IBJ LEASING CO., LTD.

INTEGRATED REPORT 2017

The IBJ Leasing Group aims to make a further leap forward by taking on challenges for enhancing corporate value and achieving value creation for stakeholders.

Corporate Philosophy

We aim to be a Group which contributes to society by offering valued financial services which lead to future prosperity.

Management Policy

1. Respond to customers' needs and provide precise and prompt services by combining the Group's total strength.
2. Endeavor to further enhance the Group's reputation and credibility among shareholders and in the market.
3. Strive to create a dynamic corporate culture full of energy and vitality in which proactive, ambitious human resources are fostered and promoted.
4. Comply with the law and its spirit, and aim to be a Group which always recognizes its social responsibility and secures understanding and sympathy from society.

Fifth Mid-term Management Plan

From April 2017, the IBJ Leasing Group has started to implement the Fifth Mid-term Management Plan covering a three-year period.
Under this plan, the Group will utilize its accumulated business know-how and financial strengths to actively promote businesses with higher profitability.

Vision

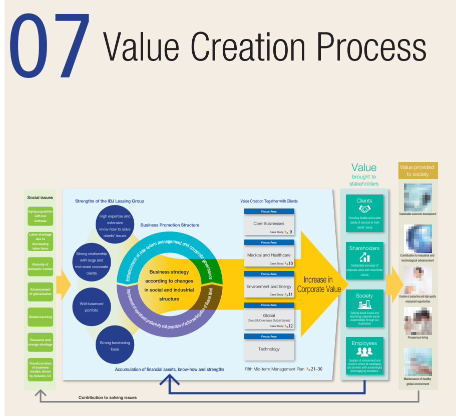
Value-creating company tackling challenges together with clients

Flow for realization of the vision

Thorough client-oriented approach → Promote business together with clients as their partner → Tackle new business domains transcending the framework of financing → Fulfill corporate social responsibility

CONTENTS

07 Value Creation Process



16 President's Commitment

Hiroshi Motoyama
President and CEO

35 CSR of the IBJ Leasing Group

Shin Kuranaka
Senior Managing Director
Chief CSR Officer

Editorial Policy

This report contains the IBJ Leasing Group's financial information as well as non-financial information including management strategies, environment, social and corporate governance (ESG) to help stakeholders have a better understanding of the Group's business activities. When we edited this Report, we referred to certain guidelines including "International <IR> Framework" issued by the International Integrated Reporting Council (IIRC), and explained the Group's value-creating activities over the medium to long-term in an easy-to-understand and simple manner.

Composition of communication tools

Website: www.ibjl.co.jp/

Overview ↕ Details			
	Integrated Report (Japanese and English)		
		Report for Shareholders	Report on Corporate Governance
	Securities Report	Financial Results (Japanese and English)	CSR Activities (Website)

Financial information ↔ Non-financial information

■ **Reporting Period**

From April 2016 to March 2017 (including some activities that occurred outside this period)

■ **Entities Covered**

This report covers the entire IBJ Leasing Group.

■ **Notes concerning Future Forecast**

This report contains management policies and future business performance based on the information on hand at the time of the preparation of this report. These statements may contain certain risks and uncertainties, and as such do not guarantee that such policies and performance will be achieved. Please be advised that any predictions for the future made in this report may differ significantly from the actual results due to various factors.

Trajectory of the IBJ Leasing Group

IBJ Leasing Co., Ltd. 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 major companies representing Japanese industries. 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.

History of Our Business

(1969~2016)

1969

1969 IBJ Leasing Company is established under the initiative of The Industrial Bank of Japan, Ltd. as a pioneer of vessel financing

1972 Begins vendor leases of construction equipment as a pioneer in that field

1982 Begins full-scale information equipment sales business

1985 Undertakes Japan's first rolling stock leasing

1990

1992 Krung Thai IBJ Leasing Co., Ltd., an overseas subsidiary, is established in Thailand (now an equity method affiliate)

1998 PNB-IBJL Leasing and Finance Corporation, an overseas subsidiary, is established in Philippines (now an equity method affiliate)

1998 Begins full-scale business in structured finance

1999 Acquires shares of Nissan Leasing Co., Ltd. (subsequently merged into IBJ Leasing in 2015)

2000

2000 Business department specializing in medical and welfare services is established.

2000 Acquires shares of Saison Auto Lease Systems Co., Ltd. (now IBJ Auto Lease Company, Limited as a consolidated subsidiary).

2001 Acquires shares of Universal Leasing Co., Ltd. (now a consolidated subsidiary).

2004 Shares listed on the Second Section of the Tokyo Stock Exchange.

2005 Designated an issue on the First Section of the Tokyo Stock Exchange

2006 Acquires shares of Dai-ichi Leasing Co., Ltd. (now a consolidated subsidiary).

2008 IBJ Leasing (China) Ltd., an overseas subsidiary, is established in China (now a consolidated subsidiary).

2010

2010 PT. IBJ VERENA FINANCE, an overseas subsidiary, is established in Indonesia (now a consolidated subsidiary).

2011 Acquires shares of Siemens Financial Services K.K (its business absorbed into IBJ Leasing and then dissolved in 2013).

2012 Acquires shares of Toshiba Group's financial services company for corporations (now IBJL-TOSHIBA Leasing Company, Limited as a consolidated subsidiary).

2012 Environmental Business Promotion Division is established.

2016 IBJ Air Leasing Limited (now a consolidated subsidiary) is established for the IBJ Leasing Group to enter the aircraft operating lease business.

History of Growth

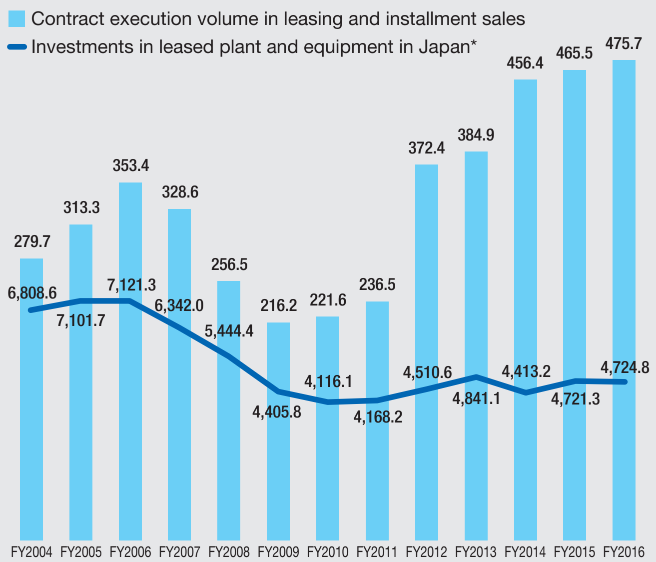
(FY2004 – FY2016)

The IBJ Leasing Group has met increasingly diversified and sophisticated client needs changing with the times and grown to the current stage by expanding the scope of our business activities on the basis of insight and know-how it accumulated through leasing and installment services.

Going forward, we, as a multimodal financial services group that provides services for corporate clients, aim to expand our business base and revenue opportunities to achieve further growth by challenging ourselves together with clients beyond the framework of conventional financing.

Contract Execution Volume in Leasing and Installment Sales

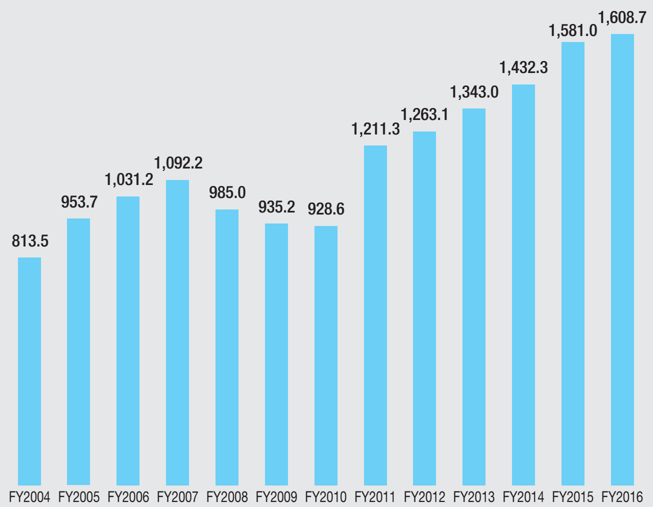
(Billions of yen)



*Source: Lease Statistics (FY2016) by Japan Leasing Association

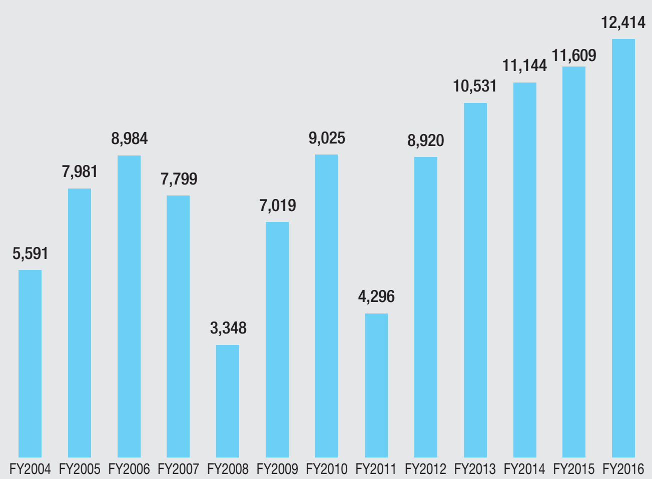
Operating Assets

(Billions of yen)



Net Income Attributable to Owners of the Parent

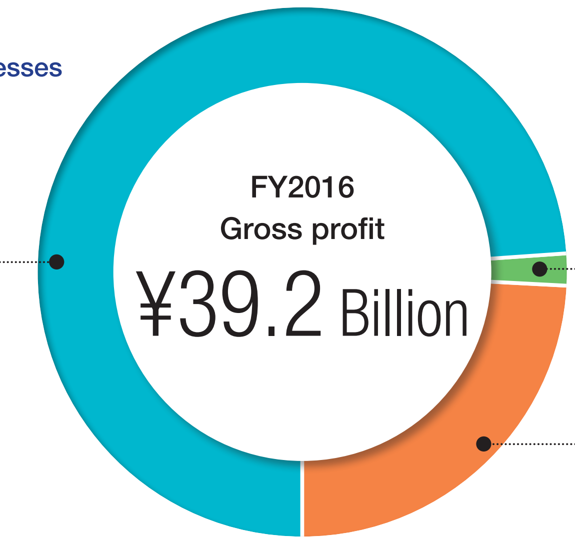
(Millions of yen)



Business Overview

The IBJ Leasing Group comprises IBJ Leasing, 26 consolidated subsidiaries and three equity-method affiliates (as of March 31, 2017). Centered on this structure, we provide wide-ranging financial services, including leasing, installment sales and loans by utilizing our understanding of equipment and extensive financial expertise. 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.

The IBJ Leasing Group's Businesses



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 through which the Company purchases machinery and equipment that clients have selected, as with leasing, 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

Strengths of the IBJ Leasing Group

- High expertise and extensive know-how to solve clients' issues
- Strong relationship with large and mid-sized corporate clients
- Well-balanced portfolio
- Strong fundraising base

By leveraging our extensive know-how of equipment and highly sophisticated financial solutions, the IBJ Leasing Group has a strength of proposal-based sales to solve clients' accounting, financial and business issues, which allows us to build strong relationships with large and mid-sized corporate clients. Furthermore, with regard to our operating assets, in addition to the areas of industrial and factory equipment, transportation equipment and construction equipment, which are our specialties since inception, we have recently focused on the industries based on domestic demand such as distribution and retailing, food and beverages, medical and healthcare which are expected to expand in market size due to changes in the Japanese industrial structure, as well as increasing the ratio of dealing in fields, namely commercial and service equipment, medical equipment and real estate, to form a well-balanced portfolio.

As far as funding is concerned, we have a wide range of business relationships with over 100 financial institutions including city banks, regional banks and insurance companies, and have established a low-interest-rate, stable funding base by making use of direct funding, such as commercial paper and corporate bonds, from the financial market.

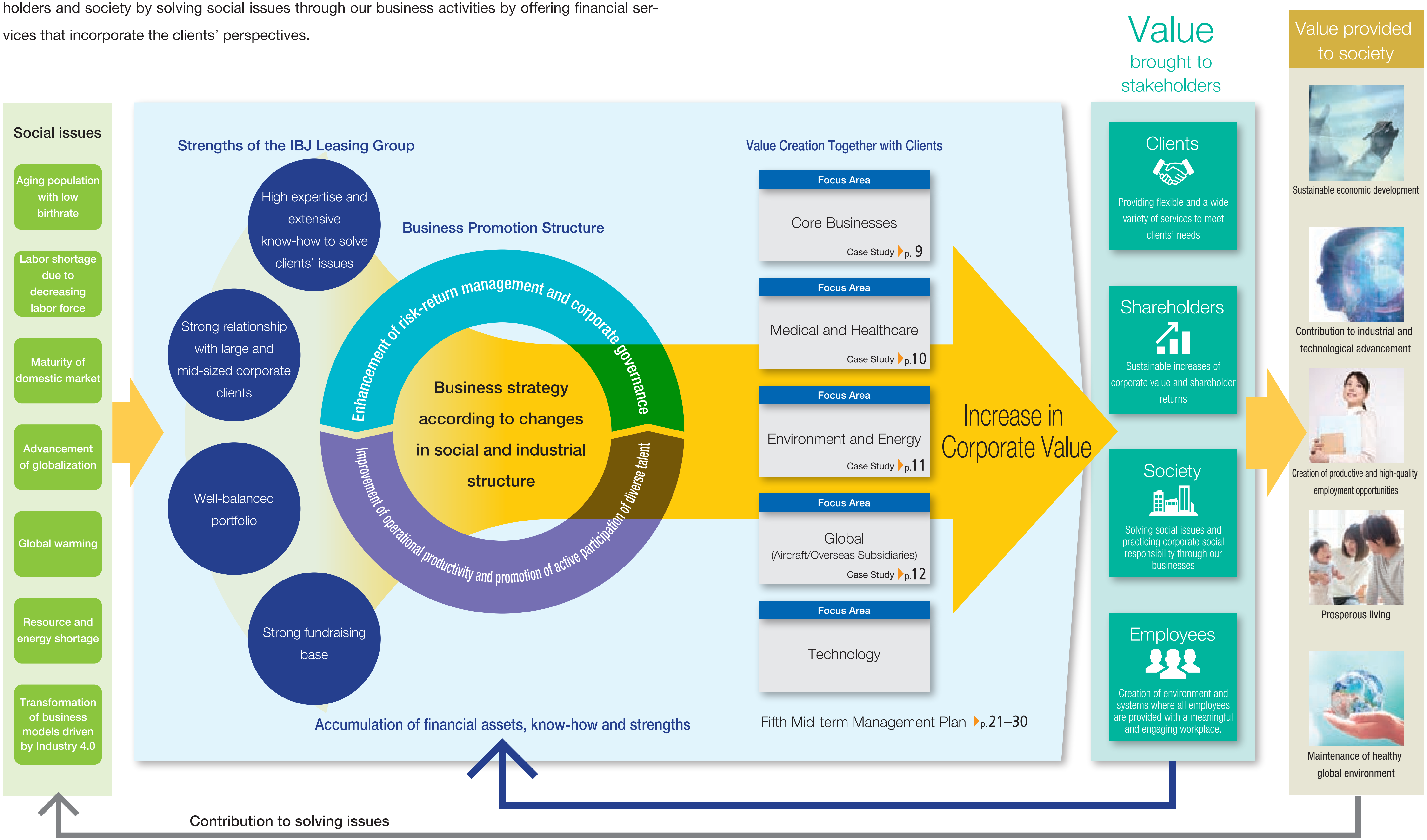
Major Group Companies

Domestic Group Companies	Overseas Group Companies
IBJL-TOSHIBA Leasing Company, Limited General leasing (Major business domains: Toshiba Group and sales financing for its products)	**IBJ Leasing (China) Ltd.** Overseas subsidiary in China
Dai-ichi Leasing Co., Ltd. General leasing (Major business domains: The Dai-ichi Life Group customers)	**PT. IBJ VERENA FINANCE** Overseas subsidiary in Indonesia
Universal Leasing Co., Ltd. General leasing (Major business domains: Sankyu Group)	**IBJ Leasing (UK) Limited** Overseas subsidiary in UK
Juhachi Sogo Lease Co., Ltd.* General leasing (Major business domains: Juhachi Bank customers)	**Krung Thai IBJ Leasing Co., Ltd.*** Overseas subsidiary in Thailand
IBJ Auto Lease Company, Limited Auto leasing	**PNB-IBJL Leasing and Finance Corporation*** Overseas subsidiary in the Philippines
KL Lease & Estate Co., Ltd. Building leasing	**IBJ Air Leasing Limited** Aircraft operating leases
KL & Co., Ltd. Used equipment sales	**IBJ Air Leasing (US) Corp.** Aircraft operating leases
KL Office Service Company, Limited Office services	

*An equity-method affiliate

Value Creation Process of the IBJ Leasing Group

The IBJ Leasing Group strives to enhance its corporate value and create value provided to stakeholders and society by solving social issues through our business activities by offering financial services that incorporate the clients' perspectives.



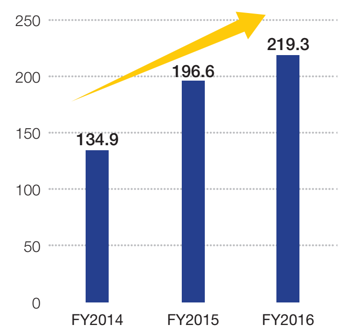
Value Creation Together with Clients 1

[Core Business (Real Estate)]

Since the IBJ Leasing Group started full-scale operations of the real estate leasing business in 1993, we have undertaken a large number of financing projects for commercial facilities, distribution facilities and office buildings, etc.

With the decreasing birthrate and population aging in Japan, the needs of real estate businesses have increasingly diversified, supported by promotion of medical and healthcare fields and a steady increase in hotel construction on the back of inbound demand, among other things. Going forward, we will continue to expand our business into fields where social needs are growing by leveraging our accumulated expertise.

Operating Assets of Real Estate Business (Billions of yen)



Case Study Building Lease for Distribution Center

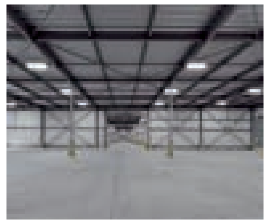
Utilization of Building Lease for a Distribution Warehouse

In the Japanese real estate market, thanks to the upcoming 2020 Tokyo Olympics, financing needs for real estate such as office buildings, commercial facilities and distribution facilities are increasing.

The IBJ Leasing Group provides various financing schemes including real estate leasing to a wide range of relevant parties, from clients who are users of real estate to landlords and construction companies, leveraging our abundant experience and high expertise in order to meet their diversified needs.

In particular, through our alliance with major store developer Daiwa House Industry Co., Ltd., we have built an excellent business relationship with the Daiwa House Group, and have a track record of many different real estate leasing services such as store leasing as well as distribution facilities and childcare facilities.

Daiwa Logistics CO., LTD. is expanding its business as an expert in housing logistics and logistics for buildings and building materials, and supports businesses of clients in terms of logistics as a strategic logistics company, based on accumulated know-how and a successful track record. Recently, for Komono Local Office, Mie Branch (a distribution center) constructed by Daiwa Logistics for distribution of electrical equipment, we proposed a building lease scheme through an introduction by Daiwa House Industry, based on the client's business plan.



Client Overview

Daiwa Logistics CO., LTD.
Location: Osaka City, Osaka
Businesses: Logistics of buildings and building materials, distribution and retail logistics and office support
Business Offices: Head Office, Tokyo Branch and 43 locations nationwide (as of April 1, 2017)
Number of vehicles: 500 (as of March 31, 2017)

Client's Feedback

Daiwa Logistics CO., LTD. Executive Officer, General Manager of Business Promotion Department Mr. Takeyuki Yoshikawa

Daiwa Logistics CO., LTD. supports the business growth of its clients through logistics, and as part of this service, we planned to construct a logistics center in Komono-cho.

As for the construction of this logistics center, IBJ Leasing proposed a building lease scheme corresponding to our needs. We are truly grateful that they provided us with the most optimal solutions for issues, including cash flows from holding real estate and funding and financial matters, through their abundant experience and expertise.

Value Creation Together with Clients 2

[Medical and Healthcare]

With the advancement of aging society, the role of the medical and healthcare fields in society is becoming increasingly important.

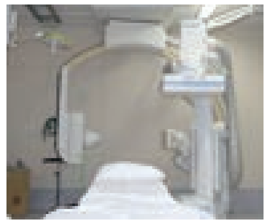
The IBJ Leasing Group is promoting real estate business activities in cooperation with real estate developers and provision of service businesses in partnership with medical equipment manufacturers, etc., as well as financing services for equipment so as to meet a wide variety of clients' needs in the medical and health care fields.

Case Study Leasing for medical equipment and LED lighting due to relocation and construction of a new hospital

Contribute to the provision of enhanced medical services by presenting optimal proposals

In the context of a changing social structure, needs for medical services as well as nursing care and preventive care are expected to increase. Under these circumstances, to help the elderly in Japan maintain dignity and to provide support for their independent living, the government has been working to put in place a "Community-based Integrated Care System," under which housing, medical care, nursing care, preventive care and living assistance are provided in an integrated manner in a familiar community, with the target year set at 2025 when the baby boomers will have be aged 75 or above.

Sensing these changes in the social structure, the IBJ Leasing Group has been contributing to the enhancement of the medical and nursing care systems in Japan by providing service businesses through alliances with medical equipment manufacturers, in addition to financing for facilities and equipment and real estate, based on accumulated financial expertise. Social Medical Corporation Kenseikai supports local medical care services through operating its 30 facilities in Santama area, with Tachikawa Sogo Hospital at the core. When Kenseikai recently relocated Tachikawa Sogo Hospital to a new location where the hospital was newly built in the aim of providing more fulfilling medical care services, we liaised with Siemens Healthcare K.K. to provide Siemens' CT scan instruments and angiographic instruments on a maintenance leasing contract. In addition, regarding LED lighting for the new hospital, we also presented a proposal using a cost simulation regarding the benefits of installation, after which Kenseikai decided to adopt them on a leasing contract.



Client Overview

Social Medical Corporation Kenseikai
Establishment: June 1954
[Tachikawa Sogo Hospital]
Location: Tachikawa City, Tokyo
Number of beds: 291
Number of clinical departments: 32

Client's Feedback

Social Medical Corporation Kenseikai Head of Administration Mr. Motoshi Masuko

IBJ Leasing provided us various proposals from an early stage of selection of medical equipment. Due to the use of their maintenance leasing services, we were able to equalize monthly payments and stabilize our cash flow by including maintenance fees in the leasing fees beforehand.

On top of that, when we had the LED lighting installed, IBJ Leasing presented multiple simulations in consideration of lighting time per installation location. We are very thankful that we were able to install medical equipment and lighting in our new hospital in the most optimal manner as IBJ Leasing presented a scheme which brought us the most merit.

Value Creation Together with Clients 3

[Environment and Energy]

Amid the growing importance of environmental activities on a global scale, the IBJ Leasing Group provides clients with support for installation of environmental and energy-related equipment to help promote social efforts in conserving the environment and energy.

We provide clients with highly value-added products and services not only through financing services including leasing, but also through agent services for applications in relation to various types of subsidies and alliance with manufactures and engineering companies.

Case Study Equipment leasing for freezer warehouse

Installation of refrigeration equipment with natural refrigerants using subsidies

Previously, a lot of freezer and refrigeration equipment used fluorinated refrigerants which contribute heavily to the greenhouse effect, a primary cause of global warming. However, in recent years, energy-saving equipment has been developed using natural refrigerants (such as water, air, ammonia and carbon dioxide) which is not only energy efficient but contributes much less to the greenhouse effect.

In the course of international efforts to prevent global warming, as part of promotion of global warming countermeasures, the Ministry of the Environment is now conducting a subsidy program (Subsidy for Natural Refrigerant Equipment) to promote the uptake of energy-saving natural refrigerant equipment at freezer and refrigerated warehouses. We are committed to helping our clients to expand their business activities and contribute to preservation of the global environment by presenting to our clients proposals for capital investment using the said program.

When CHUGAI FROZEN WAREHOUSE CO., LTD which carries out warehousing business, was going to replace cooling equipment in their freezer warehouse, we proposed leasing services taking advantage of the Subsidy for Natural Refrigerant Equipment, and they adopted it.

