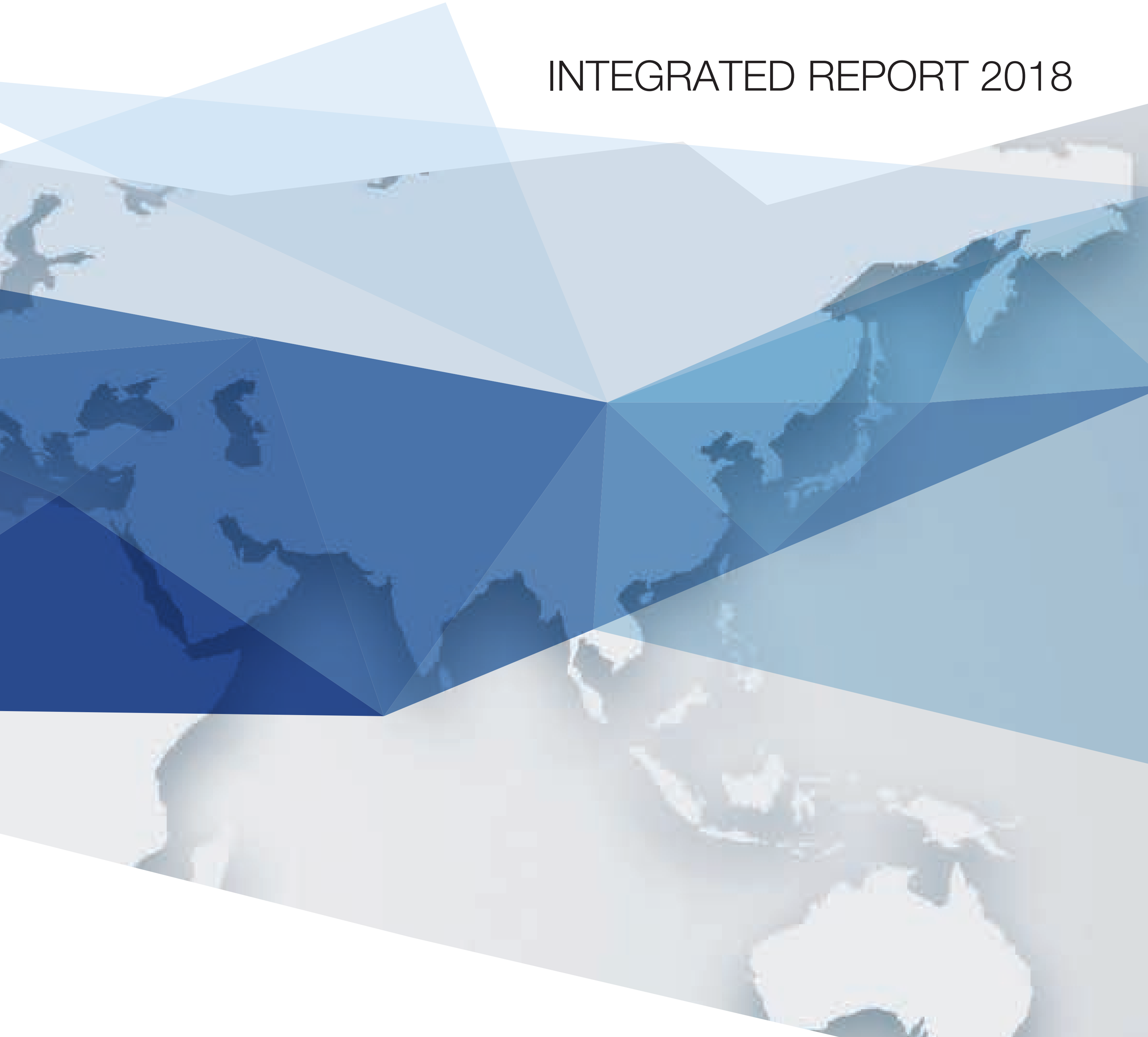
IBJ LEASING CO., LTD.

INTEGRATED REPORT 2018



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.

Desired Future Image of the IBJ Leasing Group

How the Group should be and stakeholders the Group should consider

Clients | Shareholders | Employees | Society

Mindset of each employee

Action Guidelines

The Three Cs

Challenge

Change

Create

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

Hiroshi Motoyama
President and CEO

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 (Japanese and English) | Report on Corporate Governance

Securities Report | Financial Results (Japanese and English) | CSR Activities (Website)

Financial information ↔ Non-financial information

Reporting Period

From April 2017 to March 2018 (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—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 through initiatives in businesses involving in commercial distributions and a broad range of financial sectors and through M&A activities.

