11.1 billion and operating assets of ¥1,432.3 billion.

### (1) Core Businesses (Leasing and Installment Sales, etc.)

- Comprehensive proposal-based sales captured demand for investments to augment capacity of production facilities
- In addition to logistics and retail facility needs, focused on real estate leases targeting land and buildings
- Utilized real estate leases in response to proposals targeting large logistics facilities

### (2) Specialized Financing

- In aircraft financing, accumulated quality assets, mainly through loans where aircraft are used as collateral
- Enhanced syndicated loans and project finance aimed at overseas blue-chip companies
- Rearranged portfolio in light of risk/return in real estate business

### (3) Overseas Businesses

- Conducted sales strategically, narrowing our focus to target automotive-related and other specific industries and corporate groups, consistently meeting needs
- Promoted to expand markets in ASEAN countries where we have no base through use of the Asia Desk
- Increased equity holdings in local subsidiaries in the Philippines, brought affiliates accounted for under the equity method into the Group

## Fiscal 2015 Management Policies

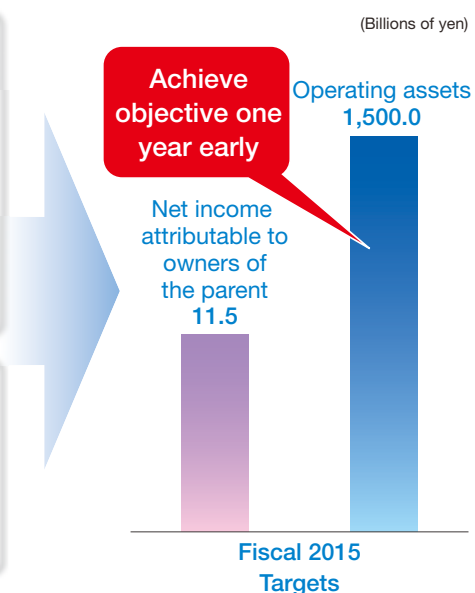
In fiscal 2015, we will further accelerate the accumulation of quality operating assets in an attempt to achieve the operating asset balance goal of ¥1,500.0 billion ahead of schedule, while taking proactive steps toward achieving profit objectives in the final year of the management plan.

### Thoroughly strengthen basic strategies under the Medium-Term Management Plan

- Company-wide support for domestic demand-oriented industries and other areas and industries with vigorous investment
- Aggressively pursue projects in specialized financing business with an awareness of risk
- Expand overseas business development focused on quasi-Japanese and non-Japanese companies

### Challenging for renewed growth

- Proactively engage in business opportunities that anticipate market fluctuations
- Capture new business needs arising from responses to business environment changes



## Business Overview

The IBJ Leasing Group comprises IBJ Leasing, 22 consolidated subsidiaries and four equity-method affiliates (as of March 31, 2015). Centered on this structure, we provide wide-ranging financial services, including leasing, installment sales and loans by utilizing our extensive financial expertise and understanding of equipment.

In addition to Japan, the IBJ Leasing Group meets the diverse needs of clients overseas, centering on Asia, with Group companies cooperating to offer the best solutions.

### Leasing and Installment Sales

#### Finance Leasing, Operating Leasing, Auto Leasing, Other

The leasing business provides a financial service in which the Company purchases machinery and equipment that clients have selected, and leases them to clients.

We provide structured leases and other high-value-added leases to satisfy the sophisticated and diverse requirements of clients.

#### Installment Sales

Installment sales constitute a financial service provided for articles unsuited to leasing and items that have a statutory service life extending over many years. As with leasing, the Company purchases machinery and equipment that clients have selected and sells them on an installment basis over the term of the contract.

#### Products and Services

##### Leasing

- Finance Leasing
- Operating Leasing
- Leasing with an Option to Buy
- Vendor Leasing
- Structured Leases
- Real Estate Leasing
- Simple Leasing
- Package Leasing
- Variable Leasing

##### Auto Leasing

- Rental
- Installment Sales
- Environmental Solutions

## Financing

### Specialized Financing, Corporate Finance

We provide a range of services, including specialized financing to deliver cash flow through real estate, vessels, aircraft and other items, as well as factoring, business finance and other types of corporate financing, to meet the diverse financing requirements of clients.

#### Products and Services

- Real Estate-Related Financing
- Vessel Financing
- Aircraft Financing
- Factoring
- General Loans
- Liquidization of Occupancy Guarantee Deposits
- Liquidization of Medical Fee Reimbursement Receivables
- Entrusted Payments

## Support for Overseas Expansion

Through a wide range of financial services, we provide support for business partners who are moving into overseas markets and developing their businesses there.

By leveraging the expertise of the IBJ Leasing Group and taking full advantage of our overseas networks, we meet the overseas capital investment financing needs of our business partners by proposing optimal financial services.

#### Products and Services

##### Overseas Leasing and Installment Sales

- Domestic Contracts + Extension to Overseas Entities
- Leasing and Installment Sales between Overseas Subsidiaries
- Cross-Border Financing

##### Overseas Sales Financing Services

## Fee Businesses

### Used Equipment Sales, Other Services

As one means of accommodating diverse client equipment requirements, the Company serves as an intermediary in the purchase and sale of used machinery and other equipment.

The Company provides investment management and guarantor services to satisfy the various needs arising from clients' business activities.

#### Products and Services

- Used Equipment Sales
- Investment Management Services
- Sales of Commercial Paper
- Guarantor Services

# Review of Operations

In fiscal 2014, the Japanese economy continued toward a mild recovery on rallying personal consumption and expanding exports, despite a slowdown caused by the pullback after the surge in demand ahead of the consumption tax increase. Although optimism buoyed by improving performance and recovering business sentiment underpinned capital investment, primarily by large companies, this was not enough to overcome the pullback from the consumption tax hike during the fiscal year, thus leasing transaction volumes in the leasing industry overall did not exceed those in the previous fiscal year.

Amid these conditions, the IBJ Leasing Group proactively responded to business environment and social structure changes through efforts focused on further enhancing its client base and accumulating quality assets. Consequently, contracts executed for the Group as a whole expanded significantly and the balance of operating assets exceeded plans for the fiscal year.

## Leasing and Installment Sales

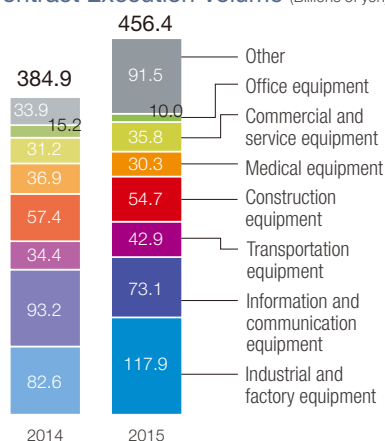
Leasing and installment sales contracts executed in fiscal 2014 increased 18.6% year on year, to ¥456.4 billion amid the industry-wide effects of the consumption tax increase. This was a result of company-wide efforts focused on solutions-based sales capturing financial management needs for cash flow smoothing and off-balance-sheet transactions, as well as strategic business deployment targeting industries offering potential business opportunities.

In terms of results by equipment type, core industrial and factory equipment performance significantly improved as we captured investment for expanded large-scale capacity through comprehensive proposal-based sales drawn from latent corporate needs. In information and communication equipment, the contract execution balance declined due to a drop-off in large projects conducted in the previous fiscal year. In construction equipment, contracts executed declined due

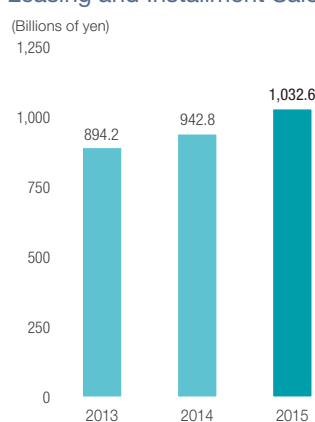
to the pullback from the surge in demand ahead of stricter emissions regulations, however transportation equipment performance was firm. Furthermore, we have been achieving steady progress in recent years with respect to our focus on businesses related to internal demand. Although our handling of medical equipment declined year on year due to the impact of the consumption tax hike, favorable transactions enabled us to achieve a double-digit improvement in commercial and service equipment, mainly for convenience stores. Furthermore, we strengthened alliances with leading store developers to substantially expand real estate lease transactions targeting distribution, retail and large logistics facilities, resulting in a significant increase in “other” contracts executed.

As a result, operating assets increased steadily, rising ¥89.8 billion year on year, to ¥1,032.6 billion.

**Leasing and Installment Sales Contract Execution Volume** (Billions of yen)



**Balance of Operating Assets in Leasing and Installment Sales**

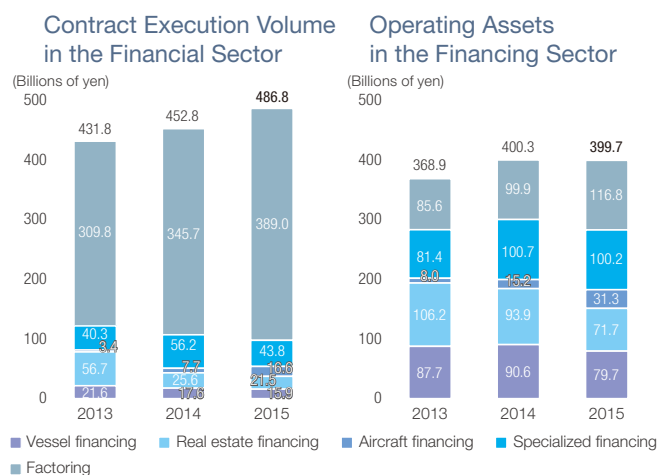


## Financing

In fiscal 2014, the Group's contract execution volume in the financial sector increased ¥34.0 billion to ¥486.8 billion, and the balance amounted to ¥399.7 billion, nearly flat compared to the previous fiscal year.

In aircraft financing, a market with ongoing growth potential, we focused on accumulating quality assets while maintaining a diversified portfolio, mainly through loans where aircraft are used as collateral to overseas airlines and operating lease companies. As the competitive environment in the market is intensifying, we focused on expanding transactions while creating innovative action schemes and strengthening proposal introduction rates and relations to achieve double-digit execution volumes and balances. In terms of specialized financing, we strengthened alliances with influential partners while engaging in syndicated loans and project finance aimed at blue-chip companies overseas. Despite the redemption of large projects last fiscal year, balances remained at nearly the same level. In real estate financing, the real estate-related business portfolio was reorganized in consideration of the risk-return relationship and

current initiatives were shifted to real estate leases, resulting in a lower execution volume. In vessel financing, although operating assets decreased due to large project redemption, we focused on accumulating quality operating assets while continuing to mitigate risks through stronger relationships with leading ship owners and cultivating new project sourcing routes.



## Overseas Businesses

The IBJ Leasing Group supports corporate global expansion through the provision of numerous financial services, continuously focusing on Asia. We currently operate sales bases in China, Thailand, Indonesia and the Philippines, and we have established an Asia Desk in Bangkok, Thailand, through which we are making efforts to expand sales in Singapore, Vietnam, Myanmar and other ASEAN countries where we have no sales bases.

In fiscal 2014, in business aimed at Japanese companies positioned as a basic area of conventional overseas business, we developed sales strategically, narrowing our focus to target automotive-related and other specific industries and corporate groups. This enabled us to consistently meet a wide range of financing needs, including large capital investment projects, and achieve success that will expand business opportunities going forward. We also see future business opportunities in the Philippines. To further expand the Group's share in the current Japanese corporate market, we increased our holdings in a joint venture with a leading local bank. Furthermore, in addition to these Japanese corporate-related transactions, we aim to further expand our overseas business base by cultivating business with non-Japanese blue-chip companies in Asia.

## Fee Businesses

In its mainstay businesses related to leasing, installment sales and financing, the IBJ Leasing Group engages in the purchase and sale of used equipment and the sale of investment products, as it works to meet the varied needs of its customers in the course of their business activities.

In the used equipment business, the IBJ Leasing Group makes use of the expertise in valuing moveable assets that it has cultivated through its business in leasing and installment sales. In this category, we are focusing on initiatives from the viewpoint of differentiating ourselves from banks and other financial institutions. An IBJ Leasing Group subsidiary, KL & Co., Ltd., actively meets client needs for the acquisition of used equipment and facilities and the disposal of idle assets during factory reorganization, utilizing property appraisal expertise and a network of trading companies specialized in used equipment and facilities.

## Reinforcing and Expanding Overseas Businesses

### Further Expanding Our Business Foundation

One of the basic strategies under the Fourth Medium-Term Management Plan involves reinforcing and expanding our overseas businesses. We are accelerating operating activities to ascertain the facilities financing, sales financing and other global financing needs of Japanese companies operating overseas, particularly for the Asia region. Sales divisions and

subsidiaries in Japan and overseas are working together to promote strategic approaches and make use of strong relationships with leading partners to further expand our client base and achieve our objective of ¥150.0 billion in overseas business operating assets in the final year of the management plan.

#### Operating Strategies

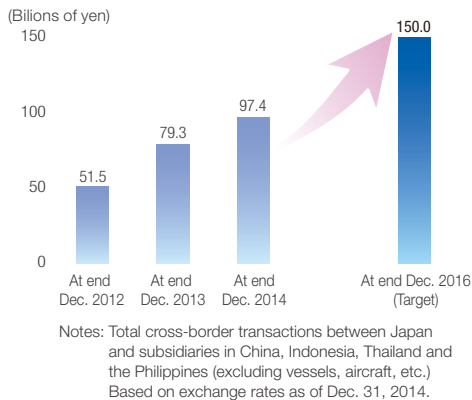
##### Japanese companies

- Strategic sales development targeting mainstay industries
- Aggressive focus on the Philippines, Vietnam and other ASEAN emerging markets where Japanese companies' investments are accelerating

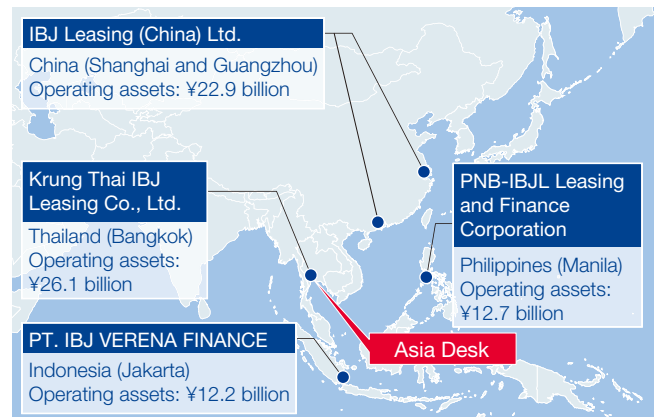
##### Quasi-Japanese companies/ non-Japanese companies

- Quasi-Japanese company initiatives included in sales channels for Japanese companies
- Enhance sales aimed at cultivating transactions with non-Japanese blue-chip companies

#### Balance of Overseas Business



#### Asia Sales Bases



Notes: Balance of operating assets as of Dec. 31, 2014.  
Based on exchange rates as of Dec. 31, 2014.

### Increased Holding in Philippines Subsidiary and Changed Company Name

In fiscal 2014, we increased our holdings in a Philippines subsidiary, making it an equity-method affiliate and changing its name to PNB-IBJL Leasing and Finance Corporation. In 1998, this company collaborated with a leading Philippines bank to establish joint venture Japan-PNB Leasing and Finance Corporation as an IBJ Leasing Group subsidiary meeting the financing needs of Japanese companies in the Philippines with whom we have steadily expanded business.

IBJ Leasing increased its holdings and changed the name of the company to expand its share in the Japanese company market in the Philippines, where business oppor-

tunities are expected to increase. Going forward, the Group will continue to meet a wide range of corporate needs and enhance the quality of its financial services to expand overseas business.





## 1. Funding Policies

The IBJ Leasing Group offers wide-ranging financial services to meet customers' needs through funding that ensures stability and curtails costs. The Group also raises funds based on its annual cash plans and in a flexible manner that responds to fluctuations in the financial environment based on its asset liability management (ALM) policies.

When procuring funds, we use a combination of borrowings from financial institutions and raising funds in the market, thereby achieving a balance between short- and long-term funding. We borrow funds from more than 100 financial institutions, including city banks and regional banks, as well as insurance companies, and we maintain stable transactions with these institutions through relationship management. The Company obtains funding from financial markets through the issuance of commercial paper and corporate bonds and the securitization of lease receivables. In addition to ourselves, IBJL-TOSHIBA Leasing also issues commercial paper. IBJ Leasing has an issue limit of ¥350 billion, and IBJL-TOSHIBA Leasing of ¥150 billion.

With regard to ALM operations, the Company's ALM Committee holds monthly meetings to analyze current interest rate trends and their future outlook. We also perform detailed analyses of the impact of interest rate volatilities on the present value of assets and liabilities, using indicators such as delta and value at risk (VaR). We have formulated ALM policies based on these analyses, and work to ensure smooth funding and cost control by flexibly implementing those policies in day-to-day operations.

## 2. Funding in Fiscal 2014

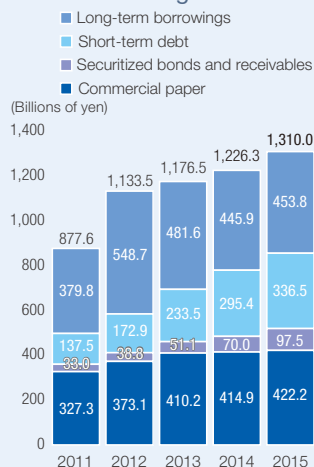
Looking at yen interest rate trends in fiscal 2014, in October 2014 the Bank of Japan significantly expanded both quantitative and qualitative monetary easing measures. This, combined with a sudden drop in crude oil prices at the beginning of the year and political instability in Greece, caused long-term interest rates to fall at one stage below 0.2%, while short-term interest rates maintained low levels.

In this environment, the IBJ Leasing Group continued to take advantage of the low interest rates by proactively procuring funds in the market by issuing commercial paper and corporate bonds. We also revised the funding structures at domestic Group companies to conduct groupwide ALM management and lower funding costs. As a result of these moves, in line with the accumulation of assets the Group's interest-bearing debt expanded ¥83.7 billion, to ¥1,310.0 billion as of March 31, 2015. Funding costs, on the other hand, dropped ¥0.1 billion year on year, to ¥6.3 billion, and the cost of funds ratio continued falling, to 0.46%.

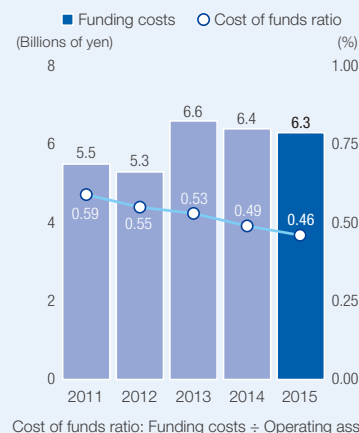
### Ratings Information

	Rating & Investment Information, Inc. (R&I)	Japan Credit Rating Agency, Ltd. (JCR)
<b>IBJ Leasing</b>		
Commercial paper	a-1	J-1
Preliminary shelf registration rating	—	A
Senior long-term credit rating	—	A
<b>IBJL-TOSHIBA Leasing</b>		
Commercial paper	—	J-1
Preliminary shelf registration rating	—	A
Senior long-term credit rating	—	A

### Interest-bearing Debt



### Funding Costs/Cost of Funds Ratio



## Corporate Governance Structure

### Basic Approach

To enhance corporate value consistently over the long term, the IBJ Leasing Group recognizes that it is essential to ensure effective corporate governance, meaning a framework governing business activities centered on a closely regulated relationship between shareholders and management, and that the basic objective for corporate governance is to put in place an environment to ensure this.