CHUGAI FROZEN WAREHOUSE CO., LTD was able to reduce greenhouse gas emissions as well as the amount of energy consumption by installing highly energy efficient equipment using natural refrigerants.

Client Overview

CHUGAI FROZEN WAREHOUSE CO., LTD
Location: Yokohama City, Kanagawa
Business: Warehousing
Warehouse area: 5,346 m^2
Major products handled: Frozen food, fruit juice, etc.

Client's Feedback

CHUGAI FROZEN WAREHOUSE CO., LTD Director Mr. Eizo Onishi

We are committed to business operations that are conscious of harmony with society, and as part of this policy, we are promoting the installation of environmentally friendly equipment. We have been concerned with the negative environmental impact of fluorocarbon gas used in cooling equipment in warehouses for some time and were thinking of replacing the cooling equipment in our warehouses with equipment that uses natural refrigerants.

Under these circumstances, IBJ Leasing proposed to us that we use the subsidy program. As we formed a partnership with IBJ Leasing at the initial stage of discussion of this project, we were able to obtain meticulous support for tasks such as establishing the introduction plan and preparing an application for the subsidy. It was a great help for us. Furthermore, we were able to achieve a reduction in our utility costs by introducing highly energy efficient equipment, which we believe enables us to realize harmony between our business and society.

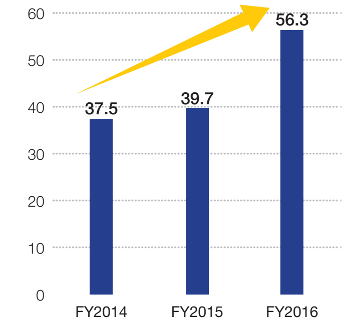
Value Creation Together with Clients 4

[Aircraft]

There has been an increase in the number of travelers all over the globe and a global expansion trend in demand for air travel, which are partly due to advancement of globalization and participation of LCC into the market due to the liberalization of the airline industry, among other factors.

The IBJ Leasing Group is helping to address the growing demand for aircrafts by providing airline companies in the world with services including aircraft leasing and aircraft-backed loans or financing secured by engines.

Balance of Operating Assets of Aircraft Business (Billions of yen)



Case Study Initiatives in the Aircraft Business

Expansion of Business Areas Using Experience and Know-How

As aircraft industry has significant technological spillover effects on a wide range of supporting industries, this industry has been a focus of attention as an effective industry for creating a more sophisticated industrial structure. In addition, its market size is also on an expansionary trend, and the number of aircrafts in service across the world is expected to increase by 1.8 times* from around 22,000 units in 2016 to around 39,000 units in 2036 due to expansion of demand for aircrafts worldwide and introduction of new types of aircrafts which are highly economical.

We have broadened our knowledge through our aircraft business initiatives over more than thirty years since we first started aircraft financing in 1982. In addition to initiatives including loans to prominent airlines and operating leasing companies where aircraft are used as collateral, we commenced the aircraft operating lease business, establishing an operating subsidiary as a joint venture with U.S. aircraft leasing company Aircastle Limited in February 2016. In fiscal 2016, under this aircraft operating lease business, we executed operating leasing of four aircrafts for airlines in Europe, the United States and Asia.

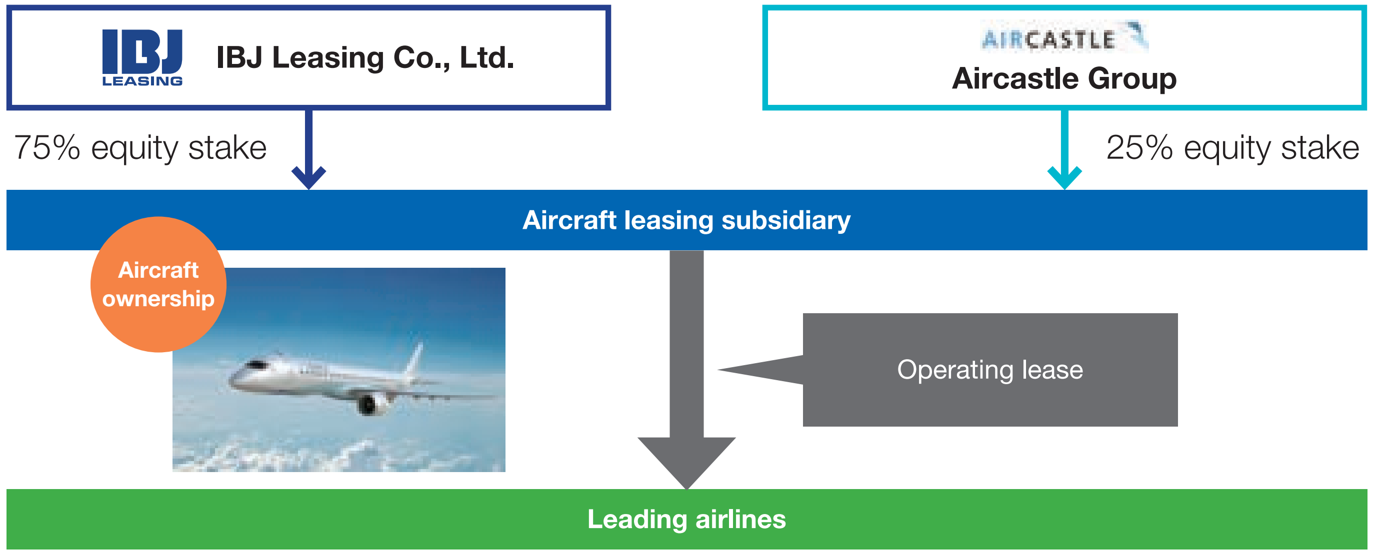
The IBJ Leasing Group will respond to the increasing demand for aircraft by further promoting its traditional financing-type business as well as its newly commenced business of owning aircraft.

*From "Worldwide Market Forecast 2017-2036" by Japan Aircraft Development Corporation

AIRCASTLE

Overview of Aircastle Limited
Aircastle is the leading aircraft leasing company listed on the New York Stock Exchange, owning 200 aircrafts* and boasting a wide network in the industry as well as strengths such as high capabilities in aircraft management, both of which have been acquired through their businesses with 72 airline companies* globally.
(*As of March 31, 2017)

Schematic Diagram



Financial and Non-financial Highlights

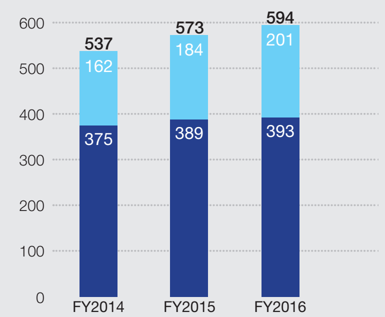
Consolidated Financial Results

	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
For the year: (Millions of yen)											
Revenues	350,423	341,320	298,707	263,598	256,059	270,066	352,492	354,779	353,733	364,174	429,405
Gross profit before funding costs	34,155	36,351	38,181	36,720	36,549	36,579	44,270	43,005	41,609	44,803	44,904
Funding costs	7,627	9,849	10,105	7,213	5,459	5,286	6,596	6,426	6,338	6,361	5,697
Gross profit	26,527	26,501	28,076	29,506	31,090	31,293	37,673	36,579	35,271	38,441	39,206
Selling, general and administrative expenses	12,861	14,956	21,320	18,248	15,646	20,601	23,007	19,877	17,325	20,868	21,244
Operating income	13,666	11,544	6,755	11,257	15,444	10,691	14,665	16,701	17,946	17,573	17,962
Net income attributable to owners of the parent	8,984	7,799	3,348	7,019	9,025	4,296	8,920	10,531	11,144	11,609	12,414
At year-end: (Millions of yen)											
Total assets	1,132,989	1,195,336	1,076,150	1,017,099	1,028,020	1,332,963	1,372,246	1,462,183	1,551,704	1,718,720	1,752,284
Operating assets	1,031,249	1,092,247	984,981	935,223	928,633	1,211,268	1,263,116	1,343,046	1,432,299	1,581,025	1,608,718
Lease	699,874	698,861	596,869	553,541	546,185	755,139	780,234	809,499	878,693	958,353	950,318
Installment sales receivable*	117,595	121,989	120,373	107,487	94,514	112,243	113,939	133,267	153,910	147,455	137,820
Loans	209,399	243,304	233,687	237,414	241,925	295,008	320,143	359,530	361,067	377,933	348,085
Operational investment securities	4,379	28,091	34,050	36,779	46,008	48,876	48,798	40,749	38,627	97,283	172,493
Long-term receivables	3,062	2,920	9,470	14,082	10,397	19,153	18,502	11,404	8,947	10,393	3,331
Interest-bearing debt	987,677	1,057,295	927,454	868,631	877,629	1,133,481	1,176,464	1,226,274	1,309,951	1,465,584	1,492,438
Equity	54,943	57,428	55,994	63,342	69,392	74,717	84,905	109,840	123,297	132,786	141,755
Per share data: (Yen)											
Net income	243.82	212.23	91.90	193.91	249.33	118.71	246.43	264.75	261.32	272.20	291.08
Equity	1,456.98	1,534.45	1,509.00	1,709.86	1,889.18	1,954.63	2,218.77	2,458.28	2,764.23	2,978.61	3,202.27
Dividends (non-consolidated basis)	33.00	38.00	40.00	44.00	46.00	48.00	50.00	54.00	56.00	60.00	64.00
Key indicators: (%)											
Return on equity (ROE)	17.7	14.2	6.0	12.0	13.9	6.2	11.8	11.4	10.0	9.5	9.4
Return on assets (ROA)	1.3	1.0	0.6	1.2	1.6	0.9	1.1	1.2	1.3	1.1	1.1
Equity ratio	4.7	4.7	5.1	6.1	6.7	5.3	5.9	7.2	7.6	7.4	7.8

*After subtraction of deferred profit on installment sales

Non-Financial Highlights (non-consolidated basis)

Number of employees (non-consolidated basis)



Female employment rate

(Fresh graduates hired in FY2016)

53%

We aim to achieve the target rate of female employees to be hired set at 40% in the "General Business Owner Action Plans under the Act of Promotion of Women's Participation and Advancement in the Workplace" and focus our efforts in developing an environment where female employees can participate more actively in the workplace, as well as in proactively hiring female employees.

Annual rate of paid leave taken

61%

Average in financial and insurance industries: 49%*

In order to promote work-life balance of employees, we encourage employees to take paid leave aside from introducing premium Friday.

*Source: "General Survey on Working Conditions 2016" by the Ministry of Health, Labour and Welfare

No. of environmentally-friendly equipment transactions

(Compared to FY2015)

106%

Excluding projects arising from special factors

We are committed to contributing to environmental conservation by handling transactions for environmentally-friendly equipment.

Reuse rate*

68%

We are contributing to the formation of a recycling-oriented society by practicing the 3Rs (Reduce, Reuse and Recycle) through re-leasing and disposing of equipment for which the lease term has expired.

*Reuse rate = Number of equipment sold ÷ Number of equipment for which the lease term or re-lease term has expired

No. of IR activities*

51 times

We strive to have our corporate value assessed properly by actively launching IR activities.

*Total number of individual meetings with institutional investors, financial results briefing sessions, and briefing sessions for individual investors.

Operational Highlights

2016

January February March April May June July August September October November December

February 2016

Entry into the aircraft operating lease business

As we position the aircraft-related business, whose market continues to expand, as a focus area, we established IBJ Air Leasing Limited, which is dedicated to providing aircraft operating leases, through a joint venture with a leading U.S. aircraft leasing company, Aircastle Limited. The IBJ Leasing Group is expanding its business areas by launching a new aircraft owning business in addition to the existing financing-type business.

April 2016

Establishment of Diversity Promotion Division

With the aim of developing the organization-wide initiative to promote the advancement of women which started in fiscal 2014, and establishing a culture of diversity within the IBJ Leasing Group, we established the Diversity Promotion Division within our Personnel Department. The Diversity Promotion Division will work to create structures where each employee can maximize his/her capabilities and work alongside others and build internal awareness focused on respecting differences in perspectives and values.

April 2016

Support for Areas Affected by the 2016 Kumamoto Earthquakes

We donated 10 million yen as our corporate contribution to support the earthquake victims and to restore the affected areas. Also, we sent monetary donations from the Group employees and water supplies.

May 2016

Acquisition of an auto leasing business from a Thai leasing company

An auto leasing business was acquired from a Thai leasing company, KTB Leasing Co., Ltd., for the purpose of expanding our base of operations in Thailand. On top of our existing finance leasing, we have started to deal in new services in our auto leasing business such as leasing with maintenance services.

September 2016

Setup of a credit line by a subsidiary in Indonesia together with the Japan Bank for International Cooperation (JBIC) intending to support overseas business development by medium-sized companies and SMEs.

A credit line was set up with JBIC to support Japanese companies to enter into overseas markets. The funds provided by this financing scheme are used as capital for finance leasing for Indonesian-based subsidiaries of medium-sized Japanese companies and SMEs.

October 2016

Holding a lecture at the Promotion of Advancement of Women Seminar

A lecture about the Company's activities in relation to promotion of advancement of women was held at the Promotion of Advancement of Women Seminar hosted by the JMA Management Center Inc.

Growth Strategy of the IBJ Leasing Group

Aiming to make a further leap, looking to the next 50 years

Hiroshi Motoyama

President and CEO

President's Commitment

"We aim to solve social issues and enhance corporate value by ramping up new business strategies."

Value Creation Process of the IBJ Leasing Group

P7-8

History of the IBJ Leasing Group

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 capital participation of major companies representing Japanese industries in response to tremendous demand for capital investment by the industries.

The Company is not just a provider of means of procuring funds, but it has also developed strength in offering solutions for issues related to balance sheets and business strategies through leasing, etc. for clients mainly in the manufacturing sector, thereby contributing to the development of industries. We have also contributed to the advancement of society through new initiatives ahead of our competition, some of which include the early involvement in vessel and rolling stock leasing as well as in vendor finance program for construction machinery since the early days of the leasing industry.

At present, the Group develops new solutions to leverage its business know-how in relation to equipment, meeting a broad range of client needs and achieving continuous and steady profit growth, while expanding our business domains by way of actively leveraging M&As and overseas development tailored to the clients' expansion to foreign markets.

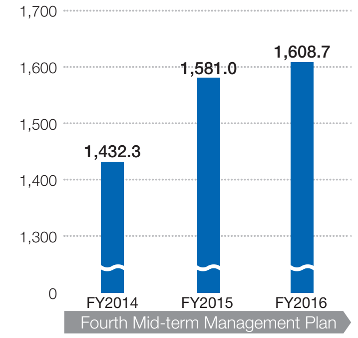
Summary of the Fourth Mid-term Management Plan

With our vision under the Fourth Mid-term Management Plan for three years from fiscal 2014 through fiscal 2016 as "a multimodal financial services group fully in tune with needs and trends of the times, uniquely positioned to grow with clients," we executed our businesses to achieve the targets of "¥1,500.0 billion for balance of operating assets" and "¥12.0 billion for net income attributable to owners of the parent."

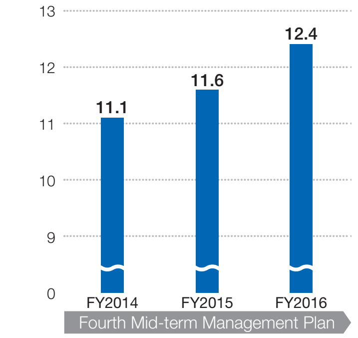
By taking advantage of a high degree of freedom which is unique to a leasing company, we employed three strategies: "expanding real estate business," "entry into aircraft operating lease business" and "initiatives for the increasingly sophisticated and diversified financing" such as for syndicated loans, as new drivers for profit growth attuned to the needs of the time, and achieved a significant increase in those sales records. As a result, in the final year of the plan, fiscal 2016, both targets were met and we recorded ¥1,608.7 billion in operating assets and ¥12.4 billion in net income attributable to owners of the parent, the highest in our history.

Results of the Fourth Mid-term Management Plan

Operating Assets (Billions of yen)



Net Income Attributable to Owners of the Parent (Billions of yen)



Fifth Mid-term Management Plan, Looking to the Next 50 Years' Growth

The Fifth Mid-term Management Plan aims to make a leap forward toward our 50th anniversary coming in the final year of the plan, where we will take on challenges to create further value for all stakeholders.

We will proactively develop the plans of "cultivating core businesses by leveraging knowledge concerning equipment" and "initiatives in 'new focus areas' in tune with changes of social and industrial structures," which are more profitable, by making use of business know-how and financial strengths gained from implementing the Fourth Mid-term Management Plan, while we will further expand our businesses centered on leasing and installment sales for large- and mid-sized corporate clients.

As for the "core businesses," by taking advantage of our strong relationship with large and mid-sized corporate clients, we will promote not only our specialty of financial solutions but also our "new business strategies" as our clients' partner in the promotion of their businesses, while seeking to expand new revenue opportunities such as fee income. We will also make efforts to broaden our business areas with a view to further expansion of real estate business, by leveraging our accumulated knowledge and collaboration with our major partners.

With regard to "new focus areas," as society is at a major turning point, we have selected 4 areas: "medical and health care," "environment and energy," "global," and "technology," based on the theme of solving social issues such as changes in social and industrial structures. We have a commitment to make our portfolio more sophisticated and take on challenges for "new focus areas" by taking proper risks backed by our financial strengths.

By promoting these strategies, aiming to achieve the targets of "¥15.0 billion in net income attributable to owners of the parent," "10% ROE," and "maintaining 20% or more dividend payout ratio" by the final fiscal year of the plan, we also intend to further increase values to be provided to our stakeholders, namely, "shareholders," "clients," "society" and "employees."

Fifth Mid-term Management Plan

P21-30

FY2019 Targets (on a consolidated basis)

Net income attributable to owners of the parent	ROE	Dividend payout ratio
¥15.0 Billion	10%	Maintaining 20% or more

President's Commitment

CSR Management for Supporting Growth

CSR of the IBJ Leasing Group

P35-36

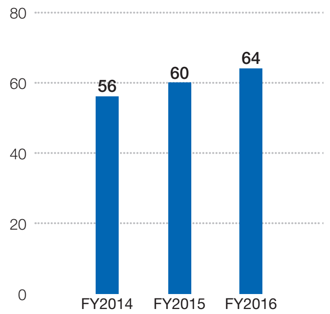
To live up to the trust and expectations of all its stakeholders, the IBJ Leasing Group views corporate social responsibility (CSR) as the basis of business management and aims to realize a sustainable society and improve corporate value. To this end, we believe that it is important to build a relationship of trust with stakeholders while paying close attention to their views and opinions. To protect the rights and interests of stakeholders, corporate governance must function effectively and transparency in management must be increased. Therefore, we will continue to strive for strengthening the internal management structures, i.e. managing the Board of Directors in an effective manner, ensuring strict compliance across the board, developing risk management systems.

To achieve sustainable corporate growth, we also recognize that it is 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. As such, we will seek side-by-side improvement of "operational productivity" and "diversity" driven by system investments and reforms in operational processes and develop an environment where every employee can perform at his/her full potential by working on the enhancement of a work-life balance.

Shareholder Returns

Policy on Shareholder Returns

Annual Dividend per Share (Yen)



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 a characteristic of a financial services industry, the amount of shareholders' equity is one of the important factors to increasing corporate value. Therefore, 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 2016 we continued to increase shareholder returns by raising the dividend ¥4, to ¥64 per share.

In the Fifth Mid-term Management Plan, we set a target of dividend payout ratio to "maintain 20% or more." We set this target based on the belief that it is also essential to keep sufficient retained earnings so that we can engage in sound risk-taking in order to improve profitability and increase corporate value. Under this policy, we expect to raise the dividend per share an additional ¥2 in fiscal 2017, to ¥66 per share, amounting to the 16th consecutive year of dividend increases.

Mission and Desired Future Image of the IBJ Leasing Group

Value Creation Together with Clients

P9-12

In the Fifth Mid-term Management Plan, upholding the vision of "Value-creating company tackling challenges together with clients," the Group believes that we have unlimited opportunities to contribute to society by meeting the needs of clients through a myriad of services, while solving social problems and making social contributions, based on value creation backed by promotion of partnerships with clients. In order to achieve further growth and social contribution, it is important for us to create a prosperous future, as well as contribute to society and bring about sustainable growth by way of value co-creation with clients, changing ourselves in tune with changes of the times.

The IBJ Leasing Group will continue to strive for the realization of a sustainable society and enhancement of corporate value by offering financial services that incorporate the clients' perspectives.

"We aim to be a Group which contributes to society through offering financial services that incorporate the clients' perspectives and take on challenges for value creation for all stakeholders."

Fifth Mid-term Management Plan (FY2017 – FY2019)

Further Leap

To make a further leap toward the upcoming 50th anniversary of the Company's foundation in December 2019, we started to implement the Fifth Mid-term Management Plan. We will secure new revenue drivers by entering into business domains transcending the framework of financing, and will challenge ourselves to achieve further value creation while also fulfilling our corporate social responsibility.

50th Anniversary of Foundation

2014

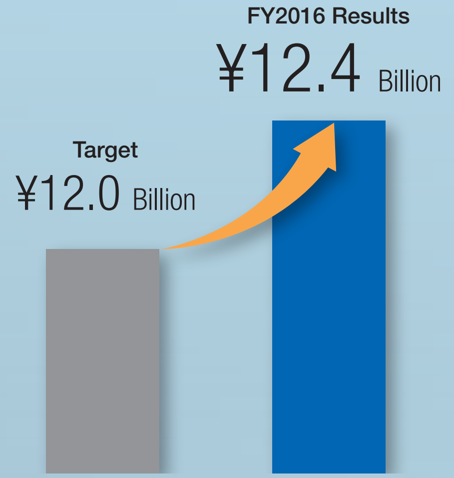
2017

2019

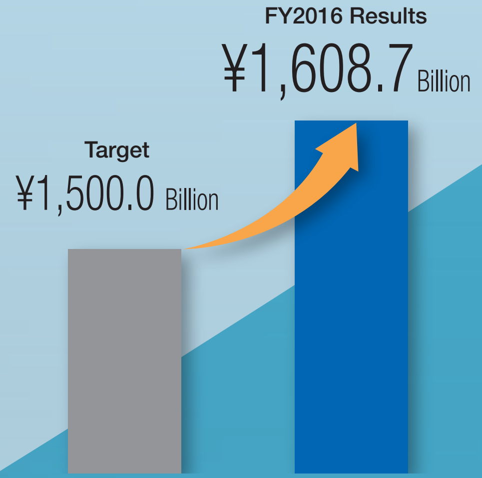
Summary of the Fourth Mid-term Management Plan (from fiscal 2014 to fiscal 2016)

- By taking advantage of a high degree of freedom which is unique to a leasing company, the IBJ Leasing Group saw steady growth supported by revenue drivers that reflected changes in society (real estate business, aircraft leasing business and specialized financing).
- The targets for the final fiscal year, ¥1,500 billion in operating assets and ¥12.0 billion in net income attributable to owners of the parent, were both achieved, thus leading to the 4th consecutive year of record breaking profit.

Net Income Attributable to Owners of the Parent



Operating Assets



Overview of the Fifth Mid-term Management Plan (from fiscal 2017 to fiscal 2019)

Vision

Value-creating company tackling challenges together with clients

Flow for realization of the vision

Thorough client-oriented approach → Promote business together with clients as their partner → Tackle new business domains transcending the framework of financing → Fulfill corporate social responsibility

Value brought to stakeholders

Clients	Shareholders	Society	Employees
Providing flexible and a wide variety of services to meet client needs	Sustainable increases of corporate value and shareholder returns	Solving social issues and practicing corporate social responsibility through our businesses	Creation of environment and systems where all employees are provided with a meaningful and engaging workplace.

FY 2019 Targets (on a consolidated basis)

Net income attributable to owners of the parent	ROE	Dividend payout ratio
¥15.0 Billion	10%	Maintaining 20% or more

For Business Strategies and Reinforcement of Management Base

Business Strategies and Reinforcement of Management Base (Overview)

Business Strategies

Basic Policy

We will make further progress in our existing businesses, centered on leasing and installment sales, for large and mid-sized corporate clients. We will actively promote more profitable businesses by leveraging our business know-how and financial strengths acquired from implementing the previous Mid-term Management Plan.

- We will thoroughly delve into the continuing focus areas (core businesses) by using our knowledge and experience about equipment, while embarking on marketing emphasizing high added value and differentiation to further increase profitability.
- We will make portfolio management more sophisticated with proper risk taking reflecting our financial strengths and have a commitment to new focus areas corresponding to changes in social and industrial structure.