The IBJ Leasing Group will continue to strive for the realization of a sustainable society and enhancement of corporate value by responding to the needs of clients that are becoming more and more diversified and complex over time, drawing on its strengths acquired through its business.

History of Our Business (1969~2018)

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

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 the 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 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, 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 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, 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.

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

Business of the IBJ Leasing Group

The IBJ Leasing Group comprises IBJ Leasing, 26 consolidated subsidiaries and three equity-method affiliates (as of March 31, 2018). Centered on this structure, we provide wide-ranging financial services, including leasing, installment sales and loans in Japan and overseas by utilizing our understanding of equipment and extensive financial expertise.

Leasing and Installment Sales

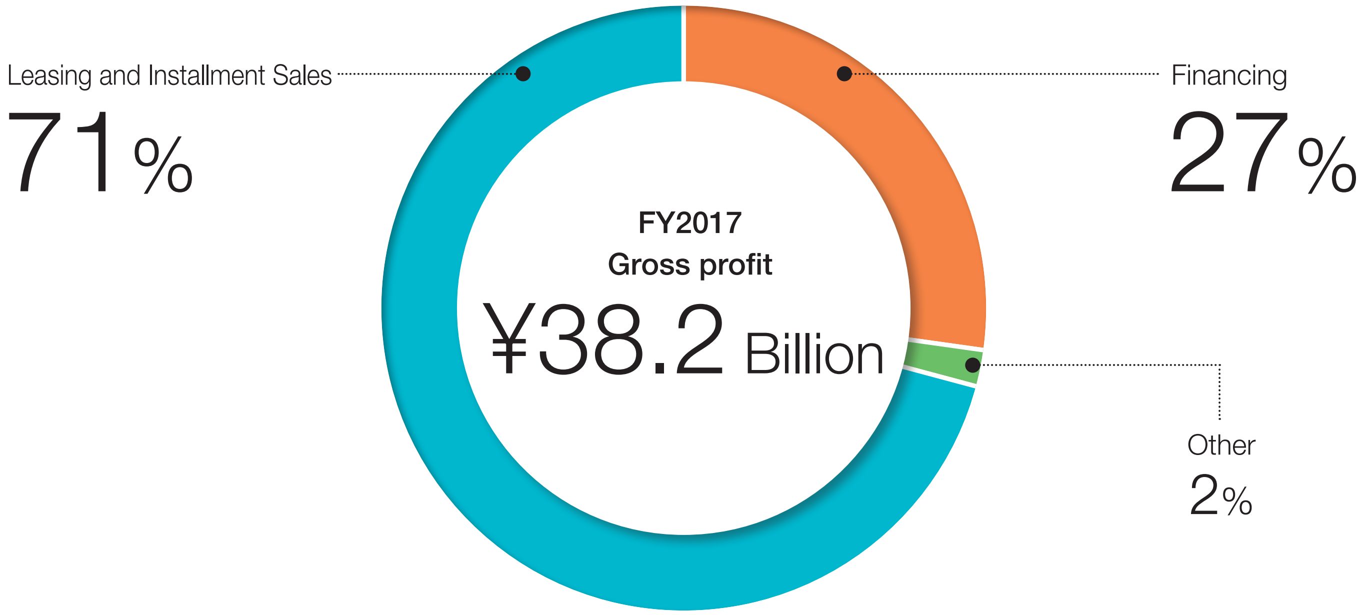
- Consulting service for controlling optimal BS/PL control in addition to fundraising at the time of introducing equipment
- Leases in the subscription or value-added service models
- Support for clients' product sales and service provision

Financing and Other

- Specialized financing to deliver cash flow through real estate, aircraft, vessels and other items
- Commercial distribution finance/business finance
- Used equipment sales, photovoltaic power sales operations, etc.

Leverage our extensive know-how of equipment and highly sophisticated financial solutions to solve clients' accounting, financial and business issues

Client base centered on large and mid-sized corporations



Each IBJ Leasing Group company aims to achieve "the expansion of cooperation with partner corporations," "the pursuit of expertise" and "the expansion of global business" and collaborate with each other, with IBJ Leasing at the core and displaying their respective characteristics, to provide solutions that best suit the diverse needs of clients in not only Japan, but also countries in Asia and around the world.

