

Annual Report 2016

For the fiscal year ended March 31, 2016



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 and factory 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

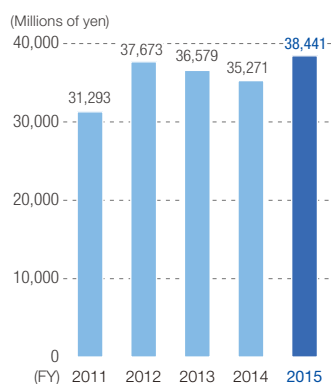
IBJ Leasing Company, Limited and consolidated subsidiaries

(Millions of yen)

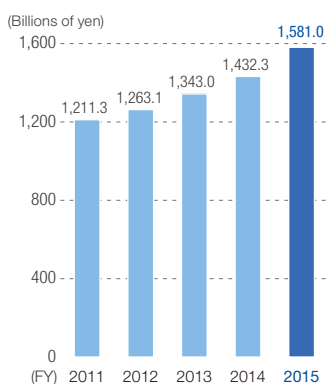
	FY2011	FY2012	FY2013	FY2014	FY2015
Summary of income:					
Revenues	270,066	352,492	354,779	353,733	364,174
Gross profit	31,293	37,673	36,579	35,271	38,441
Operating income	11,125	15,366	17,405	18,972	18,570
Net income attributable to owners of the parent*	4,296	8,920	10,531	11,144	11,609
Financial position:					
Operating assets	1,211,268	1,263,116	1,343,046	1,432,299	1,581,025
Total assets	1,332,963	1,372,246	1,462,183	1,551,704	1,718,720
Interest-bearing debt	1,133,481	1,176,464	1,226,274	1,309,951	1,465,584
Equity	74,717	84,905	109,840	123,297	132,786
Per share data: (Yen)					
Net income	118.71	246.43	264.75	261.32	272.20
Equity	1,954.63	2,218.77	2,458.28	2,764.23	2,978.61
Dividend	48.00	50.00	54.00	56.00	60.00
Key indicators: (%)					
ROE	6.2	11.8	11.4	10.0	9.5
Equity ratio	5.3	5.9	7.2	7.6	7.4

*Effective from the beginning of fiscal year 2015, the Company has adopted the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan Statement No. 21, issued on September 13, 2013), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013). In applying these revised accounting standards, "Net income" was changed to "Net income attributable to owners of the parent."

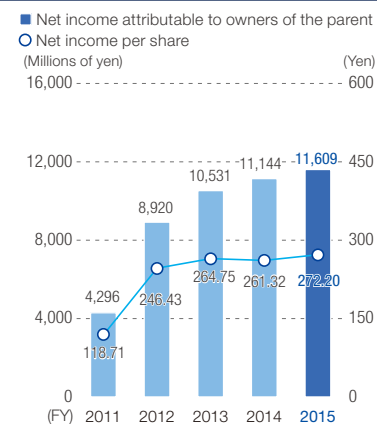
Gross Profit



Operating Assets



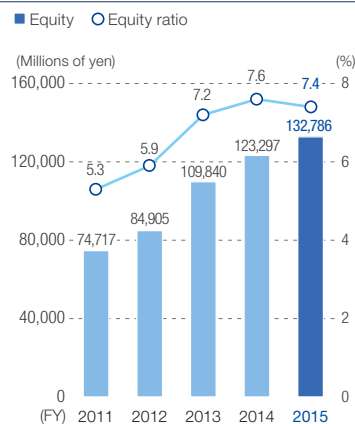
Net Income Attributable to Owners of the Parent/Net Income per Share



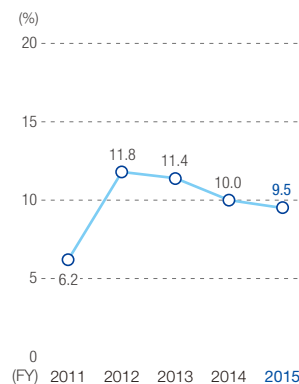
Fiscal 2015 Highlights

- ▶ By promoting the basic strategies of the Fourth Medium-Term Management Plan, we achieved steady growth in profits, moving gross profit back upward.
- ▶ Operating assets rose to ¥1,581.0 billion, resulting in the early achievement of our target for the final year of the Medium-Term Management Plan: operating assets of ¥1,500.0 billion.
- ▶ By strengthening our earnings base, for the third straight fiscal year we achieved the highest level to date of net income attributable to owners of the parent.
- ▶ The annual dividend per share increased for the 14th consecutive year.

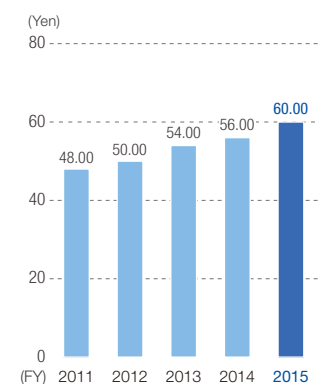
Equity/Equity Ratio



ROE



Dividend per Share





Foreword

My heart goes out to all the people whose lives were affected by the 2016 Kumamoto earthquakes. We pray for the earliest possible recovery of the affected region, and will do everything possible to assist in the area's reconstruction through our business activities.