1. Core Business (continuing focus areas)

In addition to leasing and installment sales for capital investment, we will develop more profitable businesses conducive to business expansion of clients, by using our strong relationship with large and mid-sized corporate clients. Besides, with the view of expanding real estate business, we are willing to take on challenges for new business domains with store leasing and bridge projects as stepping stones.

2. New Focus Areas

In order to continue growth with our clients by responding to their needs amid major changes in social and industrial structures, we have chosen the following four areas as our new focus areas: “medical and healthcare,” “environment and energy,” “global,” and “technology.” We will carry out management strategies with accurate understanding of market trends in each area.

■ Response to Changes in Social Structure

Response to aging with low birthrate in Japan	Medical and healthcare
Response to global issues, such as population increase and global warming	Environment and energy
Support for companies’ overseas development and capture opportunities associated with overseas economic growth	Global

■ Response to Changes in Industrial Structure

Respond to businesses leading Industry 4.0	Technology

Reinforcement of Management Base

For the purpose of supporting growth in continuing focus areas and new focus areas, we will focus on creating an organizational structure that allows us to take on new challenges and transformation. At the same time, we will further reinforce our management base so that we are able to properly manage risk-taking and returns.

Strengthening risk and return management: risk management, portfolio management and integrated operation of financial ALM

Resource strategy: Promotion of diversity and improvement of operational productivity

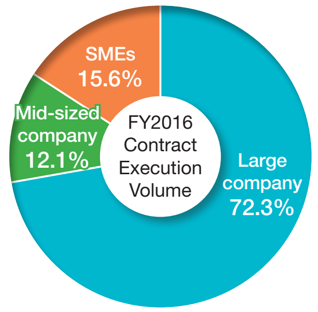
Continuing Focus Area

Focus Area

Cultivating Core Businesses

The IBJ Leasing Group has established strong relationships with our clients, especially with large and mid-sized companies. Coupled with the existing proposal-centered financial solutions, we will seek to expand new revenue opportunities such as fee income, driving “new business strategies” where we serve as our clients’ partner in the promotion of their businesses. As new business strategies for the aforementioned initiatives, we will develop activities to “support clients’ commercial distribution,” “jointly promote service business with clients” and “promote JVs with clients.”

Contract Execution Volume by Customer Size



Large companies: capital stock equal to or over ¥1 billion
Medium-sized companies: capital stock between ¥100 million and ¥1 billion
SMEs: capital stock equal to or less than ¥100 million
(Excluding contracts to SPCs, etc.)

New Business Strategies

Support clients’ commercial distribution

- ✓ Vigorously involve in every phase of clients’ commercial distribution and expand income opportunities
- ✓ Acquire fee income by expanding “commercial distribution financing” and “leveraging trading company functions”

Jointly promote service business with clients

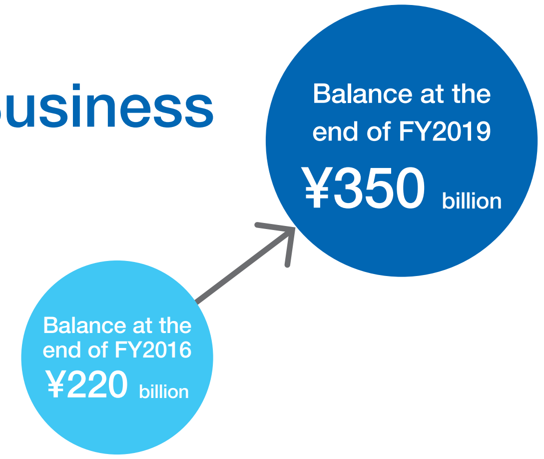
- ✓ Support the evolving of business models as client’s partner
- ✓ Expand the vendor financing domain through alliances

Promote JVs with clients

- ✓ As a business promotion partner, capture investment opportunities such as equity contribution
- ✓ Recognize risks together with clients and implement projects with commensurate returns

Focus Area

Further Expand Real Estate Business



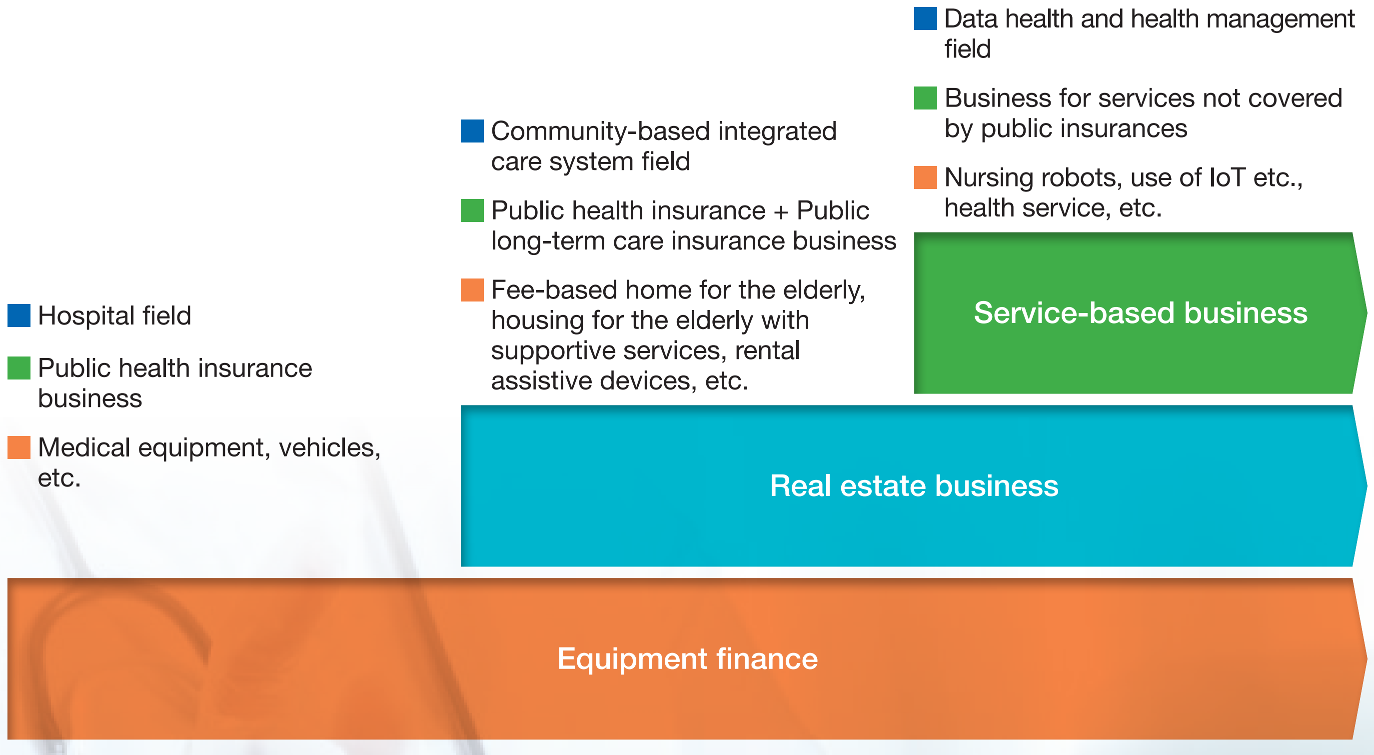
Leveraging accumulated knowledge and cooperation with prominent partners, we will ramp up efforts in fields where there will be an increase in social needs, such as health care, child care, and hotels. Furthermore, we will work on making investments in overseas real estate and development projects in cooperation with domestic companies. We plan to increase our operating assets in this field from around ¥220 billion at the end of fiscal 2016 to ¥350 billion at the end of fiscal 2019.

New Focus Area

Focus Area New

Medical and Healthcare

As we expand the scope from conventional "hospital" sales centering on financing for medical equipment to "community-based integrated care system" and "data health and health management," we are pushing forward with our efforts in providing service business in collaboration with healthcare-related partners and medical equipment manufacturers as well as in cultivating real estate business in collaboration with real estate developers. We intend to increase our contract execution volume in this field from around ¥30 billion in fiscal 2016 to ¥55 billion in fiscal 2019.



Focus Area **New**

Environment and Energy

We will strive to extensively capture demand associated with clients' investment in environment and energy saving in collaborations, etc. with manufacturers and engineering companies. Along with further promoting subsidy business which we excel at and enhancing energy saving consulting functions, we will drive our efforts forward to develop new business models such as ESCO* and project financing for power business. We plan to increase our contract execution volume in this field from around ¥18 billion in fiscal 2016 to ¥50 billion in fiscal 2019.

*ESCO business: business in which the cost required for refurbishment for energy saving is covered by the reduction in utility cost.

Contract execution volume in FY2016 ¥18 billion → Contract execution volume in FY2019 ¥50 billion

Approaches and fields

Further promoting subsidy business

- Setting up of JVs as operating companies
- Capturing demand in overseas markets
- Responding to ESCO and energy service contracts
- Capturing demand from municipalities
- Investing in renewable energy funds and bridge financing
- Using project financing

etc.

Merchandise

- Natural refrigerant equipment
- Co-generation
- Air conditioners and boilers
- Energy-saving machine tools
- LED lighting
- Batteries
- Distribution of CO_2 emission rights

Power-related businesses

- Photovoltaic power generation
- Power transmission and distribution
- Wind power generation
- Geothermal power generation
- Small-scale hydroelectric/biomass power generation

etc.

Focus Area **New**

Global (Aircraft/Overseas Subsidiaries)

As for aircraft, we will consider starting business related to engines, parts and other aircraft peripherals while working on the operating leasing business as the core business. By also promoting conventional aircraft-backed collateralized loans, we plan to see a two-fold increase in operating assets from ¥56 billion at the end of fiscal 2016 to ¥110 billion at the end of fiscal 2019.

With regard to overseas subsidiaries, we will aim to develop full-scale businesses with non-Japanese companies. Besides active marketing to reach prominent local companies, we will expand business dealings with them by partnering with Japanese companies in vendor financing. We will endeavor to achieve an increase in operating assets in this field from around ¥66 billion at the end of fiscal 2016 to ¥120 billion at the end of fiscal 2019, while also considering M&As and asset purchases.

Aircraft

Balance at the end of FY2016 ¥56 billion → Balance at the end of FY2019 ¥110 billion

- Consider starting **"new business"** Engine and parts leasing and PDP financing,* etc.
- **Expand the "aircraft operating lease business"**
- Aircraft-backed collateralized loans
- Fee business (Amount in FY2016 ¥8.8 billion → Amount in FY2019 ¥12.0 billion) Japanese Operating Lease (JOL)

Overseas Subsidiaries

Balance at the end of FY2016 ¥66 billion → Balance at the end of FY2019 ¥120 billion

- **Non-organic growth through M&As**
- **Expanding business transactions with non-Japanese companies through collaboration with Japanese companies in vendor financing**
- **Strengthen sales to prominent local companies** Primarily with clients of our JVs and of Japanese companies
- **Transactions with Japanese companies**

*PDP (Pre-Delivery Payment) financing: financing meeting the needs for partial advance payment of aircraft manufacturing cost

Focus Area New

Technology

While business models of companies are expected to change due to the emergence of Industry 4.0, We will capture business opportunities from an early stage while responding to the technological progress of IoT, AI, etc. Along with providing solutions which quickly reflect change in the industrial structure, that is, the shift from "sales to services," we will promote business development through collaboration with pioneering companies in each field.

Change in the industrial structure	Business opportunities	Solutions
Sensing stage	Increase in investment in sensing devices	✓ Financing solutions attuned to business models
IoT	Investment in communications equipment/systems	✓ Sales financing for devices and AI systems
Big Data	Investment in data centers in line with the increasing needs for data storage and utilization	✓ Services in collaboration with IoT suppliers, etc.
AI	Investment in data analytics systems Investment in development of machine learning functions	✓ Discovery of potential needs by business matching
Stage for offering services	Financial solution needs of service providers	✓ Real estate leasing for data centers, etc.

Reinforcement of Management Base

Strengthening of Risk-Return Management

Under the plan, we will aim to make a leap toward the future by ramping up efforts to advance new businesses, while continuing the expansion of core businesses. To this end, in addition to "resource strategy" to be described later, a more sophisticated portfolio management which enables proper risk-taking is essential. We will reinforce a structure for appropriate risk-return management by integrated operation of "risk management," "portfolio management" and "financial ALM."

Integrated operation of business portfolio and financial ALM for appropriate risk-return management

Risk management

- ✓ Risk-return analysis of individual businesses and assets
- ✓ Verification of effective capital allocation
- ✓ Verification of the financial position suitable for the risk characteristics of each portfolio

Portfolio management

- ✓ Clarification of types and the total amount of risks to be taken
- ✓ Strengthen risk-return management of each portfolio. Pursue the optimum allocation of businesses and assets to enhance the quality of overall assets

Financial ALM

- ✓ Optimum financing and ALM operation attuned to the portfolio structure

Resource Strategy

Recognizing that advancement of even more diverse human resources in the workplace is essential to expand our business under the plan, we position promotion of diversity as a key management strategy. We also optimize administrative processes and IT systems throughout the Group to improve operational productivity.

Through this "promotion of diversity" and "improvement of operational productivity," we aim to realize a more flexible and robust organization capable of tackling new challenges and transformation.

Promotion of diversity Advancement of diverse human resources in workplaces	Improvement of operational productivity Double the performance
▶ Expansion of systems to support a balance between work and child-rearing/nursing care	▶ Strengthening of corporate system planning function
▶ Introduction of a flexible employment system (employment type)	▶ Unification of administrative processes and IT systems throughout the Group
▶ Expansion of education and training systems	▶ Sophisticated management data analysis environment

Realize a more flexible and robust organization capable of tackling new challenges and transformation

Review of Operations

In fiscal 2016, the Japanese economy showed a gradual recovery trend partially owing to modest growth of the world economy, and capital investment remained steady against the backdrop of an improvement in corporate earnings and other factors. In the leasing industry, leasing transaction volumes remained almost at the same level as the previous fiscal year.

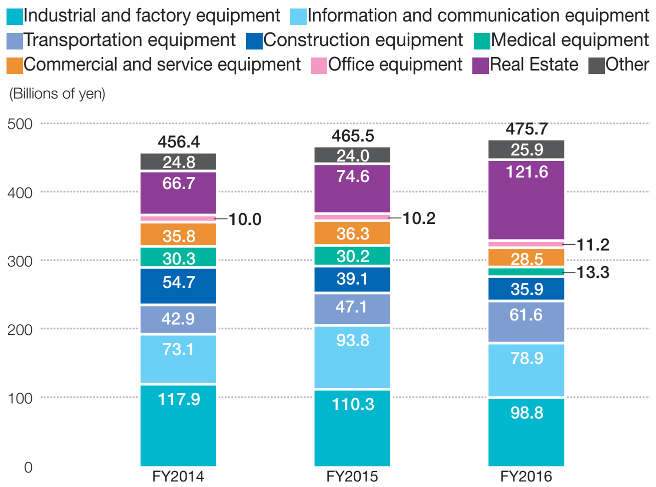
Under these circumstances, the IBJ Leasing Group continued to make efforts to successfully implement the Fourth Mid-term Management Plan for the three years from fiscal 2014 through fiscal 2016. In line with our vision of being "a multimodal financial services group fully in tune with the needs and trends of the times, uniquely positioned to grow with clients" as expressed in the plan, we conducted our businesses to achieve the final-year targets of "¥1,500 billion in operating assets" and of "¥12.0 billion in net income attributable to owners of the parent." By consistently promoting the basic strategies and achieving increases in assets and profitability, we have achieved both of the targets, where the operating assets in fiscal 2016 amounted to ¥1,608.7 billion and the net income attributable to owners of the parent amounted to ¥12.4 billion.

Leasing and Installment Sales

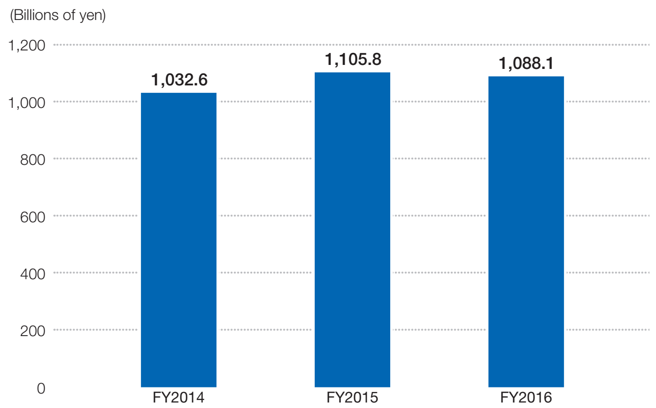
In leasing and installment sales, in fiscal 2016, contract execution volume amounted to ¥475.7 billion, up ¥10.2 billion (2.2%) year on year, and operating assets amounted to ¥1,088.1 billion, down ¥17.7 billion (1.6%) year on year. Capital investment projects by our clients, mainly large and mid-sized companies, increased as a result of enhancing our comprehensive proposal-based sales efforts which target clients who were seeking solutions or having potential needs. We continued to enhance our targeted approach toward distribution, retailing and other businesses based on internal demand where the need for funds was expected. We also pushed store equipment projects which make use of environment and energy-related subsidies and collaborated with major store developers to expand real estate leasing for land and buildings for stores.

In terms of results by equipment type, for "industrial and factory equipment," although we continued to capture large-scale capital investment projects by large companies, contract execution volume was down. In "information and communication equipment," contract execution volume was down as there was a lot less activity in large-scale capital investment by major telecommunications companies which occurred during the previous fiscal year. In "transportation equipment," performance grew due to execution of aircraft operating leases. "Medical equipment" contracts decreased due to sale of a consolidated subsidiary, Toshiba Medical Finance Co., Ltd. in April 2016. "Real estate" projects expanded significantly due to increase of land and building leases for stores, etc. as well as bridge projects for REIT offered by major business operators.

Contract Execution Volume



Operating Assets

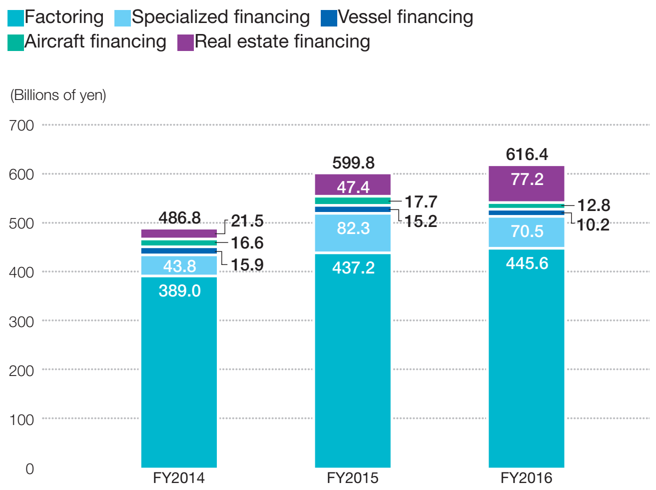


Financing

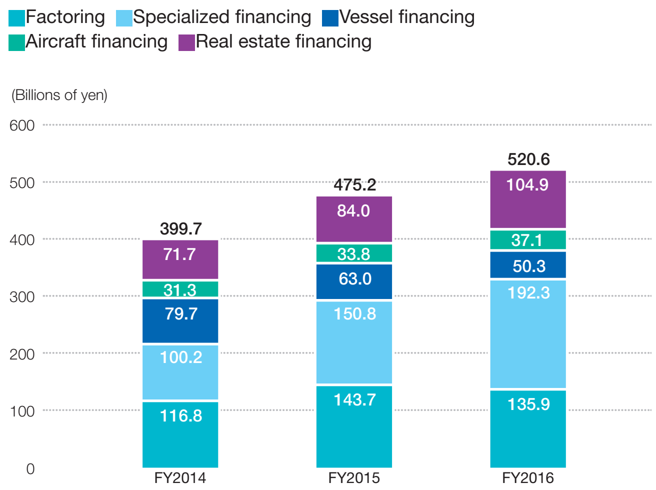
In fiscal 2016, the Group's contract execution volume in the financial sector increased ¥16.6 billion (2.8%) year on year to ¥616.4 billion. Operating assets rose ¥45.4 billion (9.5%) year on year to ¥520.6 billion.

By segment, in "factoring," we continued to pursue securitization of receivables and other factoring businesses. In "specialized financing," we executed syndicated loans in collaboration with major financial institutions and hybrid financing, etc. In "aircraft financing," we provided loans secured by aircrafts to prominent overseas airlines and operating lease companies. For both "specialized financing" and "aircraft financing," due to our strict risk-return management in executing projects, although contract execution volume was down, the balance was up. In terms of "real estate financing," we continued to curtail activities involving non-recourse loans, while increasing bridge schemes targeting REITs. As a result, both execution volume and balance grew significantly. In "vessel financing," we concentrated on acquiring excellent assets while monitoring risks carefully.

Contract Execution Volume



Operating Assets



Global

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

In fiscal 2016, we enhanced our business infrastructure by steadily capturing financing needs for capital investment by Japanese companies and by reinforcing initiatives toward non-Japanese companies such as full-fledged entry into auto leasing business in Thailand and increasing leasing to medical institutions in China.

In the aircraft-related business, one of our focus areas, we executed operating leases for four aircrafts through our aircraft leasing subsidiary, a joint venture with a leading U.S. aircraft leasing company, Aircastle Limited. We expanded our business areas by embarking on the business of owning aircraft in addition to traditional financing targeting aircraft and engines.

Funding Status

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.

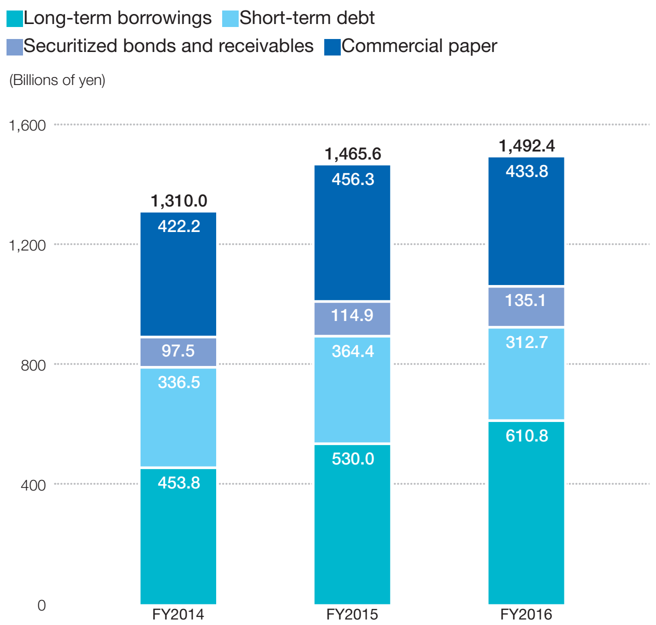
With regard to ALM operations, the Company's Portfolio Management·ALM Committee consisting of members who are officers in charge of relevant departments holds monthly meetings to analyze, among other things, financing means that are most suitable for the portfolio composition, current interest rate trends 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.

Funding in Fiscal 2016

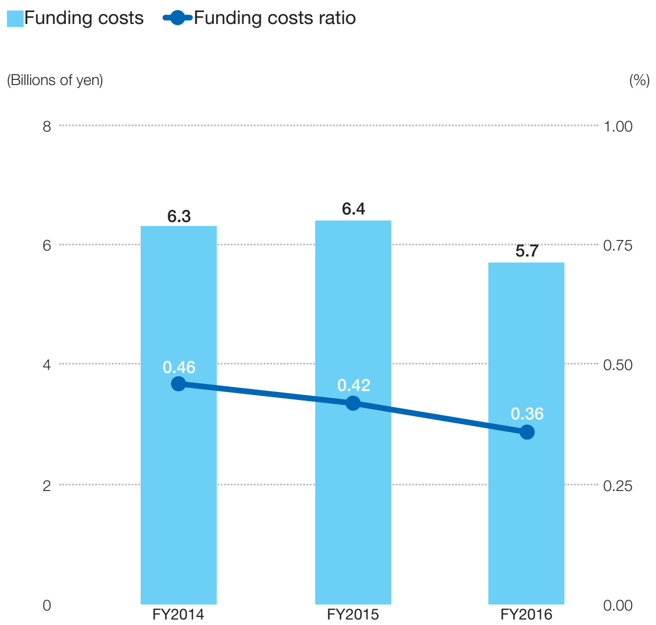
Looking at yen interest trends in fiscal 2016, although there were temporary rises in long-term interest rates against the backdrop of positive trend toward economic recovery, interest rates remained low amid the continued negative interest policy of the Bank of Japan.