### The Board of Directors and Executive Officers

To facilitate vibrant deliberations of agendas and speedy decision making, the Company's Board of Directors currently (as of July 2015) has nine members. To ensure transparency by incorporating objective perspectives, the Company appoints three outside directors to the board. The Board of Directors determines fundamental management policies, makes important decisions and supervises the execution of operations. The chairman of the Board of Directors, who does not have a concurrent business execution role, serves as the chairperson of Board of Directors meetings. The chairman ensures the appropriateness of the supervisory function and decision making of the board joined by outside directors.

The Company has adopted an executive officer system to ensure rapid and efficient execution of business in accordance with Board of Directors decisions, and delegates authority for business execution to the chief executive officer and executive

officers. The Company determines the executive officer with approval authority for each business operation, clearly defines the authority of the executive officers, and has established an advisory body to support the decisions of executive officers with approval authority and ensure mutual supervision among them.

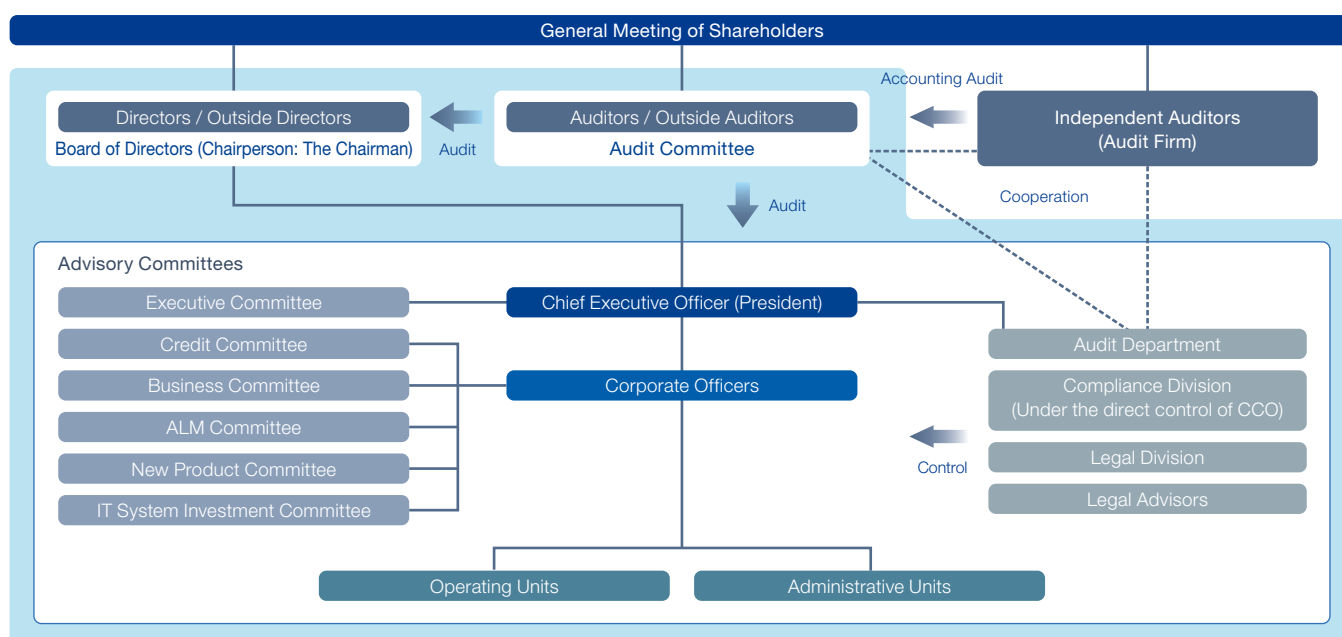
### Auditors and Audit Committee

The Company has adopted a "company with auditors" system consisting of one internal auditor and three outside statutory auditors. The Audit Committee audits directors' decision-making activities at Board of Directors meetings and other occasions, as well as the Company's entire business operations, to ensure that directors fulfill their legal duties, such as duty of prudence, fiduciary duties and ensuring that business operations are conducted properly.

To ensure the effectiveness of audits, corporate auditors attend important meetings, including Board of Directors meetings and Executive Committee meetings, and also have regular meetings with representative directors to exchange views on important audit-related issues. Corporate auditors also cooperate closely with the Audit Department, an internal audit department, to ensure efficiency, and regularly receive reports from this department regarding the plans and results of audits.

Furthermore, the Audit Committee holds regular meetings with independent auditors to listen to their reports, and to exchange information about each other's auditing policies to raise the efficiency and quality of auditing.

## Corporate Governance Structure



From April 2003 to June 2013, Osamu Hatakeyama, Standing Auditor, was in charge of the Accounting and Paymaster Department, and possesses a significant amount of financial and accounting knowledge.

### Internal Audit Department

The Company's Audit Department is responsible for conducting internal audits. To ensure the independence of this function, the department reports directly to the president. The Audit Department conducts internal audits on the entire Company organization as well as consolidated subsidiaries to ensure efficiency and appropriate conduct in business operations and compliance measures, and to give specific advice, recommendations and suggestions regarding the improvement of business operations.

The Audit Department coordinates corporate auditors and independent auditors as necessary. Audit results are periodically reported to the Board of Directors, which determines, based on these results, whether improvements to systems, organizations and regulations are necessary for the avoidance of various risks.

## Compliance

---

The IBJ Leasing Group regards strict compliance as essential to the creation of a stable management base. On this understanding, the Group complies with laws and regulations and practices honest and fair business activities in accordance with the norms of society. To ensure the trust and confidence of society, the Group is firmly committed to maintaining strict compliance.

### Compliance Structure

The Company has formulated Compliance Regulations to ensure compliance, appointed a chief compliance officer (CCO), and established the Compliance Division. Furthermore, each department general manager functions as the department-level head of compliance, and is tasked with supervising and enforcing its practice. In addition, the Audit Department examines and assesses the current state of compliance in each department. The Company has created a system in which necessary measures are taken based on reports from the Audit Department. As internal reporting systems, the Company has set up a compliance hotline structure and maintains internal and external reporting lines via attorneys to enable all of its employees to report potential violations directly to the Compliance Division and/or the corporate auditors. The Company has also formulated Rules on the Protection of Whistleblowers to protect reporters.

### Compliance Activities

To ensure compliance throughout the organization, the Company has formulated The Corporate Code of Conduct of IBJ Leasing Group as well as published a Compliance Manual, a guidebook describing key rules and regulations that must be followed to ensure full compliance within all business operations. The Compliance Manual is also available on the corporate intranet so that directors and employees can refer to it easily in the course of their daily work.

Furthermore, every year the Company arranges a Compliance Program, a set of concrete hands-on activities that raises awareness of compliance issues through education and training for general managers, as well as stratified training and/or e-learning.

### Internal Control

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The IBJ Leasing Group regards it as a key management responsibility to maintain and ensure the appropriate operation of a system that ensures proper conduct of business operations, and to work toward strengthening internal control. Under the Companies Act, the Group is required to strengthen its internal control system, and to this end, IBJ Leasing and 10 domestic Group companies have formulated basic policies to ensure proper and effective operation.

### CSR

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The IBJ Leasing Group recognizes that any company will need to fulfill its corporate social responsibilities (CSR) if it is to grow sustainably and strengthen its ties with society. Therefore, we work to ensure that our organization operates with CSR as an integral part of all business activities, with the aim of becoming a corporate group capable of earning the trust and understanding of society at large.

In accordance with its environmental plan, the Company has created an Environmental Policy. Under this policy, we work to ensure strict compliance with environmental laws and regulations; to provide services that contribute to environmental conservation, to properly manage equipment for which lease terms have expired, and to reduce the environmental impact of business activities. In addition, with the formation and implementation of an environmental management system that forms the foundation of the above activities, the Company itself and its 10 domestic Group companies have been awarded ISO 14001 certification.

We have also acquired ISO 9001 quality certification in the aim of enhancing customer satisfaction and boosting the quality of our operations.

## Risk Management

### Risk Management Activities

As financial services become more diversified and sophisticated, the risks that arise from business operations grow increasingly complex. In this environment, the IBJ Leasing Group recognizes that precise monitoring and analysis as well as proper control and management of these risks is exceedingly important for maintaining or increasing the soundness of business operations, and is strengthening and streamlining its risk management system accordingly.

For the various risks involved in the business operations of the IBJ Leasing Group (e.g., credit risk,<sup>1</sup> market risk,<sup>2</sup> operational risk, system risk, legal risk, etc.), each operational department sets up its own management methods, systems and procedures according to the characteristics of the risks it faces, and carries out its own internal risk management.

Recently, we have quantified the risks of fluctuations in value (excluding marketable products), such as the estimated residual value in the operating leases and the inherent risk involved in real estate-related financing (the risk of fluctuations in value of the real estate at the time of expiry of the agreement), and incorporated them into our risk management framework.

In addition, to realize the goal of becoming a multiple financial services company and expand our specialized financing services, we are aware that further enhancement of

our risk management system, for example, monitoring and handling the various risks inherent in transactions, etc., will be more important than ever. Thus we are strengthening our risk management. For example, when we start handling new products and developing new businesses, we thoroughly review the identification and evaluation of inherent risks made by the New Product Committee, whose members include executives in charge of administrative units.

### Integrated Risk Management Structure

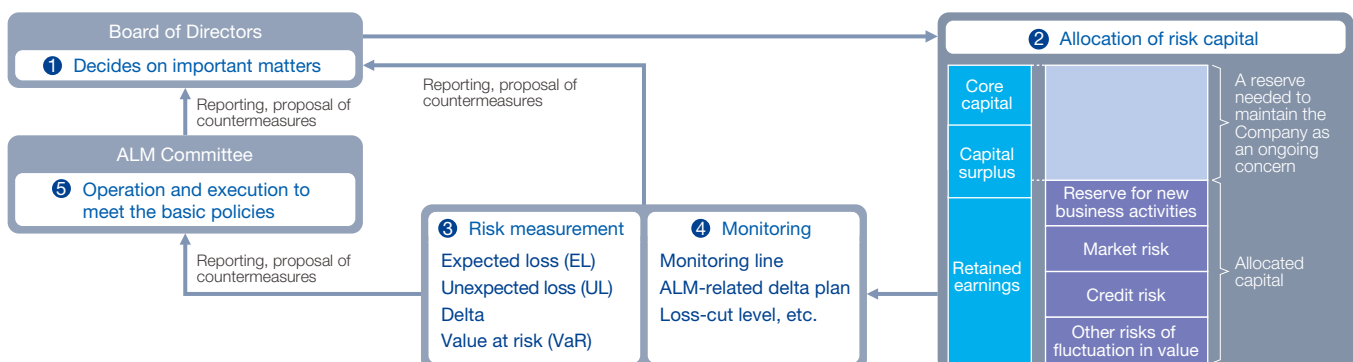
The IBJ Leasing Group places an extremely high priority on the integrated monitoring and control of total financial risk, including credit risk and market risk, which consists of interest rate risk and the risk of fluctuations in share prices or exchange rates. Thus we incorporate an integrated risk management structure in accordance with that of the mega-banks into our management policies in order to improve the soundness and stability of our business.

Specifically, we quantify various risk factors and employ integrated and centralized control systems to ensure that our total risk exposure remains below the required percentage of our shareholders' equity (i.e., our financial strength). In other words, we define our risk tolerance as the amount of risk capital, calculated by subtracting equity capital and part of retained income as reserves reported for the maintenance of the Com-

Notes: <sup>1</sup> Credit risk is the risk of loss associated with the inability to collect lease payments, installment payments, or loan principal and interest as contracted.

<sup>2</sup> Market risk is the risk of incurring loss as a result of a decline or disappearance in, or total loss of, the value of the Company's financial assets and liabilities attendant on market price fluctuations (interest rates, stock prices, foreign exchange rates, etc.).

### Risk Management Framework Centered on Allocation of Risk Capital



Note: The colored box on the right side of the chart above is not intended to denote the relative size of risk allocated to each risk category.

pany from shareholders' equity. By allocating this risk capital to credit risk, market risk and other risks, we should be able to keep losses incurred from any unforeseen situation within manageable limits, thereby maintaining our financial stability.

Key aspects, such as the amount of risk capital to be allocated for each financial risk, are determined as a part of the fiscal year's management plan at the Board of Directors meetings, and specific operating policies are determined through resolutions by their advisory bodies, and reflected in business operations. Within such a framework, the Risk Management Department, which is independent from the business and treasury departments, monitors operations periodically to measure risks. The results of this monitoring are reported to the Board of Directors on a monthly basis.

### Credit Risk Management Structure

The IBJ Leasing Group aims to minimize credit costs by optimizing its credit management structure at all stages of each transaction, from entrance to exit.

Firstly, at the initial stage of deal execution under our "client credit rating system," we grant a credit rating for each debtor, conduct a strict credit screening, and facilitate the avoidance of excessive concentrations of credit by using our "credit monitoring systems by ratings."

Next, during the contract period, we apply asset self-assessment rules, which are as stringent as those employed by mega-banks, in accordance with the Financial Services Agency's "Financial Inspection Manual," and also implement write-offs and provide reserves based on the assessment results. We diversify risks by offsetting risks with risk assets, and we continuously improve our asset quality to control the risks of whole assets. Also, we periodically follow up on non-performing assets and make debt collection of assets for which we have already provided reserves to facilitate final disposal of nonperforming assets.

Meanwhile, our approach to credit portfolio management is based on the use of statistical methods to calculate the potential for losses related to credit risk. To that end, each month we calculate the expected loss (EL, i.e., credit cost), which is the average loss anticipated over the next year, and the unexpected losses (UL, i.e., credit risk amount), which is the maximum amount of any additional loss in excess of the EL.

As for expected losses, our stance is to cover an expected loss from income gained through lease and finance

transactions, and we use this amount as a reference value when estimating the cost of credit for our income plan as well as when arranging deals. Concerning unexpected losses, if an unexpected loss is incurred, our stance is to cover it from our equity capital, which we monitor in relation to the pre-allocated risk capital, and report to the Board of Directors on a monthly basis.

### Market Risk Management Structure

Regarding market risk, ALM operating policies, various kinds of frame of dealing, and loss limits, etc., are determined on a monthly basis at the meetings of the ALM Committee, whose members include executives in charge of relevant departments, and we strive to maintain stable earnings by controlling risk factors, such as interest rate risk and price fluctuation risk, at an appropriate level.

Meanwhile, in order to provide effective checks and balances in business operations, we have established clearly defined dividing lines between those departments responsible for managing market risks, departments providing back-office administrative functions, and departments handling market operations. Our market risk management departments measure, analyze and monitor market risks and check if the departments carrying out market transactions are operating in compliance with the Company's internal rules. These risk-related analyses are reported at regular meetings of the ALM Committee as well as those of the Board of Directors.

## Directors, Auditors and Executive Officers (As of July 31, 2015)



Chairman of the Board of Directors  
Shinichiro Nagashima



President and CEO  
Setsu Onishi



Senior Managing Director  
Shin Kuranaka



Director and Senior Adviser  
Tsutomu Abe



Managing Director  
Shinichiro Maruyama



Director  
Masaya Hamamoto



Outside Director  
Takao Komine



Outside Director  
Kensaku Aomoto



Outside Director  
Tetsuhiro Hosono

### Board of Directors

**Chairman of the Board of Directors**  
Shinichiro Nagashima

**President and CEO**  
Setsu Onishi

**Senior Managing Director**  
Shin Kuranaka

**Director and Senior Adviser**  
Tsutomu Abe

**Managing Director**  
Shinichiro Maruyama

**Director**  
Masaya Hamamoto

**Outside Director**  
Takao Komine

**Outside Director**  
Kensaku Aomoto

**Outside Director**  
Tetsuhiro Hosono

### Corporate Auditors

**Standing Auditor**  
Osamu Hatakeyama

**Outside Standing Auditor**  
Shigeaki Katayama

**Outside Auditor**  
Shinichi Kimura

**Outside Auditor**  
Koji Shimogama

### Corporate Executive Officers

**Deputy President Executive Officer**  
Katsuji Nagatsu

#### Managing Executive Officers

Akira Ueda  
Kenji Yoneda  
Noriyuki Yukawa  
Yasuo Sato  
Toru Yoshida  
Eiji Yamanouchi  
Katsuhiko Yoshida

### Executive Officers

Shinobu Koyanagi  
Kenji Suzuki  
Shunsuke Horiuchi  
Kunimoto Wakasugi  
Toshiyuki Kamimura  
Kozo Shino  
Hironobu Yamaguchi  
Hiroshi Yoshida  
Hidehiko Kamata  
Yoshiyasu Mizutomi  
Katsuzumi Orihashi

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# 11-year Financial Summary

IBJ Leasing Company, Limited and consolidated subsidiaries, years ended March 31

	2005	2006	2007	2008
<b>For the year:</b> (Millions of yen)				
Revenues	355,509	318,194	350,423	341,320
Gross profit before funding costs	31,001	30,534	34,155	36,351
Funding costs	8,705	4,320	7,627	9,849
Gross profit	22,296	26,213	26,527	26,501
Selling, general and administrative expenses	12,871	14,251	12,861	14,956
Operating income	9,424	11,962	13,666	11,544
Net income	5,591	7,981	8,984	7,799
<b>At year-end:</b> (Millions of yen)				
Total assets	979,621	1,090,027	1,132,989	1,195,336
Operating assets	813,517	953,724	1,031,249	1,092,247
Lease	606,855	683,881	699,874	698,861
Installment sales receivable*1	89,948	105,755	117,595	121,989
Loans	116,714	163,211	209,399	243,304
Operational investment securities	—	876	4,379	28,091
Long-term receivables	8,141	4,798	3,062	2,920
Interest-bearing debt	862,501	962,596	987,677	1,057,295
Equity	37,552	47,631	54,943	57,428
<b>Per share data:</b> (Yen)				
Net income	158.82	215.23	243.82	212.23
Equity	1,018.29	1,291.24	1,456.98	1,534.45
Dividends (non-consolidated basis)	18.00	27.00	33.00	38.00
<b>Key indicators:</b> (%)				
Return on equity (ROE)	17.1	18.7	17.7	14.2
Return on assets (ROA)	1.0	1.3	1.3	1.0
Equity ratio	3.8	4.4	4.7	4.7
<b>Others:</b>				
Issued shares (thousands of shares)*2	36,849	36,849	36,849	36,548
Number of employees	595	694	702	723

\*1 After subtraction of deferred profit on installment sales

\*2 After subtraction of treasury stock



2009	2010	2011	2012	2013	2014	2015
298,707	263,598	256,059	270,066	352,492	354,779	353,733
38,181	36,720	36,549	36,579	44,270	43,005	41,609
10,105	7,213	5,459	5,286	6,596	6,426	6,338
28,076	29,506	31,090	31,293	37,673	36,579	35,271
21,320	18,248	15,646	20,601	23,007	19,877	17,325
6,755	11,257	15,444	10,691	14,665	16,701	17,946
3,348	7,019	9,025	4,296	8,920	10,531	11,144
1,076,150	1,017,099	1,028,020	1,332,963	1,372,246	1,462,183	1,551,704
984,981	935,223	928,633	1,211,268	1,263,116	1,343,046	1,432,299
596,869	553,541	546,185	755,139	780,234	809,499	878,693
120,373	107,487	94,514	112,243	113,939	133,267	153,910
233,687	237,414	241,925	295,008	320,143	359,530	361,067
34,050	36,779	46,008	48,876	48,798	40,749	38,627
9,470	14,082	10,397	19,153	18,502	11,404	8,947
927,454	868,631	877,629	1,133,481	1,176,464	1,226,274	1,309,951
55,994	63,342	69,392	74,717	84,905	109,840	123,297
91.90	193.91	249.33	118.71	246.43	264.75	261.32
1,509.00	1,709.86	1,889.18	1,954.63	2,218.77	2,458.28	2,764.23
40.00	44.00	46.00	48.00	50.00	54.00	56.00
6.0	12.0	13.9	6.2	11.8	11.4	10.0
0.6	1.2	1.6	0.9	1.1	1.2	1.3
5.1	6.1	6.7	5.3	5.9	7.2	7.6
36,198	36,198	36,198	36,198	36,198	39,779	42,648
743	766	765	1,073	1,050	1,036	1,050

# Management's Discussion and Analysis

## 1. Overview of Business Performance

During fiscal 2014 in the Japanese economy, despite weak personal consumption due to unseasonable weather and the pullback in demand caused by the consumption tax increase, the business environment continued toward a mild recovery. In the leasing industry, optimism buoyed by improving performance and recovering business sentiment underpinned capital investment, primarily by large companies. However, this was not enough to overcome the pullback from the consumption tax hike during the fiscal year, thus leasing transaction volumes were unable to exceed those in the previous fiscal year.