The IBJ Leasing Group's Business Strategies

Under the theme of "Challenging for renewed growth," the IBJ Leasing Group is pursuing its Fourth Medium-Term Management Plan for the three years from fiscal 2014 through fiscal 2016. On the sales front, this plan has three basic strategies: enhancing our core businesses, improving our specialized financing portfolio and reinforcing and expanding our overseas businesses. In line with our vision of being a multimodal financial services group fully in tune with the needs and trends of the times and uniquely positioned to grow with clients, this plan calls for us to support our clients by providing diverse financial services that are not limited to leasing and at the same time continue progressing in response to the changing times and operating environment.

External Environment in Fiscal 2015

In fiscal 2015, the year ended March 31, 2016, the U.S. and European economies continued to recover, owing to an improved employment and income environment and a rebound in personal consumption, shoring up the global economy. However, slowing growth in the Chinese



economy and a decline in resource prices prolonged the economic stagnation in emerging markets, causing the global economic recovery to be modest.

The Japanese economy was characterized by ongoing improvements in corporate operating performance, particularly at large companies, and capital expenditure continued to be firm. However, personal consumption was less than robust. This factor, combined with overseas economic deceleration, stock price declines from the beginning of 2016 and ongoing yen appreciation made the outlook increasingly uncertain and caused the economy to remain at a standstill.

The leasing industry experienced a rebound from the drop in demand stemming from the fiscal 2014 consumption tax hike, and leasing transaction volumes were up year on year across the industry.

In addition, financial markets were affected by falling interest rates, due to ongoing monetary easing by the Bank of Japan (BOJ). At the beginning of 2016, the BOJ introduced a negative interest rate policy for the first time in Japan's history, causing short- and long-term interest rates to fall and driving long-term interest rates into negative territory.

Performance During the Second Year of the Fourth Medium-Term Management Plan

Under these economic circumstances, the IBJ Leasing Group continued to make steady progress according to the three basic strategies of its Fourth Medium-Term Management Plan. We achieved the plan's final-year target of ¥1,500.0 billion in operating assets ahead of schedule. Successful efforts to acquire highly profitable projects led to ongoing increases in profitability,

A Message from the President

boosting net income attributable to owners of the parent to record levels for the third consecutive year.

On the sales front, we continued stepping up comprehensive proposal-based sales efforts to meet clients' broad-based needs in leasing and installment sales. We also maintained our recent focus on enhanced initiatives targeting distribution, retailing and other businesses based on internal demand, expanding our client base. In the real estate-related business, in addition to land and building leases for the distribution and retail sectors we expanded REIT-related business transactions for large-scale distribution and commercial facilities involving leading real estate companies.

In the financial sector, we proposed solutions to match clients' financial strategies, such as diversification of funding and introducing cash flow controls. We also introduced initiatives that take into account changes in the operating environment, such as financing related to corporate capital policies.

In the aircraft-related business, which we are positioning as an area of focus, we formed a joint venture with leading U.S. aircraft leasing company Aircastle Limited, establishing IBJ Air Leasing Limited to concentrate exclusively on aircraft operating leases. In addition to traditional financing targeting aircraft and engines, we aim to expand our business infrastructure further by embarking on the business of owning aircraft.

In the overseas business, given the current deceleration in Asian economies we strove to meet diverse corporate needs while monitoring risks carefully. Furthermore, we are working to reinforce our base of operations over the medium to long term in a number of ways, such as by targeting blue-chip non-Japanese companies.

Enhancing Corporate Governance and Promoting CSR

To live up to the trust and expectations of all its stakeholders, the IBJ Leasing Group is augmenting its corporate governance in line with the gist and spirit of the Japanese Corporate Governance Code. In addition to the management of an effective and appropriate internal control system, 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 fact, we are working to establish an organizational culture of diversity that embraces diverse human resources and have set up the new Diversity Promotion Division to this end. In addition to the advancement of women, this office will focus on efforts to invigorate the workplace by fostering diverse human resources, unfettered by such constraints as gender, nationality or age.

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 plan 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 2015 we continued to increase shareholder returns by raising the dividend ¥4, to ¥60 per share. Based on our dividend policy and annual profit expectations, we expect to raise the dividend per share an additional ¥2 in fiscal 2016, to ¥62 per share, amounting to the 15th consecutive year of dividend increases.

Fiscal 2016 Management Policies

In fiscal 2016, we expect the Japanese economy to continue its modest recovery on the back of falling crude oil prices and robust corporate earnings. However, given such factors as the sluggishness in personal consumption, economic deceleration overseas and lackluster exports stemming from yen appreciation, we believe the economy may be at risk of a downturn.

Taking these environmental conditions into account, in fiscal 2016, the final year of the Medium-Term Management Plan, the IBJ Leasing Group will execute its plans to reach its profit targets. Fiscal 2016 will also be an important year for the Group in terms of cultivating business in new domains that will serve as steppingstones to growth over the medium to long term. We will continue working to meet clients' needs by making comprehensive proposals and accelerate our approach toward sectors where demand for funds is expected. We will endeavor to boost profitability in our core businesses, centering on leasing and installment sales, and take changes in the economic environment as an opportunity to focus on establishing a stable earnings base through the quality and quantity of our specialized financing portfolio. While controlling risk, we will pursue activities in highly profitable fields and strive to expand our business domain as further efforts toward becoming a multimodal financial services group.

