



Annual Report 2014

For the fiscal year ended March 31, 2014

IBJ LEASING CO., LTD.



IBJ Leasing Company, Limited (the “Company”) 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 (the “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.





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

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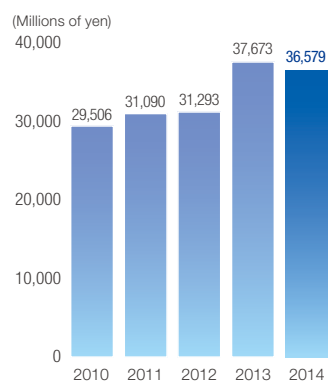
Consolidated Financial Highlights

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

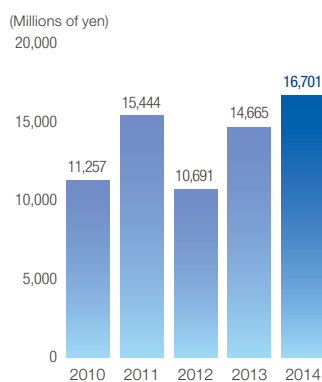
(Millions of yen)

	2010	2011	2012	2013	2014
Summary of income:					
Revenues	263,598	256,059	270,066	352,492	354,779
Gross profit	29,506	31,090	31,293	37,673	36,579
Operating income	11,257	15,444	10,691	14,665	16,701
Net income	7,019	9,025	4,296	8,920	10,531
Financial position:					
Operating assets	935,223	928,633	1,211,268	1,263,116	1,343,046
Total assets	1,017,099	1,028,020	1,332,963	1,372,246	1,462,183
Interest-bearing debt	868,631	877,629	1,133,481	1,176,464	1,226,274
Equity	63,342	69,392	74,717	84,905	109,840
Per share data: (Yen)					
Net income	193.91	249.33	118.71	246.43	264.75
Equity	1,709.86	1,889.18	1,954.63	2,218.77	2,458.28
Dividend	44.00	46.00	48.00	50.00	54.00
Key indicators: (%)					
ROE	12.0	13.9	6.2	11.8	11.4
Equity ratio	6.1	6.7	5.3	5.9	7.2

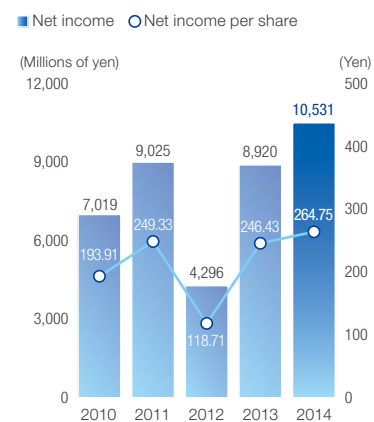
Gross Profit



Operating Income



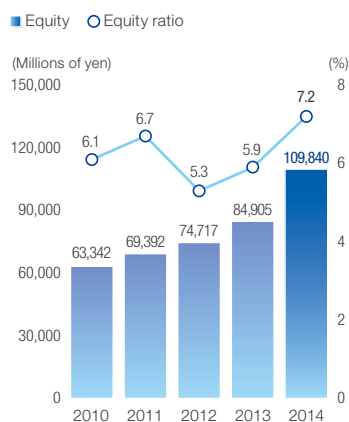
Net Income/Net Income per Share



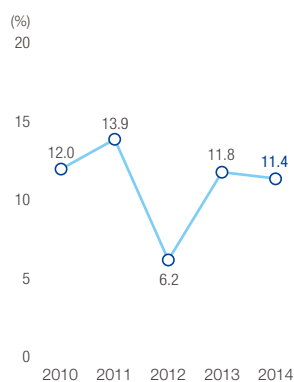
Fiscal 2013 Highlights

- >> By identifying diverse needs, we increased our balance of operating assets to ¥1,343.0 billion, exceeding our target for the fiscal year of ¥1,300.0 billion.
- >> By minimizing the impact of the drop in interest rates and making improvements on the cost front, we increased income substantially at every level, achieving net income of ¥10.5 billion.
- >> Due to increased investment and steady growth in income, equity exceeded ¥100.0 billion, and the equity ratio rose to 7.2%.
- >> The annual dividend per share increased for the 12th consecutive year.

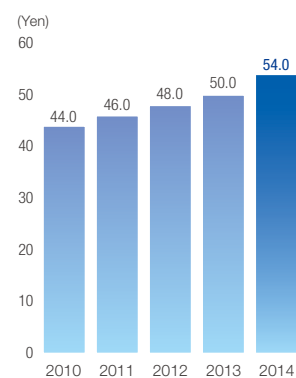
Equity/Equity Ratio



ROE



Dividend per Share





Economic Environment in Fiscal 2013

In fiscal 2013, the year ended March 31, 2014, the global economy was characterized by ongoing recovery, albeit moderate, centered on advanced countries. Although economic growth leveled off in China and some other emerging markets, the U.S. economy performed robustly, with personal consumption and exports expanding. In Europe, as the financial uncertainty waned the region showed signs of an upturn, led by a recovery in exports.