In this operating environment, revenues declined and market interest rates remained low, leading to an unavoidable decrease in the investment yield and gross profit. At the same time, in addition to enhancing credit risk management, corporate bankruptcy declined nationwide. Curtailing new credit costs and reversing credit cost provisions enabled us to achieve record operating income, ordinary income and net income for the second straight fiscal year.

## 2. Amount of Contracts Executed and Operating Assets

In leasing and installment sales, overall industry performance was affected by the consumption tax hike, falling short of that in the previous fiscal year. However, the IBJ Leasing Group leasing and installment sales contract execution volume expanded 18.6% year on year, to ¥456,381 million. To further expand our medium-sized and large-company client base, we worked proactively to uncover latent customer needs, significantly increasing the mainstay industrial and factory equipment lease transaction volume by capturing demand for large-scale investments to augment capacity. In the internal demand-related business focus area, we strengthened sales aimed at logistics and retail businesses through alliances with major store developers and banks, capturing demand for the introduction of environment-related equipment aimed at rationalizing energy usage, while at the same time further expanding real estate lease transactions targeting land and buildings for retail use. Furthermore, this approach to utilizing real estate leases proactively responds to proposals targeting large logistics facilities where investment continues to be active, substantially expanding transactions.

In financing, specialized financing efforts were focused on aggressively capturing financing projects targeting aircraft and engines in the aircraft business, which continues to expand globally. In addition to strengthening overseas project finance and syndicated loans, we launched initiatives aimed at new real estate financing in Europe and the United States in collaboration with influential partners in an attempt to accumulate quality assets in Japan and overseas. In corporate finance, we proactively responded to a diverse array of customer financing needs, focusing on proposal-based sales for the securitization of receivables and the guarantee business in support of diverse customer funding needs. Consequently, contracts executed in the financing sector as a whole increased 7.5% year on year, to ¥486,752 million.

As a result of these developments, as of March 31, 2015, the balance of operating assets in leasing and installment sales amounted to ¥1,032,603 million, up ¥89,836 million (9.5%) compared with one year earlier. Operating assets in the financing sector dropped ¥584 million (0.1%), to ¥399,695 million as of March 31, 2015.

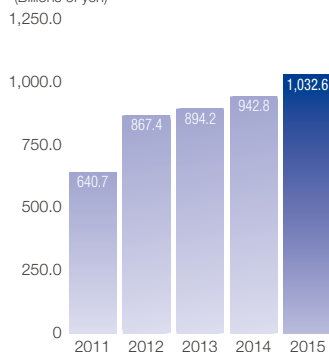
### Amount of Contracts Executed

	2012	2013	2014	2015
Lease	192,329	307,601	305,738	372,265
Installment sales	44,208	64,836	79,116	84,115
Loans	167,158	411,299	445,807	462,716
Operational investment securities	22,261	20,514	7,006	24,035
<b>Total</b>	<b>425,959</b>	<b>804,252</b>	<b>837,669</b>	<b>943,134</b>

(Millions of yen)

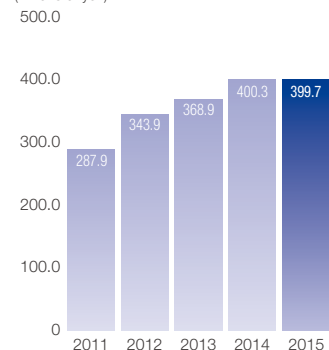
### Balance of Operating Assets (Leasing and Installment Sales Sector)

(Billions of yen)



### Balance of Operating Assets (Financing Sector)

(Billions of yen)



## Operating Assets

	(Millions of yen)			
	2012	2013	2014	2015
Lease	755,139	780,234	809,499	878,693
Installment sales	112,243	113,939	133,267	153,910
Loans	295,008	320,143	359,530	361,067
Operational investment securities	48,876	48,798	40,749	38,627
Total	1,211,268	1,263,116	1,343,046	1,432,299

## 3. Results of Operations

### Revenues

Revenues decreased ¥1,045 million (0.3%) year on year, to ¥353,733 million, due to a decline in operational investment securities sales.

### Gross profit before funding costs and write-offs

Gross profit before funding costs and write-offs decreased ¥1,398 million (3.3%) year on year, to ¥41,609 million, as investment yields declined, mainly because of protracted low interest rates. The IBJ Leasing Group considers gross profit before funding costs and write-offs to be useful supplemental information on revenues for analyses of the Group's business performance, and discloses this information voluntarily. Leasing business revenues include the collection of the principal invested in leased assets as well as insurance premiums and taxes, and revenues and costs are expressed as total amounts in the consolidated statements of income. Installment sales revenues include the collection of the invested principal, and revenues and costs are similarly expressed as total amounts. In contrast, loan revenues are interest income only. Gross profit before funding costs and write-offs is expressed as a net amount to facilitate comparisons with the various forms of revenue. This figure matches gross profit before credit costs and funding costs.

### Gross Profit before Funding Costs and Write-offs by Segment

	(Millions of yen)			
	2012	2013	2014	2015
Lease	26,443	33,522	31,439	30,273
Installment sales	2,452	2,799	2,654	2,446
Loans	6,131	6,921	6,644	7,096
Other	1,861	1,571	2,786	2,285
Elimination or corporate	(308)	(540)	(516)	(491)
Total	36,580	44,275	43,008	41,609

### Funding costs

Funding costs decreased ¥88 million (1.4%), to ¥6,338 million. Taking advantage of ongoing monetary easing, this decline reflected ongoing efforts to reduce costs by issuing unsecured corporate bonds and commercial paper, amid increased interest-bearing debt due to growth in contract execution volume.

### Selling, general and administrative expenses

Personnel and non-personnel expenses rose ¥191 million (1.0%), to ¥19,139 million.

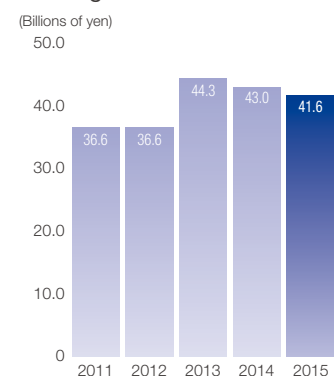
### Other income and expenses

Net other income increased ¥321 million during the year, to ¥1,025 million. Of this amount, profit from investments grew ¥252 million, to ¥1,567 million. This was due to equity in earnings of associated companies, which increased ¥104 million, and profit from investments, which increased ¥86 million. Meanwhile, other expenses dropped ¥68 million, to ¥541 million year on year.

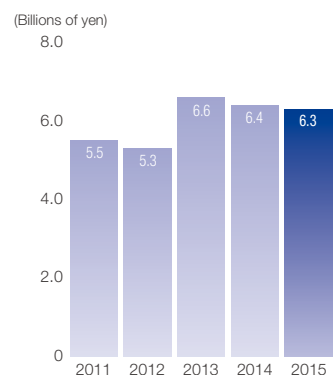
### Total credit costs

In the statements of income, the IBJ Leasing Group records bad debt related costs under cost of revenues, selling, general and administrative expenses, and other income and expenses. Total credit costs are the sum of these items. We enhanced credit risk manage-

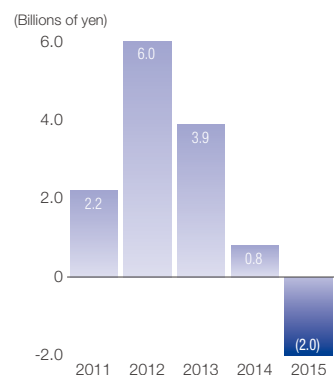
## Gross Profit before Funding Costs and Write-offs



## Funding Costs



## Total Credit Costs



ment amid a nationwide decline in corporate bankruptcies and a low level of new bankruptcies. At the same time, we recovered prior fiscal year allowances. Provision for doubtful receivables in the year under review declined ¥2,755 million year on year to a negative ¥1,951 million.

#### Income taxes

Corporate taxes, current income taxes and deferred income taxes amounted to ¥7,321 million. The effective tax rate was 38.7%.

#### Net income

As a result of the above efforts, net income amounted to ¥11,144 million, an increase of ¥613 million (5.8%) from the previous year.

### 4. Assets, Liabilities and Equity

#### Assets

Total assets as of the fiscal year-end amounted to ¥1,551,704 million, an increase of ¥89,520 million (6.1%) year on year. The status of operating assets is indicated on page 24 under the items “Amount of Contracts Executed and Operating Assets.”

#### Liabilities

Total liabilities as of the fiscal year-end amounted to ¥1,428,406 million, an increase of ¥76,063 million (5.6%) year on year. Of this amount, interest-bearing debt rose to ¥1,309,951 million, an increase of ¥83,677 million (6.8%) year on year, due to the rise in operating assets. The ratio of financing from capital markets to total financing was 39.7%.

#### Equity

As of March 31, 2015, total equity amounted to ¥123,297 million, up ¥13,457 million (12.3%) from a year earlier. This increase stemmed from income during the year and accumulated other comprehensive income.

### 5. Cash Flows

Net cash used in operating activities was ¥70,338 million. This was due to capturing demand for diversified financing needs, including capital investments by large companies and real estate-related business, as well as an increase in operating assets.

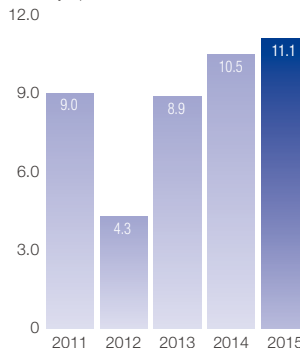
Net cash used in investing activities was ¥456 million. This figure was due to factors including the disposal of property and equipment.

Net cash provided by financing activities was ¥71,895 million. This was due to an increase in debt funding, including borrowings, commercial paper and corporate bonds.

As a result of the above activities, the balance of cash and cash equivalents as of the fiscal year-end rose to ¥37,457 million, a year-on-year increase of ¥1,503 million.

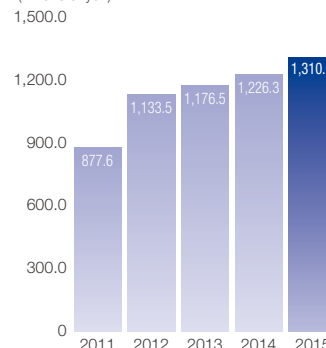
#### Net Income

(Billions of yen)



#### Interest-bearing Debt

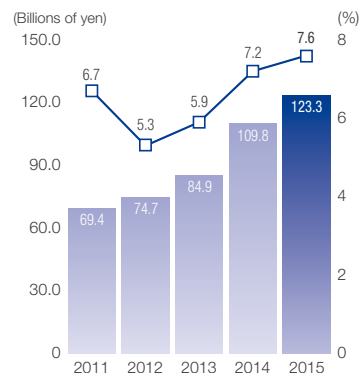
(Billions of yen)



#### Equity/Equity Ratio

■ Equity □ Equity ratio

(Billions of yen)



# Business Risks and Other Risks

The following factors constitute the principal business risks that have potential to affect the business results, stock price and financial position of the IBJ Leasing Group. Forward-looking statements contained herein represent the judgment of the IBJ Leasing Group as of June 24, 2015. Business risks and other risks are not limited to those listed.

## 1. Trends in Corporate Capital Investment and Investments in Leased Plant and Equipment

In Japan, lease transactions are widely used as a fund procurement technique when companies undertake capital investments. Trends in the amount of corporate capital investment and in the amount of investment in leased plant and equipment tend to follow the same underlying pattern, and the amount of investment in leased plant and equipment may be affected by trends in corporate capital investment.

Trends in the amount of contracts executed by the IBJ Leasing Group, the amount of corporate capital investment and the amount of investment in leased plant and equipment do not always coincide. However, any significant decrease in the amount of corporate capital investment and the amount of investment in leased plant and equipment may affect the future business performance of the IBJ Leasing Group.

## 2. Interest Rate Fluctuation Risk and Effect of Changes in the Funding Environment

Although many leasing fees and installment payments are based on the interest rate levels prevalent at the time of agreements, and the majority are fixed revenues, interest-bearing debt includes debt with floating interest rates. Therefore, funding costs, which are part of the cost and expenses, fluctuate. As a result, interest rate fluctuations may affect the business performance of the IBJ Leasing Group.

Also, while it is possible to reduce the effects of interest rate fluctuations by raising the weight of interest-bearing debt with fixed interest rates, gross margins may contract since fixed-rate interest is generally higher than floating-rate interest. Accordingly, the weighting and component ratios of interest-bearing debt with fixed-rate interest and interest-bearing debt with floating-rate interest may affect the business performance of the IBJ Leasing Group.

The Company uses derivative transactions to hedge the risk of such interest rate fluctuations. Specifically, we manage the matching ratio (setting the ratio of the portion of assets not subjected to interest rate fluctuation risk by allocating liabilities and derivatives with fixed-rate interest and floating-rate interest to assets with fixed-rate and floating-rate yields) through the use of asset liability management (ALM) techniques. Accordingly, with respect to transactions subject to interest rate fluctuations, fluctuations in market interest rates may affect the business performance of the IBJ Leasing Group.

The IBJ Leasing Group's fund procurement methods include commercial paper and other direct funding in addition to indirect funding. Therefore, changes in the funding environment may affect the procurement of funds.

## 3. Credit Risk

Lease transactions involve the provision of credit to customers in the form of leases over relatively long terms (averaging five years). The initial expected profit is secured by collecting the full amount of leasing fees from the customer. Therefore, the IBJ Leasing Group assesses the appropriateness of entering into contracts by conducting strict credit checks of each customer, and by assessing the future second-hand value of leased equipment. We also strive to control and minimize credit risk within the operating assets portfolio through quantitative monitoring of credit risks. Moreover, in instances when a customer's credit status has deteriorated and non-payment of leasing fees, etc., occurs, we work to recover as much as possible of the outstanding amount through the sale or transfer of leased equipment to other customers.

Furthermore, from the perspective of credit risk management, we conduct self-assessments of assets in compliance with the Financial Inspection Manual of the Financial Services Agency, which is recommended by "Temporary treatment of accounting and auditing on the application of accounting standard for financial instruments in the leasing industry." (Report No. 19 of the Industry Auditing Committee of the Japanese Institute of Certified Public Accountants).

As a result, the portion of credit in "long-term receivables" in the year ended March 31, 2015 was ¥9,475 million. The Company provides allowance against 100% of this amount and directly reduces the entire amount as the amount deemed uncollectible. Nonetheless, depending upon future economic trends, new bad debts caused by the deterioration of the credit status of companies may affect the business performance of the IBJ Leasing Group.

## 4. Risk of Changes to Regulatory Systems

The IBJ Leasing Group provides comprehensive financial services, mainly leases, rentals, installment sales and loans, in accordance with current laws and regulations, tax systems and accounting standards. Significant changes to such regulatory systems and standards may affect the business performance of the IBJ Leasing Group.

## 5. Other Risks

Other risks that may affect the business performance of the IBJ Leasing Group include price fluctuation risk (the risk of the estimated residual value of operating leases falling below the originally anticipated level), operational risk (the risk of inappropriate processing of clerical work), systems risk (the risk of IT systems failure or incorrect operation), and compliance risk (the risk of illegal or antisocial activities).