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

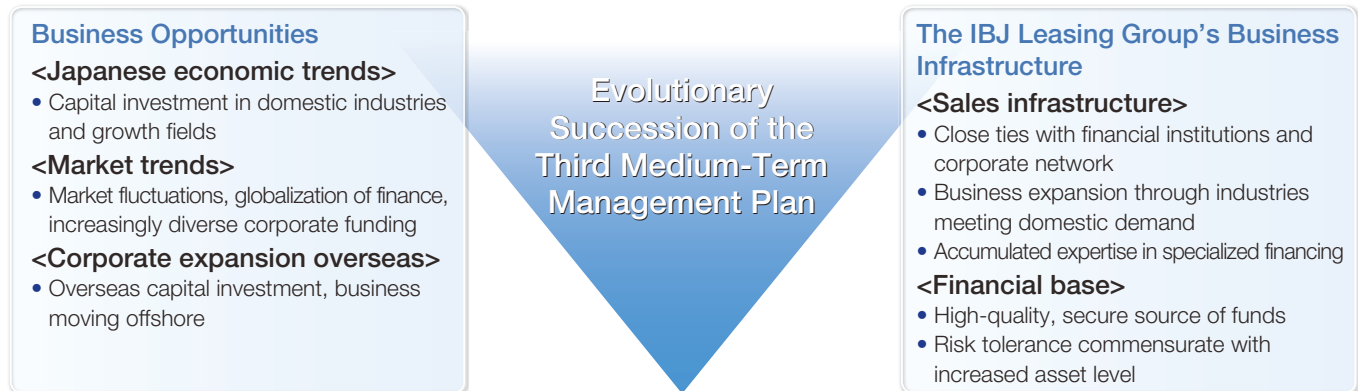
Hiwshi Motoyama

President and CEO



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 multimodal 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

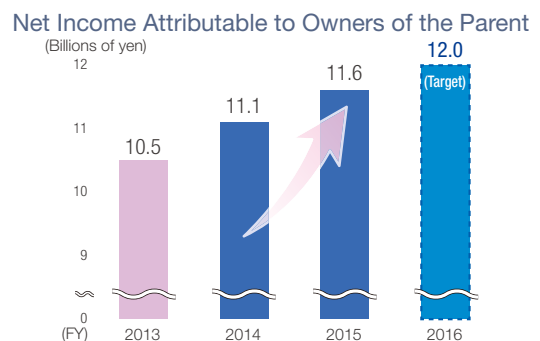
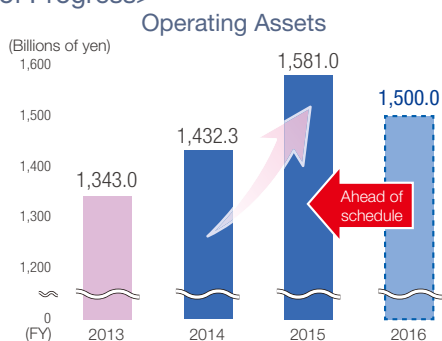
▶ Vision **A multimodal financial services group fully in tune with needs and trends of the times, uniquely positioned to grow with clients**

▶ 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

Achieving Stable Growth through Further Increases in Assets and Earnings

<State of Progress>



Fourth Medium-Term Management Plan

Fourth Medium-Term Management Plan

Operating Performance

By making steady progress according to our basic strategies, we continued to increase profitability and took steady steps toward achieving our targets for the final fiscal year.

(1) Leasing and Installment Sales

- We engaged in projects involving large-scale capital expenditures, mainly for large companies.
- We continued to strengthen efforts targeting distribution, retailing and other businesses based on internal demand.
 - We undertook projects taking advantage of subsidies to install environment-related equipment and securitized tenant security deposits in line with shop openings.
 - We collaborated with a large-scale store developer to expand real estate leasing.
- We increased REIT-related transactions for large-scale distribution facilities involving leading real estate companies.
- As a joint venture with a leading U.S. aircraft leasing company, we established IBJ Air Leasing Limited, which concentrates exclusively on aircraft operating leases.

(2) Financing

- We proposed solutions to match clients' financial strategies, such as diversification of funding.
 - We undertook initiatives involving the securitization of receivables and the guarantee business.
- In aircraft financing, we increased our handling of aircraft-collateralized loans to prominent airlines.
- We introduced initiatives that take into account changes in the operating environment, such as finance related to corporate capital policies.

(3) Overseas Businesses

- Amid deceleration in Asian economies, we met diverse corporate needs while monitoring risks carefully.
- We promoted efforts to reinforce our base of overseas businesses over the medium to long term.
 - We targeted blue-chip non-Japanese companies.
 - We engaged in energy-related finance through a tie-up with a leading Japanese company.
 - We undertook sales financing for medical equipment.
- We acquired an auto leasing business from a Thai leasing company.

Fiscal 2016 Management Policies

We will execute plans to reach our profit targets*.

- We will promote comprehensive proposal-based sales that meet clients' needs and bolster profitability in core businesses.
- Taking changes in the economic environment as an opportunity, we will establish an earnings base through a specialized financing portfolio.

*Net income attributable to owners of the parent: ¥12.0 billion

We will put in place the steppingstones to cultivate new business domains.

- While controlling risk, we will pursue activities in highly profitable fields and expand our business domain.

We aim to take further steps toward becoming a multimodal financial services group.