In this environment, the IBJ Leasing Group procured funds in a flexible manner by borrowing funds from financial institutions and in the market through issuing commercial paper and corporate bonds. We also conducted groupwide ALM management to lower funding costs. As a result of these moves, in line with the expansion of operating assets, the Group's interest-bearing debt increased ¥26.8 billion compared with the previous year, to ¥1,492.4 billion. Funding costs, on the other hand, decreased ¥700 million year on year, and the funding costs ratio continued falling, to 0.36%.

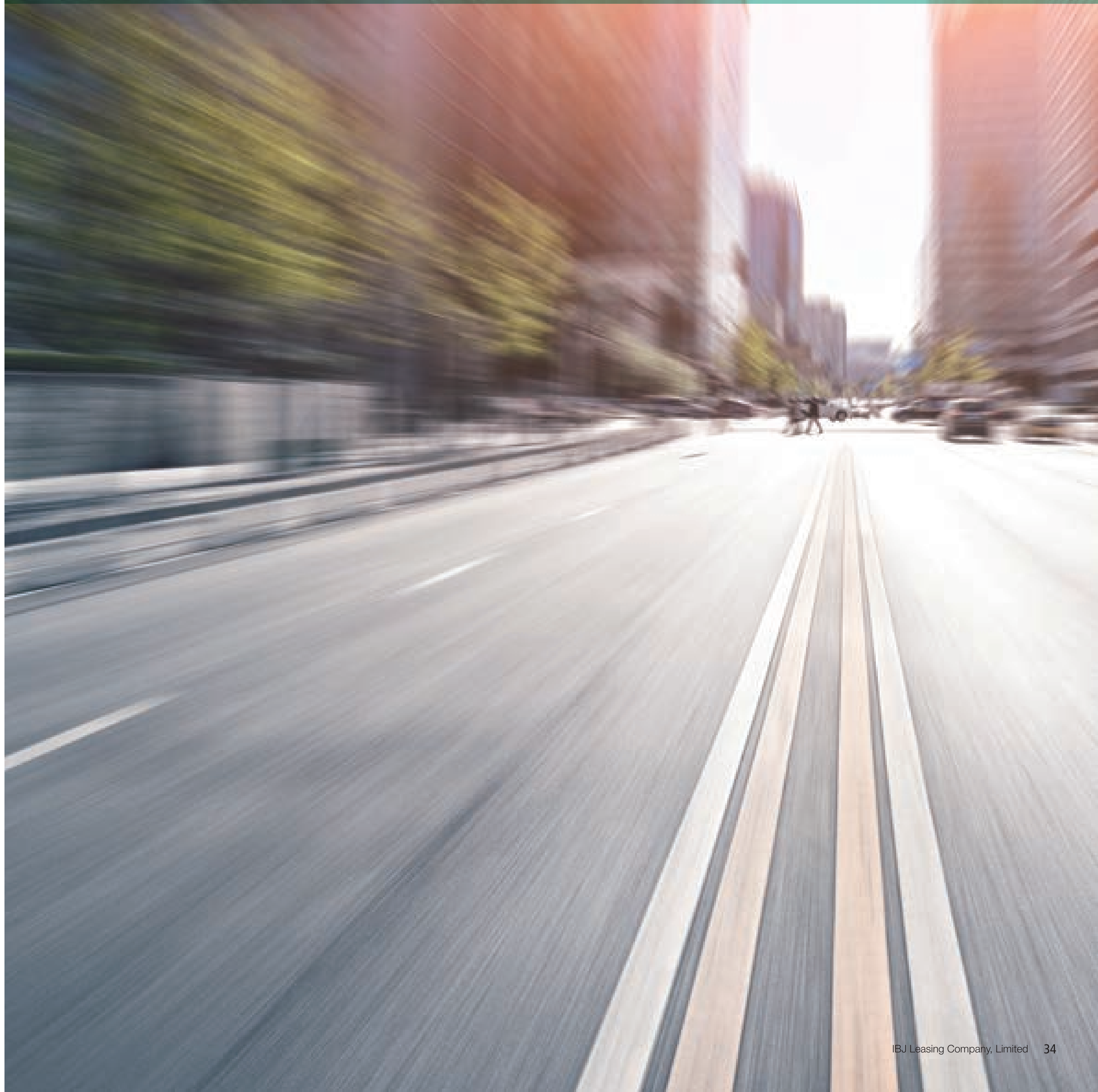
Interest-bearing Debt



Funding Costs/Funding Costs Ratio



CSR Management for Supporting Growth



CSR of the IBJ Leasing Group

We will achieve sustainable growth together with society, highly valuing dialogue with every stakeholder.

Senior Managing Director, Chief CSR Officer

Shin Kuranaka

Businesses of the IBJ Leasing Group, including financing, management of equipment, insurance, and overseas businesses, are closely connected with economy, society and environment in various aspects, and on the other hand, different kinds of changes have recently been taking place in Japan as well, following the theme of "sustainability." These days, companies must proactively respond to new developments such as environmental regulations getting stricter year after year, corporate governance reforms, and work style reforms, which are required by society. For this purpose, it is essential to amass capabilities to adjust ourselves to any changes, by enhancing non-financial assets, namely, corporate governance and compliance.

Thus far, we have continued business activities with corporate social responsibility (CSR) as the basis in operating businesses. We are compelled to fulfill not only economic our responsibilities such as fair pursuit of interest and security of employment as well as legal responsibility to comply with laws and regulations, but we have the ethical responsibilities of not acting against social rules and respecting human rights. We do believe that fulfilling all those corporate responsibilities for every stakeholder leads to the Group's sustainable growth.

To this end, it is critical for us to listen to what our major stakeholders, namely the "clients," "shareholders," "society" and "employees," say and build trust relationships with each of them. The IBJ Leasing Group upholds the corporate policy that we aim to be a Group which contributes to society by offering valued financial services which lead to future prosperity. Under the policy, we have a commitment to major stakeholders in terms of the management policy, and we will continue to build trust by realizing that commitment. Furthermore, we consider it necessary to improve transparency of management, making corporate governance effectively function. We have made tremendous efforts to strengthen internal management structures, including effective management of the board meeting, strict compliance, and developing risk management structures.

We also see human resources as precious management assets. While we naturally respect our employees as human beings and ensure that their basic human rights are protected, we have strived to develop an environment where the personality of each employee is leveraged and capabilities can be demonstrated to the fullest, by promoting efforts in diversity. Additionally, we are working on enhancing work-life balance to drive forward organizational efforts for creating a working environment where each employee feels job satisfaction and, at the same time, can work with comfort and efficiency.

In order to continue to be a company needed by society, we aspire to foster a stronger corporate structure, by listening to various opinions from every stakeholder and continually making improvements. Going forward, the Group will continue working toward the realization of a sustainable society and enhancement of corporate value.

CSR Activities

Corporate social responsibility (CSR) is the basis of the Group's business activities. We aim to realize a sustainable society and increase corporate value by fulfilling social responsibilities through our business activities and gaining trust from various stakeholders including "clients," "shareholders," "society" and "employees."

Value Creation Process of the IBJ Leasing Group

P7–8

Stakeholders	Responsibilities to be fulfilled by the Group	Reference Pages	
Clients	Contribute to the development of clients' business activities by providing optimal solutions tailored to changes in the times and environment.	Value creation together with clients	P9–12
Shareholders	Enhance corporate governance and ensure transparency of corporate activities through fair, timely and appropriate information disclosure.	Corporate governance Compliance Information disclosure policy	P37–40 P41–42 P46
Society	Promote social contribution activities and environmental initiatives based on ISO14001 in an organizational and continuous manner and contribute to the realization of sustainable society through business.	Operation of environmental management system Social contribution activities	P47 P47
Employees	Respect the human rights of each employee, secure and cultivate human resources with diverse perspectives and values and conduct organizational management to create a vibrant environment in which employees feel satisfied with their jobs.	Recruitment and development of human resources Work-life balance Promotion of diversity	P43–44 P45 P45

Corporate Governance and Internal Control

Corporate Governance

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.

Outline of Corporate Governance Structure (As of June 30, 2017)

Form of organization		Company with auditors
Number of directors		9, of whom 3 are outside directors
Number of auditors		4, all of whom are outside auditors
Term of office of directors		2 years
Executive officer system		Adopted
Board of Directors meetings in FY2016	Number of meetings held	19 times
	Attendance rate of directors	100%
	Attendance rate of corporate auditors	100%
Audit Committee meetings in FY2016	Number of meetings held	14 times
	Attendance rate of corporate auditors	100%
Structure of compensation for directors		With regard to the compensation for directors excluding outside directors, it is performance-based corresponding to their positions and responsibilities. As for the compensation for outside directors, it is fixed monthly corresponding to their responsibilities.
Independent auditors		Deloitte Touche Tohmatsu LLC

The Board of Directors and Executive Officers

The Company's Board of Directors currently has nine members, of whom three 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.

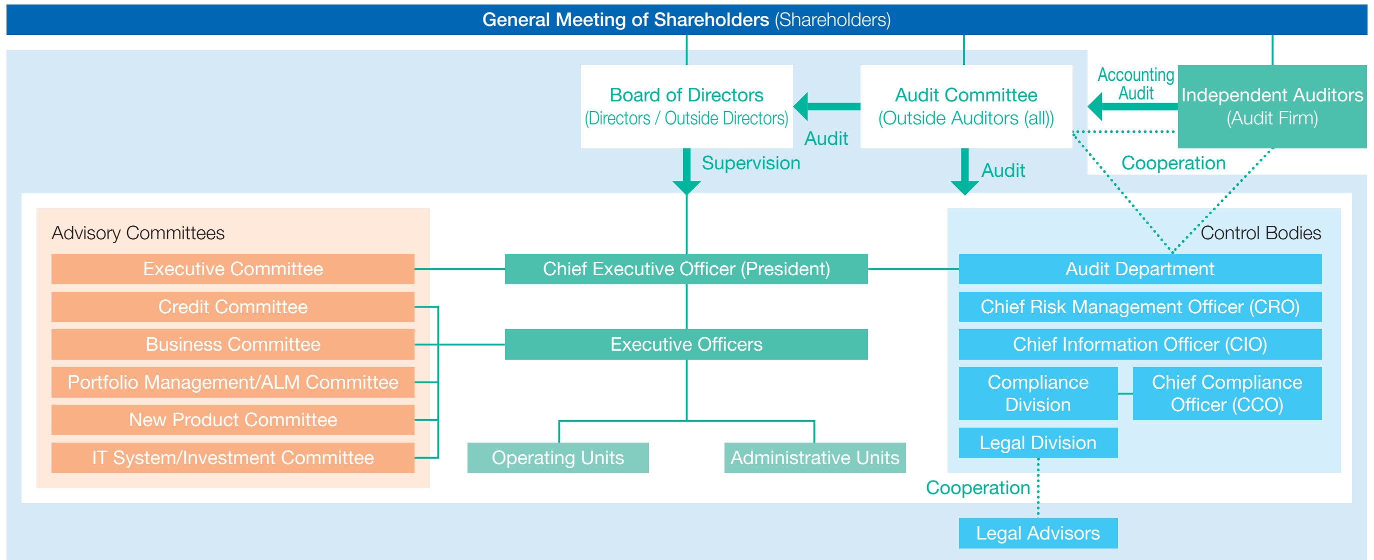
Auditors and Audit Committee

The Company has adopted a "company with auditors" system consisting of four auditors, all of whom are 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 maintain close cooperation with them, listen to their reports on audit activities, and exchange information to raise the efficiency and quality of auditing.

Shigeaki Katayama, Outside Standing Auditor, and Takehito Miyaguchi, also Outside Standing Auditor, have both engaged in financial operations for many years and possess appropriate 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.

Compensation for directors

The maximum total amount of compensation to be paid to all directors has been set based on the resolution of the General Meeting of Shareholders. With regard to the compensation for directors excluding outside directors, it is performance-based corresponding to their positions and responsibilities (combination of fixed monthly compensation and performance-based compensation reflecting performance assessment in consideration of their contribution to the Company's medium to long-term performance). As for the compensation for outside directors, it is fixed monthly corresponding to their responsibilities. The amount of compensation for each director is determined by the method adopted by the resolution of the Board of Directors.

	Number of recipients	Compensation paid
Directors excluding outside directors*	8	¥238 million
Corporate auditors excluding outside auditors	1	¥ 22 million
Outside officers	5	¥ 57 million

* This includes 3 directors who resigned on or prior to March 31, 2017.

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. Furthermore, regarding internal control on financial reporting pursuant to the Financial Instruments and Exchange Act, the Group maintains and implements a structure to ensure reliability of its financial reports.

Concurrent Positions Outside the Company, Reasons for Appointment and Other Relevant Matters Concerning Outside Directors and Outside Auditors

Title	Name	Significant concurrent positions outside the Company (As of June 30, 2017)	Reasons for appointment	Attendance at meetings of Board of Directors / Audit Committee
Outside director	Takao Komine	Trustee, Research Advisor, Japan Center for Economic Research Chairman, Institute for Research on Household Economics Professor, Department of Regional Development, Taisho University	We expect that he would make use of his abundant experience and broad insight in financial policy and specialized academic fields.	Board of Directors meetings: 19 out of 19 meetings
	Masatoshi Kiriyama	—	We expect that his abundant experience and broad insight in economic, industrial and commercial policy would be reflected in the management of the Company.	— (Assumed office in June 2017)
	Yasuyuki Sugiura	Advisor, Mitsubishi Corporation Managing Director, Toyo Bunko Outside Director, Senko Group Holdings Co., Ltd.	We expect that his abundant experience and broad insight acquired through executing business operations at a general trading enterprise, including corporate administration, overseas businesses and public relations would be reflected in the management of the Company.	— (Assumed office in June 2017)
Outside auditor	Shigeaki Katayama (Full-time)	—	We expect that he would make use of his abundant experience and broad insight in corporate management in carrying out the Company's audit operations.	Board of Directors meetings: 19 out of 19 meetings Audit Committee meetings: 14 out 14 meetings
	Takehito Miyaguchi (Full-time)	—	We expect that his abundant experience and broad insight acquired through corporate management at financial institutions, including executing business operations overseas would be reflected in carrying out the Company's audit operations.	— (Assumed office in June 2017)
	Kouji Shimogama	President and Representative Director, Corporate Pension Business Service Co., Ltd. Outside Director, Mito Securities Co., Ltd.	We expect that he would make use of his abundant experience and broad insight in corporate management in carrying out the Company's audit operations.	Board of Directors meetings: 19 out of 19 meetings Audit Committee meetings: 14 out 14 meetings
	Shinichi Takahashi	Attorney, Nishimura & Asahi	We expect that he would make use of his abundant experience and high expertise as an attorney in carrying out the Company's audit operations, and also that he would contribute to raising the level of corporate governance of the Company.	— (Assumed office in June 2017)

List of Directors, Auditors and Executive Officers

Board of Directors

President and CEO

Hiroshi Motoyama

- April 2004 Executive Officer, General Manager of IT & Systems Planning Division of Mizuho Corporate Bank, Ltd.
- April 2007 Managing Executive Officer, Head of Strategic Planning Group, Head of IT, Systems & Operations Group of Mizuho Financial Group, Inc.
- April 2009 Director of Mizuho Financial Group, Inc. (up to June 2009) Deputy President & Representative Director, Chief Auditor of Mizuho Corporate Bank, Ltd.
- June 2011 President & Representative Director of Mizuho Securities Co., Ltd.
- June 2016 President and CEO of the Company (present position)

Deputy President

Katsuji Nagatsu

- April 2002 General Manager, Toyama Corporate Banking Division of Mizuho Corporate Bank, Ltd.
- April 2004 General Manager, Nihonbashi Corporate Banking Division of Mizuho Corporate Bank, Ltd.
- April 2007 Executive Officer, General Manager of Corporate Banking Division No. 14 of Mizuho Corporate Bank, Ltd.
- April 2008 Managing Executive Officer of Mizuho Bank, Ltd.
- April 2012 Managing Executive Officer of the Company
- April 2013 Senior Managing Executive Officer of the Company
- April 2015 Deputy President Executive Officer of the Company
- June 2017 Deputy President, Deputy President Executive Officer of the Company (present position)

Senior Managing Director

Shin Kuranaka

- March 2006 General Manager, Career Development Division of Mizuho Corporate Bank, Ltd.
- May 2007 General Manager, Human Resources Department of Mizuho Financial Group, Inc.
- April 2009 Executive Officer, General Manager, Human Resources Department of Mizuho Financial Group, Inc.
- April 2010 Executive Managing Director of Mizuho Bank, Ltd.
- April 2013 Senior Managing Executive Officer of the Company
- June 2013 Senior Managing Director, Senior Managing Executive Officer of the Company (present position)

Managing Director

Shinichiro Maruyama

- April 2010 General Manager, Corporate Banking Division No. 14 of Mizuho Corporate Bank, Ltd.
- April 2012 Executive Officer, General Manager of the Corporate Business Unit (Large Corporations)
- June 2012 Executive Officer, General Manager of Planning Department of the Company
- June 2013 Director, Executive Officer, General Manager of Planning Department of the Company
- April 2015 Managing Director, Managing Executive Officer, General Manager of Corporate Planning Department of the Company
- June 2015 Managing Director, Managing Executive Officer, General Manager of Business Co-ordination Department of the Company
- April 2017 Managing Director, Managing Executive Officer of the Company (present position)

Managing Director

Masaya Hamamoto

- April 2011 General Manager, Osaka Corporate Banking Division No.1 of Mizuho Corporate Bank, Ltd.
- July 2013 General Manager, Corporate Banking Division No. 5 of Mizuho Bank, Ltd.
- April 2014 Executive Officer, General Manager of Corporate Banking Division No. 5 of Mizuho Bank, Ltd.
- April 2015 Executive Officer of the Company
- June 2015 Director, Executive Officer, General Manager of Corporate Planning Department of the Company
- April 2016 Managing Director, Managing Executive Officer, General Manager of Corporate Planning Department of the Company
- April 2017 Managing Director, Managing Executive Officer of the Company (present position)

Managing Director

Akira Ueda

- May 2001 Deputy General Manager, Business Co-ordination Department of the Company
- December 2001 General Manager, Corporate Business Department (Tokyo Regional No. 2) of the Company
- March 2005 General Manager of Personnel Department of the Company
- April 2006 Executive Officer, General Manager of Personnel Department of the Company
- April 2012 Managing Executive Officer, General Manager of Personnel Department of the Company
- June 2016 Managing Director, Managing Executive Officer of the Company (present position)

Outside Director

Takao Komine

- July 1969 Joined the Economic Planning Agency
- June 1998 Director General, Prices Bureau of Economic Planning Agency
- July 1999 Director General, Research Bureau of Economic Planning Agency
- January 2001 Director General, National and Regional Planning Bureau of Ministry of Land, Infrastructure and Transport
- April 2003 Professor, Graduate School of Social Science, Hosei University
- June 2009 Outside Director (part-time) of the Company (present position)
- April 2010 Research Advisor, Japan Center for Economic Research
- May 2012 Trustee, Research Advisor, Japan Center for Economic Research (present position)
- December 2014 Chairman, The Institute for Research on Household Economics (present position)
- April 2017 Professor, Department of Regional Development, Taisho University (present position)

Outside Director

Masatoshi Kiriyama

- April 1972 Joined the Ministry of International Trade and Industry
- June 1989 Head of the Commerce, Industry and Labor Department of Miyazaki Prefecture
- June 1992 Director, Consumer Goods Industrial Bureau of the Ministry of International Trade and Industry
- June 2000 Head of 4th Department of Legislative Bureau of the House of Councillors
- December 2005 Head of Research Office of the Committee on Audit, the House of Councillors
- August 2009 Auditor, Energy Conservation Center, Japan
- April 2011 Professor, Department of Law, Teikyo University
- June 2015 Senior Managing Director, Japan Chemical Exporters and Importers Association
- June 2017 Director of the Company (part-time) (present position)

Outside Director

Yasuyuki Sugiura

- April 1978 Joined Mitsubishi Corporation
- March 1998 General Manager, Washington Office of Mitsubishi International Corporation
- April 2004 General Manager, Coordination Department of Mitsubishi Corporation
- April 2006 Chief Financial Officer and Senior Vice President for Corporate Department, New York Office of Mitsubishi International Corporation
- April 2008 General Manager, Corporate Communications Department of Mitsubishi Corporation
- April 2009 Senior Vice President, General Manager of Communications Dept., Corporate Planning Department of Mitsubishi Corporation
- April 2012 President & CEO, New York Office of Mitsubishi International Corporation
- April 2013 Executive Vice President of Mitsubishi Corporation President & CEO, New York Office of Mitsubishi Corporation (Americas)
- April 2016 Advisor of Mitsubishi Corporation (present position)
- June 2016 Director, Toyo Bunko
- June 2017 Managing Director, Toyo Bunko (present position) Director of the Company (part-time) (present position)

Corporate Auditors

Outside Standing Auditor

Shigeaki Katayama

- February 2003 General Manager, Milan Branch of Mizuho Corporate Bank, Ltd.
- March 2004 General Manager, Market Business Operations Division of Mizuho Corporate Bank, Ltd.
- January 2005 General Manager, Operations Planning Division of Mizuho Corporate Bank, Ltd.
- April 2007 General Manager, IT & Systems Planning Division of Mizuho Corporate Bank, Ltd.
- April 2008 Executive Officer, General Manager of IT & Systems Planning Division of Mizuho Corporate Bank, Ltd.
- April 2011 Managing Executive Officer, Head of IT Department of Mizuho Securities Co., Ltd.
- June 2014 Senior Managing Director of Nippon Securities Technology Co., Ltd.
- June 2015 Standing Auditor of the Company (present position)

Outside Standing Auditor

Takehito Miyaguchi

- April 2005 General Manager, Beijing Branch of Mizuho Corporate Bank, Ltd.
- June 2007 Executive Officer of Mizuho Corporate Bank, Ltd. Deputy Chairman & President of Mizuho Corporate Bank (China), Ltd.
- June 2012 Senior General Manager of Mizuho Corporate Bank, Ltd. Chairman of Mizuho Corporate Bank (China), Ltd.
- October 2015 Adviser of Mizuho Research Institute Ltd. Adviser of Mizuho Bank (China), Ltd.
- June 2017 Standing Auditor of the Company (present position)

Outside Auditor

Kouji Shimogama

- April 1979 Joined The Dai-ichi Mutual Life Insurance Company
- April 2007 Executive Officer, Head of Investment Division of The Dai-ichi Mutual Life Insurance Company
- April 2011 Managing Executive Officer, Head of Investment Division of The Dai-ichi Life Insurance Company, Limited
- April 2012 Managing Director of DIAM Co., Ltd.
- April 2014 Deputy President and Representative Director of Corporate Pension Business Service Co., Ltd.
- June 2014 Auditor of the Company (present position)
- April 2015 President and Representative Director of Corporate Pension Business Service Co., Ltd. (present position)
- June 2017 Outside Director of Mito Securities Co., Ltd. (present position)

Outside Auditor

Shinichi Takahashi

- April 1984 Joined the Dai-ichi Tokyo Bar Association Nishimura & Asahi (present position)
- September 1990 Joined Simpson Thacher & Bartlett LLP (New York office)
- June 1991 Joined New York State Bar Association
- September 1996 Statutory Auditor, Lloyd's Japan Inc.
- April 2001 Liquidator, Daihyaku Mutual Life Insurance Company
- June 2017 Auditor of the Company (present position)

Corporate Executive Officers

Managing Executive Officers	Noriyuki Yukawa	Executive Officers	Toshiyuki Kamimura / Yutaka Sasaki
	Katsuhiko Yoshida		Kozo Shino / Toshikazu Ishizaka
	Hironobu Yamaguchi		Hiroshi Yoshida / Hiromichi Koyata
	Hidehiko Kamata		Yoshiyasu Mizutomi / Noboru Otaka
	Kunimoto Wakasugi		Katsuzumi Orihashi / Asao Tsumuji
	Tetsuya Norimatsu		Chihiro Tokiyasu / Yasushi Hara

Message from Outside Director

After years of work as a governmental official (at the Economic Planning Agency, current Cabinet Office), I started teaching at a university, and I still do. Over the course of my career, I, as an economist, have always observed and discussed issues and policies related to Japanese economy as a whole. I have never worked in the private sector, nor am I an expert on financial issues. However, I believe that my participation as outside director mattes a lot, all the more because of this background.