# Consolidated Financial Statements

## Consolidated Balance Sheet

IBJ Leasing Company, Limited and Consolidated Subsidiaries  
As of March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents (Note 15)	¥ 37,457	¥ 35,954	\$ 311,442
Marketable Securities (Notes 3 and 15)	—	124	—
Lease Receivables and Investments in Lease (Notes 4, 6, 14 and 15)	811,995	753,774	6,751,440
Receivables (Notes 4 and 15):			
Notes and Accounts	46	77	389
Lease	6,680	4,779	55,546
Installment Sales	154,445	133,777	1,284,154
Loans	232,521	244,842	1,933,326
Factoring	128,546	114,687	1,068,816
Total Receivables	522,240	498,165	4,342,231
Operational Investment Securities (Notes 3 and 15)	38,627	40,749	321,177
Deferred Tax Assets (Note 9)	1,277	1,433	10,618
Prepaid Expenses and Other	23,794	28,082	197,846
Allowance for Doubtful Receivables	(1,035)	(2,326)	(8,607)
Total Current Assets	1,434,357	1,355,958	11,926,147
<b>Property and Equipment:</b>			
Leased Assets (Note 4)	202,536	200,417	1,684,013
Accumulated Depreciation	(135,977)	(144,979)	(1,130,602)
Net Leased Assets	66,558	55,437	553,411
Advances for Purchases of Leased Assets	53	—	442
Own-used Assets	6,227	6,011	51,777
Accumulated Depreciation	(2,970)	(2,812)	(24,695)
Net Own-used Assets	3,257	3,199	27,082
Total Property and Equipment	69,869	58,637	580,935
<b>Investments and Other Assets:</b>			
Investment Securities (Notes 3 and 15)	20,788	17,686	172,850
Investments in Unconsolidated Subsidiaries and Associated Companies	7,798	6,575	64,838
Long-term Receivables (Note 15)	8,947	11,404	74,393
Goodwill	275	335	2,295
Intangible Leased Assets (Note 4)	139	287	1,156
Deferred Tax Assets (Note 9)	866	1,866	7,209
Asset for Employees' Retirement Benefits (Notes 2(o) and 8)	215	—	1,794
Other	10,583	11,759	88,001
Allowance for Doubtful Receivables	(2,138)	(2,327)	(17,778)
Total Investments and Other Assets	47,477	47,588	394,758
Total Assets	¥ 1,551,704	¥ 1,462,183	\$ 12,901,840

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>LIABILITIES and EQUITY</b>			
<b>Current Liabilities:</b>			
Short-term Borrowings (Notes 7 and 15)	¥ 758,689	¥ 710,315	\$ 6,308,217
Current Portion of Long-term Debt (Notes 6, 7 and 15)	188,553	198,131	1,567,749
Lease Payable (Notes 14 and 15)	8,838	11,277	73,489
Accounts Payable — trade (Note 15)	61,889	76,625	514,584
Accrued Expenses	2,117	2,099	17,605
Income Taxes Payable	4,983	1,635	41,433
Deferred Profit on Installment Sales (Note 4)	534	510	4,446
Accruals for Debt Guarantees	97	70	809
Other	18,614	18,298	154,771
<b>Total Current Liabilities</b>	<b>1,044,316</b>	<b>1,018,965</b>	<b>8,683,103</b>
<b>Long-term Liabilities:</b>			
Long-term Debt (Notes 6, 7 and 15)	362,709	317,827	3,015,790
Deposits Received	16,902	11,293	140,538
Liability for Employees' Retirement Benefits (Notes 2(o) and 8)	2,211	2,328	18,384
Retirement Allowance for Directors and Audit & Supervisory Board members	34	54	288
Other	2,232	1,873	18,562
<b>Total Long-term Liabilities</b>	<b>384,089</b>	<b>333,377</b>	<b>3,193,562</b>
<b>Commitments and Contingent Liabilities (Note 10)</b>			
<b>Equity: (Notes 11 and 19)</b>			
Common Stock			
Authorized, 140,000,000 Shares	17,874	17,874	148,617
Issued, 42,649,000 Shares as of March 31, 2015 and 2014			
Capital Surplus	16,086	16,086	133,751
Retained Earnings	75,379	66,535	626,751
Treasury Stock - at cost			
540 shares as of March 31, 2015 and 2014	(0)	(0)	(7)
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	6,308	3,508	52,456
Deferred Gain on Derivatives under Hedge Accounting	206	158	1,715
Foreign Currency Translation Adjustments	1,684	613	14,009
Defined Retirement Benefit Plans	351	66	2,920
<b>Total</b>	<b>117,890</b>	<b>104,841</b>	<b>980,212</b>
Minority Interests	5,407	4,998	44,963
<b>Total Equity</b>	<b>123,297</b>	<b>109,840</b>	<b>1,025,175</b>
<b>Total Liabilities and Equity</b>	<b>¥ 1,551,704</b>	<b>¥ 1,462,183</b>	<b>\$ 12,901,840</b>

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statement of Income

IBJ Leasing Company, Limited and Consolidated Subsidiaries  
For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Revenues</b>	¥ 353,733	¥ 354,779	\$ 2,941,165
<b>Cost and Expenses</b>	318,462	318,200	2,647,895
<b>Gross Profit</b>	35,271	36,579	293,270
<b>Selling, General and Administrative Expenses (Note 12)</b>	17,325	19,877	144,051
<b>Operating Income</b>	17,946	16,701	149,219
<b>Other Income (Expenses):</b>			
Interest Income	10	13	91
Dividend Income	390	354	3,249
Equity in Earnings of Associated Companies	435	330	3,623
Profit from Investments	289	202	2,407
Interest Expenses	(318)	(324)	(2,647)
Foreign Exchange Loss	(84)	(98)	(704)
Bond Issue Costs	(114)	(100)	(948)
Gain on Sales of Fixed Assets	46	—	388
Gain on Sales of Investment Securities	3	120	26
Loss on Devaluation of Investment Securities	(14)	(44)	(118)
Loss on Impairment of Long-lived Assets (Note 5)	(103)	—	(857)
Dilution Loss from Change in Equity Interest	(9)	—	(81)
Other — net	416	326	3,458
<b>Income before Income Taxes and Minority Interests</b>	18,895	17,481	157,106
<b>Income Taxes: (Note 9)</b>			
Current	7,421	4,699	61,704
Deferred	(99)	1,759	(831)
Total	7,321	6,459	60,873
<b>Net Income before Minority Interests</b>	11,573	11,022	96,233
<b>Minority Interests in Earnings of Consolidated Subsidiaries</b>	428	490	3,567
<b>Net Income</b>	¥ 11,144	¥ 10,531	\$ 92,666

	Yen		U.S. dollars (Note 1)
	2015	2014	2015
<b>Amounts per Share of Common Stock (Notes 2(x) and 18)</b>			
Net Income per Share	¥ 261.32	¥ 264.75	\$ 2.17
Cash Dividends applicable to fiscal year	¥ 54.00	¥ 54.00	\$ 0.45

See accompanying Notes to Consolidated Financial Statements.



## Consolidated Statement of Comprehensive Income

IBJ Leasing Company, Limited and Consolidated Subsidiaries  
For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Net Income before Minority Interests</b>	¥ 11,573	¥ 11,022	\$ 96,233
<b>Other Comprehensive Income: (Note 17)</b>			
Unrealized Gain on Available-for-sale Securities	2,799	891	23,277
Deferred Gain on Derivatives under Hedge Accounting	52	321	435
Foreign Currency Translation Adjustments	915	999	7,609
Defined Retirement Benefit Plans	285	—	2,375
Share of Other Comprehensive Income in Associated Companies	191	175	1,592
Total Other Comprehensive Income	4,244	2,387	35,288
<b>Comprehensive Income</b>	¥ 15,818	¥ 13,410	\$ 131,521
<b>Total Comprehensive Income attributable to:</b>			
Owners of the Parent	¥ 15,346	¥ 12,911	\$ 127,601
Minority Interests	471	498	3,920

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statement of Changes in Equity

IBJ Leasing Company, Limited and Consolidated Subsidiaries  
For the year ended March 31, 2015

	Thousands	Millions of yen										
	Number of shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Minority Interests	Total Equity
						Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
<b>Balance as of April 1, 2013</b>	36,198	¥ 11,760	¥ 9,680	¥ 58,054	¥ (1,079)	¥ 2,616	¥ (117)	¥ (598)	¥ —	¥ 80,316	¥ 4,588	¥ 84,905
Net Income				10,531						10,531		10,531
Cash Dividends Paid				(2,050)						(2,050)		(2,050)
Purchase of Treasury Stock	(0)				(0)					(0)		(0)
Disposal of Treasury Stock	650		291		1,078					1,370		1,370
Issuance of New Stock	5,800	6,114	6,114							12,228		12,228
Change in Scope of Application of Equity Method												
Net change during year						891	276	1,212	66	2,446	410	2,856
<b>Balance as of March 31, 2014</b>	42,648	¥ 17,874	¥ 16,086	¥ 66,535	¥ (0)	¥ 3,508	¥ 158	¥ 613	¥ 66	¥ 104,841	¥ 4,998	¥ 109,840
Net Income				11,144						11,144		11,144
Cash Dividends Paid				(2,388)						(2,388)		(2,388)
Purchase of Treasury Stock												
Disposal of Treasury Stock												
Issuance of New Stock												
Change in Scope of Application of Equity Method				86						86		86
Net change during year						2,800	47	1,071	284	4,204	408	4,613
<b>Balance as of March 31, 2015</b>	42,648	¥ 17,874	¥ 16,086	¥ 75,379	¥ (0)	¥ 6,308	¥ 206	¥ 1,684	¥ 351	¥ 117,890	¥ 5,407	¥ 123,297

	Thousands of U.S. dollars (Note 1)											
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income				Total	Minority Interests	Total Equity	
					Unrealized Gain on Available-for-sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans				
<b>Balance as of March 31, 2014</b>	\$ 148,617	\$ 133,751	\$ 553,222	\$ (7)	\$ 29,168	\$ 1,320	\$ 5,100	\$ 550	\$ 871,721	\$ 41,563	\$ 913,284	
Net Income			92,666						92,666		92,666	
Cash Dividends Paid			(19,858)						(19,858)		(19,858)	
Purchase of Treasury Stock												
Disposal of Treasury Stock												
Issuance of New Stock												
Change in Scope of Application of Equity Method			721						721		721	
Net change during year					23,288	395	8,909	2,370	34,962	3,400	38,362	
<b>Balance as of March 31, 2015</b>	\$ 148,617	\$ 133,751	\$ 626,751	\$ (7)	\$ 52,456	\$ 1,715	\$ 14,009	\$ 2,920	\$ 980,212	\$ 44,963	\$ 1,025,175	

See accompanying Notes to Consolidated Financial Statements.

## Consolidated Statement of Cash Flows

IBJ Leasing Company, Limited and Consolidated Subsidiaries  
For the year ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Cash Flows from Operating Activities:</b>			
Income before Income Taxes and Minority Interests	¥ 18,895	¥ 17,481	\$ 157,106
Adjustments for:			
Income Taxes Paid	(4,075)	(6,212)	(33,888)
Depreciation and Disposal of Fixed Assets	9,988	10,673	83,052
Equity in Earnings of Associated Companies	(435)	(330)	(3,623)
Profit from Investments	(289)	(202)	(2,407)
Loss on Impairment of Long-lived Assets (Note 5)	103	—	857
Decrease in Allowance for Doubtful Receivables	(1,483)	(2,888)	(12,336)
Increase (Decrease) in Accruals for Debt Guarantees	26	(31)	224
Gain on Sales of Marketable and Investment Securities	(3)	(120)	(26)
Loss on Devaluation of Marketable and Investment Securities	14	44	118
Dilution Loss from Change in Equity Interest	9	—	81
Gain on Sales of Fixed Assets	(46)	—	(388)
Change in assets and liabilities:			
Increase in Lease Receivables and Investments in Lease	(58,757)	(24,285)	(488,549)
Increase in Receivables	(11,790)	(52,192)	(98,032)
Decrease in Operational Investment Securities	3,042	7,762	25,299
(Decrease) Increase in Accounts Payable — trade	(14,825)	16,754	(123,265)
Purchases of Leased Assets	(61,466)	(17,515)	(511,067)
Proceeds from Sales of Leased Assets	43,653	4,119	362,960
(Decrease) Increase in Interest Payable	(10)	42	(90)
Other — net	7,112	(779)	59,137
Total Adjustments	(89,233)	(65,162)	(741,943)
Net Cash Used in Operating Activities	(70,338)	(47,681)	(584,837)
<b>Cash Flows from Investing Activities:</b>			
Purchases of Own-used Assets	(1,122)	(871)	(9,329)
Proceeds from Sales of Fixed Assets	472	—	3,927
Purchases of Marketable and Investment Securities	(459)	(1,476)	(3,819)
Proceeds from Sales and Redemption of Marketable and Investment Securities	23	324	193
Other — net	629	(482)	5,234
Net Cash Used in Investing Activities	(456)	(2,506)	(3,794)
<b>Cash Flows from Financing Activities:</b>			
Net Increase in Short-term Borrowings	47,271	65,314	393,044
Proceeds from Long-term Debt	413,921	382,080	3,441,602
Repayments of Long-term Debt	(386,839)	(402,723)	(3,216,428)
Proceeds from Common Stock Issuance	—	12,228	—
Disposal of Treasury Stock	—	1,370	—
Cash Dividends Paid	(2,388)	(2,050)	(19,858)
Other — net	(69)	(101)	(575)
Net Cash Provided by Financing Activities	71,895	56,118	597,785
<b>Foreign Currency Translation Adjustments on Cash and Cash Equivalents</b>	402	777	3,343
<b>Net Increase in Cash and Cash Equivalents</b>	1,503	6,708	12,497
<b>Cash and Cash Equivalents at Beginning of Year</b>	35,954	29,245	298,945
<b>Cash and Cash Equivalents at End of Year</b>	¥ 37,457	¥ 35,954	\$ 311,442

See accompanying Notes to Consolidated Financial Statements.

## Notes to Consolidated Financial Statements

### 1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of IBJ Leasing Company, Limited (“IBJL”) and its consolidated subsidiaries (together with IBJL, “IBJL Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the company’s financial statements issued domestically in order to present them in a form of which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which IBJL is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.27 to US\$1.00, the approximate rate of exchange at March 31, 2015. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. The amounts indicated in millions of yen are rounded down by truncating the figures below one million. As a result, totals may not add up exactly.

### 2. Summary of Significant Accounting Policies

#### (a) Consolidation

The consolidated financial statements include the accounts of IBJL Group including IBJL-TOSHIBA Leasing Company, Limited, Dai-ichi Leasing Co., Ltd., Nissan Leasing Co., Ltd., IBJ Auto Lease Company, Limited, Toshiba Medical Finance Co., Ltd., IBJ Leasing (China) Ltd. and PT. IBJ Verena Finance.

The number of consolidated subsidiaries as of March 31, 2015 and 2014 was 22. The consolidated financial statements for the year ended March 31, 2015 newly include the accounts of Cherry Leasing Co., Ltd., as it was newly incorporated, and do not include the accounts of Azlead Business Corporation, as it was liquidated during the year.

The number of associated companies accounted for under the equity method as of March 31, 2015 and 2014 was 4 and 3, respectively. Investments in associated companies are Krung Thai IBJ Leasing Co., Ltd., The Toho Lease Co., Ltd., Juhachi Sogo Lease Co., Ltd. and PNB-IBJL Leasing and Finance Corporation. PNB-IBJL Leasing and Finance Corporation is newly included in the associated companies accounted for under the equity method, as IBJL additionally purchased shares in the company.

Astro Leasing International Co., Ltd. and 87 other subsidiaries are neither consolidated nor accounted for under the equity method, as they are acting as operators under Tokumei Kumiai agreements and the leased assets and liabilities do not substantially belong to the subsidiaries. Achilles Line Shipping S.A. and 27 other subsidiaries are also not consolidated or accounted for under the equity method, as they are immaterial. I-N Information Systems, Ltd. and 2 other associated companies are not accounted for under the equity method, as they are immaterial.

Upon consolidation, significant intercompany accounts and transactions have been eliminated. In addition, all significant unrealized profit included in assets resulting from transactions within IBJL Group has also been eliminated.

The accounting standard for consolidated financial statements requires a company to consolidate all subsidiaries where the company controls the operations, irrespective of whether or not the company owns a majority of their shares. Control is considered to exist where the company has (a) the power to appoint or remove the majority of the Board of Directors or an equivalent governing body, and/or (b) the power to cast the majority of the votes at a meeting of the Board of Directors or an equivalent governing body.

Goodwill represents 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. The differences between the costs and underlying net equity of investments in consolidated subsidiaries and associated companies at acquisition are recorded as Goodwill and are amortized on a straight-line basis over the estimated benefit period.

Implementation Guidance No. 15 “Implementation Guidance on Disclosures about Certain Special Purpose Entities” issued by the Accounting Standards Board of Japan (the “ASBJ”) permits companies to avoid consolidation of certain Special Purpose Entities (“SPEs”) that were established and are being operated for the purpose of securitization of receivables.

IBJL securitizes its lease receivables to diversify its funding sources and ensure stable funding. In the securitization structures, IBJL uses SPEs that include *Tokurei Yugen Kaisha* and *Kabushiki Kaisha*. IBJL transfers the lease receivables to the SPEs in the securitization structures. The SPEs procure funds, such as borrowings, backed by the transferred assets and these funds flow back to IBJL as sales proceeds of the transferred assets. IBJL also provides collection services to the SPEs. A portion of the receivables is not transferred and is held by IBJL. These receivables held by IBJL are properly evaluated at the end of the fiscal year, and these are appropriately reflected in the consolidated financial statements.

As a result of securitizations, IBJL had 19 and 20 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2015 and 2014, respectively. Total assets (simply compiled amount) of such SPEs as of March 31, 2015 and 2014 were ¥105,791 million (\$879,618 thousand) and ¥103,367 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2015 and 2014 were ¥106,019 million (\$881,512 thousand) and ¥103,702 million, respectively. IBJL owns no voting rights in most of the SPEs while some employees of IBJL serve as directors.

The total amount of Lease Receivables and Investments in Lease transferred from IBJL to such SPEs in 2015 and 2014 was ¥19,627 million (\$163,197 thousand) and ¥2,736 million, respectively, with no gain/loss on the transfer of such receivables. IBJL holds subordinated interests of such transferred receivables of nil and ¥82 million in 2015 and 2014, respectively. IBJL recognized profit dividends of ¥41 million (\$341 thousand) and ¥9 million for the years ended March 31, 2015 and 2014, respectively, and servicing fees received of ¥1 million (\$13 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2015 and 2014. These amounts do not include transactions with SPEs that do not meet the criteria for off-balance-sheet transactions, because IBJL treats these asset transfer transactions to the SPEs as financial transactions.

### **(b) Business Combinations**

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the ASBJ issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures". The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

### **(c) Cash Equivalents**

Cash Equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash Equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

### **(d) Lease Accounting**

In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions", which revised the previous accounting standard for lease transactions. As a lessor, all finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as Lease Receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee are recognized as Investments in Lease. All other leases are accounted for as operating leases.

As a lessee, all finance leases that are deemed to transfer ownership of the leased property to the lessee are capitalized.

### **(e) Installment Sales**

For installment sales contracts, Installment Sales Receivables are recognized for the principal equivalent portion of the total contract amounts when properties are delivered. Interest equivalent amounts are recognized as Installment Sales when the related installment receivables become due.

For sales-type contracts, Installment Sales and the corresponding Installment Cost of Sales are fully recognized when the property is sold. Interest equivalent amounts applicable to the portion to be collected are deferred and recorded as Deferred Profit on Installment Sales.

#### **(f) Marketable Securities, Operational Investment Securities and Investment Securities**

Marketable Securities, Operational Investment Securities and Investment Securities are classified as Available-for-sale Securities based upon management's intent. Available-for-sale Securities, which have a readily determinable fair value, are stated at fair value with changes in net unrealized gain or loss, net of applicable income taxes, included directly in Equity (cost of securities sold is calculated by the moving average method). Available-for-sale Securities, which do not have readily determinable fair value, are stated at cost.

Operational Investment Securities is held for the purpose of generating operational financial income. The income from Operational Investment Securities is stated in Revenues in the Consolidated Statement of Income.

#### **(g) Loans Receivables and Factoring Receivables**

Loans to customers and receivables arising from factoring are included in Loans Receivables and Factoring Receivables, respectively. Income from these receivables is recognized as Revenues.