The IBJ Leasing Group comprises IBJ Leasing, 22 consolidated subsidiaries and three equity-method affiliates (as of March 31, 2016). 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
- Aircraft Leasing
- Simple Financing
- 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, aircraft, vessels 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
- Aircraft Financing
- Vessel 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, Investment Management 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 also provides investment management services to clients considering the investment of surplus funds.

Products and Services

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

Review of Operations

In fiscal 2015, the Japanese economy was characterized by ongoing improvements in corporate operating performance, particularly at large companies, and capital expenditure continued to be firm. However, personal consumption was less than robust. This factor, combined with overseas economic deceleration, stock price declines from the beginning of 2016 and ongoing yen appreciation made the outlook increasingly uncertain. As a result, the improvement fell short of a full-fledged economic recovery.

Amid these conditions, the IBJ Leasing Group continued to work proactively on initiatives during the term of its Fourth Medium-Term Management Plan, which lasts three years, from fiscal 2014 through fiscal 2016. On the sales front, we made steady progress according to the plan's three basic strategies—enhancing our core businesses (leasing, installment sales and financing), improving our specialized financing portfolio, and reinforcing and expanding our overseas businesses. Consequently, profitability continued to rise, and we met our final-year operating asset target of ¥1,500.0 billion ahead of schedule.

As a new business development, we formed a joint venture with leading U.S. aircraft leasing company Aircastle Limited, establishing IBJ Air Leasing Limited to concentrate exclusively on aircraft operating leases

Leasing and Installment Sales

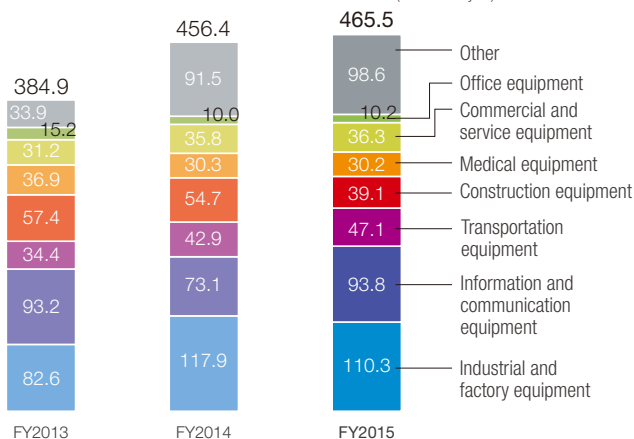
Leasing and installment sales contracts executed in fiscal 2015 increased ¥9.1 billion (2.0%), year on year, to ¥465.5 billion, and operating assets increased ¥73.2 billion (7.1%), year on year, to ¥1,105.8 billion. We worked to accurately capture business partners' capital expenditure projects and strove to expand our client base through further efforts to meet diverse needs with comprehensive proposal-based sales. We also continued with strategic sales efforts targeting sectors we view as potential business opportunities.

In terms of results by equipment type, in our traditionally core area of industrial and factory equipment we generated contracts of more than ¥100.0 billion through large-scale

capital expenditure projects by large companies. In information and communication equipment, performance grew substantially as we cultivated new business with major telecommunications companies. In construction equipment, contracts executed declined due to the pullback following an earlier surge in demand ahead of stricter emissions regulations, but transportation equipment performance continued to grow. As in the preceding fiscal year, this expansion centered on vehicle-related projects. In recent years, in the "others" category we have been strengthening alliances with leading store developers and real estate companies, increasing real estate lease transactions.

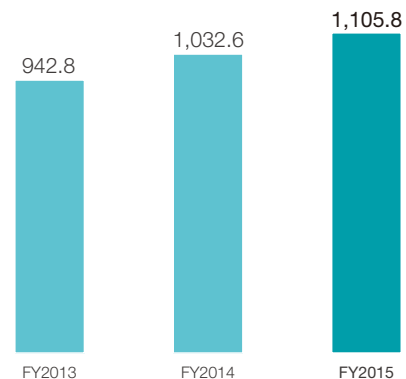
Leasing and Installment Sales

Contract Execution Volume (Billions of yen)



Balance of Operating Assets in Leasing

and Installment Sales (Billions of yen)



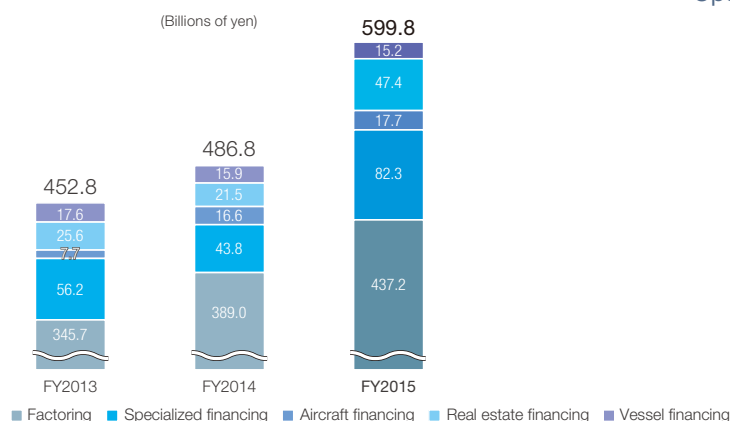
Financing

In fiscal 2015, the Group's contract execution volume in the financial sector increased ¥113.0 billion (23.2%), to ¥599.8 billion. Operating assets rose ¥75.5 billion (18.9%), from their level on March 31, 2015, to ¥475.2 billion.