In my opinion, outside directors are called for to convey issues and social movements that are difficult to be noticed from inside the company and to enable the company to develop and implement management strategies in response to changing times by checking the company's management with an outside set of eyes, so to speak. When discussing regional development which I am currently working on, terms such as "outsiders, the youth and tricksters" often come up. This means that in order to vitalize a regional community, it is necessary to accept talent from outside, create an environment where young people can play an active role, and sometimes to have those who start something outrageous. I think that outside directors are expected to perform functions as "outsiders".

Based on this belief, I hope that I can help IBJ Leasing to achieve further development with knowledge and experience I've accumulated.

Takao Komine Professor, Department of Regional Development, Taisho University

Compliance and Risk Management

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 Awareness Activities

The Group has formulated The Corporate Code of Conduct of IBJ Leasing Group, which sets out concrete action guidelines for directors and employees, 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 Group 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.

Risk Management

Risk Management Activities

As financial services become more diversified and sophisticated, the various 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.

Keywords Explained

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, due to factors such as bankruptcy or deterioration of financial position of the debtor.

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 fl uctuations (interest rates, stock prices, foreign exchange rates, etc.).

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 Company from shareholders' equity. By allocating this risk capital to credit risk, market risk and other risks, we control 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, regarding credit risk of our clients.

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 for each debtor when reviewing a deal, and, to avoid excessive concentrations of credit, manage credit limit 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 credit 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 preallocated risk capital, and report to the Board of Directors on a monthly basis.

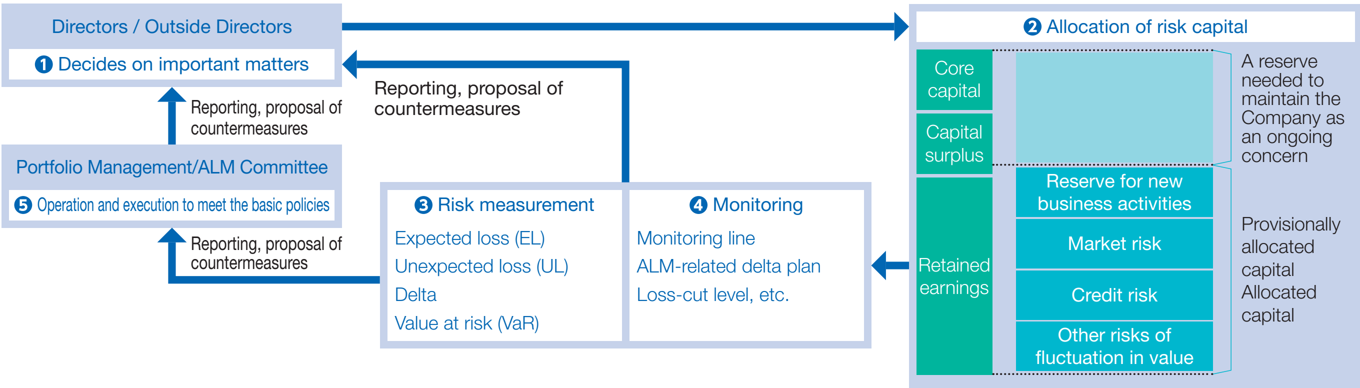
Market Risk Management Structure

The IBJ Leasing Group establishes basic policies based on market environments, financial strength, etc. at the Board of Directors meeting each year to properly control risks in line with financial operations. In addition, ALM operating policies based on the basic policies, various credit lines for transactions, and loss limits, etc., are determined on a monthly basis at the meetings of the Portfolio Management/ALM Committee, whose members include executives in charge of relevant departments. Through these measures, the IBJ Leasing Group strives to maintain stable earnings by controlling risk.

Also, in terms of organizational structure, in order to provide effective checks and balances, we have established clearly defined dividing lines between departments handling market operations ("front office") and departments providing back-office administration ("back office"), and an independent risk management department dedicated to risk management has been established.

Furthermore, risk-related analyses are reported monthly at meetings of the Portfolio Management/ALM Committee as well as those of the Board of Directors.

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.

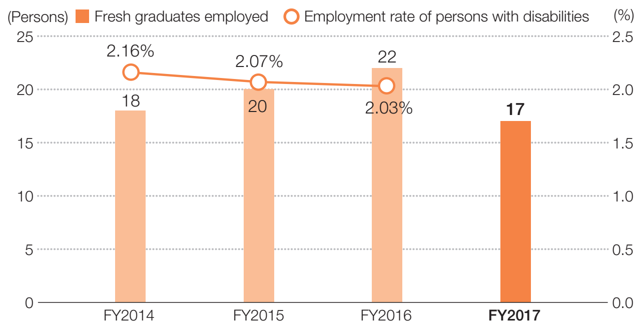
Recruitment and Development of Human Resources

Hiring Fresh Graduates, Mid-career Workers and Persons with Disabilities

Based on its policy to conduct fair and impartial pre-employment screening, the IBJ Leasing Group promotes recruitment of diverse talent including fresh graduates, as well as mid-career workers with various background and persons with disabilities.

We believe that future of the IBJ Leasing Group depends on people with different personalities who perform at their full potential, think together, act together and develop together.

IBJ Leasing's Past record



Internship Program

The Company has implemented an Internship Program in order to give students a better understanding of the leasing industry.

In this Program, students will have opportunities to learn, among other things, operations of leasing companies, their social contributions, and characteristics of the Company, and to have first-hand experience of proposal-based sales through sales role playing and group workshops among students.

Furthermore, at a round-table talk with our young staff, students will deepen their understanding of the Company by listening to first-hand impressions of our young staff based on their actual experiences.

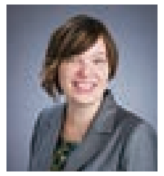
Acceptance of Trainees from Overseas

Since 1988, the Company has accepted one foreign student as a trainee every year. Under this system, a foreign student can experience a series of operations for a period of one year at various departments in the Company centering around the International Department, by working as an assistant for sales projects, preparing contract-related documents and other materials or performing other duties.

Although nationalities of trainees vary, this program always offers a great opportunity to both trainees and employees of the Company to understand each other's culture and customs through active communication during and after work.

VOICE International Department

Ann Listerud

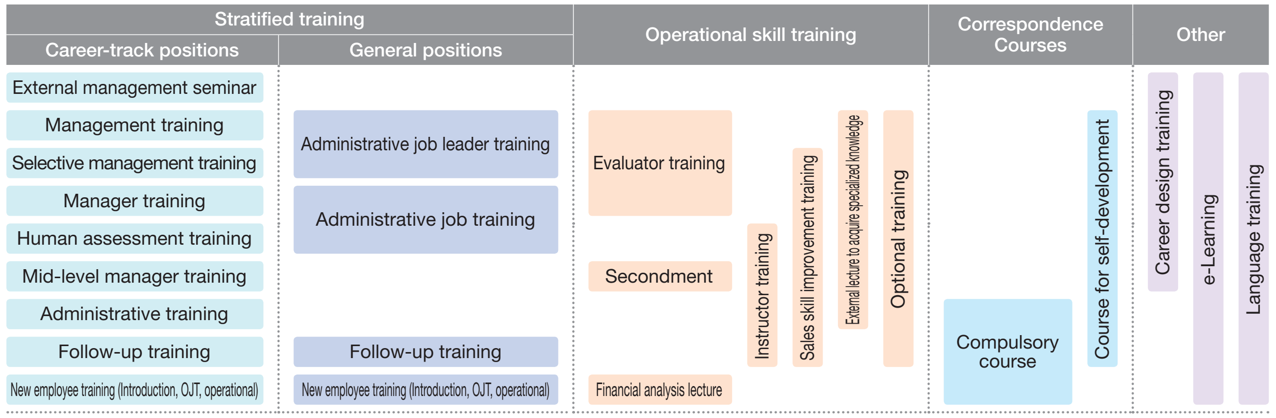


It has been almost a year since I first participated in the Internship Program of IBJ Leasing. With the support of people around me including my superiors, I enjoyed learning know-how on financing as well as Japanese business culture. By participating in a wide range of training sessions in the Business Department, I also had an opportunity to experience a variety of industries such as construction equipment and aircraft, and this was a great opportunity for me to deepen my understanding of management strategies of Japanese companies. My Japanese language skills have also improved since I started this program, and this was a most rewarding year for me. I would like to use my experience and knowledge I earned at IBJ Leasing after returning to my own country.

Human Resources Development Programs

The IBJ Leasing Group has established detailed training programs such as operational skill training programs including stratified training based on each employee's development level and optional training and correspondence courses to support employees to improve themselves and to encourage them to acquire qualifications.

Training Program Diagram



Career Enhancement System

Chief Assistant System

The Company has a "Chief Assistant" position which plays a leading role among general staff.

Career Enhancement Conversion System

This is a system for changing employment type from general positions to career-track positions. This system is intended to help employees to demonstrate their potential capabilities to the fullest extent and to form their own new career path independently, and at the same time to revitalize their workplace by increasing employees' motivation to work.

Conversion to Direct Employment

The Company encourages temporary staff to be employed directly by the Company in view of their performance at the relevant department and their desires, with the expectation that they will play a more active role.

Open Recruitment System

Under this system, employees may voluntarily apply for a job for a specific operation or project.

This system encourages motivated employees to take on a challenge and provides a place to play an active role.

Job Rotation

The IBJ Leasing Group has adopted a job rotation system to allow employees to experience various job duties to foster human resources not only with expertise but also with diverse work experiences.

Job rotation aims to make employees discover their hidden talent and capabilities, through experiencing various job duties and utilize knowledge and skills they earned through such experiences when carrying out their new duties.

When reassigning or allocating employees, the IBL Leasing Group also takes into consideration employees' desires expressed through self-assessment, in addition to the request for staff allocation from each department.

VOICE Automobile Transport Equipment Department

Eimi Inadate

I was transferred from the Department where my primary duty was to formulate rules for the Company's administrative work, to the Business Department. I currently work as a sales assistant. At my current Department, I have many opportunities to have direct contact with our clients, and now I know the importance of daily communication with clients and sales staff. I try to respond to our clients' requests smoothly and carry out administrative procedures correctly by using knowledge on administrative rules, etc., I gained at my previous Department.

I will continue to absorb various things and provide my support for sales activities.

Promotion of Work-Life Balance and Diversity

Systems to Support Childbirth, Child-rearing and Nursing Care

The IBJ Leasing Group has adopted various support systems including those for child birth and child-rearing to support employees for achieving work-life balance.

Our child care leave system allows an employee to take a leave up to two years, and an employee who returns to work will be able to work shorter hours until their child enters elementary school.

Also, if any employee faces the situation where he/she needs to care for their family member, our nursing care leave system will allow the employee to take a nursing care leave up to three months per eligible family member.

TOPICS We are certified as a Company Providing Active Support for Raising the Next Generation of Children.

In February 2013, the Company was certified for the second time after 2007 by Director General of Tokyo Labor Bureau as a Company Providing Active Support for Raising the Next Generation of Children under the Act on Advancement of Measures to Support Raising Next-Generation of Children (nick name, Kurumin) and acquired the Next-Generation Certification Logo.

Employees who took maternity leave and/or child care leave

FY2014	FY2015	FY2016
11	11	14

Next-Generation Certification Logo (nick name: Kurumin)

VOICE Credit Risk Management Department

Eriko Nakanishi

Seeing my superiors actively work, maintaining a balance between work and child-rearing after giving birth, I decided to use this system. I was a little worried if I could balance work and child-rearing, but with heartfelt support of people around me, I was able to return to work smoothly. While I was on leave, I had a wonderful time with my child, and I am very grateful for that.

Initiatives to Promote Diversity

The IBJ Leasing Group supports female employees for their skill improvement and career development, and encourages their advancement, making every effort to create systems and work environment where all employees, both female and male employees, can work comfortably and play a more active role.

SAKURA, a Project Team to Promote the Advancement of Women

In October 2014, we established a cross-departmental team, the SAKURA project team, to promote the advancement of women. This team conducts activities at each phase under a different theme, and presents proposals to the management as to the measures to be taken, not only to promote the advancement of women, but to realize diversified ways of working by all employees.

Phase 1	Phase 2	Phase 3	Phase 4
From October 2014 to May 2015	From June 2015 to December 2015	From October 2016 to February 2017	From October 2017 to March 2018
Reforms in female employees' working styles	Career support for women in career-track positions	"Reforms in working styles" from the management's perspective	Launch of "SAKURA People"
Expansion of work domains for female members of the general staff Proposal to establish a system for career conversion, etc.	Establishment of program to support career design Proposal for invigoration of job rotation, etc.	Proposal for streamlining of operations Career formation support, etc.	Appointment of employees in management position in each department and office as a leader of "reform in working style"

Diversity Promotion Division

In April 2016, the Diversity Promotion Division was established to systematically promote advancement of diversified human resources based on know-how and achievement from the Project Team to Promote the Advancement of Women, SAKURA. Based on the belief that people are human resources the Diversity Promotion Division is working to create cooperative structures and build internal awareness and maximizing each employee's capabilities.

Establishment of Diversity Promotion Division — From April 1, 2016 to present

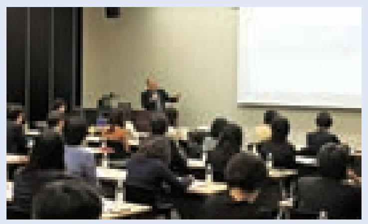
Initiatives

Various measures
Establishment of system for career conversions, offering tablet loan to employees who take maternity leave or child care leave, etc.

Provision of training and seminars
Training for management staff, career design training for female employees in career-track positions, child care and nursing care seminar for employees

TOPICS Lecture held at Women's Advancement Promotion Seminar

In October 2016, Director Kuranaka gave a lecture on the Company's activities in promoting advancement of women at the Promotion of Advancement of Women Seminar hosted by the JMA Management Center Inc.

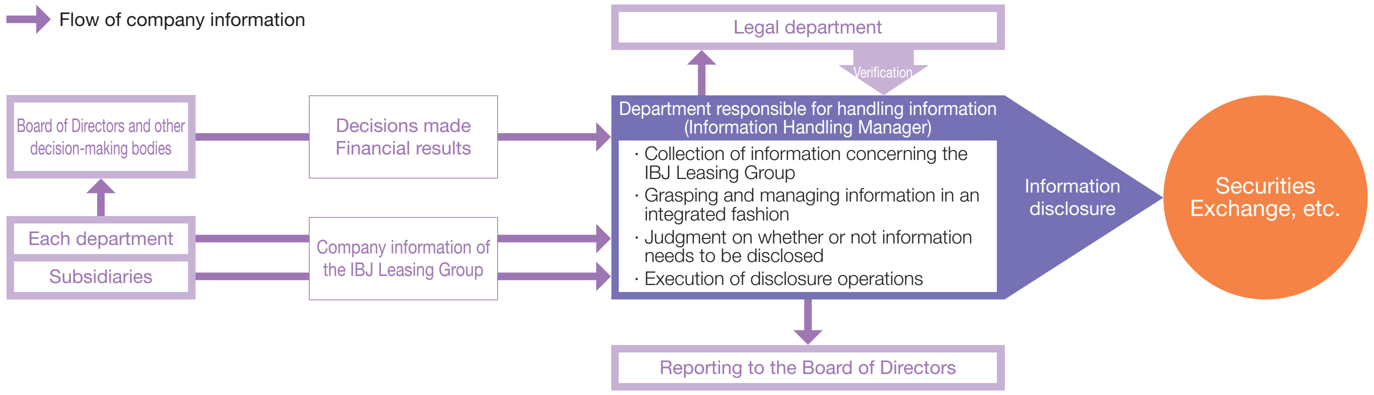


At the lecture

Communication with Shareholders and Investors

Disclosure Policy

The Company discloses information to the public on a consolidated basis of the IBJ Leasing Group to protect rights and interests of shareholders and other stake holders. Timely, proper and fare disclosure of information will ensure transparency of the Company's corporate activities. A system to disclose information accurately and promptly in a positive manner is also in place and properly implemented.



Active IR Activities

The basic stance of the Company regarding IR activities is to continuously disclose information in a fair, timely and appropriate manner and to enhance communication with shareholders and investors, to enable their further understanding about the Company and fair evaluation of the Company's corporate value. The Company holds briefing sessions to explain financial results to institutional investors and analysts and individual meetings with domestic and overseas investors on a regular basis, as well as annual company information sessions for individual investors.

Record of IR Activity in FY2016

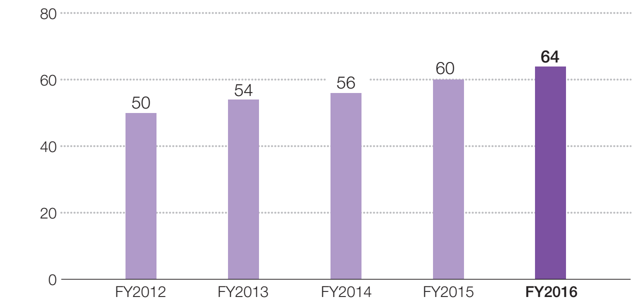
Financial results briefing session	Twice
Briefing session for individual investors	Once
Individual meeting with institutional investors, etc.	48 times

Shareholder Return Policy

Dividend Policy

The basic policy of the Company on dividends is to realize dividends based on the business performance of the Company while improving its earning capacity in due consideration of balance between return of profits to shareholders and securing shareholders' equity.

Annual Dividend per Share (yen)



Shareholders Benefit Plan

The Company has a shareholders benefit plan to show our appreciation to shareholders. The reference date of this plan is March 31 each year.

Company design pre-paid book card

Shareholders Special Benefit Plan

	If shares are held for two consecutive years or longer*
A ¥3,000 book card is given out to each shareholder who holds 1 unit (100 shares) or more shares.	A ¥4,000 book card is given out to each shareholder who holds 1 unit (100 shares) or more shares.

* Shareholders who hold 1 unit (100 shares) or more shares for two consecutive years or longer are those who are recorded in the shareholder registry on the record date (March 31) by the same shareholder number as that on the record date of the previous fiscal year.

Environmental and Social Activities

Implementation of Environmental Management System

The Company and eight Group companies have been awarded a certification for the international standard for environment, ISO 14001 Certification.

Organizational Structure of Environmental Management System

The IBJ Leasing Group ensures that the environmental management system (PDCA cycle) is operated properly. To this end, the Chief CSR Officer oversees the Environmental Management Officer who is responsible for the management of environmental activities as a whole, and the Department responsible for environmental management of the Company and the Operating Officer of Environmental Management of each Group company promote activities to achieve the environmental goal.

Basic Environmental Policy

1. We strictly comply with environmental laws and regulations and continuously improve our environmental conservation activities with our corporate social responsibility in mind at all times.
2. We strive to balance environmental conservation and economic development by developing and providing goods and services that contribute to environmental conservation.
3. We properly manage equipment for which lease terms have expired, promote recycle and reuse, and thereby contribute to building a recycling-oriented society.
4. We make every effort to understand environmental impact each business activity will make, and to reduce environmental load and prevent pollution.

Main Environmental Purposes and Targets

	Environmental Purposes - Medium-term target -	Environmental target -Annual target-	
		FY2016 target	Results
Business	Increase dealings of environmentally-friendly equipment	8% increase from FY2015 results (excluding results due to special factors)	98% achieved
Business	Realize new products and services that contribute to environmental conservation	Promote environmentally-friendly business group-wide	Proposal materials prepared Study sessions, etc. held
Expired and Used Equipment	Promote 3R by purchasing used equipment	8% increase from FY2015 results	79% achieved
Expired and Used Equipment	Sustainable contribution to building a recycling-oriented society	Achieve reuse rate* of 60% or more	Reuse rate 68% achieved
Expired and Used Equipment	Ensure disposal in compliance with laws and regulations and select law-abiding recycling business operators	Regularly investigate industrial waste disposal business operators used group-wide	Implemented group-wide
Offices	Reduce the amount of paper used	Maintain average monthly level (sheets used per person) of FY2013-FY2015	5% reduction from target
Offices	Reduce consumption of electric power	Maintain average monthly level of FY2013-FY2015	5% reduction from target

* Reuse rate means a rate calculated by: Number of equipment sold ÷ Number of equipment for which lease term or re-lease term has expired

Social Contribution Activities

Support for Gold Ribbon Campaign

The Gold Ribbon Campaign is organized and promoted by an accredited NPO, Gold Ribbon Network, to support children with cancer. Pediatric cancer is the primary cause of death due to disease in children in Japan. However, as the number of pediatric cancer patients is far less than adult cancer patients, research and development of treatment and medication for pediatric cancer has been slow. The IBJ Leasing Group has installed vending machines in its Head Office, by which a portion of sales proceeds will be donated to support the Gold Ribbon campaign.

Participation in Eco Cap Campaign

The Eco Cap Campaign is a movement to deliver vaccines for communicable diseases to children in developing countries, using proceeds from sales of PET bottle caps that will produce CO_2 if incinerated as general household waste. Those caps are separated and collected for recycling, and sold to recycling business operators. With 800 caps (Eco Caps), vaccines for one child can be purchased, and generation of around 6kg of CO_2 can be prevented.

Since October 2010, the IBJ Leasing Group has put eco cap collection boxes at various locations in the Head Office building and each branch and has been actively promoting collection of Eco Caps.

FY (accumulated)	Number of caps collected (estimate)	Converted to number of vaccines	Converted to CO_2
2010-2016	320,300 caps	Vaccines for approximately 384.65 children	2,426.71kg

Donation of PCs after Expiration of Lease Term

The Company donates, through the Japan Leasing Association, PCs after expiration of lease term to educational institutions in the areas affected by the Great East Japan Earthquake, NPOs engaged in educational support, regional development and social welfare activities, as well as special needs schools in various areas.

FY (accumulated)	Number of PCs donated
2011-2016	93

Consolidated Financial Data and Corporate Information

Management's Discussion and Analysis

1. Overview of Business Performance

In fiscal 2016, the Japanese economy mostly showed gradual recovery partially owing to modest growth of the world economy, and capital investment remained steady against the backdrop of improvement in corporate earnings and other factors. In the leasing industry, leasing transaction volumes remained almost at the same level as the previous fiscal year. In the financial market, amid the continued negative interest policy of the Bank of Japan, although there were temporary rises in long-term interest rates against the backdrop of positive trend toward economic recovery, interest rates remained low.

As for profit and loss, contract execution volume increased, so have revenues, due to sales of large-scale lease equipment for which lease terms have expired. The Group strived to raise profitability by the acquisition of highly profitable projects in focus fields, achieving ¥39,206 million in gross profit, a 2.0% increase from the previous year. Ordinary income increased 1.2% year on year to ¥18,789 million, by absorbing increases in credit cost. Net income attributable to owners of the parent rose 6.9% year on year to ¥12,414 million, a new high for the fourth year in a row, achieving the Fourth Mid-term Management Plan target of ¥12,000 million.

2. Amount of Contracts Executed and Operating Assets

In leasing and installment sales, overall contract execution volume continued to expand, showing a 2.2% increase year on year, reaching ¥475,661 million. Capital investment projects by our clients, mainly medium to large companies, increased by enhancing our comprehensive proposal-based sales efforts targeting clients who were seeking solutions or having potential needs. We continued to enhance our targeted approach toward distribution, retailing and other businesses based on internal demand where need for funds was expected. We also pushed store equipment projects taking advantage of environment- and energy-related subsidies and collaborated with large-scale store developers to expand real estate leasing for land and buildings. Particularly in the real estate-related business, our projects have further expanded due to growth of bridge projects for REIT offered by major business operators.

In the financing field, overall contract execution volume increased 2.8% year on year to ¥616,366 million. We also engaged in syndicate loans in and outside Japan in collaboration with major financial institutions as well as financing related to corporate capital policies, and executed transactions such as securitization of receivables that would provide solutions to our clients to solve various issues related to diversification of funding and distribution channels.

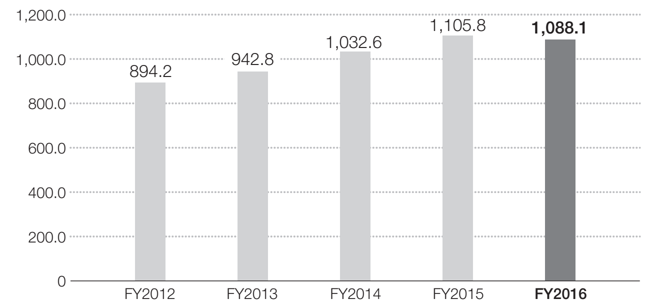
In the aircraft-related business, an area of focus, we executed operating lease for four aircrafts through our aircraft leasing subsidiary, a joint venture with a leading U.S. aircraft leasing company, Aircastle Limited. We expanded our business areas by embarking on the business of owning aircraft in addition to traditional financing targeting aircraft and engines.