In the Japanese economy, substantially higher exports and rising external demand pushed up performance. Internal demand also continued to expand gradually, and the economy benefited from a spike in housing investment and personal income ahead of the consumption tax hike.

In the leasing industry, improvements in corporate operating performance and a rebound in economic activity prompted a gradual recovery in capital investment. Leasing demand continued showing signs of bottoming out, and transaction volume for the leasing industry as a whole was up from the previous year's level.

In the financial markets, in April 2013 the Bank of Japan resolved to introduce monetary easing measures both quantitative and qualitative. The bank pursued aggressive monetary easing by making substantial purchases of Japanese government bonds (JGBs), pushing down short-term interest rates to low and stable levels. Although long-term interest rates spiked at one point during the year, they later subsided, falling gradually from that point to the end of the fiscal year.

The Final Stage of the Third Medium-Term Management Plan

The IBJ Leasing Group put forth every effort to promote the Third Medium-Term Management Plan, a three year plan introduced in fiscal 2011. As a result, in fiscal 2013—the final year for the plan—we successfully met all the plan's numerical targets and built solid foundations for



growth over the medium to long term by expanding our sales foundation and augmenting our augment basic earnings potential.

As a result, in addition to achieving results in line with the plan's theme, "Step up as a multi-modal corporate financial services group," we met our numerical targets on both the sales and the profit fronts and firmed up our foundations for sustained growth.

On the sales front, in leasing and installment sales we worked aggressively to uncover underlying demand for capital investment, concentrating on large companies seeing their results improve thanks to the upturn in the domestic and overseas economic recovery. We also continued striving to cultivate business with companies benefiting from internal demand and developing their businesses energetically in response to the recovery in personal income. In the fields of distribution and retailing and medical and nursing care, we conducted comprehensive proposal based sales answering a broad range of financial management needs, such as shifting assets off their balance sheet, diversifying sources of funding and equalizing costs. Our customer base steadily expanded as a result, and our transactions grew more diverse. We reinforced our sales in other sectors, including information and communications, distribution, and energy and other industrial fields, aiming to capture demand for increased investment to augment capacity in response to the recovery in domestic demand. In financing, we stepped up our efforts in specialized financing, such as new energy-related overseas project finance and, in aircraft, financing engines as well as airframes. By responding vigorously to diverse financing needs, we increased the number of fields in which we conduct transactions. In corporate finance, we addressed a wide range of financial needs on the part of our clients, including financial strategies for reducing interest-bearing debt and improving cash flow, and we steadily expanded our business in such areas as the acquisition of sales receivables and liquidization of occupancy guarantee deposits. Asia continued to be a focus of our overseas business. To uncover financing needs by Japanese companies that are accelerating the development of their businesses overseas,

A Message from the President

our domestic departments and overseas bases undertook proactive and concerted efforts to fortify ties with domestic companies with a view to involvement in large-scale projects. At the same time, our overseas offices worked independently to cultivate business with large-scale manufacturers in their home markets, striving to accumulate high-quality assets. Consequently, contracts executed for the Group as a whole and operating assets grew steadily.

On the profit front, operating in an environment characterized by low ongoing interest rates investment yields fell unavoidably due the switching of assets, but by curtailing funding costs and credit costs, we succeeded in recording double-digit increases in operating income, income before income taxes and minority interests and net income.

New Medium-Term Management Plan

Going forward, in the IBJ Leasing Group's operating environment we expect capital investment to continue growing on the back of stronger corporate earnings. In addition to the Japanese government's growth strategies beginning to take shape, we anticipate a rise in public-sector investment for crisis countermeasures and infrastructure for the upcoming Tokyo Olympics. The Japanese economy should continue on its path to modest recovery as a result. Although the competitive environment in the leasing industry is likely to remain fierce, the IBJ Leasing Group will continue endeavoring to expand its business opportunities by taking advantage of future economic recovery and uncovering corporate funding needs.

Against this backdrop, in April 2014 the IBJ Leasing Group launched a new medium-term management plan for the next three fiscal years.