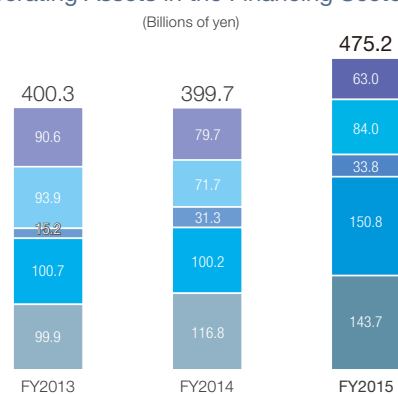
By segment, in factoring we steadily increased transaction volumes in receivables financing. In specialized financing, we responded promptly to changes in the operating environment, such as in financing related to corporate capital policies, to proactively pursue projects. These efforts led to significant increases in contract execution volumes and balances.

In aircraft financing, we experienced large early redemptions, but we accumulated superior assets while diversifying risks, notably in loans where aircraft are used as collateral to prominent overseas airlines and operating lease companies. In terms of real estate financing, we curtailed activities involving non-recourse loans and engaged in diverse initiatives to meet transaction partners' needs. As a result, execution volume expanded to more than twice the previous year's figure and operating assets expanded. In vessel financing, we concentrated on acquiring excellent assets while monitoring risks carefully.

Contract Execution Volume in the Financial Sector



Operating Assets in the Financing Sector



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 2015, in addition to targeting Japanese companies as a basic area of conventional overseas business, we pursued business by monitoring risk carefully with blue-chip non-Japanese companies and semi-Japanese companies—such as those involved in Japanese companies' sales channels. We are striving to expand our business domain, including through energy-related finance through an alliance with a major Japanese company and medical- and healthcare-related sales financing.

In May 2016, we acquired an auto leasing business from a Thai leasing company, KTB Leasing Co., Ltd., to expand our base of operations in Thailand.

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. The IBJ Leasing Group actively meets client needs for introducing used equipment and facilities and the disposal of idle assets through its subsidiary KL & Co., Ltd., utilizing its property appraisal expertise and network of trading companies specialized in used equipment and facilities.

New Initiatives in the Aircraft-Related Business

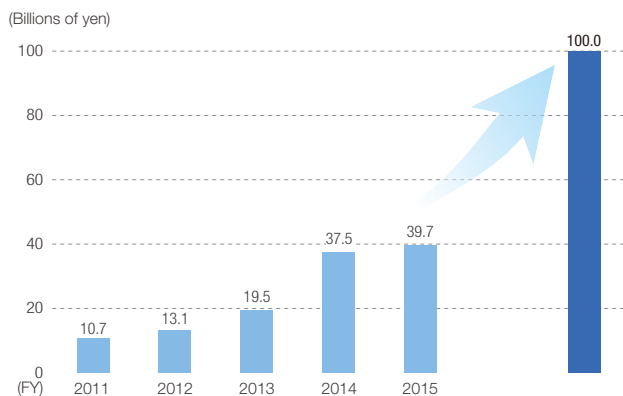
The Fourth Medium-Term Management Plan, which is currently in force, positions the aircraft-related business as a focus area where global market growth is expected. We are steadily building up operating assets in this area through efforts focusing on loans to prominent overseas airlines that use aircraft and engines as collateral.

In addition to these initiatives, in February 2016 we expanded our activities in the aircraft-related business domain and boosted our presence in the global market through a joint

venture with U.S. aircraft leasing company Aircastle Limited, establishing IBJ Air Leasing Limited to concentrate exclusively on aircraft operating leases.

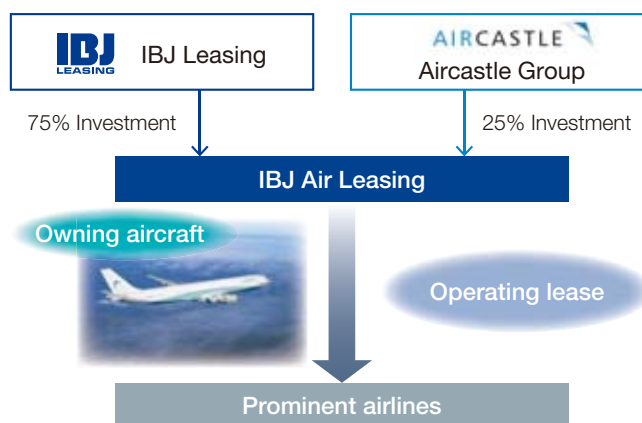
In addition to traditional financing-type business concentrated on loans where aircraft are used as collateral, the IBJ Leasing Group will expand its business domains by embarking on the business of owning aircraft, leveraging the expertise of Aircastle Limited. Through this endeavor, we aim to expand operating assets and further increase profitability.

Aircraft-related Business Assets



Note: Assets above include aircraft leases.

IBJ Air Leasing



Acquisition of an Auto Leasing Business from a Thai Company

In 1992, we established Krung Thai IBJ Leasing Co., Ltd., as a joint venture with parties including Krung Thai Bank, a prominent government-affiliated Thai bank. For more than 20 years, the IBJ Leasing Group has been providing financial services, focused on leasing for business partners and local enterprises expanding their businesses in Thailand.