As for the overseas business, in Asia where we have business sites, we enhanced our business infrastructure by steadily capturing financing needs for capital investment by Japanese companies and by reinforcing initiatives toward non-Japanese companies such as full-fledged entry into automobile lease business in Thailand and increasing leasing to medical institutions in China.

Consequently, operating assets in leasing and installment sales amounted to ¥1,088,139 million, down 1.6%, compared with the previous year. Operating assets in the financing sector increased 9.5% year on year to ¥520,579 million. The total of operating assets amounted to ¥1,608,718 million, up 1.8%, compared with the previous year. We met our operating asset target of ¥1,500.0 billion for the Fourth Mid-term Management Plan.

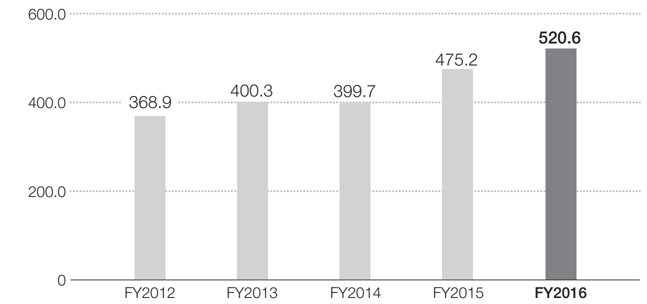
Balance of Operating Assets (Leasing and Installment Sales Sector)

(Billions of yen)



Balance of Operating Assets (Financing Sector)

(Billions of yen)



Amount of Contracts Executed

(Millions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016
Lease	307,601	305,738	372,265	391,567	421,393
Installment sales	64,836	79,116	84,115	73,938	54,267
Loans	411,299	445,807	462,716	534,324	513,782
Operational investment securities	20,514	7,006	24,035	65,522	102,583
Total	804,252	837,669	943,134	1,065,352	1,092,027

Operating Assets

(Millions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016
Lease	780,234	809,499	878,693	958,353	950,318
Installment sales	113,939	133,267	153,910	147,455	137,820
Loans	320,143	359,530	361,067	377,933	348,085
Operational investment securities	48,798	40,749	38,627	97,283	172,493
Total	1,263,116	1,343,046	1,432,299	1,581,025	1,608,718

3. Results of Operations

Revenues

Revenues increased ¥65,231 million year on year to ¥429,405 million, due to an expansion in contract execution volume and recording of proceeds from sales of large-scale lease equipment for which lease terms have expired.

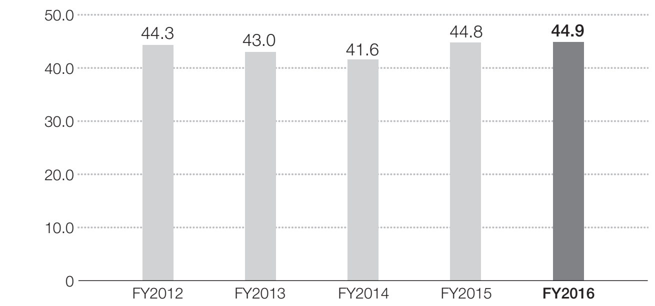
Gross profit before funding costs and write-offs

Gross profit before funding costs and write-offs increased ¥90 million year on year to ¥44,904 million, as we worked to augment basic earnings potential through the quantity and quality of our sales portfolio.

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 lease receivables and investments in lease 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

(Billions of yen)



Gross Profit before Funding Costs and Write-offs by Segment

(Millions of yen)

	FY2012	FY2013	FY2014	FY2015	FY2016
Lease	33,522	31,439	30,273	30,988	31,062
Installment sales	2,799	2,654	2,446	2,531	2,102
Loans	6,921	6,644	7,096	7,429	7,124
Other	1,571	2,786	2,285	4,378	5,116
Elimination or corporate	(540)	(516)	(491)	(513)	(501)
Total	44,275	43,008	41,609	44,814	44,904

Funding costs

Funding costs decreased ¥664 million to ¥5,697 million year on year. Interest-bearing debt rose in line with the increase of operating assets, but we promoted the raising of funds with lower interest rate to reduce funding costs.

Selling, general and administrative expenses

Personnel and facilities costs rose ¥165 million to ¥19,635 million year on year.

Other income and expenses

Net other income decreased ¥169 million during the year to ¥827 million.

Of this amount, other income declined ¥207 million year on year to ¥1,229 million. This was due to equity in earnings of associated companies, which decreased ¥145 million.

Other expenses dropped ¥37 million to ¥402 million year on year.

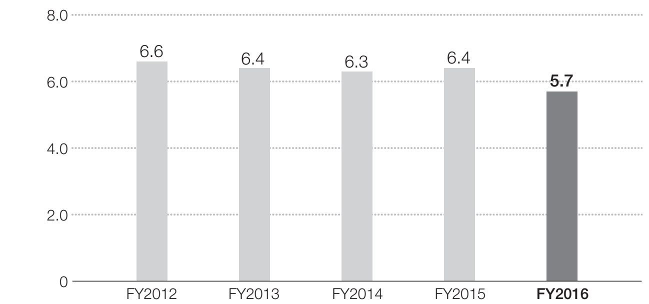
Extraordinary income and loss

As for extraordinary income and loss, extraordinary income was ¥266 million and extraordinary loss was ¥201 million, recording net extraordinary income of ¥65 million.

This extraordinary income was due mainly to the recording of gain on sales of shares of a consolidated subsidiary, and extraordinary loss was due mainly to the recording of loss on devaluation of investment securities.

Funding Costs

(Billions of yen)



Total credit costs

In the consolidated statements of income, the IBJ Leasing Group records bad debt-related costs under cost of revenues, selling, general and administrative expenses, other income and expenses and extraordinary income and loss. Total credit costs are the sum of these items. Total credit costs in the year under review increased ¥278 million year on year to ¥1,537 million due to large credit cost incurred in the fourth quarter.

Income taxes

Corporate taxes, current income taxes and deferred income taxes amounted to ¥6,239 million. The effective tax rate was 33.1%.

Net income attributable to owners of the parent

As a result of the above efforts, net income attributable to owners of the parent amounted to ¥12,414 million, an increase of ¥805 million from the previous year.

4. Assets, Liabilities and Equity

Assets

Total assets as of the fiscal year-end amounted to ¥1,752,284 million, an increase of ¥33,563 million year on year. The status of operating assets is indicated on page 49 under the items "Amount of Contracts Executed and Operating Assets."

Liabilities

Total liabilities as of the fiscal year-end amounted to ¥1,610,529 million, an increase of ¥24,595 million year on year. Of this amount, interest-bearing debt rose to ¥1,492,438 million, an increase of ¥26,854 million year on year, due to the increase in operating assets. The ratio of financing from capital markets to total financing was 38.1%.

Equity

Total equity as of the fiscal year-end amounted to ¥141,755 million, an increase of ¥8,968 million year on year. This increase stemmed from income during the year.

5. Cash Flows

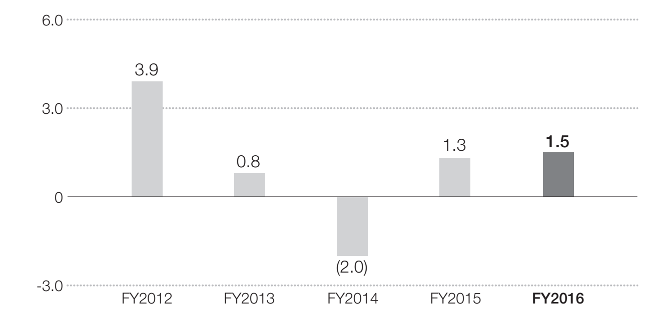
Net cash used in operating activities was ¥73,100 million. This was due to capturing demand for financing needs, including domestic demand-focused capital investment and financing related to corporate capital policies, as well as an increase in operating assets.

Net cash used in investing activities was ¥487 million. This figure was due to factors including ongoing system investments.

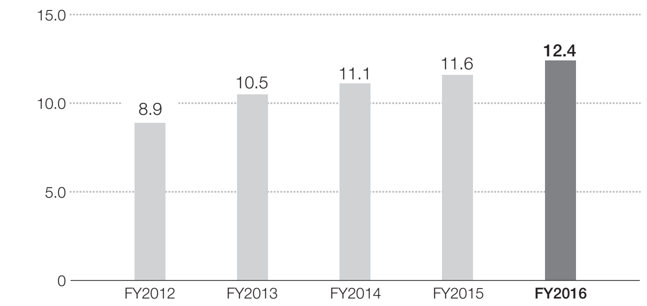
Net cash provided by financing activities was ¥67,213 million. This was due to an increase in debt funding including borrowings.

As a result of the above activities, the balance of cash and cash equivalents as of the fiscal year-end decreased ¥6,769 million year on year to ¥41,563 million.

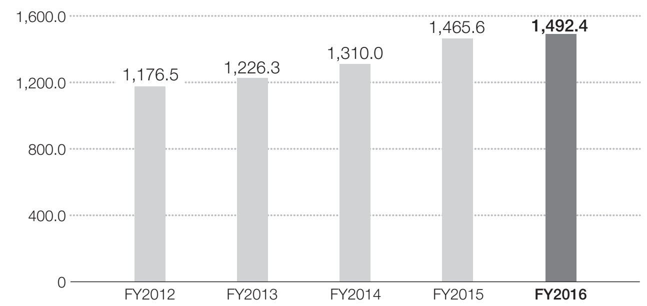
■ Total Credit Costs (Billions of yen)



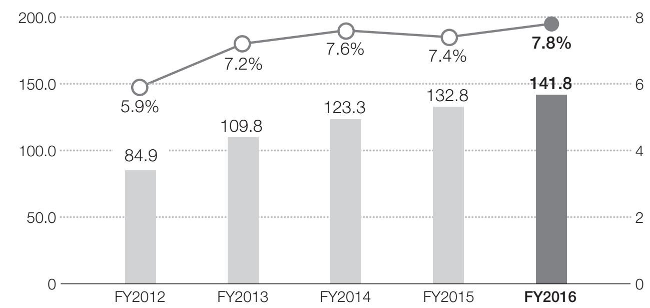
■ Net Income attributable to Owners of the Parent (Billions of yen)



■ Interest-bearing Debt (Billions of yen)



■ 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 23, 2017.

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 is 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 Group 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 "doubtful operating receivables and receivables, etc. equivalent to the foregoing" in the year ended March 31, 2017 was ¥8,501 million. The Group 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, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 17)	¥ 41,563	¥ 48,332	$ 370,438
Marketable Securities (Notes 4 and 17)	44	73	397
Lease Receivables and Investments in Lease (Notes 5, 8, 16 and 17)	809,304	841,987	7,213,048
Receivables (Notes 5, 8 and 17):			
Notes and Accounts	486	457	4,336
Lease	4,028	5,109	35,905
Installment Sales	138,089	147,820	1,230,745
Loans	205,206	225,006	1,828,931
Factoring	139,749	152,926	1,245,542
Other	3,130	—	27,896
Total Receivables	490,690	531,320	4,373,355
Operational Investment Securities (Notes 4 and 17)	172,493	97,283	1,537,376
Deferred Tax Assets (Note 11)	1,874	1,102	16,706
Prepaid Expenses and Other	53,763	34,811	479,173
Allowance for Doubtful Receivables	(3,130)	(887)	(27,898)
Total Current Assets	1,566,603	1,554,022	13,962,595
Property and Equipment:			
Leased Assets (Notes 5, 6 and 8)	236,482	219,146	2,107,684
Accumulated Depreciation	(95,568)	(102,912)	(851,773)
Net Leased Assets	140,913	116,233	1,255,911
Advances for Purchases of Leased Assets	311	76	2,780
Own-used Assets	6,187	6,200	55,143
Accumulated Depreciation	(3,200)	(3,067)	(28,523)
Net Own-used Assets	2,986	3,133	26,620
Total Property and Equipment	144,211	119,443	1,285,311
Investments and Other Assets:			
Investment Securities (Notes 4 and 17)	20,340	18,895	181,290
Investments in Unconsolidated Subsidiaries and Associated Companies	7,907	7,394	70,480
Long-term Receivables (Note 17)	3,331	10,393	29,695
Goodwill	168	203	1,504
Intangible Leased Assets (Note 5)	101	131	905
Deferred Tax Assets (Note 11)	975	2,462	8,695
Other	8,987	9,152	80,099
Allowance for Doubtful Receivables	(343)	(3,380)	(3,065)
Total Investments and Other Assets	41,469	45,254	369,603
Total Assets	¥ 1,752,284	¥ 1,718,720	$ 15,617,509

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
LIABILITIES and EQUITY			
Current Liabilities:			
Short-term Borrowings (Notes 9 and 17)	¥ 805,696	¥ 875,615	$ 7,180,893
Current Portion of Long-term Debt (Notes 8, 9 and 17)	155,509	152,390	1,386,006
Lease Payable (Notes 16 and 17)	7,329	8,861	65,321
Accounts Payable - trade (Note 17)	53,400	52,961	475,943
Accrued Expenses	2,619	2,231	23,350
Income Taxes Payable	1,200	4,412	10,698
Deferred Profit on Installment Sales (Note 5)	268	364	2,395
Accruals for Debt Guarantees	68	36	607
Other	19,671	22,359	175,328
Total Current Liabilities	1,045,764	1,119,232	9,320,541
Long-term Liabilities:			
Long-term Debt (Notes 8, 9 and 17)	531,232	437,578	4,734,692
Deposits Received	25,623	21,640	228,373
Liability for Employees' Retirement Benefits (Note 10)	2,533	2,823	22,579
Retirement Allowance for Directors and Audit & Supervisory Board members	—	27	—
Other	5,375	4,630	47,910
Total Long-term Liabilities	564,764	466,700	5,033,554
Commitments and Contingent Liabilities (Note 12)			
Equity: (Notes 13 and 22)			
Common Stock Authorized, 140,000,000 Shares; Issued, 42,649,000 Shares as of March 31, 2017 and 2016	17,874	17,874	159,307
Capital Surplus	16,086	16,086	143,371
Retained Earnings	94,319	84,514	840,640
Treasury Stock - at cost 583 shares as of March 31, 2017 and 550 shares as of March 31, 2016	(1)	(0)	(9)
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	8,036	7,956	71,624
Deferred Gain (Loss) on Derivatives under Hedge Accounting	24	(174)	215
Foreign Currency Translation Adjustments	348	1,026	3,108
Defined Retirement Benefit Plans	(116)	(249)	(1,038)
Total	136,571	127,033	1,217,218
Non-controlling Interests	5,183	5,753	46,196
Total Equity	141,755	132,786	1,263,414
Total Liabilities and Equity	¥ 1,752,284	¥ 1,718,720	$ 15,617,509

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

IBJ Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Revenues	¥ 429,405	¥ 364,174	$ 3,827,144
Cost and Expenses	390,198	325,732	3,477,708
Gross Profit	39,206	38,441	349,436
Selling, General and Administrative Expenses (Note 14)	21,244	20,868	189,347
Operating Income	17,962	17,573	160,089
Other Income (Expenses):			
Interest Income	3	6	33
Dividend Income	506	426	4,516
Equity in Earnings of Associated Companies	212	358	1,895
Profit from Investments	357	329	3,184
Interest Expenses	(268)	(330)	(2,390)
Bond Issuance Costs	(106)	(100)	(953)
Gain on Sales of Fixed Assets	0	441	3
Gain on Sales of Investment Securities	266	1	2,374
Loss on Sales of Investment Securities	—	(25)	—
Loss on Devaluation of Investment Securities	(162)	(26)	(1,445)
Loss on Impairment of Long-lived Assets (Note 7)	(39)	(5)	(350)
Other — net	121	306	1,086
Income before Income Taxes	18,854	18,955	168,042
Income Taxes: (Note 11)			
Current	5,864	8,310	52,272
Deferred	374	(1,499)	3,334
Total	6,239	6,811	55,606
Net Income	12,615	12,144	112,436
Net Income attributable to Non-controlling Interests	201	535	1,793
Net Income attributable to Owners of the Parent	¥ 12,414	¥ 11,609	$ 110,643

	Yen		U.S. dollars (Note 1)
	2017	2016	2017
Amounts per Share of Common Stock (Notes 2(w) and 21)			
Net Income attributable to Owners of the Parent per Share	¥ 291.08	¥ 272.20	$ 2.59
Cash Dividends applicable to the fiscal year	¥ 64.00	¥ 60.00	$ 0.57

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, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net Income	¥ 12,615	¥ 12,144	$ 112,436
Other Comprehensive Income (Loss): (Note 19)			
Unrealized Gain on Available-for-sale Securities	80	1,649	721
Deferred Gain (Loss) on Derivatives under Hedge Accounting	171	(397)	1,526
Foreign Currency Translation Adjustments	(526)	(528)	(4,696)
Defined Retirement Benefit Plans	132	(618)	1,182
Share of Other Comprehensive Loss in Associated Companies	(100)	(159)	(899)
Total Other Comprehensive Loss	(243)	(54)	(2,166)
Comprehensive Income	¥ 12,372	¥ 12,090	$ 110,270
Total Comprehensive Income attributable to:			
Owners of the Parent	¥ 12,147	¥ 11,616	$ 108,270
Non-controlling Interests	224	473	2,000

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, 2017

	Thousands	Millions of yen										
						Accumulated Other Comprehensive Income						
	Number of shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance as of April 1, 2015	*42,648*	¥ 17,874	¥ 16,086	¥ 75,379	¥ (0)	¥ 6,308	¥ 206	¥ 1,684	¥ 351	¥ 117,890	¥ 5,407	¥ 123,297
Net Income attributable to Owners of the Parent				11,609						11,609		11,609
Cash Dividends Paid				(2,473)						(2,473)		(2,473)
Purchase of Treasury Stock	*(0)*				(0)					(0)		(0)
Changes in Scope of Consolidation												
Net change during year						1,647	(380)	(658)	(600)	7	345	353
Balance as of March 31, 2016	*42,648*	¥ 17,874	¥ 16,086	¥ 84,514	¥ (0)	¥ 7,956	¥ (174)	¥ 1,026	¥ (249)	¥ 127,033	¥ 5,753	¥ 132,786
Net Income attributable to Owners of the Parent				12,414						12,414		12,414
Cash Dividends Paid				(2,558)						(2,558)		(2,558)
Purchase of Treasury Stock	*(0)*				(0)					(0)		(0)
Changes in Scope of Consolidation				(50)						(50)		(50)
Net change during year						79	198	(677)	132	(266)	(570)	(836)
Balance as of March 31, 2017	*42,648*	¥ 17,874	¥ 16,086	¥ 94,319	¥ (1)	¥ 8,036	¥ 24	¥ 348	¥ (116)	¥ 136,571	¥ 5,183	¥ 141,755

	Thousands of U.S. dollars (Note 1)										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Non-controlling Interests	Total Equity
Balance as of March 31, 2016	$ 159,307	$ 143,371	$ 753,252	$ (8)	$ 70,912	$ (1,557)	$ 9,150	$ (2,223)	$ 1,132,204	$ 51,280	$ 1,183,484
Net Income attributable to Owners of the Parent			110,643						110,643		110,643
Cash Dividends Paid			(22,807)						(22,807)		(22,807)
Purchase of Treasury Stock				(1)					(1)		(1)
Changes in Scope of Consolidation			(448)						(448)		(448)
Net change during year					712	1,772	(6,042)	1,185	(2,373)	(5,084)	(7,457)
Balance as of March 31, 2017	$ 159,307	$ 143,371	$ 840,640	$ (9)	$ 71,624	$ 215	$ 3,108	$ (1,038)	$ 1,217,218	$ 46,196	$ 1,263,414

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, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash Flows from Operating Activities:			
Income before Income Taxes	¥ 18,854	¥ 18,955	$ 168,042
Adjustments for:			
Income Taxes Paid	(8,951)	(8,876)	(79,778)
Depreciation and Disposal of Fixed Assets	10,891	10,454	97,076
Equity in Earnings of Associated Companies	(212)	(358)	(1,895)
Profit from Investments	(357)	(329)	(3,184)
Loss on Impairment of Long-lived Assets	39	5	350
(Decrease) Increase in Allowance for Doubtful Receivables	(610)	1,096	(5,445)
Increase (Decrease) in Accruals for Debt Guarantees	31	(61)	285
(Gain) Loss on Sales of Marketable and Investment Securities	(266)	24	(2,374)
Loss on Devaluation of Marketable and Investment Securities	162	26	1,445
Gain on Sales of Fixed Assets	(0)	(441)	(3)
Change in assets and liabilities:			
Increase in Lease Receivables and Investments in Lease	(8,855)	(37,891)	(78,929)
Decrease (Increase) in Receivables	31,863	(12,431)	283,989
Increase in Operational Investment Securities	(75,383)	(55,004)	(671,867)
Increase (Decrease) in Accounts Payable — trade	2,177	(8,905)	19,407
Purchases of Leased Assets	(138,384)	(72,648)	(1,233,373)
Proceeds from Sales of Leased Assets	104,750	21,145	933,604
Increase in Interest Payable	21	7	194
Other — net	(8,870)	(4,936)	(79,062)
Total Adjustments	(91,954)	(169,125)	(819,560)
Net Cash Used in Operating Activities	(73,100)	(150,170)	(651,518)
Cash Flows from Investing Activities:			
Purchases of Own-used Assets	(1,333)	(2,245)	(11,884)
Proceeds from Sales of Fixed Assets	15	1,270	133
Purchases of Marketable and Investment Securities	(1,603)	(490)	(14,294)
Proceeds from Sales and Redemption of Marketable and Investment Securities	61	1,100	545
Proceeds from Sales of Subsidiaries causing Changes in Scope of Consolidation (Note 20)	2,546	—	22,696
Other — net	(172)	139	(1,539)
Net Cash Used in Investing Activities	(487)	(224)	(4,343)
Cash Flows from Financing Activities:			
Net (Decrease) Increase in Short-term Borrowings	(57,411)	70,526	(511,687)
Proceeds from Long-term Debt	295,430	255,841	2,633,074
Repayments of Long-term Debt	(168,793)	(162,265)	(1,504,397)
Cash Dividends Paid	(2,558)	(2,473)	(22,807)
Other — net	546	(121)	4,870
Net Cash Provided by Financing Activities	67,213	161,507	599,053
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(342)	(237)	(3,055)
Net (Decrease) Increase in Cash and Cash Equivalents	(6,716)	10,875	(59,863)
Cash and Cash Equivalents at Beginning of Year	48,332	37,457	430,772
Decrease in Cash and Cash Equivalents resulting from Exclusion from Scope of Consolidation	(52)	—	(471)
Cash and Cash Equivalents at End of Year	¥ 41,563	¥ 48,332	$ 370,438

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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017.

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 ¥112.20 to US$1.00, the approximate rate of exchange at March 31, 2017. 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, which include IBJL-TOSHIBA Leasing Company, Limited, Dai-ichi Leasing Co., Ltd., IBJ Auto Lease Company, Limited, IBJ Leasing (China) Ltd. and PT.IBJ Verena Finance.

The number of consolidated subsidiaries as of March 31, 2017 and 2016 was 26 and 22, respectively. The consolidated financial statements for the year ended March 31, 2017 also include the accounts of IBJ Air Leasing (US) Corp. and 4 other companies, as they were newly incorporated, as well as the accounts of Aircraft MSN 4126 LLC and 2 other companies of which IBJL acquired shares. The accounts of Toshiba Medical Finance Co., Ltd. were excluded from the consolidated financial statements, as IBJL sold all of its shares in it, and also excluded the accounts of 3 companies as they became immaterial.

The number of associated companies accounted for under the equity method as of March 31, 2017 and 2016 was 3. Investments in associated companies consist of Krung Thai IBJ Leasing Co., Ltd., Juhachi Sogo Lease Co., Ltd. and PNB-IBJL Leasing and Finance Corporation.

Astro Leasing International Co., Ltd. and 103 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 29 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.