#### **(h) Property and Equipment**

##### **1. Leased Assets**

Leased Property and Equipment are initially accounted for at their acquisition costs and depreciated over the lease term by the straight-line method to the residual value, which is an amount to be realized at the time when the lease contract is terminated.

##### **2. Own-used Assets**

Own-used Assets of IBJL and its domestic consolidated subsidiaries are stated at cost and depreciated over the following estimated useful lives mainly by the declining-balance method:

Buildings	3-65 years
Fixtures and furniture	2-20 years

#### **(i) Long-lived Assets**

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

#### **(j) Intangible Assets**

##### **1. Leased Assets**

Intangible Leased Assets are accounted for the same way as Leased Property and Equipment.

##### **2. Own-used Software**

Own-used Software is amortized over the internally estimated useful lives (5 or 8 years) by the straight-line method.

##### **3. Other Intangible Assets**

Other Intangible Assets are stated at cost. Amortization of intangible assets by IBJL and its domestic consolidated subsidiaries is mainly computed by the straight-line method over the estimated useful lives.

#### **(k) Bond Issue Costs**

Costs for bond issuance are expensed upon payment.

#### **(l) Allowance for Doubtful Receivables**

Allowance for Doubtful Receivables is provided based on the estimated historical default rate for general trade receivables, and is based on individual reviews for receivables from doubtful and legally bankrupt creditors.

The amounts of Long-term Receivables considered uncollectible, which include receivables from legally bankrupt creditors, were directly written-off. The amounts directly written-off were ¥9,475 million (\$78,784 thousand) and ¥14,127 million at March 31, 2015 and 2014, respectively.

#### **(m) Reserve for Bonus Payments**

IBJL and certain domestic consolidated subsidiaries provide a reserve for future bonus payments to employees. This reserve is maintained at the estimated amount payable after the year-end, based on the services provided during the fiscal year.

#### **(n) Reserve for Bonus Payments to Directors**

IBJL and certain domestic consolidated subsidiaries provide a reserve for future bonus payments to executive officers. This reserve is maintained at the estimated amount payable for the fiscal year.

#### **(o) Retirement and Pension Plans**

IBJL and certain consolidated subsidiaries have a corporate pension plan and/or lump-sum severance payment plan as a defined benefit type of a retirement benefits plan as well as a corporate pension plan as a defined contribution type of a retirement benefits plan. There are some cases in which extra retirement benefits are paid to employees when they retire.

Effective April 1, 2000, IBJL adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations were attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 to 15 years within the average remaining service period.

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

- (1) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (Accumulated Other Comprehensive Income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (Liability for Employees' Retirement Benefits) or asset (Asset for Employees' Retirement Benefits).
- (2) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments. (see Note 17)
- (3) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, the discount rate, and expected future salary increases.

This accounting standard and the guidance for (1) and (2) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (3) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, all with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

IBJL Group applied the revised accounting standard and guidance for retirement benefits for (1) and (2) above, effective March 31, 2014, and for (3) above, effective April 1, 2014.

With respect to (3) above, IBJL Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment. The application of the revised accounting standard for (3) above has no impact on the consolidated financial statements.

#### **(p) Retirement Allowance for Directors and Audit & Supervisory Board members**

Certain domestic consolidated subsidiaries provide Retirement Allowances for Directors and Audit & Supervisory Board members for future retirement benefits to directors and Audit & Supervisory Board members. Retirement Allowances for Directors and Audit & Supervisory Board members are provided at the amount accrued at the end of the fiscal year, based on the internally established standards for the payments.

#### **(q) Asset Retirement Obligations**

In March 2008, the ASBJ issued 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 when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

#### **(r) Accruals for Debt Guarantees**

IBJL and certain domestic consolidated subsidiaries provide Accruals for Debt Guarantees for losses that might occur in relation to guarantees of the indebtedness of others, taking the debtors' financial condition into consideration.

#### **(s) Income Taxes**

IBJL and its domestic consolidated subsidiaries are subject to corporate tax, inhabitants' taxes and enterprise taxes. Deferred income taxes are recorded by the asset and liability method based on the differences between the tax bases of assets and liabilities and those as reported in the consolidated financial statements, using enacted tax rates that will be in effect when the differences are expected to reverse.

#### **(t) Recognition of Revenues and Cost of Sales**

Revenues and cost of sales relating to finance lease transactions are recognized when lease payments are received.

#### **(u) Translation of Foreign Currency Assets and Liabilities**

##### **1. Translation of foreign currency transactions**

All 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 gain and loss from translation are recognized in the Consolidated Statement of Income as income or expenses.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates effective at the respective transaction dates. However, monetary receivables and payables covered by forward exchange contracts are translated at the contract rates.

Any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts.

##### **2. Translation of foreign currency financial statements**

The assets, liabilities, revenues and expenses of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet dates of each subsidiary. Differences arising from such translation are shown in Foreign Currency Translation Adjustments under Accumulated Other Comprehensive Income in a separate component of Equity.

#### **(v) Derivatives and Hedging Activities**

IBJL Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Interest rate swaps are utilized to manage interest rate risks associated with certain liabilities, including Long-term Debt. Foreign currency forward contracts and Short-term Borrowings are utilized to reduce risks from fluctuations of foreign currency exchange rates associated with certain assets including Installment Sales Receivables, Lease Receivables and Operational Marketable Securities. Interest rate and currency swaps are utilized to manage interest rate risks as well as foreign currency risks. IBJL Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the Consolidated Statement of Income and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.



#### (w) Consumption Taxes

IBJL and its domestic consolidated subsidiaries are subject to Japanese consumption taxes. Japanese consumption taxes are excluded from the transaction amounts.

#### (x) Per Share Information

The computation of basic net income per share is based on the weighted-average number of outstanding shares of common stock. Cash dividends per share shown in the Consolidated Statement of Income are the amounts applicable to the respective fiscal years including dividends to be paid after the end of the year.

#### (y) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections". Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

#### (z) New Accounting Pronouncements

**Accounting Standards for Business Combinations and Consolidated Financial Statements**—In September, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

##### (1) *Transactions with noncontrolling interest*

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

##### (2) *Presentation of the consolidated balance sheet*

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

##### (3) *Presentation of the consolidated statement of income*

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

##### (4) *Provisional accounting treatments for a business combination*

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

(5) *Acquisition-related costs*

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

The above accounting standards and guidance for (1) transactions with noncontrolling interest, (2) presentation of the consolidated balance sheet, (3) presentation of the consolidated statement of income, and (5) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (1) transactions with noncontrolling interest and (5) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (1) transactions with noncontrolling interest and (5) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (2) presentation of the consolidated balance sheet and (3) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (4) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

IBJL Group expects to apply the revised accounting standards and guidance from April 1, 2015, and the impact of applying the revised accounting standards and guidance in future applicable periods is currently unknown.

### 3. Marketable Securities, Operational Investment Securities and Investment Securities

(1) Available-for-sale Securities whose fair values are readily determinable as of March 31, 2015 and 2014 were as follows:

#### Available-for-sale Securities

Securities with carrying amounts exceeding acquisition costs

	Millions of yen						Thousands of U.S. dollars		
	2015			2014			2015		
	Carrying amount	Acquisition cost	Unrealized gain (loss)	Carrying amount	Acquisition cost	Unrealized gain (loss)	Carrying amount	Acquisition cost	Unrealized gain (loss)
Equity Securities	¥ 15,435	¥ 7,486	¥ 7,949	¥ 10,795	¥ 6,046	¥ 4,748	\$ 128,337	\$ 62,244	\$ 66,093
Bonds									
Corporate Bonds	11,723	10,739	983	6,834	6,438	396	97,474	89,293	8,181
Other	499	499	0	—	—	—	4,155	4,150	5
Other	4,366	3,967	399	9,008	8,634	374	36,304	32,984	3,320
Total	¥ 32,024	¥ 22,691	¥ 9,332	¥ 26,638	¥ 21,118	¥ 5,519	\$ 266,270	\$ 188,671	\$ 77,599

Securities with carrying amounts not exceeding acquisition costs

	Millions of yen						Thousands of U.S. dollars		
	2015			2014			2015		
	Carrying amount	Acquisition cost	Unrealized gain (loss)	Carrying amount	Acquisition cost	Unrealized gain (loss)	Carrying amount	Acquisition cost	Unrealized gain (loss)
Equity Securities	¥ 85	¥ 102	¥ (16)	¥ 514	¥ 596	¥ (81)	\$ 711	\$ 850	\$ (139)
Bonds									
Corporate Bonds	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Other	449	461	(12)	387	407	(20)	3,736	3,836	(100)
Total	¥ 534	¥ 563	¥ (28)	¥ 901	¥ 1,003	¥ (101)	\$ 4,447	\$ 4,686	\$ (239)

- (2) Proceeds from sales of available-for-sale Securities for the years ended March 31, 2015 and 2014 were ¥10 million (\$88 thousand) and ¥3,463 million, respectively. Gross realized gains on these sales were ¥3 million (\$26 thousand) and ¥319 million for the years ended March 31, 2015 and 2014, respectively.
- (3) IBJL Group recorded impairment losses on investment securities of ¥14 million (\$118 thousand) and ¥44 million for the years ended March 31, 2015 and 2014, respectively.

#### 4. Operating Assets

- (1) Operating Assets as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Leasing: <sup>(1)</sup>			
Finance Lease	¥ 811,995	¥ 753,774	\$ 6,751,440
Operating Lease	66,697	55,725	554,567
Leasing total	878,693	809,499	7,306,007
Installment Sales <sup>(2)</sup>	153,910	133,267	1,279,708
Loans and Factoring	361,067	359,530	3,002,142
Other	38,627	40,749	321,177
Total Operating Assets	¥ 1,432,299	¥ 1,343,046	\$ 11,909,034

<sup>(1)</sup> Leasing total consists of the aggregate of "Lease Receivables and Investments in Lease", "Leased Assets" and "Intangible Leased Assets" on the Consolidated Balance Sheet at the year-end.

<sup>(2)</sup> Installment Sales represent "Installment Sales Receivables" less "Deferred Profit on Installment Sales" on the Consolidated Balance Sheet at the year-end.

- (2) The total amounts of new contracts entered into during the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Leasing:			
Finance Lease	¥ 310,897	¥ 288,303	\$ 2,584,994
Operating Lease	61,368	17,435	510,255
Leasing total	372,265	305,738	3,095,249
Installment Sales <sup>(1)</sup>	84,115	79,116	699,391
Loans and Factoring	462,716	445,807	3,847,318
Other	24,035	7,006	199,849
Total	¥ 943,134	¥ 837,669	\$ 7,841,807

<sup>(1)</sup> The amount of Installment Sales is shown as "Installment Sales Receivables" less "Deferred Profit on Installment Sales".

#### 5. Long-lived Assets

IBJL Group reviewed its long-lived assets for impairment as of March 31, 2015. As a result, certain consolidated subsidiaries recognized an impairment loss of ¥103 million (\$857 thousand) as Other Expenses.

Impairment loss was recognized for the certain software of ¥71 million (\$595 thousand) relating to settlement business of the Web usage charge in the leasing segment due to the termination of the business. Impairment loss also includes the own-used assets in the leasing segment held for the welfare purpose of ¥31 million (\$262 thousand) in which Land of ¥29 million (\$244 thousand) is included due to the decision of the sales of the facility. The carrying amounts of the relevant assets were written down to the recoverable amount for the year ended March 31, 2015. The recoverable amounts of the above assets are measured at the net selling price at disposition. No impairment loss was recognized in 2014.

#### 6. Pledged Assets

Assets pledged as collateral as of March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Lease Receivables and Investments in Lease	¥ 16,566	\$ 137,740

Liabilities secured by the above assets as of March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Current Portion of Long-term Debt	¥ 753	\$ 6,261
Long-term Debt	15,813	131,479
Total	¥ 16,566	\$ 137,740

## 7. Short-term Borrowings and Long-term Debt

(1) "Short-term Borrowings" as of March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2015	2014	2015	Weighted average interest rate 2015
Short-term Borrowings				
Short-term Borrowings from banks and other financial institutions	¥ 336,489	¥ 295,415	\$ 2,797,782	0.54%
Commercial Paper	422,200	414,900	3,510,435	0.11%
<b>Total</b>	<b>¥ 758,689</b>	<b>¥ 710,315</b>	<b>\$ 6,308,217</b>	
Current Portion of Long-term Debt				
Bonds payable	¥ 10,000	¥ —	\$ 83,146	0.34%
Long-term Debt from banks and other financial institutions	131,053	158,109	1,089,658	0.66%
Payables under securitized lease receivables due within one year	47,500	40,022	394,945	0.12%
<b>Total</b>	<b>¥ 188,553</b>	<b>¥ 198,131</b>	<b>\$ 1,567,749</b>	

(2) "Long-term Debt" as of March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2015	2014	2015	Weighted average interest rate 2015
Long-term Debt				
Bonds payable	¥ 40,000	¥ 30,000	\$ 332,585	0.267-0.360%
Long-term Debt from banks and other financial institutions	322,709	287,827	2,683,205	0.71%
<b>Total</b>	<b>¥ 362,709</b>	<b>¥ 317,827</b>	<b>\$ 3,015,790</b>	

(\*1) IBJL Group has entered into overdraft contracts that provide IBJL Group with credit facilities with 63 and 62 financial institutions as of March 31, 2015 and 2014, respectively, and amounting to ¥599,996 million (\$4,988,744 thousand) and ¥577,280 million, respectively. The unused facilities maintained by IBJL Group as of March 31, 2015 and 2014 amounted to ¥278,976 million (\$2,319,584 thousand) and ¥294,530 million, respectively.

(\*2) "Payables under securitized lease receivables" is a type of financing based on the law for the regulation of specific claims. The lease receivables sold under this law as of March 31, 2015 and 2014 were ¥51,445 million (\$427,747 thousand) and ¥42,276 million, respectively.

(\*3) The aggregate annual maturities of "Long-term Debt" as of March 31, 2015 were as follows:

Years Ending March 31	Millions of yen	Thousands of U.S. dollars
	2015	2015
2017	¥ 124,047	\$ 1,031,406
2018	93,197	774,904
2019	50,427	419,283
2020	49,453	411,191
2021 and thereafter	45,583	379,006
<b>Total</b>	<b>¥ 362,709</b>	<b>\$ 3,015,790</b>

## 8. Retirement and Pension Plans

### Outline of plans

IBJL and certain consolidated subsidiaries have a corporate pension plan and/or lump-sum severance payment plan as a defined benefit type of a retirement benefits plan as well as a corporate pension plan as a defined contribution type of a retirement benefits plan. There are some cases in which extra retirement benefits are paid to employees when they retire.

### Defined benefit plan

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2015	2014	2015	
Balance at beginning of year	¥ 5,566	¥ 5,348	\$ 46,282	
Current service cost	330	289	2,747	
Interest cost	68	66	573	
Actuarial (gains) losses	(181)	67	(1,510)	
Benefits paid	(55)	(205)	(462)	
<b>Balance at end of year</b>	<b>¥ 5,728</b>	<b>¥ 5,566</b>	<b>\$ 47,630</b>	

(\*1) Certain consolidated subsidiaries that have lump-sum severance payment plans use the simplified method in determining the projected benefit obligations.

(2) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥ 3,237	¥ 2,910	\$ 26,919
Expected return on plan assets	58	28	486
Actuarial losses	379	256	3,153
Contributions from the employer	214	165	1,787
Benefits paid	(157)	(123)	(1,306)
Balance at end of year	¥ 3,733	¥ 3,237	\$ 31,039

(3) Reconciliation between the liability recorded in the Consolidated Balance Sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Defined benefit obligation	¥ 3,524	¥ 3,463	\$ 29,307
Plan assets	(3,733)	(3,237)	(31,039)
	(208)	225	(1,732)
Unfunded defined benefit obligation	2,203	2,103	18,322
Net liability arising from defined benefit obligation	¥ 1,995	¥ 2,328	\$ 16,590

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Asset for employees' retirement benefits	¥ 215	¥ —	\$ 1,794
Liability for employees' retirement benefits	2,211	2,328	18,384
Net liability arising from defined benefit obligation	¥ 1,995	¥ 2,328	\$ 16,590

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 330	¥ 289	\$ 2,747
Interest cost	68	66	573
Expected return on plan assets	(58)	(28)	(486)
Recognized actuarial (gains) losses	(11)	12	(97)
Net periodic benefit costs	¥ 329	¥ 340	\$ 2,737

(\*1) Service cost includes retirement benefits expenses of certain consolidated subsidiaries that use the simplified method.

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial losses	¥ 422	¥ —	\$ 3,517
Total	¥ 422	¥ —	\$ 3,517

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized actuarial losses	¥ 523	¥ 100	\$ 4,353
Total	¥ 523	¥ 100	\$ 4,353

(7) Plan assets as of March 31, 2015 and 2014

a. Components of plan assets

Plan assets consisted of the following:

	2015	2014
Domestic debt investments	17.2%	18.6%
Domestic equity investments	25.2	21.3
Foreign debt investments	7.6	8.4
Foreign equity investments	19.6	17.1
Insurance assets (general account)	27.0	30.5
Others	3.4	4.1
Total	100.0%	100.0%

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

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

(8) Assumptions used for the years ended March 31, 2015 and 2014, are set forth as follows:

	2015	2014
Discount rate	1.22 - 1.40%	1.22 - 1.40%
Expected rate of return on plan assets	1.79 - 2.50%	1.34 - 2.50%
Expected rate of future salary increases	4.75 - 7.14%	4.01 - 9.27%

**Defined contribution plan**

IBJL Group's contributions to the defined contribution pension plan for the year ended March 31, 2015 and 2014, were ¥56 million (\$471 thousand) and ¥56 million, respectively.

## 9. Income Taxes

IBJL and certain consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate in Japan of approximately 35.6% and 38.0% as of March 31, 2015 and 2014, respectively.

Deferred Tax Assets and Liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Deferred Tax Assets:</b>			
Allowance for Doubtful Receivables	¥ 1,903	¥ 1,942	\$ 15,823
Depreciation	882	1,250	7,338
Accrued Enterprise Tax	390	161	3,249
Liability for Employees' Retirement Benefits	243	385	2,024
Write-off of Securities	193	198	1,608
Other	2,528	2,343	21,021
Deferred Tax Assets Subtotal	6,141	6,281	51,063
Valuation Allowance	(397)	(470)	(3,302)
Total Deferred Tax Assets	5,744	5,811	47,761
<b>Deferred Tax Liabilities:</b>			
Net unrealized gain on Available-for-sale Securities	(2,955)	(1,868)	(24,577)
Investments in Lease	(314)	(406)	(2,611)
Other	(429)	(332)	(3,569)
Total Deferred Tax Liabilities	(3,699)	(2,608)	(30,757)
Net Deferred Tax Assets	¥ 2,045	¥ 3,203	\$ 17,004

Balance reported on the Consolidated Balance Sheets:

	Millions of yen	Thousands of U.S. dollars	
	2015	2014	2015
Deferred Tax Assets:			
Current Assets	¥ 1,277	¥ 1,433	\$ 10,618
Investments and Other Assets	866	1,866	7,209
Deferred Tax Liabilities			
Long-term Liabilities	(98)	(96)	(823)
Net Deferred Tax Assets	¥ 2,045	¥ 3,203	\$ 17,004

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, from approximately 35.6% to 33.1% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.3%. The effect of this change was to decrease Deferred Tax Assets by ¥159 million (\$1,327 thousand) in the Consolidated Balance Sheet as of March 31, 2015, and to increase Income Taxes-Deferred by ¥473 million (\$3,935 thousand) in the Consolidated Statement of Income for the year then ended.