In May 2016, we expanded our base of operations in Thailand further through the acquisition of an auto leasing business from a local leasing company, KTB Leasing Co., Ltd. Going forward, we plan to inaugurate a new automobile leasing service that includes maintenance, accelerating the expansion of our business base in Thailand. The IBJ Leasing Group will leverage the leasing knowledge it has accumulated to date to provide local business partners with ongoing business development support on the financial front.



Left: Mr. Chairat Kamonoratep (president of KTB Leasing Co., Ltd.)
 Right: Mr. Charoenchai Panichboon (president of Krung Thai IBJ Leasing Co., Ltd.)

Enhancing Our Core Businesses

The Fourth Medium-Term Management Plan identifies enhancing our core businesses (leasing, installment sales and financing) as one of the basic strategies for the IBJ Leasing Group. In this respect, we are conducting comprehensive proposal-based sales to meet clients' needs and making approaches in areas forecast for growth, such as industries based on internal demand.

Providing Clients with Optimal Products and Services

Keisei Transit Bus Co., Ltd., is a Keisei Group company that engages in bus operations mainly in Chiba Prefecture, including transportation contracts for both shared transit and chartered operations. By providing safe transport and quality services to passengers, the company serves as an important component of the region's transport infrastructure.

Using our knowledge about equipment and leasing with regard to the introduction of buses for business use, we helped the client fund its capital expenditure.

By providing optimal products and services that meet various needs on the management and financial fronts, we are providing proactive support for clients' capital expenditures.



Building a New Regional Medical Care System

Tochigi-Medical-Center was established to merge three acute-care hospitals in the city of Tochigi in the aim of establishing a new regional medical care system. The center was the focus of attention from many quarters, being one of Japan's first examples of merging hospitals differing in scale, history, origin and legal characteristics and then reorganizing their acute care, recovery and recuperation, and health and

welfare functions to provide medical services.

We took part in the new hospital construction and relocation plan from the early stages, meeting frequently with our client, liaising with Siemens Healthcare K.K. and proposing solutions optimized to address client's issues. As a result, the center elected to use our leases when introducing magnetic resonance imaging (MRI) machines and angiographic instruments.



Magnetic resonance imaging (MRI)



Angiography system

Initiatives to Promote the Advancement of Women

As a multimodal financial services group targeting corporate clients, the IBJ Leasing Group strives to contribute to society at large by providing valuable financial services that will lead to an abundant future. To achieve this goal, we consider it important to employ human resources with diverse perspectives and values stemming from a variety of experiences and capabilities. At the same time, we believe in the need for dynamic organizational management that fosters an environment where each employee feels their work is valuable.

Based on this understanding, the IBJ Leasing Group is working to support the enhancement of capabilities and career development of its female employees, thereby increasing their motivation to work and, by supporting their successes, aiming at a more invigorating working environment.

SAKURA, a Project Team to Promote the Advancement of Women

In October 2014, we launched the SAKURA project team to promote the advancement of women. Comprising diverse members from different departments, fields of business and of different ages, the team is designed to further enhance the capabilities and promote the success of female employees. Over the past two years, SAKURA has actively engaged in

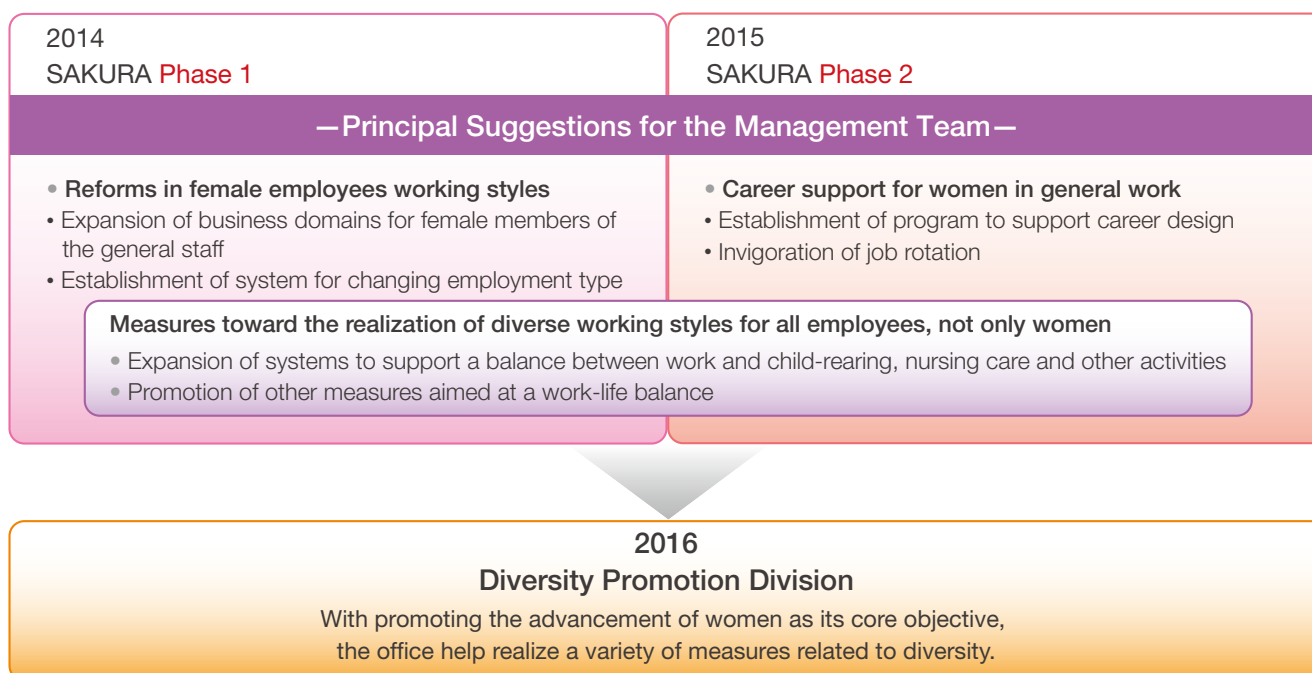
opinion exchanges on topics such as ideals for the advancement of women and a fulfilling workplace environment. These discussions culminated in the formulation of measures for the advancement of women. The project team made suggestions to the management team and held reporting meetings targeting employees.