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is recorded as Goodwill and is 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 (“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 20 and 19 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2017 and 2016, respectively. Total assets (simply compiled amount) of such SPEs as of March 31, 2017 and 2016 were ¥160,191 million ($1,427,728 thousand) and ¥164,381 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2017 and 2016 were ¥160,806 million ($1,433,213 thousand) and ¥165,080 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 2017 and 2016 was ¥18,257 million ($162,727 thousand) and ¥17,212 million, respectively, with no gain/loss on the transfer of such receivables. IBJL holds subordinated interests in such transferred receivables of ¥4,615 million ($41,140 thousand) and nil in 2017 and 2016, respectively. IBJL recognized profit dividends of ¥46 million ($416 thousand) and ¥41 million, respectively, for the years ended March 31, 2017 and 2016, and servicing fees received of ¥1 million ($16 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2017 and 2016. 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

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees are accounted for as expenses in the periods in which the costs are incurred. 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. 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. The acquirer recognizes any 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. 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 noncontrolling 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. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(c) Cash Equivalents

Cash Equivalents are short-term investments that are readily convertible into cash and 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 in the same way as Leased Property and Equipment.
2. Own-used Software
   Own-used Software is amortized over the internally estimated useful lives (5 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 ¥8,501 million ($75,772 thousand) and ¥8,476 million at March 31, 2017 and 2016, 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 retirement benefits plan as well as a corporate pension plan as a defined contribution retirement benefits plan. There are some cases in which extra retirement benefits are paid to employees when they retire.

IBJL and certain consolidated subsidiaries account for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects and are recognized in profit or loss over 10 to 15 years no longer than the expected average remaining service period of the employees. The discount rate is determined using a single weighted-average discount rate reflecting the estimated timing and amount of benefit payment.

(p) Asset Retirement Obligations

An asset retirement obligation is recorded for 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.

(q) 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.

(r) 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.

IBJL and its domestic consolidated subsidiaries applied ASBJ Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from this for the year ended March 31, 2017.

(s) Recognition of Revenues and Cost of Sales

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

(t) 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.
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 either Non-controlling Interests or Foreign Currency Translation Adjustments under Accumulated Other Comprehensive Income in a separate component of Equity.

(u) Derivatives and Hedging Activities

IBJL Group uses derivative financial instruments to manage its exposures to fluctuations in foreign currency exchange and interest rates. Interest rate swaps are utilized to manage interest rate risks associated with certain liabilities, including Long-term Debt. Short-term Borrowings is utilized to reduce risks from fluctuations of foreign currency exchange rates associated with certain assets, including 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.

(v) Consumption Taxes

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

(w) Per Share Information

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. 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.

(x) Accounting Changes and Error Corrections

Under 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 are required 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.

3. Accounting Change

Pursuant to an amendment to the Corporate Tax Act, IBJL and its domestic consolidated subsidiaries adopted Accounting Standards Board of Japan Practical Issues Task Force No. 32 "Practical Solution on a change in depreciation method due to Tax Reform 2016" and changed the depreciation method for building improvements and structures of Own-used Assets acquired on or after April 1, 2016, from the declining-balance method to the straight-line method. The impact of this change on the consolidated financial statement was immaterial.

4. Marketable Securities, Operational Investment Securities and Investment Securities

(1) Available-for-sale Securities whose fair values are readily determinable as of March 31, 2017 and 2016 were as follows:

Available-for-sale Securities

Securities with carrying amounts exceeding acquisition costs

	Millions of yen						Thousands of U.S. dollars		
	2017			2016			2017		
	Carrying amount	Acquisition cost	Unrealized gain (loss)	Carrying amount	Acquisition cost	Unrealized gain (loss)	Carrying amount	Acquisition cost	Unrealized gain (loss)
Equity Securities	¥ 18,701	¥ 11,460	¥ 7,241	¥ 12,904	¥ 6,560	¥ 6,344	$ 166,682	$ 102,142	$ 64,540
Bonds									
National and Local Government Bonds	4,049	4,000	49	2,048	2,000	48	36,090	35,651	439
Corporate Bonds	61,371	57,061	4,310	53,150	48,361	4,789	546,984	508,567	38,417
Other	—	—	—	499	499	0	—	—	—
Other	5,433	5,194	238	6,085	5,660	424	48,423	46,295	2,128
Total	¥ 89,555	¥ 77,715	¥ 11,839	¥ 74,688	¥ 63,081	¥ 11,607	$ 798,179	$ 692,655	$ 105,524

Securities with carrying amounts not exceeding acquisition costs

	Millions of yen						Thousands of U.S. dollars		
	2017			2016			2017		
	Carrying amount	Acquisition cost	Unrealized gain (loss)	Carrying amount	Acquisition cost	Unrealized gain (loss)	Carrying amount	Acquisition cost	Unrealized gain (loss)
Equity Securities	¥ 356	¥ 396	¥ (39)	¥ 919	¥ 1,009	¥ (89)	$ 3,179	$ 3,530	$ (351)
Bonds									
Corporate Bonds	24,788	24,900	(111)	—	—	—	220,933	221,925	(992)
Other	1,965	2,087	(121)	741	806	(65)	17,519	18,604	(1,085)
Total	¥ 27,111	¥ 27,383	¥ (272)	¥ 1,660	¥ 1,816	¥ (155)	$ 241,631	$ 244,059	$ (2,428)

(2) Proceeds from sales of Available-for-sale Securities for the years ended March 31, 2017 and 2016 were ¥28 million ($255 thousand) and ¥19 million, respectively. Gross realized gains on these sales were ¥21 million ($193 thousand) and ¥1 million for the years ended March 31, 2017 and 2016, respectively.

(3) IBJL Group recorded impairment losses on investment securities of ¥162 million ($1,445 thousand) and ¥26 million for the years ended March 31, 2017 and 2016, respectively.

5. Operating Assets

(1) Operating Assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Leasing: (*1)			
Finance Lease	¥ 809,304	¥ 841,987	$ 7,213,048
Operating Lease	141,014	116,365	1,256,816
Leasing total	950,318	958,353	8,469,864
Installment Sales (*2)	137,820	147,455	1,228,350
Loans and Factoring	348,085	377,933	3,102,369
Other	172,493	97,283	1,537,376
Total Operating Assets	¥ 1,608,718	¥ 1,581,025	$ 14,337,959

(*1) 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.
(*2) 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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Leasing:			
Finance Lease	¥ 283,415	¥ 318,802	$ 2,525,984
Operating Lease	137,977	72,765	1,229,749
Leasing total	421,393	391,567	3,755,733
Installment Sales (*1)	54,267	73,938	483,670
Loans and Factoring	513,782	534,324	4,579,170
Other	102,583	65,522	914,290
Total	¥ 1,092,027	¥ 1,065,352	$ 9,732,863

(*1) The amount of Installment Sales is shown as "Installment Sales Receivables" less "Deferred Profit on Installment Sales".

6. Investment Property

IBJL and certain domestic consolidated subsidiaries own certain rental properties such as commercial facilities with land in Tokyo and other areas. Net rental income for these rental properties for the fiscal years ended March 31, 2017 was ¥2,993 million ($26,681 thousand). Rental income and operating expenses are mainly recognized as "Revenues" and "Cost and Expenses", respectively.

Gain on sales of rental properties for the fiscal years ended March 31, 2017 was ¥1,018 million ($9,075 thousand). Proceeds from sales of rental properties and costs are recognized as "Revenues" and "Cost and Expenses", respectively, otherwise net gain on sales is recognized as "Other Income (Expense)".

The carrying amounts, changes in such balances and market prices of such properties are as follows:

Millions of yen			
Carrying amount			Fair value
April 1, 2016	Increase	March 31, 2017	March 31, 2017
¥ 87,208	¥ 8,445	¥ 95,653	¥ 99,310

Millions of yen			
Carrying amount			Fair value
April 1, 2015	Increase	March 31, 2016	March 31, 2016
¥ 40,284	¥ 46,923	¥ 87,208	¥ 91,134

Thousands of U.S. dollars			
Carrying amount			Fair value
April 1, 2016	Increase	March 31, 2017	March 31, 2017
$ 777,256	$ 75,268	$ 852,524	$ 885,118

(*1) Carrying amount recognized in the Consolidated Balance Sheets is net of accumulated depreciation.
(*2) "Increase" during the fiscal year ended March 31, 2017 and 2016 primarily represents the acquisition of certain properties for ¥105,012 million ($935,936 thousand) and ¥62,392 million, respectively.
(*3) Fair values of properties are mainly determined by appraisal reports issued by real estate appraisers.

7. Long-lived Assets

IBJL Group reviewed its long-lived assets for impairment as of March 31, 2017. As a result, certain consolidated subsidiaries recognized an impairment loss aggregating ¥39 million ($350 thousand) as Other Expenses.

Impairment loss was recognized for the certain software relating to settlement business of the Web usage charge in the leasing segment due to the termination of the business. The carrying amounts of the relevant assets were written down to the recoverable amount for the year ended March 31, 2017. The recoverable amounts of the above assets are measured at the net selling price at disposition. Impairment loss in 2016 was immaterial.

8. Pledged Assets

Assets pledged as collateral as of March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Lease Receivables and Investments in Lease	¥ 15,060	$ 134,225
Loans Receivables	2,244	20,000
Leased Assets	13,524	120,535
Total	¥ 30,828	$ 274,760

Liabilities secured by the above assets as of March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Current Portion of Long-term Debt	¥ 1,809	$ 16,123
Long-term Debt	24,529	218,625
Total	¥ 26,338	$ 234,748

9. Short-term Borrowings and Long-term Debt

(1) "Short-term Borrowings" as of March 31, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	2017	2016	2017	2017
Short-term Borrowings				
Short-term Borrowings from banks and other financial institutions	¥ 312,715	¥ 364,415	$ 2,787,128	0.49%
Commercial Paper	433,800	456,300	3,866,310	0.03%
Payables under securitized lease receivables	59,180	54,900	527,455	0.11%
Total	¥ 805,696	¥ 875,615	$ 7,180,893	
Current Portion of Long-term Debt				
Bonds payable	¥ —	¥ 20,000	$ —	—%
Long-term Debt from banks and other financial institutions	155,509	132,390	1,386,006	0.45%
Total	¥ 155,509	¥ 152,390	$ 1,386,006	

(2) "Long-term Debt" as of March 31, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	2017	2016	2017	2017
Long-term Debt				
Bonds payable	¥ 58,000	¥ 40,000	$ 516,934	0.151~0.380%
Long-term Debt from banks and other financial institutions	455,312	397,578	4,058,047	0.60%
Payables under securitized lease receivables	17,919	—	159,711	0.33%
Total	¥ 531,232	¥ 437,578	$ 4,734,692	

(*1) IBJL Group has entered into overdraft contracts with 65 financial institutions that provide IBJL Group with credit facilities amounting to ¥901,516 million ($8,034,902 thousand) and ¥689,861 million as of March 31, 2017 and 2016, respectively. The unused facilities maintained by IBJL Group as of March 31, 2017 and 2016 amounted to ¥602,724 million ($5,371,879 thousand) and ¥331,319 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, 2017 and 2016 were ¥86,359 million ($769,690 thousand) and ¥59,001 million, respectively.
(*3) The aggregate annual maturities of "Long-term Debt" as of March 31, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	2017	2017
2019	¥ 181,565	$ 1,618,233
2020	146,173	1,302,790
2021	76,277	679,833
2022	55,877	498,016
2023 and thereafter	71,338	635,820
Total	¥ 531,232	$ 4,734,692

10. 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 retirement benefits plan as well as a corporate pension plan as a defined contribution 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, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥ 6,550	¥ 5,728	$ 58,379
Current service cost	369	334	3,292
Interest cost	25	70	227
Actuarial (gains) losses	(36)	637	(328)
Benefits paid	(422)	(220)	(3,765)
Other	(121)	—	(1,079)
Balance at end of year	¥ 6,364	¥ 6,550	$ 56,726

(*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, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Balance at beginning of year	¥ 3,726	¥ 3,733	$ 33,213
Expected return on plan assets	54	73	487
Actuarial gains (losses)	133	(225)	1,187
Contributions from the employer	219	217	1,960
Benefits paid	(217)	(72)	(1,939)
Other	(85)	—	(762)
Balance at end of year	¥ 3,831	¥ 3,726	$ 34,146

(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, 2017 and 2016:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Defined benefit obligation	¥ 4,014	¥ 4,082	$ 35,784
Plan assets	(3,831)	(3,726)	(34,146)
Total	183	356	1,638
Unfunded defined benefit obligation	2,349	2,467	20,941
Net liability arising from defined benefit obligation	¥ 2,533	¥ 2,823	$ 22,579

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Asset for employees' retirement benefits	¥ —	¥ —	$ —
Liability for employees' retirement benefits	2,533	2,823	22,579
Net liability arising from defined benefit obligation	¥ 2,533	¥ 2,823	$ 22,579

(4) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 369	¥ 334	$ 3,292
Interest cost	25	70	227
Expected return on plan assets	(54)	(73)	(486)
Recognized actuarial losses (gains)	39	(47)	353
Net periodic benefit costs	¥ 379	¥ 283	$ 3,386

(*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, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Actuarial gains (losses)	¥ 191	¥ (909)	$ 1,706
Total	¥ 191	¥ (909)	$ 1,706

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized actuarial losses	¥ (194)	¥ (386)	$ (1,736)
Total	¥ (194)	¥ (386)	$ (1,736)

(7) Plan assets as of March 31, 2017 and 2016:

a. Components of plan assets

Plan assets consisted of the following:

	2017	2016
Domestic debt investments	17.1%	14.8%
Domestic equity investments	24.7	23.5
Foreign debt investments	6.2	7.5
Foreign equity investments	19.7	19.9
Insurance assets (general account)	29.4	29.7
Others	2.9	4.6
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, 2017 and 2016, are set forth as follows:

	2017	2016
Discount rate	0.30 - 0.47%	0.30 - 1.40%
Expected rate of return on plan assets	1.50%	1.97 - 2.50%
Expected rate of future salary increases	4.01 - 9.27%	4.01 - 9.27%

Defined contribution plan

IBJL Group's contributions to the defined contribution pension plan for the years ended March 31, 2017 and 2016, were both ¥58 million ($525 thousand).

11. 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 30.9% and 33.1% for the years ended March 31, 2017 and 2016, respectively.

Deferred Tax Assets and Liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred Tax Assets:			
Allowance for Doubtful Receivables	¥ 2,447	¥ 2,456	$ 21,815
Depreciation	592	703	5,284
Liability for Employees' Retirement Benefits	397	487	3,538
Write-off of Securities	222	196	1,987
Accrued Enterprise Tax	98	337	875
Other	3,383	3,715	30,155
Deferred Tax Assets Subtotal	7,142	7,896	63,654
Valuation Allowance	(350)	(324)	(3,123)
Total Deferred Tax Assets	6,791	7,572	60,531
Deferred Tax Liabilities:			
Net unrealized gain on Available-for-sale Securities	(3,488)	(3,453)	(31,093)
Investments in Lease	(223)	(253)	(1,991)
Other	(240)	(366)	(2,144)
Total Deferred Tax Liabilities	(3,952)	(4,073)	(35,228)
Net Deferred Tax Assets	¥ 2,839	¥ 3,498	$ 25,303

Balance reported on the Consolidated Balance Sheets:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred Tax Assets:			
Current Assets	¥ 1,874	¥ 1,102	$ 16,707
Investments and Other Assets	975	2,462	8,695
Deferred Tax Liabilities:			
Current Liabilities	—	(8)	—
Long-term Liabilities	(11)	(58)	(99)
Net Deferred Tax Assets	¥ 2,839	¥ 3,498	$ 25,303

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, 2017, with the corresponding figures for 2016, is as follows:

	2017	2016
Normal effective statutory tax rate	30.9%	33.1%
Inhabitants tax per capita levy	0.2	0.2
Permanent differences, such as entertainment expenses	0.5	0.6
Amortization of goodwill	0.1	0.1
Valuation allowance	0.2	(0.3)
Reduction of Deferred Tax Assets by lowering of statutory tax rate	—	2.4
Other — net	1.2	(0.2)
Actual effective tax rate	33.1%	35.9%

12. Commitments and Contingent Liabilities

(1) Commitments

IBJL had loan commitment agreements as of March 31, 2017 and 2016 of ¥4,562 million ($40,666 thousand) and ¥5,182 million, respectively. The loans provided under these credit facilities as of March 31, 2017 and 2016 amounted to ¥2,606 million ($23,228 thousand) and ¥4,128 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, 2017 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2017	2017
Guarantee Obligations with respect to operating activities (*1)	¥ 21,648	$ 192,949
Other Guarantee Obligations	7,235	64,488
Total	¥ 28,884	$ 257,437

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

13. 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. Additionally, 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 Directors 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.

14. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Provision for Doubtful Receivables	¥ 1,529	¥ 1,063	$ 13,630
Accruals/(reversal) for Debt Guarantees	37	(51)	334
Salaries and Wages	7,501	7,542	66,861
Provision for Bonus Payments	572	626	5,101
Provision for Bonus Payments to Directors	62	72	554
Retirement Benefits Costs for Employees	438	342	3,911

15. 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 decisionmaker 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 assurance services.

(2) Methods of measurement for the amounts of sales, profit (loss), assets, liabilities and other items for each reportable segment

(3) The accounting policies of each reportable segment are consistent with those disclosed in Note 2, “Summary of Significant Accounting Policies”.

Information about sales, profit (loss), assets, liabilities and other items for the years ended March 31, 2017 and 2016 was as follows:

Millions of yen

	2017						
	Reportable segment						
	Leasing	Installment sales	Loans	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:							
Sales to external customers	¥ 406,161	¥ 10,432	¥ 7,057	¥ 5,753	¥ 429,405	¥ —	¥ 429,405
Intersegment sales and transfers	183	227	269	95	777	(777)	—
Total	406,345	10,660	7,327	5,849	430,182	(777)	429,405
Operating Expenses	390,939	10,295	4,692	1,876	407,803	3,639	411,443
Segment Profit	¥ 15,405	¥ 364	¥ 2,635	¥ 3,973	¥ 22,378	¥ (4,416)	¥ 17,962
Segment Assets	¥ 1,016,920	¥ 150,993	¥ 378,731	¥ 184,502	¥ 1,731,148	¥ 21,136	¥ 1,752,284
Others							
Depreciation and Amortization	9,105	—	—	—	9,105	1,785	10,891
Capital Expenditures	138,384	—	—	—	138,384	1,333	139,717

Millions of yen

	2016						
	Reportable segment						
	Leasing	Installment sales	Loans	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:							
Sales to external customers	¥ 337,115	¥ 14,399	¥ 7,478	¥ 5,180	¥ 364,174	¥ —	¥ 364,174
Intersegment sales and transfers	322	245	275	82	925	(925)	—
Total	337,437	14,645	7,754	5,262	365,099	(925)	364,174
Operating Expenses	320,931	14,254	6,529	1,585	343,301	3,299	346,601
Segment Profit	¥ 16,506	¥ 390	¥ 1,224	¥ 3,677	¥ 21,798	¥ (4,225)	¥ 17,573
Segment Assets	¥ 1,017,731	¥ 161,756	¥ 412,080	¥ 106,134	¥ 1,697,702	¥ 21,017	¥ 1,718,720
Others							
Depreciation and Amortization	8,731	—	—	—	8,731	1,721	10,453
Capital Expenditures	72,648	—	—	—	72,648	2,245	74,893

Thousands of U.S. dollars

	2017						
	Reportable segment						
	Leasing	Installment sales	Loans	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:							
Sales to external customers	$ 3,619,978	$ 92,982	$ 62,902	$ 51,282	$ 3,827,144	$ —	$ 3,827,144
Intersegment sales and transfers	1,638	2,031	2,405	852	6,926	(6,926)	—
Total	3,621,616	95,013	65,307	52,134	3,834,070	(6,926)	3,827,144
Operating Expenses	3,484,311	91,764	41,819	16,722	3,634,616	32,439	3,667,055
Segment Profit	$ 137,305	$ 3,249	$ 23,488	$ 35,412	$ 199,454	$ (39,365)	$ 160,089
Segment Assets	$ 9,063,464	$ 1,345,755	$ 3,375,502	$ 1,644,408	$ 15,429,129	$ 188,380	$ 15,617,509
Others							
Depreciation and Amortization	81,157	—	—	—	81,157	15,918	97,075
Capital Expenditures	1,233,374	—	—	—	1,233,374	11,884	1,245,258

(*1) The details of Reconciliations to Segment Profit for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Elimination of intersegment transactions	¥ (287)	¥ (295)	$ (2,562)
Administrative expenses not allocated to the reportable segments	(4,129)	(3,929)	(36,803)
Total	¥ (4,416)	¥ (4,225)	$ (39,365)

(*2) The details of Reconciliations to Segment Assets as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Elimination of intersegment transactions	¥ (11,786)	¥ (10,571)	$ (105,048)
Corporate assets not allocated to the reportable segments	32,922	31,589	293,428
Total	¥ 21,136	¥ 21,017	$ 188,380

(*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) Information about Geographical Areas

Property and Equipment

Millions of yen

2017			
Japan	North America / Latin America	Asia	Total
¥ 126,555	¥ 17,392	¥ 263	¥ 144,211

Thousands of U.S. dollars

2017			
Japan	North America / Latin America	Asia	Total
$ 1,127,942	$ 155,017	$ 2,352	$ 1,285,311

(*1) Assets are classified by country or region based on the location of IBJL and consolidated subsidiaries.

(*2) Information by geographic segment of Property and Equipment is not presented for the year ended March 31, 2016, as domestic assets exceeded 90% of Total Property and Equipment on the Consolidated Balance Sheet.

(*3) Information by geographic segment of Revenues is not presented as domestic sales exceeded 90% of Revenues in the Consolidated Statement of Income.

Impairment loss of long-lived assets per reportable segment:

Millions of yen

	2017						
	Reportable segment						
	Leasing	Installment sales	Loans	Other	Total	Adjustments	Consolidated
Impairment loss	¥ 39	¥ —	¥ —	¥ —	¥ 39	¥ —	¥ 39

Thousands of U.S. dollars

	2017						
	Reportable segment						
	Leasing	Installment sales	Loans	Other	Total	Adjustments	Consolidated
Impairment loss	$ 350	$ —	$ —	$ —	$ 350	$ —	$ 350

Reportable segment information in 2016 is omitted as the amount of impairment loss was immaterial.

(5) Goodwill per reportable segment:

Not applicable

16. Lease Transactions

Operating Leases as lessee

The minimum rental commitments under non-cancellable operating leases at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 8	¥ 9	$ 75
Due after one year	11	17	105
Total	¥ 20	¥ 26	$ 180

Finance Leases as lessor

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Lease contract receivables	¥ 769,756	¥ 802,077	$ 6,860,579
Estimated residual value	1,744	1,672	15,550
Interest income equivalents	(28,207)	(29,801)	(251,406)
Total	¥ 743,293	¥ 773,947	$ 6,624,723

(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
	2017	2017
2018	¥ 23,054	$ 205,477
2019	14,551	129,696
2020	10,917	97,306
2021	7,514	66,972
2022	4,695	41,848
2023 and thereafter	7,800	69,525
Total	¥ 68,534	$ 610,824

(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
	2017	2017
2018	¥ 231,176	$ 2,060,400
2019	173,553	1,546,826
2020	139,171	1,240,385
2021	93,722	835,316
2022	55,272	492,624
2023 and thereafter	76,860	685,028
Total	¥ 769,756	$ 6,860,579

Operating Leases as lessor

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 41,609	¥ 35,927	$ 370,854
Due after one year	84,463	57,464	752,797
Total	¥ 126,073	¥ 93,392	$ 1,123,651

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, 2017 and 2016 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Lease Receivable	¥ 1,650	¥ 2,066	$ 14,711
Investments in Lease	5,483	6,687	48,873
Lease Payable	7,187	8,861	64,058

17. 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 has an 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 repayment of obligations under the contract may not be performed. Marketable securities and investment securities, which are mainly comprised of stocks, bonds, preferred equities and investments in partnerships, are exposed to market price fluctuation risks if they are exchange-traded in addition to the credit risk of issuers. Transactions related to real estate finance are exposed to the risk of price fluctuations in the targeted real estate.

Borrowings, bonds and commercial paper are exposed to the interest rate fluctuation risk for floating interest rate funding, and the liquidity risk that ready access to funds may not be available 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's policy to utilize hedge transactions within the limit of the debt amount 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.

(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 its management policy in order to improve the stability of the business. Specifically, IBJL Group manages various quantified risks in an integrated fashion to control the total risk under a certain level of net equity (business capacity) of the company. In addition, a risk analysis is performed monthly, the results of which 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 assigns a credit rating to each debtor under its client credit rating system and conducts a strict credit screening, makes judgments on contract arrangements 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 its credit administration ceiling by using its credit rating monitoring systems. Furthermore, when IBJL Group begins offering 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 or matter requiring complex risk judgment is 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 commercial paper program, hedging policy, securities trading policy) at the Board of Directors that are designed based on market environments and financial strength meeting to control risks in line with financial operations. In addition, monthly ALM operating policies based on these basic policies, 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 statistical techniques such as *VaR (Value at Risk).