This change also increased Unrealized Gain on Available-for-sale Securities by ¥301 million (\$2,505 thousand) and Defined Retirement Benefit Plans by ¥13 million (\$112 thousand), and decreased Deferred Gain on Derivatives under Hedge Accounting by ¥1 million (\$9 thousand) in the Consolidated Balance Sheet as of March 31, 2015.

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2015, with the corresponding figures for 2014, is as follows:

	2015	2014
Normal effective statutory tax rate	35.6%	38.0%
Amortization of goodwill	0.1	0.2
Valuation allowance	(0.3)	(0.9)
Reduction of Deferred Tax Assets by lowering of statutory tax rate	2.5	0.2
Others	0.8	(0.6)
Actual effective tax rate	38.7%	36.9%

## 10. Commitments and Contingent Liabilities

### (1) Commitments

IBJL Group had loan commitment agreements as of March 31, 2015 and 2014 amounting to ¥7,599 million (\$63,189 thousand) and ¥934 million, respectively. The loans provided under these credit facilities as of March 31, 2015 and 2014 amounted to ¥1,551 million (\$12,900 thousand) and ¥561 million, respectively. Many of these facilities expire without being utilized and the related borrowings are subject to periodic reviews of the borrowers' credibility. Any unused amount will not necessarily be utilized in full.

### (2) Contingent Liabilities

Contingent Liabilities as of March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Guarantee Obligations with respect to operating activities <sup>(*)</sup>	¥ 48,408	\$ 402,496
Other Guarantee Obligations	13,225	109,967
Total	¥ 61,633	\$ 512,463

(\*) The amount includes bank loans and trade receivables provided by Mizuho Bank, Ltd. and others, which are guaranteed by IBJL Group.

## 11. Equity

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

### (a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividends 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 Audit & Supervisory Board members, and (4) the term of service of the directors being prescribed as one year rather than the normal two year term by its articles of incorporation, the Board of Direc-

tors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if IBJL has prescribed so in its articles of incorporation. However, IBJL cannot do so because it does not meet (4) of the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to certain limitations and additional requirements.

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

#### (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 the aggregate amount of legal reserves and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserves may be reversed without limitation. The Companies Act also provides that common stock, legal reserves, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

#### (c) Treasury stock and treasury stock acquisition rights

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

## 12. Selling, General and Administrative Expenses

Major components of Selling, General and Administrative Expenses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Provision for Doubtful Receivables	¥ (1,917)	¥ 856	\$ (15,944)
Accruals for Debt Guarantees	30	(20)	250
Salaries and Wages	7,429	7,460	61,771
Provision for Bonus Payments	611	609	5,083
Provision for Bonus Payments to Directors	75	76	630
Retirement Benefits Costs for Employees	385	397	3,209
Retirement Allowance for Directors and Audit & Supervisory Board members	18	11	157

## 13. Segment Information

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

### (1) Description of reportable segments

The reportable segments of IBJL Group are those for which separate financial information is available and regular evaluation by IBJL management is being performed in order to decide how resources are allocated among the IBJL Group.

IBJL Group provides total financial services to a wide range of customers from large companies to small and medium-sized companies. IBJL Group has four business segments based on its services: "Leasing", "Installment Sales", "Loans" and "Other".

The Leasing segment is engaged in leasing services (leasing and renting) for industrial machinery, transportation equipment and information-related equipment (including sales of subject properties upon expiration or cancellation of lease agreements). The Installment Sales segment is engaged in installment sales of production equipment, construction and



engineering machinery, and commercial equipment. The Loans segment is engaged in corporate finance, vessel finance and factoring services. The Other segment is engaged in investing in securities that are held for the purpose of generating operational revenues, as well as engaged in insurance agent services and assurance services.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment. The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies".

(3) Information about sales, profit, assets, liabilities and other items for the years ended March 31, 2015 and 2014 was as follows:

Millions of yen							
2015							
	Reportable segment				Total	Reconciliations <sup>(1)(2)(3)</sup>	Consolidated <sup>(4)</sup>
	Leasing	Installment sales	Loans	Other			
Sales:							
Sales to external customers	¥ 318,375	¥ 24,915	¥ 7,303	¥ 3,139	¥ 353,733	¥ —	¥ 353,733
Intersegment sales and transfers	269	331	234	79	915	(915)	—
Total	318,644	25,246	7,538	3,219	354,649	(915)	353,733
Operating Expenses	302,080	24,811	4,196	1,453	332,541	3,246	335,787
Segment Profit	¥ 16,563	¥ 435	¥ 3,342	¥ 1,766	¥ 22,108	¥ (4,161)	¥ 17,946
Segment Assets							
Others	¥ 922,683	¥ 169,116	¥ 395,407	¥ 42,951	¥ 1,530,159	¥ 21,545	¥ 1,551,704
Depreciation and Amortization	8,196	—	—	—	8,196	1,789	9,986
Capital Expenditure	61,466	—	—	—	61,466	1,122	62,588

Millions of yen							
2014							
	Reportable segment				Total	Reconciliations <sup>(1)(2)(3)</sup>	Consolidated <sup>(4)</sup>
	Leasing	Installment sales	Loans	Other			
Sales:							
Sales to external customers	¥ 315,981	¥ 25,576	¥ 6,727	¥ 6,493	¥ 354,779	¥ —	¥ 354,779
Intersegment sales and transfers	219	292	229	80	822	(822)	—
Total	316,200	25,868	6,957	6,574	355,601	(822)	354,779
Operating Expenses	298,471	25,385	6,197	4,510	334,565	3,512	338,077
Segment Profit	¥ 17,729	¥ 483	¥ 759	¥ 2,063	¥ 21,036	¥ (4,334)	¥ 16,701
Segment Assets							
Others	¥ 857,704	¥ 146,872	¥ 390,566	¥ 47,204	¥ 1,442,348	¥ 19,835	¥ 1,462,183
Depreciation and Amortization	8,786	—	—	—	8,786	1,883	10,670
Capital Expenditure	17,515	—	—	—	17,515	871	18,386

Thousands of U.S. dollars							
2015							
	Reportable segment				Total	Reconciliations <sup>(1)(2)(3)</sup>	Consolidated <sup>(4)</sup>
	Leasing	Installment sales	Loans	Other			
Sales:							
Sales to external customers	\$ 2,647,170	\$ 207,162	\$ 60,727	\$ 26,106	\$ 2,941,165	\$ —	\$ 2,941,165
Intersegment sales and transfers	2,237	2,756	1,953	665	7,611	(7,611)	—
Total	2,649,407	209,918	62,680	26,771	2,948,776	(7,611)	2,941,165
Operating Expenses	2,511,684	206,297	34,889	12,085	2,764,955	26,991	2,791,946
Segment Profit	\$ 137,723	\$ 3,621	\$ 27,791	\$ 14,686	\$ 183,821	\$ (34,602)	\$ 149,219
Segment Assets							
Others	\$ 7,671,768	\$ 1,406,139	\$ 3,287,667	\$ 357,127	\$ 12,722,701	\$ 179,139	\$ 12,901,840
Depreciation and Amortization	68,151	—	—	—	68,151	14,881	83,032
Capital Expenditure	511,067	—	—	—	511,067	9,329	520,396

(\*1) The details of Reconciliations to Segment Profit for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Elimination of intersegment transactions	¥ (313)	¥ (340)	\$ (2,608)
Administrative expenses not allocated to the reportable segments	(3,847)	(3,994)	(31,994)
Total	¥ (4,161)	¥ (4,334)	\$ (34,602)

(\*2) The details of Reconciliations to Segment Assets as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Elimination of intersegment transactions	¥ (9,501)	¥ (6,282)	\$ (78,998)
Corporate assets not allocated to the reportable segments	31,046	26,118	258,137
Total	¥ 21,545	¥ 19,835	\$ 179,139

(\*3) Reconciliations of "Depreciation and Amortization" and "Capital Expenditure" are related to corporate assets not allocated to the reportable segments.

(\*4) Segment Profits are reconciled to Operating Income in the Consolidated Statement of Income.

(4) Impairment loss of long-lived assets per reportable segment:

	Millions of yen						
	2015						
	Reportable segment				Total	Adjustments	Consolidated
	Leasing	Installment sales	Loans	Other			
Impairment loss	¥ 103	¥ —	¥ —	¥ —	¥ 103	¥ —	¥ 103

	Thousands of U.S. dollars						
	2015						
	Reportable segment				Total	Adjustments	Consolidated
	Leasing	Installment sales	Loans	Other			
Impairment loss	\$ 857	\$ —	\$ —	\$ —	\$ 857	\$ —	\$ 857

No impairment loss of long-lived assets was recognized in 2014.

(5) Goodwill per reportable segment:

Not applicable

## 14. Lease Transactions

### Operating Leases as lessee

The minimum rental commitments under non-cancellable operating leases at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 9	¥ 9	\$ 80
Due after one year	16	14	134
Total	¥ 25	¥ 23	\$ 214

### Finance Leases as lessor

(1) The net investments in lease were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Lease contract receivables	¥ 778,700	¥ 730,960	\$ 6,474,603
Estimated residual value	1,732	1,824	14,403
Interest income equivalents	(28,800)	(32,214)	(239,463)
Total	¥ 751,632	¥ 700,570	\$ 6,249,543

- (2) Maturities of Lease Receivables for finance leases that were deemed to transfer ownership of the leased property to the lessee were as follows:

	Millions of yen	Thousands of U.S. dollars
	<b>2015</b>	<b>2015</b>
2016	¥ 18,547	\$ 154,217
2017	17,290	143,765
2018	13,243	110,117
2019	6,670	55,461
2010	3,400	28,270
2021 and thereafter	4,128	34,330
<b>Total</b>	<b>¥ 63,281</b>	<b>\$ 526,160</b>

- (3) Maturities of Investments in Lease for finance leases that were deemed not to transfer ownership of the leased property to the lessee were as follows:

	Millions of yen	Thousands of U.S. dollars
	<b>2015</b>	<b>2015</b>
2016	¥ 258,773	\$ 2,151,605
2017	182,305	1,515,803
2018	126,483	1,051,661
2019	86,383	718,245
2020	61,509	511,426
2021 and thereafter	63,245	525,863
<b>Total</b>	<b>¥ 778,700</b>	<b>\$ 6,474,603</b>

- (4) The beginning balance of Investments in Lease for finance leases that were deemed not to transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008, is an amount equal to the net carrying value (net of accumulated depreciation) of lease assets at the end of the preceding year in the year of initial application of the new accounting standard. Interest income equivalents for Investments in Lease (assets) are allocated on a straight-line basis over the remaining useful life of the assets after the initial application of the new accounting standard.

The impact of this accounting treatment on Operating Income, and Income before Income Taxes and Minority Interests is immaterial.

#### Operating Leases as lessor

Future lease receivables under non-cancellable operating leases were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2015</b>	<b>2014</b>	<b>2015</b>
Due within one year	¥ 11,887	¥ 16,249	\$ 98,842
Due after one year	42,545	22,683	353,746
<b>Total</b>	<b>¥ 54,432</b>	<b>¥ 38,932</b>	<b>\$ 452,588</b>

#### Sub-lease transactions

Among the receivables and obligations relating to the sub-lease transactions, the amounts before deducting interest equivalents and included in the Consolidated Balance Sheet as of March 31, 2015 and 2014 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	<b>2015</b>	<b>2014</b>	<b>2015</b>
Investments in Lease	¥ 8,619	¥ 10,845	\$ 71,667
Lease Payable	8,838	11,277	73,489

## 15. Financial Instruments and Related Disclosures

- (1) Policy for financial instruments

IBJL Group provides comprehensive financial services including leasing, installment sales and loans. From the perspective of financial stability, IBJL Group diversifies its funding sources. In addition to the indirect funding from financial institutions, IBJL Group utilizes direct funding such as issuing bonds, commercial paper and securitization of lease receivables. Further, IBJL Group implements integrated Asset-Liability Management (ALM). Derivatives are used to avoid fluctuation risks such as interest rates and to secure stable profits.

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

Financial assets held by IBJL Group mainly consist of lease receivables and investments in lease, installment sales receivables, loans receivables, and factoring receivables mainly due from domestic business companies. These assets are exposed to the credit risks triggered by a contractual default of a counterparty to the transactions. In the case of deterioration in the credit conditions of counterparties caused by a change in economic conditions or the environment, it is possible that the performance of obligations under the contract may not be fulfilled. In addition, marketable securities and investment securities are mainly comprised of stocks, bonds, preferred equities and investments in partnerships. Stocks are held for the purpose of strengthening relationships with trade customers and financial institutions and are exposed to market price fluctuation risks in addition to the credit risk of issuers of the stocks. Bonds consist of specified bonds, etc., under the Asset Liquidation Law. Similarly, preferred stocks and investments in partnerships represent equity mainly in real estate securitization vehicles. Because these investments are backed by the profits generated by real estate, they are exposed to the risk of price fluctuations in the real estate market.

Borrowings, bonds and commercial paper are exposed to the interest rate fluctuation risk for floating interest rate funding, and the liquidity risk that agile access to funds may close due to a change in the financial market environment. An ALM analysis is employed in order to make stable profit as well as to manage these funding risks.

Derivative transactions are mainly composed of interest rate swaps arranged as a part of ALM. IBJL Group enters into interest rate swap transactions as a hedging instrument and applies hedge accounting to the interest rate fluctuation risk associated with interest bearing debt such as bank loans. It is IBJL Group policy to utilize hedge transactions within the level of subject debt to reduce interest rate risks and to improve cash flow from financial activities. The effectiveness of the hedge transactions are assessed by comparing the changes in the market price and cumulative cash flows between the hedging instrument and the hedged item from the beginning of the hedge to the time of assessment.

IBJL Group utilizes derivative transactions such as Non-deliverable forwards and foreign currency forward contracts for exchange risks associated with other certain assets and liabilities denominated in foreign currencies in order to avoid excessive risks.

(3) Risk management for financial instruments

**(a) Integrated risk management**

IBJL Group places an extremely high priority on integrated monitoring and control of total financial risks including credit risks and market risks which consist of interest rate risk and share price fluctuation risk. Thus IBJL Group incorporates an integrated risk management system into our management policy in order to improve the stability of business. Namely, IBJL Group manages various quantified risks in an integrated fashion to control the total amount of risks under a certain level of net equity (business capacity) of the company. In addition, the measurement of risks is made monthly and the monitoring results are reported to the Board of Directors.

**(b) Credit risk management**

IBJL Group aims to minimize credit costs by optimizing its credit management structure at all stages of each transaction, from entrance to exit to manage the credit risks of business partners.

Firstly, at the initial stage of deal execution, IBJL Group grants a credit rating for each debtor under its client credit rating system and conducts a strict credit screening, makes judgments on contract arrangement based on the prospects of future value of leasing assets and, from the perspective of the avoidance of excessive concentrations of credit, IBJL Group monitors credit administration ceiling by using our credit monitoring systems by ratings. Furthermore, when IBJL Group starts dealing with new services or new products, IBJL Group thoroughly reviews the identification and evaluation of inherent risks made by the New Product Committee, whose members include executives in charge of control units. Any large contract and matters requiring complex risk judgment are deliberated and decided by the Credit Committee, whose members include the representative director and executives in charge of screening. By these means, IBJL Group reinforces risk management. Additionally, as an ongoing management measure IBJL Group provides necessary write-offs or allowances in accordance with the self-assessment rules for assets conforming to the financial inspection manual published by the Financial Services Agency, as recommended by "Temporary treatment of accounting and auditing on the application of accounting standard for financial instruments in the leasing industry". Furthermore, regarding credit risk management for the portfolio as a whole, through the quantification of the volume of the risk based on the credit rating of business customers, IBJL Group endeavors to minimize credit costs. Also, IBJL Group periodically follows up on non-performing assets and performs debt collection of assets for which IBJL Group has already provided reserves to facilitate final disposal of non-performing assets.

**(c) Market risk management**

IBJL Group establishes basic policies (e.g., funding policy, setting program for commercial paper, hedging policy, securities trading policy) that are designed based on market environments and financial strength at the Board of Directors meeting to control risks in line with financial operations. In addition, monthly ALM operating policies based on the basic policies, various kinds of position limits, and loss limits, etc. are determined on a monthly basis at the ALM Committee meeting, whose members include executives in charge of relevant departments, and IBJL Group strives to maintain stable earnings by controlling risk factors. Also, with regard to market transactions, in order to maintain a mutual check system, IBJL Group separately established the risk control department that is independent from departments that are responsible for executions or for approval of delivery settlement.

**(i) Interest rate risk management**

In order to manage interest rate risk, IBJL Group monitors the matching ratio (i.e., proportion of assets that is not exposed to interest rate risk without allocation of the matching fixed/floating interest bearing debt to entire assets) under ALM. Also, IBJL Group quantifies the interest rate and maturity of financial assets and liabilities based on \*BPV (Basis Point Value). IBJL Group analyzes and monitors them using a statistical technique such as \*VaR (Value at Risk).

In addition, the status of compliance to the rules etc. is managed by the risk control department.

Sensitivity to interest rate (10BPV) interest rate risk volume (VaR) figures in IBJL Group as of March 31, 2015 and 2014, is as shown below. The Internal Models Approach applied to measure VaR is based on the assumption that past price fluctuation follows normal distribution and the model calculates variance and covariance, based on which IBJL Group estimates maximum losses statistically (variance/covariance method).

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Sensitivity to interest rate (10BPV)	¥ (1,720)	¥ (1,510)	\$ (14,301)
Interest rate risk volume (VaR)	¥ 1,520	¥ 1,230	\$ 12,638

The VaR measurement method is as follows:

Variance covariance model for linear risk

Quantitative criteria:

- (1) Confidence interval: 99%;
- (2) Holding period of 1 month; and
- (3) Historical observation period of one year

**(ii) Price fluctuation risk management of securities such as stock**

Relating to the price fluctuation risk of securities, the risk management department captures the volume of the risk using VaR. In addition, it monitors the status of compliance with our internal rules.

VaR measurements in IBJL Group are shown below. To measure the VaR, IBJL Group created a model that shows price fluctuation of each stock based on the stock price index fluctuation. IBJL Group adopted the stock price fluctuation model that sets the stock price index fluctuation ratio represented by the risk factor of general market risk. Also, the inherent fluctuation portion of each stock that is unable to be shown by the stock price index is set as a risk factor of individual risk in our model.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Price variation risk of stock (VaR)	¥ 0	¥ 0	\$ 0

(Note) VaR value shown above reflects annual realized profit or loss (including impairment loss) and unrealized profit or loss, net of corporate income taxes.