Establishment of the Diversity Promotion Division

Based on the expertise and results obtained through the SAKURA project team to promote the advancement of women, in April 2016 we established the Diversity Promotion Division within our Personnel Department. In addition to the advancement of women, this office will strive to invigorate diverse human resources, unfettered by such constraints as gender, nationality or age, and establish an organizational

culture of diversity.

Based on the belief that people are human resources, the Diversity Promotion Division will work to create cooperative structures and build internal awareness focused on respecting a host of perspectives and values and maximizing each employee's capabilities.



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 ¥400.0 billion, and IBJL-TOSHIBA Leasing of ¥150.0 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

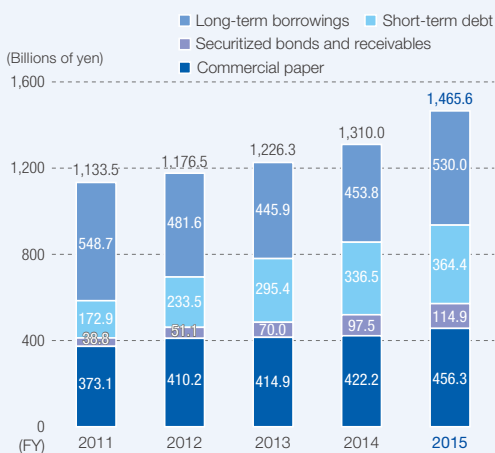
such as delta and value at risk (VaR). We have formulated ALM policies based on these analyses, and work to ensure smooth funding and cost control by flexibly implementing those policies in day-to-day operations.

2. Funding in Fiscal 2015

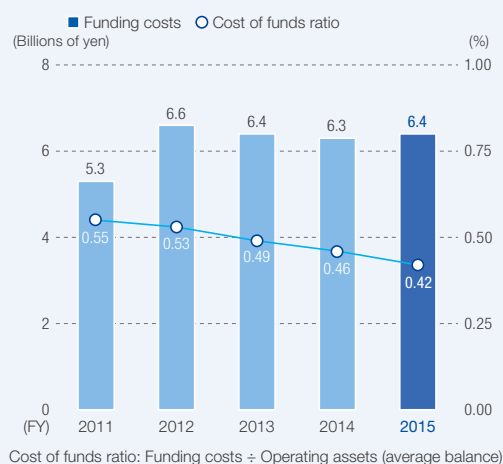
Looking at yen interest rate trends in fiscal 2015, ongoing monetary easing measures by the Bank of Japan (BOJ) resulted in continued low interest rates. At the beginning of 2016, the BOJ introduced a negative interest rate policy for the first time in Japan's history, causing short- and long-term interest rates to fall and driving long-term interest rates into negative territory.

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 expansion of operating assets the Group's interest-bearing debt increased ¥155.6 billion compared with the previous fiscal year-end, to ¥1,465.6 billion. The increase in funding costs, on the other was limited to ¥20 million year on year, and the cost of funds ratio continued falling, to 0.42%.

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

The Company's Board of Directors currently has seven members, of whom two are independent outside directors. This arrangement helps ensure the appropriateness of the supervisory function and decision making by the board.