In addition, compliance with the internal 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, 2017 and 2016, are as shown below. The Internal Models Approach applied to measure the VaR is based on the assumption that past price fluctuations follow a normal distribution and the model calculates variance and covariance, based on which IBJL Group estimates maximum losses statistically (variance/covariance method). From March 2017, the interest volatility measurement method for the calculation of VaR was changed from using fluctuated rates to using fluctuated differences.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Sensitivity to interest rate (10BPV)	¥ (2,480)	¥ (2,230)	$ (22,103)
Interest rate risk volume (VaR)	¥ 3,030	¥ 3,160	$ 27,005

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 control department captures the volume of the risk using the VaR. In addition, it monitors the status of compliance with our internal rules.

The VaR measurements in IBJL Group as of March 31, 2017 and 2016, are shown below. To measure the VaR, IBJL Group created a model that shows the 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
	2017	2016	2017
Price variation risk of stock (VaR)	¥ 0	¥ 0	$ 0

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

The 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.

The 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 a fluctuation ratio of 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 an operational control perspective, in order to ensure a proper review function, IBJL Group has an organizational structure whereby the transaction execution department is clearly separated 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 risk.

(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 conditions may differ considerably from past conditions, 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,	2017			2016		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Cash and Cash Equivalents	¥ 41,563	¥ 41,563	¥ —	¥ 48,332	¥ 48,332	¥ —
Securities (*1)						
Available-for-sale Securities	116,666	116,666	—	76,349	76,349	—
Lease Receivables and Investments in Lease (*2) (*3) (*4)	797,650	816,496	18,846	831,588	854,449	22,861
Installment Sales Receivables (*2) (*5)	137,683	140,478	2,795	147,219	150,982	3,763
Loans Receivables (*2)	204,755	215,655	10,900	224,795	237,208	12,413
Factoring Receivables (*2)	138,957	140,602	1,644	152,887	154,797	1,910
Long-term Receivables (*6)	2,995	2,995	—	7,023	7,023	—
Assets total	¥ 1,440,271	¥ 1,474,458	¥ 34,187	¥ 1,488,195	¥ 1,529,144	¥ 40,948
Short-term Borrowings	¥ 805,696	¥ 805,669	¥ (26)	¥ 875,615	¥ 875,641	¥ (25)
Lease Payable	7,329	7,381	52	8,861	8,849	12
Accounts Payable — trade	53,400	53,310	(90)	52,961	52,867	93
Long-term Debt (*7) (*8)	686,742	687,124	382	589,968	592,026	(2,057)
Liabilities total	¥ 1,553,168	¥ 1,553,487	¥ 318	¥ 1,527,407	¥ 1,529,384	¥ (1,977)
Hedge accounting is not applied (*9)	¥ 136	¥ 136	¥ —	¥ 108	¥ 108	¥ —
Hedge accounting is applied (*9)	(5)	(5)	—	(7)	(7)	—
Derivative transactions total	¥ 131	¥ 131	¥ —	¥ 100	¥ 100	¥ —

Thousands of U.S. dollars

March 31,	2017		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and Cash Equivalents	$ 370,438	$ 370,438	$ —
Securities (*1)			
Available-for-sale Securities	1,039,811	1,039,811	—
Lease Receivables and Investments in Lease (*2) (*3) (*4)	7,109,182	7,277,156	167,974
Installment Sales Receivables (*2) (*5)	1,227,122	1,252,034	24,912
Loans Receivables (*2)	1,824,912	1,922,065	97,153
Factoring Receivables (*2)	1,238,479	1,253,138	14,659
Long-term Receivables (*6)	26,702	26,702	—
Assets total	$ 12,836,646	$ 13,141,344	$ 304,698
Short-term Borrowings	$ 7,180,893	$ 7,180,658	$ (235)
Lease Payable	65,321	65,792	471
Accounts Payable — trade	475,943	475,140	(803)
Long-term Debt (*7) (*8)	6,120,698	6,124,106	3,408
Liabilities total	$ 13,842,855	$ 13,845,696	$ 2,841
Hedge accounting is not applied (*9)	$ 1,219	$ 1,219	$ —
Hedge accounting is applied (*9)	(50)	(50)	—
Derivative transactions total	$ 1,169	$ 1,169	$ —

(*1) Securities include Marketable Securities, Operational Investment Securities and Investment Securities.
(*2) Lease Receivables and Investments in Lease, Installment Sales Receivables, Loans Receivables and Factoring Receivables are stated net of Allowance for Doubtful Receivables.
(*3) Investments in Lease are stated net of estimated residual value of lease assets for finance leases that are deemed not to transfer ownership of the leased property to the lessee.
(*4) Unearned lease payments received are not included in Lease Receivables and Investments in Lease.
(*5) Installment Sales Receivables are stated net of Deferred Profit on Installment Sales.
(*6) Long-term Receivables are stated net of Allowance for Doubtful Receivables.
(*7) Current Portion of Long-term Debt is included.
(*8) Long-term Debt includes Payables under Securitized Lease Receivables.
(*9) Assets and liabilities incurred resulting from derivative transactions are netted. The 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 an interbank market rate plus a credit spread. Fair value information for securities by classifications is included in Note 4. 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 an 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 an 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 an 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

Short-term Borrowings from banks and other financial institutions

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

Commercial Paper

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

Payables under Securitized Lease Receivables

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

(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 an interbank market rate plus a credit spread.

(i) Accounts Payable — trade

The carrying values of Accounts Payable - trade approximate fair value 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 an 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 an 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 an interbank market rate plus a credit spread.

Payables under Securitized Lease Receivables

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

(k) Derivatives

Fair value information for derivatives is included in Note 18.

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unlisted Stocks (*1) (*2)	¥ 10,428	¥ 10,232	$ 92,946
Funds, Investments in Partnerships (*3)	45,697	23,594	407,285
Preferred Equities (*4)	1,233	1,233	10,998
Other (*4)	26,759	12,235	238,502

(*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, 2017 and 2016 was ¥162 million ($1,445 thousand) and ¥26 million, respectively.
(*3) Investments in funds and partnerships are excluded from the disclosure of market value information, as they are composed of financial instruments whose fair values cannot be readily determined, such as unlisted stocks.
(*4) These financial instruments are excluded from the disclosure of market value information, as they do not have quoted market prices in an active market and fair values cannot be readily determined.

Maturity analysis for financial assets and securities with contractual maturities

Millions of yen						
March 31, 2017	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	¥ 41,563	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Available-for-sale Securities Bonds						
National and Local government Bonds	—	2,000	2,000	—	—	—
Corporate Bonds	1,200	—	5,500	25,300	22,000	27,960
Other	21,917	9,646	8,599	3,005	3,959	7,616
Lease Receivables and Investments in Lease	245,321	182,817	145,626	98,649	57,645	79,243
Installment Sales Receivables	51,140	36,534	25,165	14,105	6,473	4,669
Loans Receivables	32,522	38,427	30,753	43,832	17,449	42,220
Factoring Receivables	119,691	5,694	3,995	3,482	2,751	4,133
Total	¥ 513,357	¥ 275,119	¥ 221,640	¥ 188,376	¥ 110,279	¥ 165,844

Thousands of U.S. dollars						
March 31, 2017	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	$ 370,438	$ —	$ —	$ —	$ —	$ —
Securities						
Available-for-sale Securities Bonds						
National and Local government Bonds	—	17,825	17,825	—	—	—
Corporate Bonds	10,695	—	49,020	225,490	196,078	249,198
Other	195,341	85,977	76,646	26,789	35,292	67,884
Lease Receivables and Investments in Lease	2,186,469	1,629,385	1,297,920	879,231	513,774	706,269
Installment Sales Receivables	455,802	325,616	224,294	125,719	57,694	41,620
Loans Receivables	289,863	342,493	274,091	390,667	155,520	376,297
Factoring Receivables	1,066,769	50,753	35,610	31,042	24,523	36,845
Total	$ 4,575,377	$ 2,452,049	$ 1,975,406	$ 1,678,938	$ 982,881	$ 1,478,113

(*1) Please see Note 9 for annual maturities of Long-term Debt.

18. Derivatives

Derivative transactions to which hedge accounting is not applied:

Millions of yen								
At March 31,	2017				2016			
	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.$	¥ 3,585	¥ 2,317	¥ 186	¥ 186	¥ 1,314	¥ 1,184	¥ 108	¥ 108
Buying U.S.$	¥ 1,268	¥ —	¥ (49)	¥ (49)	¥ —	¥ —	¥ —	¥ —

Thousands of U.S. dollars				
At March 31,	2017			
	Contract amount	Contract amount due after one year	Fair value	Unrealized gain (loss)
Foreign currency forward contracts:				
Selling U.S.$	$ 31,960	$ 20,653	$ 1,660	$ 1,660
Buying U.S.$	$ 11,308	$ —	$ (441)	$ (441)

(*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,	2017				2016			
	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	¥ 104,991	¥ 81,039	¥ (94)	Long-term Debt	¥ 114,247	¥ 103,284	¥ (553)
Interest rate and currency swaps (payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars)	Long-term Debt	¥ 824	¥ 136	¥ 89	Short-term Borrowings, Long-term Debt	¥ 2,423	¥ 552	¥ 546

At March 31,	2017 (Thousands of U.S. dollars)			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
Interest rate swaps (payment - fixed rate, receipt - floating rate)	Long-term Debt	$ 935,757	$ 722,274	$ (845)
Interest rate and currency swaps (payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars)	Long-term Debt	$ 7,350	$ 1,213	$ 794

(*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.

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, however, 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 17 is included in that of the hedged items (i.e., Long-term Debt).

Millions of yen

At March 31,	2017			2016		
	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	¥ 67,428	¥ 52,623	Long-term Debt	¥ 74,851	¥ 60,639

Thousands of U.S. dollars

At March 31,	2017		
	Hedged item	Contract amount	Contract amount due after one year
Interest rate swaps (payment - fixed rate, receipt - floating rate)	Long-term Debt	$ 600,965	$ 469,019

19. Other Comprehensive Income (Loss)

The components of other comprehensive loss for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Unrealized Gain (loss) on Available-for-sale Securities			
Gains arising during the year	¥ 1,235	¥ 2,993	$ 11,012
Reclassification adjustments to profit or loss	(1,119)	(846)	(9,980)
Amount before income tax effect	115	2,147	1,032
Income tax effect	34	497	311
Total	¥ 80	¥ 1,649	$ 721
Deferred Gain (Loss) on Derivatives under Hedge Accounting			
Losses arising during the year	¥ (12)	¥ (970)	$ (110)
Reclassification adjustments to profit or loss	276	409	2,468
Amount before income tax effect	264	(561)	2,358
Income tax effect	93	(163)	832
Total	¥ 171	¥ (397)	$ 1,526
Foreign Currency Translation Adjustments			
Adjustments arising during the year	¥ (526)	¥ (528)	$ (4,696)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(526)	(528)	(4,696)
Income tax effect	—	—	—
Total	¥ (526)	¥ (528)	$ (4,696)
Defined Retirement Benefit Plans			
Adjustments arising during the year	¥ 151	¥ (861)	$ 1,352
Reclassification adjustments to profit or loss	39	(47)	353
Amount before income tax effect	191	(909)	1,705
Income tax effect	58	(291)	523
Total	¥ 132	¥ (618)	$ 1,182
Share of Other Comprehensive loss in associates			
Losses arising during the year	¥ (100)	¥ (159)	$ (899)
Reclassification adjustments to profit or loss	—	—	—
Total	¥ (100)	¥ (159)	$ (899)
Total Other Comprehensive Loss	¥ (243)	¥ (54)	$ (2,166)

20. Supplemental Information of Cash Flows

The assets and liabilities of Toshiba Medical Finance Co., Ltd ("TMF") as of March 31, 2016 are as follows. TMF was excluded from the consolidated financial statements this fiscal year, as IBJL sold all of its shares of TMF:

	Millions of yen 2017	Thousands of U.S. dollars 2017
Current Assets	¥ 47,890	$ 426,836
Property and Equipment & Investment and Other Assets	801	7,144
Current Liabilities	(32,987)	(294,003)
Long-term Liabilities	(10,490)	(93,497)
Non-controlling Interests	(1,825)	(16,268)
Gain on Sales of Stock	244	2,181
Proceeds from Sales of TMF	3,634	32,393
Cash and Cash equivalents of TMF	(1,088)	9,697
Net Proceeds	¥ 2,546	$ 22,696

21. Per Share Information

Details of basic net income attributable to owners of the parent per share ("EPS") for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31,	2017				2016			
	Net income attributable to owners of the parent	Weighted-average shares	EPS		Net income attributable to owners of the parent	Weighted-average shares	EPS	
Basic EPS								
Net income available to common shareholders	¥ 12,414	42,648	¥ 291.08	$ 2.59	¥ 11,609	42,648	¥ 272.20	$ 2.43

22. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of Retained Earning at March 31, 2017, was approved at IBJL's shareholders' meeting on June 23, 2017:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥34.00 ($0.30) per share	¥ 1,450	$ 12,924

Independent Auditor's Report

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, 2017, 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, 2017, 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 21, 2017

Member of
Deloitte Touche Tohmatsu Limited

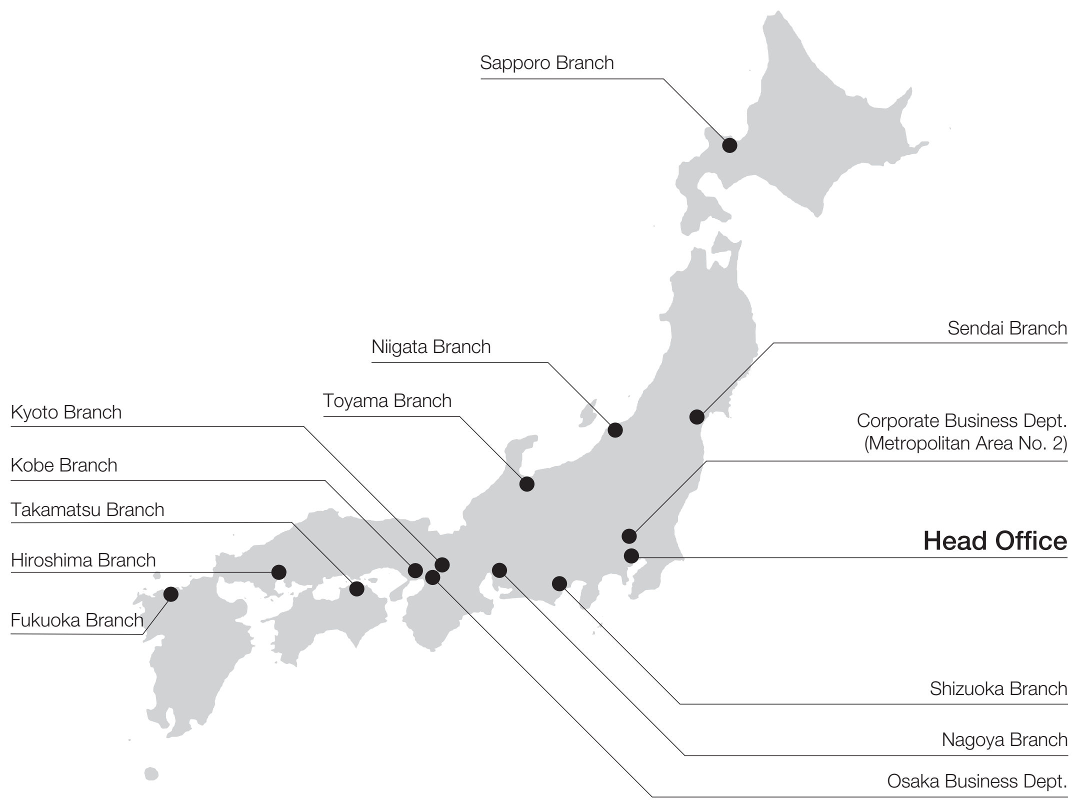
Corporate Information

Corporate Profile (As of March 31, 2017)

Company Name	IBJ Leasing Company, Limited	**Paid-in Capital**	¥17,874 million
Head Office	2-6 Toranomon 1-chome, Minato-ku, Tokyo 105-0001, Japan Tel: +81-3-5253-6511 (main exchange)	**Number of Employees**	Consolidated: 1,053; Non-consolidated: 594
Date of Establishment	December 1, 1969	**Business Description**	Integrated financial services

Business Sites (As of August 31, 2017)

Head Office	2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001
Sapporo Branch	2, Kita 1-jo Nishi 5, Chuo-ku, Sapporo, Hokkaido 060-0001
Sendai Branch	4-1, Ichiban-cho 2-chome, Aoba-ku, Sendai, Miyagi 980-0811
Corporate Business Dept. (Metropolitan Area No. 2)	65-2, Naka-cho 2-chome, Omiya-ku, Saitama, Saitama 330-0845
Niigata Branch	866, Rokuban-cho, Nishihori-dori, Chuo-ku, Niigata, Niigata 951-8061
Toyama Branch	5-13, Sakurabashi-dori, Toyama, Toyama 930-0004
Shizuoka Branch	5-9, Miyuki-cho, Aoi-ku, Shizuoka, Shizuoka 420-0857
Nagoya Branch	11-11, Nishiki 1-chome, Naka-ku, Nagoya, Aichi 460-0003
Kyoto Branch	659, Tearaimizu-cho, Nishikikozi-agaru, Karasuma-dori, Nakagyo-ku, Kyoto, Kyoto 604-8152
Osaka Business Dept.	1-1, Koraibashi 4-chome, Chuo-ku, Osaka, Osaka 541-0043
Kobe Branch	69, Kyomachi, Chuo-ku, Kobe, Hyogo 650-0034
Hiroshima Branch	1-22, Kamiyacho 2-chome, Naka-ku, Hiroshima, Hiroshima 730-0031
Takamatsu Branch	6-8, Bancho 1-chome, Takamatsu, Kagawa 760-0017
Fukuoka Branch	13-2, Tenzin 1-chome, Chuo-ku, Fukuoka, Fukuoka 810-0001



Major Group Companies (As of August 31, 2017)

Company Name	Paid-in Capital or Investment	Business Activity	Ownership
IBJL-TOSHIBA Leasing Company, Limited 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥1,520 million	General leasing	90%
Dai-ichi Leasing Co., Ltd. 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥2,000 million	General leasing	90%
IBJ Auto Lease Company, Limited 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥386 million	Auto leasing	100%
Universal Leasing Co., Ltd. 5-3, Kachidoki 6-chome, Chuo-ku, Tokyo 104-0054	¥50 million	General leasing	90%
KL Lease & Estate Co., Ltd. 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥10 million	Building leasing	100%
KL & Co., Ltd. 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥10 million	Used equipment sales	100%
KL Office Service Company, Limited 2-6, Toranomon 1-chome, Minato-ku, Tokyo 105-0001	¥10 million	Office services	100%
Juhachi Sogo Lease Co., Ltd.* 4-18, Doza-machi, Nagasaki, Nagasaki 850-0841	¥895 million	General leasing	17.3%
IBJ Leasing (China) Ltd. (Shanghai Head Office) Room 08-10, 20F, Metro Plaza, No. 555, Loushanguan Road, Changning District, Shanghai, PRC (200051) (Guangzhou Branch) Room 1336, 13F Teem Tower, 208 Tianhe Road, Tianhe District, Guangzho, PRC (510620)	US$30,000 thousand	General leasing	100%
PT. IBJ VERENA FINANCE Sentral Senayan III, 13th Floor., Jl. Asia Afrika No.8, Gelora Bung Karno, Senayan, Jakarta Pusat 10270, Indonesia	IDR176,250,000 thousand	General leasing	80%
IBJ Air Leasing Limited Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda	US$1	Aircraft leasing	75%
IBJ Air Leasing (US) Corp. 160 Greentree Drive, suite 101 Street, in the City of Dover Country of Kent, DE 19904, USA	US$100	Aircraft leasing	75%
IBJ Leasing (UK) Limited Mizuho House 30 Old Bailey London EC4M 7AU, U.K.	GBP6,000 thousand	General leasing	100%
Krung Thai IBJ Leasing Co.,Ltd.* 18th Floor, Nantawan Bldg., 161 Rajdamri Road, Lumpini,Pathumwan, Bangkok 10330, Thailand	THB100,000 thousand	General leasing	49%
PNB-IBJL Leasing and Finance Corporation* PNB Makati Center 5th Floor, 6754 Ayala Ave. corner Legaspi Street, Makati City, Metro Manila, Philippines 1226	PHP600,000 thousand	General leasing	25%

*An equity-method affiliate

Stock Information (As of March 31, 2017)

Stock Information

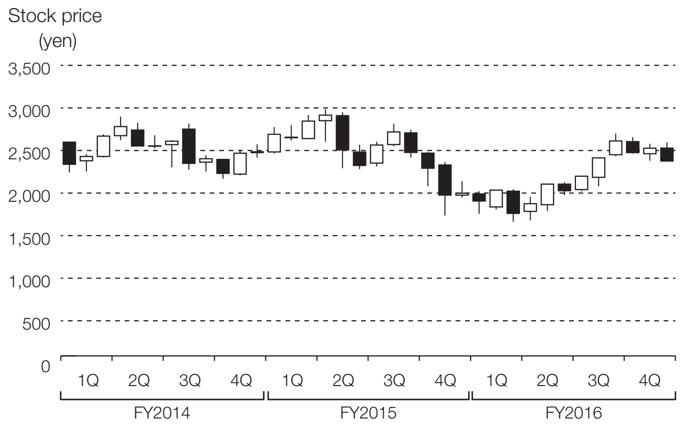
Number of Shares Authorized	140,000,000	**Securities Code**	8425
Number of Shares Issued	42,649,000	**Shareholder Registry Administrator**	Mizuho Trust & Banking Co., Ltd.
Number of Shareholders	39,532	**(Office Location)**	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 2–1, Yaesu 1-chome, Chuo–ku, Tokyo
Stock Exchange Listing	Tokyo Stock Exchange, 1st section		

Major Shareholders (Top 20)

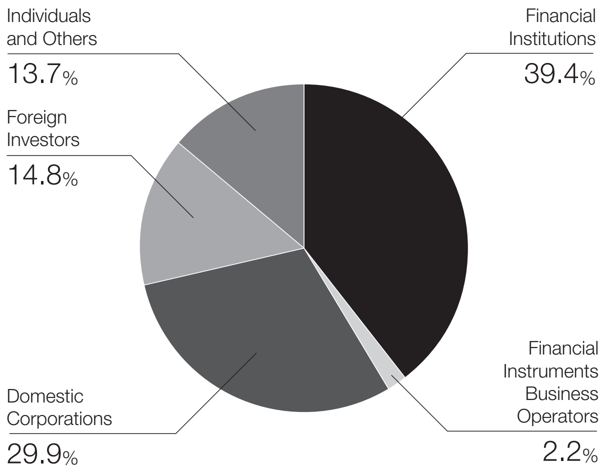
Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio* (%)
The Dai-ichi Life Insurance Company, Limited	2,930	6.87
NISSAN MOTOR CO., LTD. Retirement Benefit Trust Account, with the trustee being Mizuho Trust & Banking Co., Ltd., and re-trustee Trust & Custody Services Bank, Ltd.	1,750	4.10
Mizuho Bank, Ltd.	1,626	3.81
UNIZO Holdings Company, Limited.	1,546	3.62
Meiji Yasuda Life Insurance Company	1,251	2.93
DOWA HOLDINGS CO., LTD.	1,120	2.62
Japan Trustee Services Bank, Ltd. (Trust Account)	1,013	2.37
NIPPON STEEL KOWA REAL ESTATE CO., LTD.	975	2.28
The Kyoritsu Co., Ltd.	949	2.22
Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by the Mitsui Sumitomo Trust & Banking Co., Ltd.)	900	2.11
RBC ISB S/A DUB NON RESIDENT/TREATY RATE UCITS-CLIENTS ACCOUNT	825	1.93
The Master Trust Bank of Japan, Ltd. (Trust Account)	791	1.85
Tosoh Corporation	720	1.68
Fuji Heavy Industries Ltd. (now, SUBARU CORPORATION)	720	1.68
Japan Trustee Services Bank, Ltd. (Trust Account 5)	681	1.59
Credit Saison Co., Ltd.	670	1.57
THE SHIGA BANK, LTD.	670	1.57
IINO KAIUN KAISHA, LTD.	666	1.56
STATE STREET BANK AND TRUST COMPANY	620	1.45
Sompo Japan Nipponkoa Insurance Inc.	600	1.40

*Percentage of the total number of shares issued.

Stock Performance



Distribution of Shareholders



IBJ Leasing Company, Limited

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