Major Group Companies

Cooperation with partner corporations

Group companies/partner corporations

IBJL-TOSHIBA Leasing Company, Limited/Toshiba Group

Dai-ichi Leasing Co., Ltd./The Dai-ichi Life Group

Universal Leasing Co., Ltd./Sankyu Group

Pursuit of expertise

Group companies/business description

IBJ Auto Lease Company, Limited/auto leasing

KL Lease & Estate Co., Ltd./building leasing

KL & Co., Ltd./used equipment sales

KL Office Service Company, Limited/office services

Expansion of global business

Group companies/locations

IBJ Leasing (China) Ltd./China

PT. IBJ VERENA FINANCE/Indonesia

IBJ Leasing (UK) Limited/the U.K.

Krung Thai IBJ Leasing Co., Ltd.*/Thailand

PNB-IBJL Leasing and Finance Corporation*/the Philippines

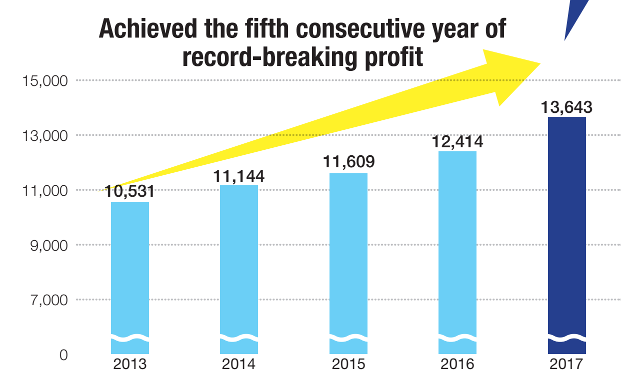
IBJ Air Leasing Limited/the U.S. and Bermuda

*An equity-method affiliate

Financial Highlights

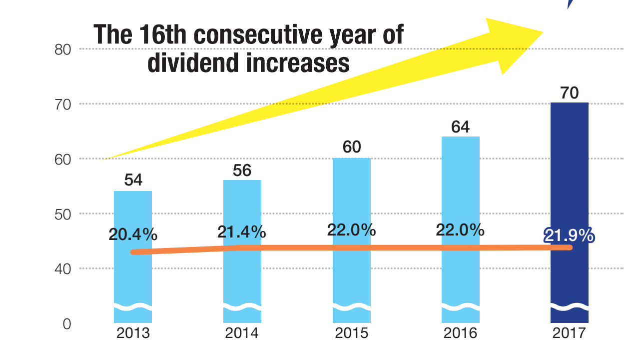
Net Income Attributable to Owners of the Parent (Millions of yen)

¥13,643 million



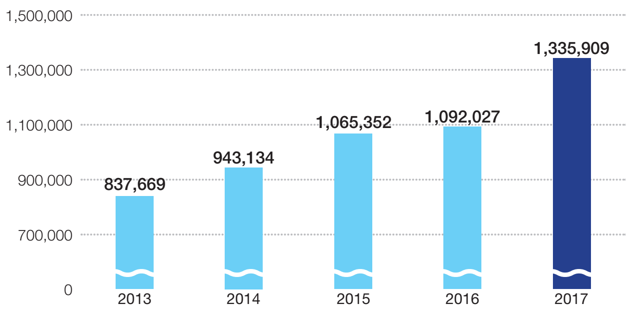
Annual Dividend (Yen)/Dividend Payout Ratio (%)

Dividend ¥70 Dividend payout ratio 21.9%



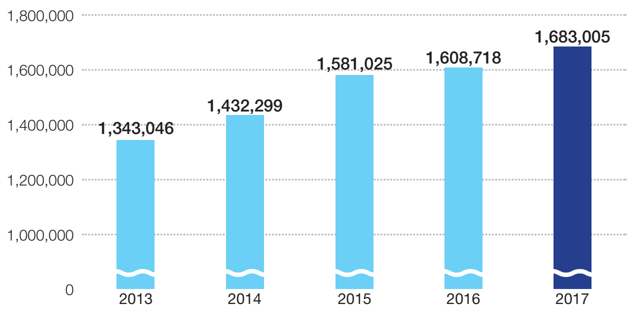
Contract Execution Volume (Millions of yen)

¥1,335,909 million



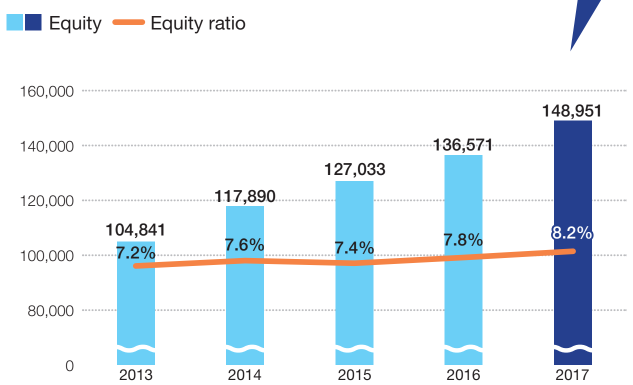
Operating Assets (Millions of yen)