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

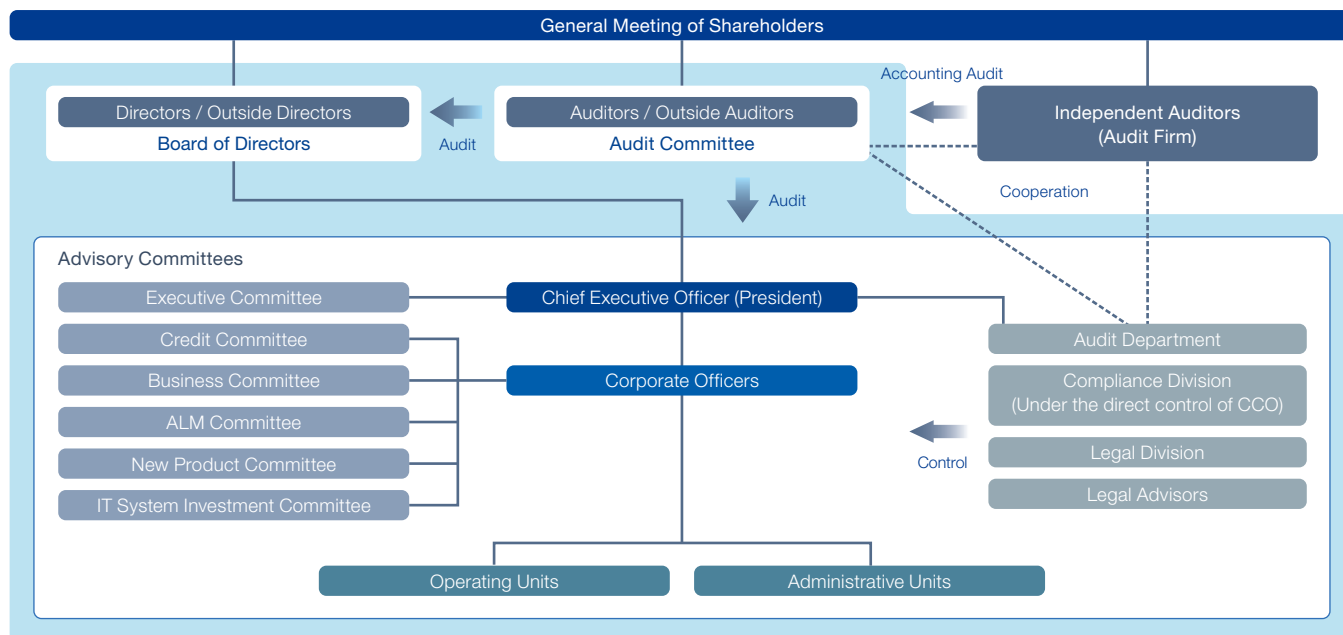
The Company has adopted a "company with auditors" system consisting of one internal auditor and three outside statutory auditors. The Audit Committee audits directors' decision-making activities at Board of Directors meetings and other occasions, as well as the Company's entire business operations, to 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.

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.

Corporate Governance Structure



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

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 eight domestic Group companies have formulated basic policies to ensure proper and effective operation.

CSR

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 eight 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,¹ market risk,² 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

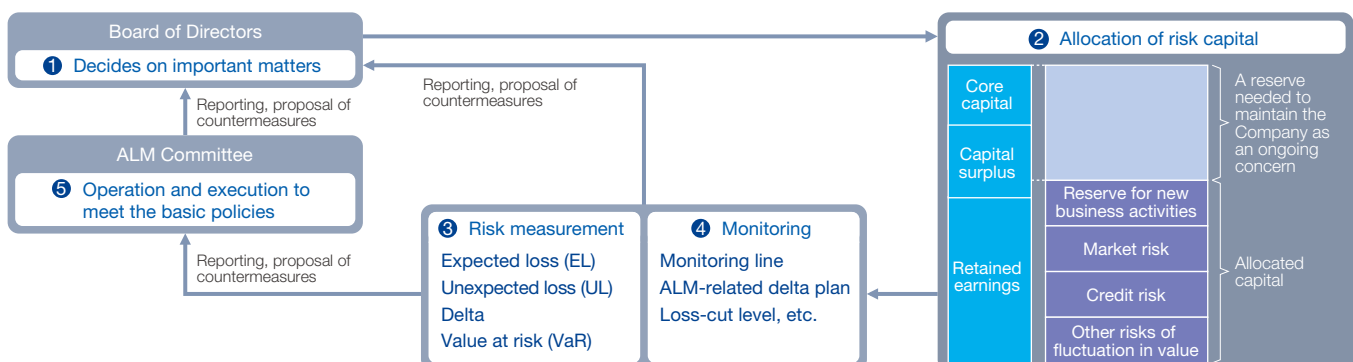
The IBJ Leasing Group places an extremely high priority on the integrated monitoring and control of total financial risk, including credit risk and market risk, which consists of interest rate risk and the risk of fluctuations in share prices or exchange rates. Thus we incorporate an integrated risk 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: ¹ Credit risk is the risk of loss associated with the inability to collect lease payments, installment payments, or loan principal and interest as contracted.

² 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, 2016)



President and CEO
Hiroshi Motoyama



Senior Managing Director
Shin Kuranaka



Managing Director
Shinichiro Maruyama



Managing Director
Masaya Hamamoto



Managing Director
Akira Ueda



Outside Director
Takao Komine



Outside Director
Kensaku Aomoto

Board of Directors

President and CEO
Hiroshi Motoyama
Senior Managing Director
Shin Kuranaka
Managing Director
Shinichiro Maruyama
Managing Director
Masaya Hamamoto
Managing Director
Akira Ueda
Outside Director
Takao Komine
Outside Director
Kensaku Aomoto

Corporate Auditors

Standing Auditor
Osamu Hatakeyama
Outside Standing Auditor
Shigeaki Katayama
Outside Auditor
Shinichi Kimura
Outside Auditor
Kouji Shimogama

Corporate Executive Officers

Deputy President Executive Officer
Katsuji Nagatsu

Managing Executive Officers
Kenji Yoneda
Noriyuki Yukawa
Toru Yoshida
Katsuhiko Yoshida
Hironobu Yamaguchi
Hidehiko Kamata

Executive Officers

Shunsuke Horiuchi
Kunimoto Wakasugi
Toshiyuki Kamimura
Kozo Shino
Hiroshi Yoshida
Yoshiyasu Mizutomi
Katsuzumi Orihashi
Tetsuya Norimatsu
Chihiro Tokiyasu