VaR measurement method is as follows:

Quantitative criteria;

- (1) Confidence interval: 99%;
- (2) Holding period of 1 month; and
- (3) Historical observation period of one year

Market price at the measurement date is employed for marketable securities. The moving average acquisition costs or the amortized costs are used for other securities. General market risk (risk of suffering losses due to stock market movement) and individual risk (price variance risk due to factors associated with the issuer of stock) are calculated and combined. Individual risk for non-marketable securities is calculated assuming that the fluctuation ratio is 8%.

(iii) Derivative transactions

The derivative transactions carried out by IBJL Group mainly consist of interest rate swaps, entered as a part of ALM, to hedge the interest rate risks. The operating policy of hedging is determined at the monthly ALM council to control the interest rate risk. Also, from the operational control perspective, in order to ensure a checking function, IBJL Group adopts an organization clearly separating the transaction execution department from the market risk control department which is responsible for evaluation of the effectiveness of hedging transactions and the operations department which is responsible for delivery settlement. For the use of derivative transactions, IBJL Group enters into such transactions only with major financial institutions in order to mitigate counterparty risks.

**(d) Other price fluctuation risk management**

The risk mainly consists of real estate price fluctuation risks for specified bonds, preferred shares, investments in partnerships and non-recourse loans relating to a real estate finance vehicle. The risk is managed by estimating the fair value of real estate at exit and monitoring the quantified risk for loss of principal.

**(e) Liquidity risk management**

IBJL Group manages liquidity risk by diversifying the method of funding and balancing its long-term and short-term funding needs, depending upon the market environment.

(4) Supplemental explanation for quantitative information concerning market risk

Because quantitative information concerning market risk is based on statistical assumptions, the quantitative information may differ depending upon the quantitative basis and measurement method assumed. Also, the quantitative information is a statistical result based on certain assumptions. It is not intended to show the expected maximum losses. Because future market situations may differ considerably from past situations, there are many limitations on the quantitative data that are estimated using observation values of past data.

(Glossary)

\*BPV: BPV is one of the interest rate risk indices indicating the change in present value of subject assets or liabilities given a basis point (0.01%) change in interest rates. IBJL Group adopts 10 basis points (0.1%) as the basis for change of value.

\*VaR: VaR is a technique for estimating the probable maximum portfolio losses as a volume of risk when the market is affected adversely based on the statistical analysis of historical data under a given time and probability (99% one sided confidence interval).

(5) Supplemental explanation for fair values of financial instruments

Fair values of financial instruments are based on the quoted prices in active markets. If a quoted price is not available, another rational valuation technique is used instead. Such prices have been calculated using certain assumptions, and may differ if calculated based on different assumptions.

(a) Fair values of financial instruments

Millions of yen

March 31,	2015			2014		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Cash and Cash Equivalents	¥ 37,457	¥ 37,457	¥ —	¥ 35,954	¥ 35,954	¥ —
Securities <sup>(1)</sup>						
Available-for-sale Securities	32,559	32,559	—	27,539	27,539	—
Lease Receivables and Investments in Lease <sup>(2) (3) (4) (5)</sup>	805,022	820,009	14,986	746,304	760,734	14,429
Installment Sales Receivables <sup>(2) (6)</sup>	153,647	157,030	3,383	132,828	135,857	3,029
Loans Receivables <sup>(2)</sup>	232,199	244,452	12,253	244,110	255,217	11,107
Factoring Receivables <sup>(2)</sup>	128,489	130,008	1,518	114,430	116,193	1,762
Long-term Receivables <sup>(7)</sup>	6,828	6,828	—	9,097	9,097	—
Assets total	¥ 1,396,203	¥ 1,428,345	¥ 32,142	¥ 1,310,265	¥ 1,340,594	¥ 30,329
Short-term Borrowings	¥ 758,689	¥ 758,696	¥ (6)	¥ 710,315	¥ 710,307	¥ 8
Lease Payable	8,838	8,809	28	11,278	11,262	15
Accounts Payable — trade	61,889	61,655	233	76,625	76,192	432
Long-term Debt <sup>(8)</sup>	551,262	553,109	(1,847)	515,959	517,074	(1,115)
Liabilities total	¥ 1,380,679	¥ 1,382,271	¥ (1,592)	¥ 1,314,177	¥ 1,314,837	¥ (659)
Hedge accounting is not applied <sup>(9)</sup>	¥ —	¥ —	¥ —	¥ (676)	¥ (676)	¥ —
Hedge accounting is applied <sup>(9)</sup>	574	574	—	491	491	—
Derivative transactions total	¥ 574	¥ 574	¥ —	¥ (185)	¥ (185)	¥ —

Thousands of U.S. dollars

March 31,	2015		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and Cash Equivalents	\$ 311,442	\$ 311,442	\$ —
Securities <sup>(1)</sup>			
Available-for-sale Securities	270,717	270,717	—
Lease Receivables and Investments in Lease <sup>(2) (3) (4) (5)</sup>	6,693,460	6,818,070	124,609
Installment Sales Receivables <sup>(2) (6)</sup>	1,277,519	1,305,652	28,133
Loans Receivables <sup>(2)</sup>	1,930,649	2,032,534	101,885
Factoring Receivables <sup>(2)</sup>	1,068,344	1,080,971	12,627
Long-term Receivables <sup>(7)</sup>	56,773	56,773	—
Assets total	\$ 11,608,904	\$ 11,876,159	\$ 267,254
Short-term Borrowings	\$ 6,308,217	\$ 6,308,274	\$ (57)
Lease Payable	73,489	73,249	240
Accounts Payable — trade	514,584	512,646	1,938
Long-term Debt <sup>(8)</sup>	4,583,540	4,598,901	(15,362)
Liabilities total	\$ 11,479,830	\$ 11,493,070	\$ (13,240)
Hedge accounting is not applied <sup>(9)</sup>	\$ —	\$ —	\$ —
Hedge accounting is applied <sup>(9)</sup>	4,774	4,774	—
Derivative transactions total	\$ 4,774	\$ 4,774	\$ —

<sup>(1)</sup> Securities include Marketable Securities, Operational Investment Securities and Investment Securities.

<sup>(2)</sup> Lease Receivables and Investments in Lease, Installment Sales Receivables, Loans Receivables and Factoring Receivables are stated net of Allowance for Doubtful Receivables.

<sup>(3)</sup> Investments in Lease are stated net of estimated residual value of lease assets for finance leases that were deemed not to transfer ownership of the leased property to the lessee.

<sup>(4)</sup> The beginning balance of Investments in Lease for finance leases that were deemed not to transfer ownership of the leased property to the lessee and whose lease inception was before March 31, 2008, is an amount equal to the net carrying value (net of accumulated depreciation) of lease assets at the end of the preceding year in the year of initial application of the new accounting standard. Therefore, the carrying amount is different from the amount that is expected to be recovered.

<sup>(5)</sup> Unearned lease payments received are not included in Lease Receivables and Investments in Lease.

<sup>(6)</sup> Installment Sales Receivables are stated net of Deferred Profit on Installment Sales.

<sup>(7)</sup> Long-term Receivables are stated net of Allowance for Doubtful Receivables.

<sup>(8)</sup> Current Portion of Long-term Debt is included.

<sup>(9)</sup> Assets and liabilities incurred resulting from derivative transactions are netted. Net liability is presented in parenthesis.

Methods for determining the fair values of financial instruments are as follows:

**(a) Cash and Cash Equivalents**

The carrying values of bank deposits approximate fair values because of their short maturities.

**(b) Marketable Securities, Operational Investment Securities and Investment Securities**

The fair values of securities are measured at the quoted market price of the stock exchange for the equity instruments. The fair values of bonds are measured at the quoted price obtained from the financial institution for the debt instruments, or are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as interbank market rate plus a credit spread. Fair value information for securities by classifications is included in Note 3. Marketable Securities, Operational Investment Securities and Investment Securities.

**(c) Lease Receivables and Investments in Lease**

The fair values of Lease Receivables and Investments in Lease are principally determined by discounting the future cash flows (lease payments received less maintenance fees), by credit risk categories for risk management, at an appropriate benchmark rate such as interbank market rate plus a credit spread.

**(d) Installment Sales Receivables**

The fair values of Installment Sales Receivables are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as interbank market rate plus a credit spread.

**(e) Loans Receivables and Factoring Receivables**

The fair values of Loans Receivables and Factoring Receivables are determined by discounting the future cash flows, by credit risk categories for risk management, at an appropriate benchmark rate such as interbank market rate plus a credit spread.

**(f) Long-term Receivables**

The carrying values of Long-term Receivables at the balance sheet date (net of Allowance for Doubtful Receivables) approximate fair values, because the Allowance for Doubtful Receivables is determined based on the amount that is expected to be recovered from collateral and guarantees.

**(g) Short-term Borrowings**

The fair values of Short-term Borrowings are measured at the amount of principal plus interest to be paid at maturity discounted at an appropriate benchmark rate such as interbank market rate plus a credit spread.

**(h) Lease Payable**

The fair values of Lease Payable are principally determined by discounting the future cash flows at an appropriate benchmark rate such as interbank market rate plus a credit spread.

**(i) Accounts Payable — trade**

The carrying values of Accounts Payable - trade approximate fair values because they are settled within a short period. The fair values of long-term Accounts Payable are determined by discounting the future cash flows at an appropriate benchmark rate such as interbank market rate plus a credit spread.

**(j) Long-term Debt**

**Bonds Payable**

The fair values of Bonds Payable are measured at the amount of interest and principal to be paid at maturity discounted at an appropriate benchmark rate such as interbank market rate plus a credit spread.

**Long-term Debt from banks and other financial institutions**

The fair values of Long-term Debt from banks and other financial institutions are measured at the amount of interest and principal to be paid at maturity discounted at an appropriate benchmark rate such as interbank market rate plus a credit spread.



### Payables under Securitized Lease Receivables

The fair values of Long-term Debt under Securitized Lease Receivables are determined by discounting the future cash flows at an appropriate benchmark rate such as interbank market rate plus spread for securitization.

### (k) Derivatives

Fair value information for derivatives is included in Note 16.

### (b) Carrying amount of financial instruments whose fair values cannot be readily determined

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unlisted Stocks <sup>(1)</sup> <sup>(2)</sup>	¥ 10,801	¥ 9,695	\$ 89,815
Funds, Investments in Partnerships <sup>(3)</sup>	19,741	25,957	164,144
Preferred Equities <sup>(4)</sup>	1,865	607	15,507
Other <sup>(4)</sup>	2,247	1,335	18,683

(1) As unlisted stocks do not have quoted market prices in an active market and their fair values cannot be readily determined, they are excluded from the disclosure of market value information.

(2) The impairment loss on certain unlisted stocks for the year ended March 31, 2015 and 2014 was ¥14 million (\$118 thousand) and ¥18 million, respectively.

(3) As investments in funds and partnerships are composed of financial instruments whose fair values cannot be readily determined, such as unlisted stocks, they are excluded from the disclosure of market value information.

(4) As these financial instruments do not have quoted market prices in an active market and their fair values cannot be readily determined, they are excluded from the disclosure of market value information.

### (6) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
March 31, 2015	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and Cash Equivalents	¥ 37,457	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Available-for-sale Securities Bonds						
Corporate Bonds	—	—	3,338	—	5,500	1,900
Other	500	—	—	—	—	—
Other	3,540	3,932	1,005	5,518	5,577	5,344
Lease Receivables and Investments in Lease	267,118	192,477	134,760	90,087	63,307	64,245
Installment Sales Receivables	56,671	39,132	28,732	17,310	8,370	4,227
Loans Receivables	56,592	40,162	32,303	28,717	26,244	48,500
Factoring Receivables <sup>(1)</sup>	111,142	4,638	3,973	2,586	1,579	4,627
<b>Total</b>	<b>¥ 533,021</b>	<b>¥ 280,343</b>	<b>¥ 204,112</b>	<b>¥ 144,220</b>	<b>¥ 110,580</b>	<b>¥ 128,844</b>

	Thousands of U.S. dollars					
March 31, 2015	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Cash and Cash Equivalents	\$ 311,442	\$ —	\$ —	\$ —	\$ —	\$ —
Securities						
Available-for-sale Securities Bonds						
Corporate Bonds	—	—	27,754	—	45,730	15,798
Other	4,157	—	—	—	—	—
Other	29,435	32,699	8,360	45,888	46,375	44,437
Lease Receivables and Investments in Lease	2,220,988	1,600,375	1,120,479	749,044	526,378	534,176
Installment Sales Receivables	471,201	325,373	238,902	143,930	69,602	35,146
Loans Receivables	470,544	333,939	268,590	238,774	218,213	403,266
Factoring Receivables <sup>(1)</sup>	924,108	38,564	33,035	21,503	13,133	38,473
<b>Total</b>	<b>\$ 4,431,875</b>	<b>\$ 2,330,950</b>	<b>\$ 1,697,120</b>	<b>\$ 1,199,139</b>	<b>\$ 919,431</b>	<b>\$ 1,071,296</b>

(1) Factoring Receivables whose fair values are not measured under the disclosure requirements in Japan are not included in the above table.

(2) Please see Note 7 for annual maturities of Long-term Debt.

## 16. Derivatives

Derivative transactions to which hedge accounting is not applied:

Millions of yen

At March 31,	2015				2014			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:								
Selling U.S.\$	¥ —	¥ —	¥ —	¥ —	¥ 67	¥ —	¥ 0	¥ 0
Buying U.S.\$	¥ —	¥ —	¥ —	¥ —	¥ 61	¥ —	¥ (0)	¥ (0)
Non-deliverable forward:								
Selling Chinese Yuan	¥ —	¥ —	¥ —	¥ —	¥ 1,894	¥ —	¥ (676)	¥ (676)

Thousands of U.S. dollars

At March 31,	2015			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Foreign currency forward contracts:				
Selling U.S.\$	\$ —	\$ —	\$ —	\$ —
Buying U.S.\$	\$ —	\$ —	\$ —	\$ —
Non-deliverable forward:				
Selling Chinese Yuan	\$ —	\$ —	\$ —	\$ —

(\*1) The fair value of derivative transactions is measured at quoted prices obtained from financial institutions.

(\*2) The contract amounts which are shown in the above tables are the notional amounts of derivatives and do not measure IBJL's exposure to credit or market risks.

Derivative transactions to which hedge accounting is applied:

Millions of yen

At March 31,	2015				2014			
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps (payment - fixed rate, receipt - floating rate)	Long-term Debt	¥ 60,511	¥ 47,297	¥ (51)	Long-term Debt	¥ 54,863	¥ 32,224	¥ (148)
	Operational Investment Securities	¥ —	¥ —	¥ —	Operational Investment Securities	¥ 300	¥ —	¥ (1)
Interest rate and currency swaps (payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars)	Short-term Borrowings, Long-term Debt	¥ 4,720	¥ 2,200	¥ 625	Short-term Borrowings, Long-term Debt	¥ 4,438	¥ 2,215	¥ 641

Thousands of U.S. dollars

At March 31,	2015			
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps (payment - fixed rate, receipt - floating rate)	Long-term Debt	\$ 503,131	\$ 393,262	\$ (426)
	Operational Investment Securities	\$ —	\$ —	\$ —
Interest rate and currency swaps (payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars)	Short-term Borrowings, Long-term Debt	\$ 39,251	\$ 18,298	\$ 5,200

(\*1) The fair value of derivative transactions is measured at quoted prices obtained from the financial institutions.

(\*2) The contract amounts which are shown in the above tables are the notional amounts of derivatives and do not measure IBJL's exposure to credit or market risks.

Foreign currency forward contracts to which specific accounting is applied:

The following foreign currency forward contracts which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value but any differences between the foreign exchange contract rates and historical rates resulting from the translation of receivables and payables are recognized as income or expense over the lives of the related contracts. In addition, the fair value of such foreign currency forward contracts in Note 15 is included in that of the hedged items (i.e. Lease Receivable, or Installment Sales Receivable).

Millions of yen

At March 31,	2015			2014		
	Hedged item	Contract Amount	Contract Amount due after One Year	Hedged item	Contract Amount	Contract Amount due after One Year
Foreign currency forward contracts:	Lease Receivable	¥ 33	¥ —	Lease Receivable	¥ —	¥ —
Selling U.S.\$	Installment Sales Receivable	¥ 7	¥ —	Installment Sales Receivable	¥ —	¥ —

Thousands of U.S. dollars

At March 31,	2015		
	Hedged item	Contract Amount	Contract Amount due after One Year
Foreign currency forward contracts:	Lease Receivable	\$ 276	\$ —
Selling U.S.\$	Installment Sales Receivable	\$ 65	\$ —

Interest rate swaps to which specific accounting is applied:

The following interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 15 is included in that of the hedged items (i.e. Long-term Debt).

Millions of yen

At March 31,	2015			2014		
	Hedged item	Contract Amount	Contract Amount due after One Year	Hedged item	Contract Amount	Contract Amount due after One Year
Interest rate swaps (payment - fixed rate, receipt - floating rate)	Long-term Debt	¥ 79,795	¥ 61,008	Long-term Debt	¥ 111,440	¥ 74,884

Thousands of U.S. dollars

At March 31,	2015		
	Hedged item	Contract Amount	Contract Amount due after One Year
Interest rate swaps (payment - fixed rate, receipt - floating rate)	Long-term Debt	\$ 663,471	\$ 507,259

## 17. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized Gain on Available-for-sale Securities			
Gains arising during the year	¥ 4,254	¥ 2,093	\$ 35,371
Reclassification adjustments to profit or loss	(367)	(714)	(3,055)
Amount before income tax effect	3,886	1,379	32,316
Income tax effect	1,087	487	9,039
Total	¥ 2,799	¥ 891	\$ 23,277
Deferred Loss on Derivatives under Hedge Accounting			
Losses arising during the year	¥ (398)	¥ 247	\$ (3,313)
Reclassification adjustments to profit or loss	484	187	4,029
Amount before income tax effect	86	434	716
Income tax effect	33	113	281
Total	¥ 52	¥ 321	\$ 435
Foreign Currency Translation Adjustments			
Adjustments arising during the year	¥ 915	¥ 999	\$ 7,609
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	915	999	7,609
Income tax effect	—	—	—
Total	¥ 915	¥ 999	\$ 7,609
Defined Retirement Benefit Plans			
Adjustments arising during the year	¥ 434	¥ —	\$ 3,614
Reclassification adjustments to profit or loss	(11)	—	(97)
Amount before income tax effect	422	—	3,517
Income tax effect	137	—	1,142
Total	¥ 285	¥ —	\$ 2,375
Share of Other Comprehensive Income in associates			
Gains arising during the year	¥ 191	¥ 175	\$ 1,592
Reclassification adjustments to profit or loss	—	—	—
Total	¥ 191	¥ 175	\$ 1,592
<b>Total Other Comprehensive Income</b>	<b>¥ 4,244</b>	<b>¥ 2,387</b>	<b>\$ 35,288</b>

## 18. Net Income per Share

Details of basic net income per share ("EPS") for the years ended March 31, 2015 and 2014 were as follows:

For the year ended March 31,	2015				2014			
	Millions of yen	Thousands of shares	Yen	U.S. dollars	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Net income	Weighted average shares	EPS		Net income	Weighted average shares	EPS	
Basic EPS								
Net income available to common shareholders	¥ 11,144	42,648	¥ 261.32	\$ 2.17	¥ 10,531	39,779	¥ 264.75	\$ 2.20

## 19. Subsequent Events

- (1) IBJL merged with Nissan Leasing Co., Ltd., (“Nissan Lease”), a 100 percent owned subsidiary on April 1, 2015, based on the resolution by the Board of Directors held on January 22, 2015 (the “Merger”).