The IBJ Leasing Group's vision for itself is to become a "General financial services group fully in tune with needs and trends of the time, uniquely positioned to grow with clients." To achieve this aim, the plan is themed on the idea of "Challenging for renewed growth," inspiring us to further augment our customer base and business domains, continuing a process that we have pursued over the past several years as the business environment and social structure have changed. While aiming to positively differentiate ourselves as a general financial services group, we will support corporate growth by meeting broad-ranging customer needs. We will also be more proactive in responding to changes in our operating environment. To achieve these aims, on the sales front our basic strategies are to expand our core businesses (leasing, installment sales and financing), augment our specialized financing portfolio and reinforce and expand overseas business. We will hone our sales skills and strive to further enhance our operating assets, earnings and profits. Supporting our sales strategies on the operational front, we will step up our level of sophistication in risk management, optimize operations and systems, and cultivate and enhance human resources with specialized expertise. By doing so, we aim to respond quickly and accurately to changes in the operating environment, thereby maximizing the IBJ Leasing Group's combined expertise.



Enhancing Corporate Governance and Promoting CSR

The IBJ Leasing Group recognizes that as a company it must fulfill the roles and responsibilities that this existence as a public entity implies and work to maintain the satisfaction and earn the trust of all its stakeholders. For these reasons, we consider enhancing and strengthening corporate governance to be among our most important management priorities. Based on this understanding, we have reinforced our management supervisory function with the addition of highly independent outside executives and taken other steps to enhance our structure. We maintain robust internal management structures through the effective and appropriate operation of our internal control system, thorough compliance and establishment of a crisis management system that functions during disasters and other unexpected events. Furthermore, under its new medium-term management plan, the IBJ Leasing Group aims to make further progress as an organization. To achieve this, we believe that the growth of each individual employee is extremely important. Accordingly, we support human resource development by conducting a host of training programs and a career enhancement program. To foster an appropriate work-life balance among our employees, we have introduced a number of systems to ensure that in addition to providing a workplace that is safe and rewarding, we also support diverse working styles.

In addition, the Group promotes corporate social responsibility (CSR) as an integral and ongoing part of its business activities. We aim to further enhance our corporate value by contributing toward a sustainable society.

Dividends

The Company's basic policy on shareholder returns is to pay dividends in accordance with business performance. 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, taking into account our earnings capabilities and medium- to long-term growth strategies.

In line with this policy, in fiscal 2013, we continued to increase shareholder returns by raising the dividend ¥4, to ¥54 per share. We augmented the year-end dividend ¥2 above what we had initially forecast as a result of our strong operating performance and to commemorate the successful conclusion of our previous medium-term management plan. This rise marked the 12th consecutive year of dividend increases. Based on our dividend policy and annual profit expectations, we expect to raise the dividend per share an additional ¥2 in fiscal 2014, to ¥56 per share, amounting to the 13th consecutive year of dividend increases.

Fiscal 2014 is the first year of the IBJ Leasing Group's new medium-term management plan. This is an important year for us, as it should put us more firmly on the path toward stable growth. We will work together as a group to progress steadily in line with the medium-term management plan's basic strategies, in line with our aim of further enhancing assets and profits. We ask for the continued understanding and support of our stakeholders in the coming years.

President and CEO





Overview of the Fourth Medium-Term Management Plan

The Third Medium-Term Management Plan in Review

The IBJ Leasing Group introduced its previous three-year plan, the Third Medium-Term Management Plan, in fiscal 2011. Striving to “Step up as a multimodal corporate financial services group,” we steadily implemented the plan’s priority initiatives and responded to changes in the business environment and social structure with initiatives to expand our customer base and business domains.

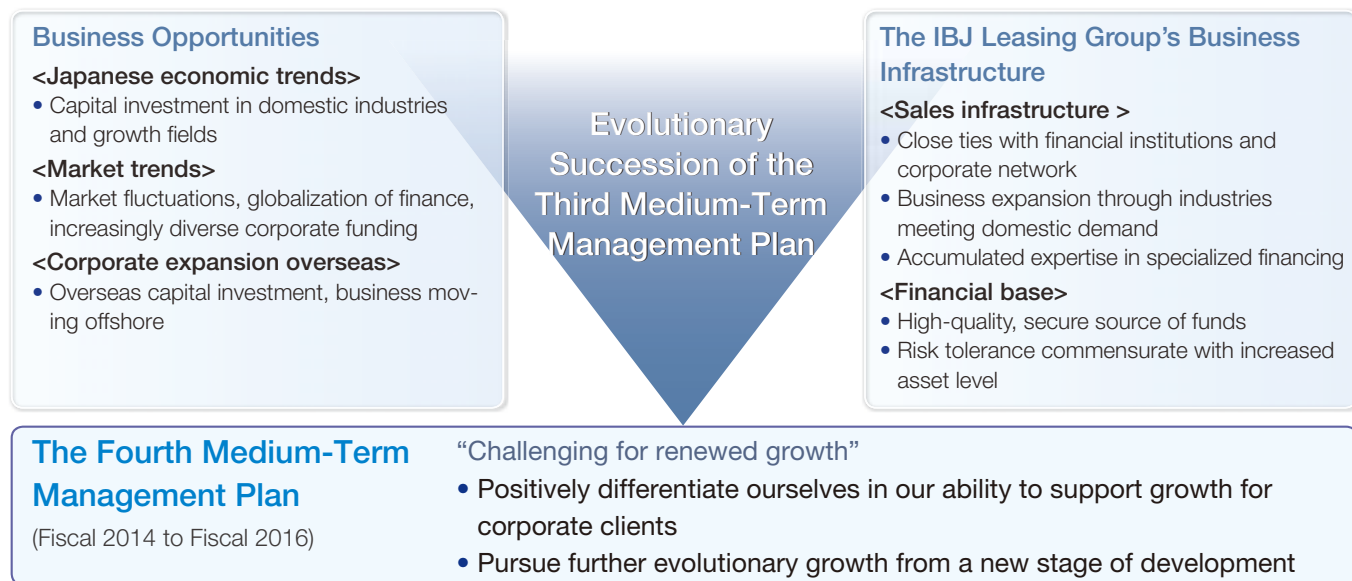
During the first year of the plan, we acquired two Toshiba Group financing companies, significantly expanding our business infrastructure. Also, in September 2013 we increased our capital through a public offering, securing sufficient fund-