¥1,683,005 million



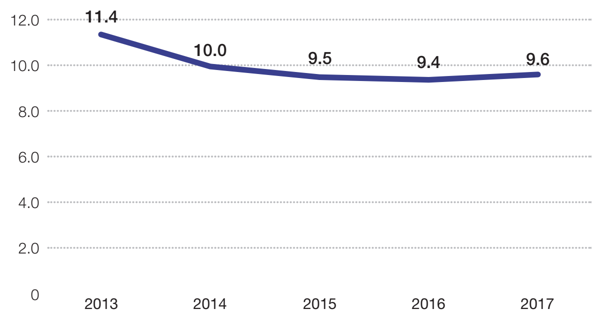
Equity (Millions of yen) / Equity Ratio (%)

Equity ¥148,951 million Equity ratio 8.2%



ROE (%)

9.6%



Non-financial Highlights

Results in the Environment and Energy Area (FY2017)

Contract Execution Volume

¥83.3 billion

Positioning the environment and energy field as a focus area, we strive to contribute to a healthy global environment.

Results in the Medical and Healthcare Area (FY2017)

Contract Execution Volume

¥34.9 billion

Positioning the medical and healthcare field as a focus area, we strive to contribute to the needs of society that arise from an aging population with a low birthrate.

Reuse rate* (FY2017)

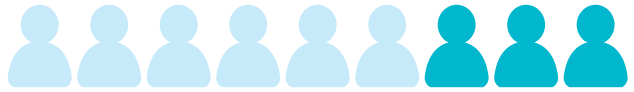
69%

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

Composition of the Board of Directors (as of June 30, 2018)

Nine directors, including three outside directors



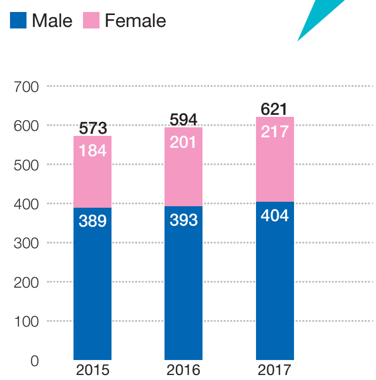
Ratio of Outside Directors 33%

We appoint three independent outside directors with abundant experience and broad insight in corporate management, specialized fields, etc., and receive accurate advice on overall business management from an objective perspective.

*Attendance rate of outside directors at the Board of Directors meetings (FY2017): 100%

Number of employees (non-consolidated basis) (Number of persons)

621



Number of employees
621
Male 404
Female 217

Female employment rate (non-consolidated basis)

(New graduates hired in FY2017)

48%

We have achieved 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 on developing an environment where female employees can participate more actively in the workplace, as well as on proactively hiring female employees.

Consolidated Financial Data over the Past 11 Years

Consolidated Financial Results

	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017
For the year: (Millions of yen)											
Revenues	341,320	298,707	263,598	256,059	270,066	352,492	354,779	353,733	364,174	429,405	399,738
Gross profit before funding costs	36,351	38,181	36,720	36,549	36,579	44,270	43,005	41,609	44,803	44,904	45,157
Funding costs	9,849	10,105	7,213	5,459	5,286	6,596	6,426	6,338	6,361	5,697	6,959
Gross profit	26,501	28,076	29,506	31,090	31,293	37,673	36,579	35,271	38,441	39,206	38,197
Selling, general and administrative expenses	14,956	21,320	18,248	15,646	20,601	23,007	19,877	17,325	20,868	21,244	19,034
Operating income	11,544	6,755	11,257	15,444	10,691	14,665	16,701	17,946	17,573	17,962	19,162
Net income attributable to owners of the parent	7,799	3,348	7,019	9,025	4,296	8,920	10,531	11,144	11,609	12,414	13,643
At year-end: (Millions of yen)											
Total assets	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	1,821,501
Operating assets	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	1,683,005
Lease	698,861	596,869	553,541	546,185	755,139	780,234	809,499	878,693	958,353	950,318	983,590
Installment sales receivable*	121,989	120,373	107,487	94,514	112,243	113,939	133,267	153,910	147,455	137,820	138,592
Loans	243,304	233,687	237,414	241,925	295,008	320,143	359,530	361,067	377,933	348,085	360,073
Operational investment securities	28,091	34,050	36,779	46,008	48,876	48,798	40,749	38,627	97,283	172,493	196,860
Long-term receivables	2,920	9,470	14,082	10,397	19,153	18,502	11,404	8,947	10,393	3,331	2,440
Interest-bearing debt	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	1,536,240
Equity	57,428	55,994	63,342	69,392	74,717	84,905	109,840	123,297	132,786	141,755	154,632
Per share data: (Yen)											
Net income	212.23	91.90	193.91	249.33	118.71	246.43	264.75	261.32	272.20	291.08	319.91
Equity	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	3,492.55
Dividends (non-consolidated basis)	38.00	40.00	44.00	46.00	48.00	50.00	54.00	56.00	60.00	64.00	70.00
Key indicators: (%)											
Return on equity (ROE)	14.2	6.0	12.0	13.9	6.2	11.8	11.4	10.0	9.5	9.4	9.6
Return on assets (ROA)	1.0	0.6	1.2	1.6	0.9	1.1	1.2	1.3	1.1	1.1	1.1
Equity ratio	4.7	5.1	6.1	6.7	5.3	5.9	7.2	7.6	7.4	7.8	8.2
Other (Number of persons)											
Number of employees	723	743	766	765	1,073	1,050	1,036	1,050	1,072	1,053	1,081