Transactions under common control, etc.

- (a) Outline of the transactions:

- (i) The name of the concerning companies and the description of the business:

The name of the concerning companies:

IBJ Leasing Company, Limited, the surviving company

Nissan Leasing Co., Ltd., the absorbed company

The description of the business:

A comprehensive leasing business

- (ii) Effective date of the business combination:

April 1, 2015

- (iii) Legal form of the business combination:

An absorption-type merger, with IBJL, as the surviving company and Nissan Lease, as the absorbed company

- (iv) Company name after the merger:

IBJ Leasing Company, Limited

- (v) Outline of the transaction

Nissan Lease has been engaged in the wide range of transactions with automotive manufacturers, automotive parts suppliers and automotive sales companies, as one of the core company of IBJL Group, since IBJL purchased its share from Nissan Motor Co., Ltd. in February 1999.

The Merger aims to obtain more diversified financial needs of the customers by integrating the specialization in the automotive industry owned by Nissan Lease and the financial know-how owned by IBJL.

IBJL Group will make an effort to obtain the wide range of customer needs from the viewpoint of industry and/or commercial distribution, in addition to the business development based of the ongoing forth mid-term management plan. IBJL Group also aims to expand the customer base by strengthening the relationship with the business partners including the closely related financial institutions.

- (b) Accounting treatment applied for this business combination

This business combination was accounted for as transactions under common control in accordance with “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and “Guidance for Business Combinations and Business Divestitures” (ASBJ Statement No. 10, September 13, 2013).

- (2) Appropriation of Retained Earnings

On May 11, 2015, the Board of Directors of IBJL resolved to propose the payment of the year-end cash dividends to its shareholders registered as of March 31, 2015 as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥28.00 (\$0.23) per share	¥ 1,194	\$ 9,929

## Deloitte.

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### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of IBJ Leasing Company, Limited:

We have audited the accompanying consolidated balance sheet of IBJ Leasing Company, Limited and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in 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.

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of IBJ Leasing Company, Limited and its consolidated subsidiaries as of March 31, 2015, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Convenience Translation

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

*Deloitte Touche Tohmatsu LLC*

June 22, 2015

Member of  
Deloitte Touche Tohmatsu Limited

# Corporate Information

## Corporate Profile (As of March 31, 2015)

<b>Company Name</b>	IBJ Leasing Company, Limited
<b>Head Office</b>	2-6 Toranomom 1-chome, Minato-ku, Tokyo 105-0001, Japan Tel: +81-3-5253-6511 (main exchange)
<b>Date of Establishment</b>	December 1, 1969
<b>Paid-in Capital</b>	¥17,874,190,000
<b>Number of Employees</b>	Consolidated: 1,036; Non-consolidated: 525
<b>Business Description</b>	Integrated financial services (leasing, rental, installment sales, and financial services related to industrial equipment and machine tools, construction equipment, automobiles, vessels, aircraft, information equipment, medical equipment and real estate)

## History

<b>December 1969</b>	Pacific Lease Company, Limited is established under the initiative of The Industrial Bank of Japan, Ltd. (now Mizuho Bank, Ltd.) with the participation of life insurance companies and major companies representing Japanese industries.
<b>January 1972</b>	Begins vendor leases of construction equipment.
<b>December 1972</b>	Begins vessel financing overseas.
<b>November 1981</b>	Changes trading name to IBJ Leasing Company, Limited.
<b>December 1982</b>	Begins leveraged leasing of aircraft.
<b>October 1985</b>	Undertakes Japan's first rolling stock leasing.
<b>July 1993</b>	Undertakes securitization of lease receivables funding using a trust scheme.
<b>April 1998</b>	IBJ Auto Lease Company, Limited is established.
<b>November 1998</b>	Begins full-scale business in structured finance.
<b>February 1999</b>	Acquires Nissan Leasing Co., Ltd. from Nissan Motor Group.
<b>June 2000</b>	Acquires Saison Auto Lease Systems Co., Ltd. from Credit Saison Group (now, IBJ Auto Lease Company, Limited).
<b>December 2000</b>	Awarded ISO 9001 certification for management of business quality (all departments).
<b>June 2001</b>	Acquires Universal Leasing Co., Ltd. from Sankyu Group.
<b>October 2004</b>	Shares listed on the Second Section of the Tokyo Stock Exchange.
<b>September 2005</b>	Designated an issue on the First Section of the Tokyo Stock Exchange.
<b>October 2005</b>	KL Insurance & Co., Ltd. is spun off as a subsidiary specializing in life insurance sales.
<b>March 2006</b>	Acquires Dai-ichi Leasing Co., Ltd. from the Dai-ichi Mutual Life Insurance Group.
<b>September 2006</b>	Acquires The Higashi-Nippon Leasing Corporation from Higashi-Nippon Bank Group.
<b>March 2007</b>	Acquires The Toho Lease Co., Ltd. (Toho Bank Group), making this company an equity-method affiliate.
<b>March 2008</b>	Awarded certification under the ISO 14001 standard for environmental management. (all departments and major domestic Group companies)
<b>July 2008</b>	Acquires Juhachi Sogo Lease Co., Ltd. (The Eighteenth Bank Group), making this company an equity-method affiliate. IBJ Leasing (China) Ltd. is established.
<b>August 2010</b>	PT. IBJ VERENA FINANCE is established in Jakarta, Indonesia.
<b>February 2012</b>	Acquires TF Asset Service Co., Ltd. (now, IBJL-TOSHIBA Leasing Company, Limited and a consolidated subsidiary), a receiver company succeeding the corporate financial services business split off from Toshiba Finance Corporation Acquires Toshiba Medical Finance Co., Ltd. (now, a consolidated subsidiary)

# Stock Information

(As of March 31, 2015)

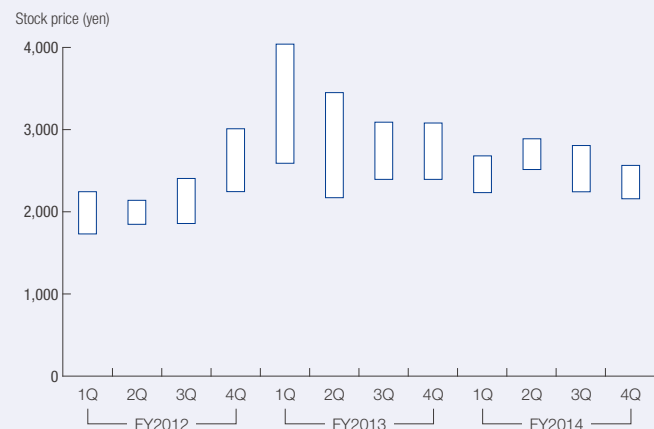
Number of Shares Authorized	140,000,000
Number of Shares Issued	42,649,000
Number of Shareholders	27,337

## Major Shareholders

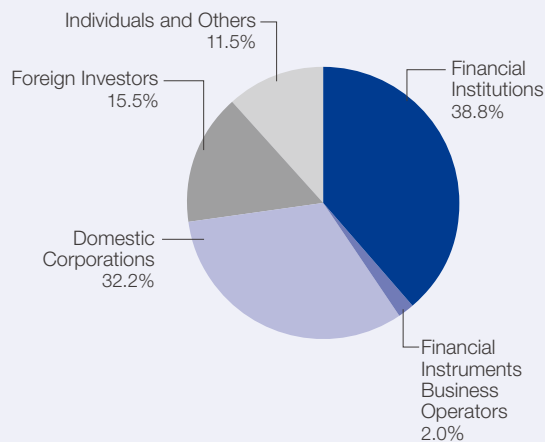
Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio* (%)
The Dai-ichi Life Insurance Company, Limited	2,930	6.87
NISSAN MOTOR CO., LTD. Retirement Benefit Trust Account, with the trustee being Mizuho Trust & Banking Co., Ltd., and re-trustee Trust & Custody Services Bank, Ltd.	1,750	4.10
Mizuho Bank, Ltd.	1,626	3.81
Jowa Holdings Company, Limited.	1,546	3.62
RBC ISB A/C DUB NON RESIDENT-TREATY RATE	1,300	3.04
Meiji Yasuda Life Insurance Company	1,251	2.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,128	2.64
DOWA HOLDINGS Co., Ltd.	1,120	2.62
NIPPON STEEL KOWA REAL ESTATE CO., LTD.	975	2.28
The Kyoritsu Co., Ltd.	949	2.22
Japan Trustee Services Bank, Ltd. (Trust Account)	940	2.20
Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by the Mitsui Sumitomo Trust & Banking Co., Ltd.)	900	2.11
Tosoh Corporation	720	1.68
Fuji Heavy Industries Ltd.	720	1.68
Credit Saison Co., Ltd.	670	1.57
The Shiga Bank, Ltd.	670	1.57
Iino Kaiun Kaisha, Ltd.	666	1.56
Sompo Japan Nipponkoa Insurance Inc.	600	1.40
Nippon Life Insurance Company	504	1.18
The Tokyo Tomin Bank, Ltd.	500	1.17

\*Percentage of the total number of shares issued.

## Stock Performance



## Distribution of Shareholders

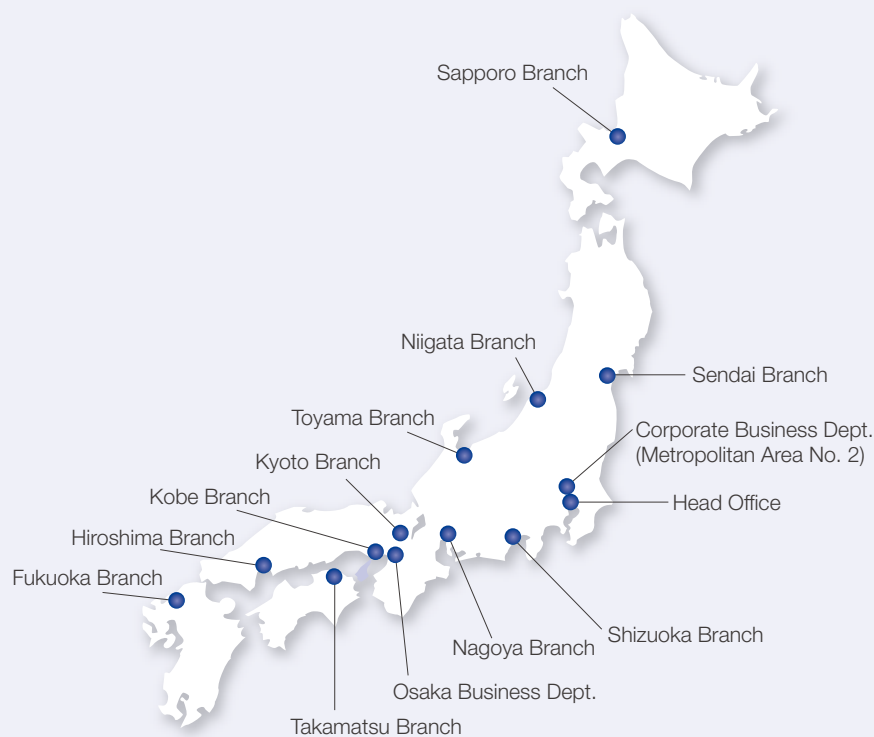




## Headquarters and Branches

(As of July 31, 2015)

Head Office	2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	TEL. +81-3-5253-6511 FAX. +81-3-5253-6501
Sapporo Branch	2, Kita 1-jo Nishi 5, Chuo-ku, Sapporo, Hokkaido 060-0001	TEL. +81-11-231-1341 FAX. +81-11-231-5727
Sendai Branch	4-1, Ichiban-cho 2-chome, Aoba-ku, Sendai, Miyagi 980-0811	TEL. +81-22-223-2611 FAX. +81-22-266-9556
Corporate Business Dept. (Metropolitan Area No. 2)	96-1, Miyacho 2-chome, Omiya-ku, Saitama, Saitama 330-0802	TEL. +81-48-631-0751 FAX. +81-48-631-0754
Niigata Branch	866, Rokuban-cho, Nishihori-dori, Chuo-ku, Niigata, Niigata 951-8061	TEL. +81-25-229-7800 FAX. +81-25-229-7741
Toyama Branch	5-13, Sakurabashi-dori, Toyama, Toyama 930-0004	TEL. +81-76-444-1080 FAX. +81-76-444-1083
Shizuoka Branch	5-9, Miyuki-cho, Aoi-ku, Shizuoka, Shizuoka 420-0857	TEL. +81-54-205-3330 FAX. +81-54-205-3331
Nagoya Branch	11-11, Nishiki 1-chome, Naka-ku, Nagoya, Aichi 460-0003	TEL. +81-52-203-5891 FAX. +81-52-203-9025
Kyoto Branch	659, Tearaimizu-cho, Nishikikozi-agaru, Karasuma-dori, Nakagyo-ku, Kyoto, Kyoto 604-8152	TEL. +81-75-223-1545 FAX. +81-75-223-1571
Osaka Business Dept.	1-1, Koraihashi 4-chome, Chuo-ku, Osaka, Osaka 541-0043	TEL. +81-6-6201-3981 FAX. +81-6-6222-2541
Kobe Branch	69, Kyomachi, Chuo-ku, Kobe, Hyogo 650-0034	TEL. +81-78-392-5440 FAX. +81-78-392-5441
Hiroshima Branch	1-22, Kamiyacho 2-chome, Naka-ku, Hiroshima, Hiroshima 730-0031	TEL. +81-82-249-4435 FAX. +81-82-249-8232
Takamatsu Branch	6-8, Bancho 1-chome, Takamatsu, Kagawa 760-0017	TEL. +81-87-823-7321 FAX. +81-87-823-7324
Fukuoka Branch	13-2, Tenzin 1-chome, Chuo-ku, Fukuoka, Fukuoka 810-0001	TEL. +81-92-714-5671 FAX. +81-92-715-0553



# Major Group Companies

(As of July 31, 2015)

	Paid-in Capital or Investment	Business Activity	Ownership
<b>Network in Japan</b>			
<b>IBJL-TOSHIBA Leasing Co., Ltd.</b> 2-6, Toranomom 1-chome, Minato-ku, Tokyo 105-0001 TEL. +81-3-5253-6700	¥1,520 million	General leasing	90%
<b>Dai-ichi Leasing Co., Ltd.</b> 2-6, Toranomom 1-chome, Minato-ku, Tokyo 105-0001 TEL. +81-3-3501-5711 FAX. +81-3-3501-5748	¥2,000 million	General leasing	90%
<b>IBJ Auto Lease Company, Limited</b> 2-6, Toranomom 1-chome, Minato-ku, Tokyo 105-0001 TEL. +81-3-5253-6800 FAX. +81-3-5253-6805	¥386 million	Auto leasing	100%
<b>Toshiba Medical Finance Co., Ltd.</b> 15-2, Hongo 3-chome, Bunkyo-ku, Tokyo, 113-0033 TEL. +81-3-3813-1021 FAX. +81-3-3813-6864	¥120 million	General leasing	65%
<b>Universal Leasing Co., Ltd.</b> 5-3, Kachidoki 6-chome, Chuo-ku, Tokyo 104-0054 TEL. +81-3-3536-3981 FAX. +81-3-3536-3892	¥50 million	General leasing	90%
<b>The Higashi-Nippon Leasing Corporation</b> 2-6, Toranomom 1-chome, Minato-ku, Tokyo 105-0001 TEL. +81-3-5253-6818 FAX. +81-3-5253-6823	¥100 million	General leasing	95%
<b>KL Lease &amp; Estate Co., Ltd.</b> 2-6, Toranomom 1-chome, Minato-ku, Tokyo 105-0001 TEL. +81-3-5253-6833 FAX. +81-3-5253-6834	¥10 million	Building leasing	100%
<b>KL &amp; Co., Ltd.</b> 2-6, Toranomom 1-chome, Minato-ku, Tokyo 105-0001 TEL. +81-3-5253-6835 FAX. +81-3-5253-6837	¥10 million	Used equipment sales	100%
<b>KL Insurance &amp; Co., Ltd.</b> 2-6, Toranomom 1-chome, Minato-ku, Tokyo 105-0001 TEL. +81-3-5253-6826 FAX. +81-3-5253-6827	¥10 million	Life insurance sales	100%
<b>KL Office Service Company, Limited</b> 2-6, Toranomom 1-chome, Minato-ku, Tokyo 105-0001 TEL. +81-3-5253-6840 FAX. +81-3-5253-6839	¥10 million	Office services	100%
<b>Juhachi Sogo Lease Co., Ltd.*</b> 4-18, Doza-machi, Nagasaki, Nagasaki 850-0841 TEL. +81-95-822-1171 FAX. +81-95-826-8860	¥895 million	General leasing	17.3%
<b>Overseas network</b>			
<b>IBJ Leasing (China) Ltd.</b> (Shanghai Head Office) Room 08-10, 20F, Metro Plaza, No. 555, Loushanguan Road, Changning District, Shanghai, PRC (200051) TEL. +86-21-6229-0022 FAX. +86-21-6241-5670 (Guangzhou Branch) Room 1336, 13F Teem Tower, 208 Tianhe Road, Tianhe District, Guangzho, PRC (510620) TEL. +86-20-2826-1841 FAX. +86-20-2826-1990	US\$30,000 thousand	General leasing	100%
<b>PT. IBJ VERENA FINANCE</b> Sentral Senayan III, 13th Floor., Jl. Asia Afrika No. 8, Gelora Bung Karno, Senayan, Jakarta Pusat 10270, Indonesia TEL. +62-21-2966-0780 FAX. +62-21-2966-0781	IDR171,000,000 thousand	General leasing	82.5%
<b>IBJ Leasing (UK) Ltd.</b> Bracken House, One Friday Street, London EC4M 9JA, U.K. TEL. +44-20-7236-2222 FAX. +44-20-7236-5555	GBP6,000 thousand	General leasing	100%
<b>Krung Thai IBJ Leasing Co., Ltd.*</b> 18th Floor, Nantawan Bldg., 161 Rajdamri Road, Lumpini, Pathumwan, Bangkok 10330, Thailand TEL. +66-2-252-9620 FAX. +66-2-254-6119	THB100,000 thousand	General leasing	49%
<b>PNB-IBJL Leasing and Finance Corporation*</b> 7th Floor, Salustiana D. Ty Tower, 104 Paseo de Roxas, Legaspi Village, Makati City, Metro Manila, Philippines TEL. +63-2-892-5555 FAX. +63-2-893-0032	PHP450,000 thousand	General leasing	25%

\*Affiliates accounted for under the equity method

**Investor Relations**

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Corporate Planning Department  
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