ing for future growth and reinforcing our financial stability. Through these moves, we concentrated on shoring up our base of operations to support aggressive sales efforts as the economy moves to a recovery phase.

As a result, in fiscal 2013, the final year of the medium-term management plan, we met its targets: operating assets of ¥1.2 trillion, net income of ¥10 billion and ROE of 10% or higher. We recorded operating assets of ¥1,343.0 billion, net income of ¥10.5 billion and ROE of 11.4%, firming up our base for sustained growth.

The Fourth Medium-Term Management Plan

Fiscal 2014 marks 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.



<Vision>

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

<Basic Strategies>
We are promoting four basic strategies to meet the medium-term management plan’s objectives.



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

<Overview of the Basic Strategies>

1. Further enhance core earnings and build robust business infrastructure

We will continue to promote business in growth areas, further increasing our involvement in core businesses. At the same time, we will conduct collaborative sales with financial institutions with which we have strong ties and augment our business infrastructure by deepening relationships in business domains in which we have close customer connections.

3. Build robust infrastructure and expand business areas for offshore businesses

We will continue working with Japanese companies that are expanding their operations overseas, particularly within Asia. We will also work to expand our business domains, including by developing business with non-Japanese companies. In tandem with these efforts, we will reinforce foreign currency funding capabilities and increase our level of sophistication in foreign currency ALM.

2. Improve quality and volume of specialized finance portfolio

In addition to financing of real estate, vessels and aircraft, we will undertake proactive initiatives in overseas project finance and other aspects of the specialized financial sector. Through such efforts that leverage our distinctiveness as a leasing company, we will seek to identify business opportunities and increase our asset quality and quantity.

4. Build business infrastructure reflecting changes in business environment

We will seek to enhance and optimize our sales support functions with the aims of stepping up sales capabilities and responding more adroitly to changes in the business environment. We will also strengthen and enhance human resources, increasing our sales staff and accelerating moves toward globalization.

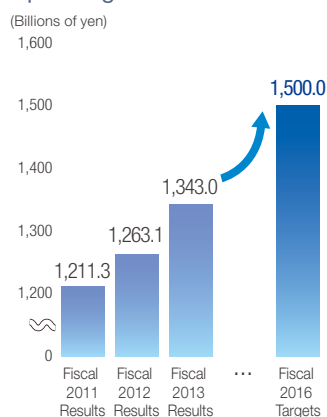
Sustainable growth based on further consolidation of the asset and earnings base

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

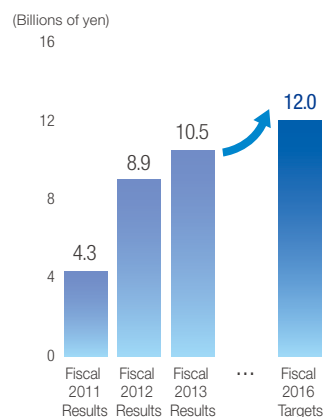
As a result of these measures, by the final year of the plan, fiscal 2016, our consolidated numerical targets are **operating assets of ¥1.5 trillion** and **net income of ¥12 billion**.

	Fiscal 2013 Results	Fiscal 2016 Targets
Operating assets	¥1,343.0 billion	¥1,500.0 billion
Net income	¥10.5 billion	¥12.0 billion

Operating Assets



Net Income





The IBJ Leasing Group comprises IBJ Leasing, 22 consolidated subsidiaries and three equity-method affiliates (as of March 31, 2014). Centered on this structure, we provide wide-ranging financial services, including leasing, installment sales and loans by utilizing its 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 is a financial service by 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

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

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