*After subtraction of deferred profit on installment sales

Value Creation Process of the IBJ Leasing Group

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

Initiatives for Business Strategies and Focus Areas

Fifth Mid-term Management Plan ➡ p17

Responding to the diverse needs of clients through our new business strategies

New business strategies

- Support clients' commercial distribution
- Jointly promote service business with clients
- Promote JVs with clients

Expand the business in fields that respond to social issues

Focus areas

- Medical and Healthcare Case Study ➡ p26
- Environment and Energy Case Study ➡ p27
- Real Estate Case Study ➡ p28
- Global/Overseas Subsidiaries Case Study ➡ p29
- Global/Aircraft Case Study ➡ p30
- Technology

Accelerate initiatives cutting across focus areas with client needs as the starting point

Respond to social issues

Value Creation for Stakeholders

Stakeholders

Clients
Providing flexible and a wide variety of services to meet clients' needs

Shareholders
Sustainable increases of corporate value and shareholder returns

Society
Solving social issues and practicing corporate social responsibility through our businesses

Employees
Creation of environment and systems where all employees are provided with a meaningful and engaging workplace

Realization of a Sustainable Society

Sustainable economic development

Contribution to industrial and technological advancement

Creation of productive and high-quality employment opportunities

Prosperous living

Maintenance of a healthy global environment

Contribution to solving issues

Social issues

- Aging population with low birthrate
- Global warming
- Resource and energy shortage
- Maturity of domestic market
- Advancement of globalization
- Labor shortage due to decreasing labor force
- Transformation of business models driven by Industry 4.0

President's Commitment

As a business partner of choice for our clients, we contribute to the resolution of social issues together with our clients and aim to enhance corporate value.

Hiroshi Motoyama

President and CEO

Fifth Mid-term Management Plan

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Overview and Outlook of the Fifth Mid-term Management Plan

In May 2017, the IBJ Leasing Group announced the Fifth Mid-term Management Plan covering a three-year period from fiscal 2017 to fiscal 2019. With the vision of a "value-creating company tackling challenges together with clients" and a basic policy of promoting more profitable businesses by making use of our accumulated business know-how and financial strengths upheld in this Plan, we are focusing our efforts on the fields that have good potential for growth in line with structural changes in society and industries and reinforcement the management base that supports our businesses. As such, we are 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.

Japan is facing significant structural changes in society and industries on the back of a rapidly declining birthrate and aging population, changes in the business models of corporations driven by Industry 4.0, further acceleration of globalization, measures taken against global warming and energy resource shortages, etc. The IBJ Leasing Group is committed to enhancing corporate value by proactively responding to the needs arising out of such changes.

I believe that, in order for the IBJ Leasing Group to achieve sustainable growth, it is indispensable to provide higher value-added services and promote more profitable businesses. The IBJ Leasing Group has strengths in providing solutions for clients' accounting, financial and business issues by utilizing our broad knowledge of equipment, deep understanding of commercial distribution and advanced financial expertise. We can support clients from not only the liabilities side, but also assets side on the balance sheet through the ownership of equipment. This means that we are able to provide a wide variety of services including holding assets on behalf of our clients and selling products and services jointly with our clients, not to mention providing means of procuring funds. I believe that the source of added value is not the provision of uniform products and services, but to base our efforts on the needs of our clients as the starting point and make the maximum use of the strengths of the IBJ Leasing Group to satisfy such needs. We hope to become a business partner of choice for our clients through such efforts and grow together with them.

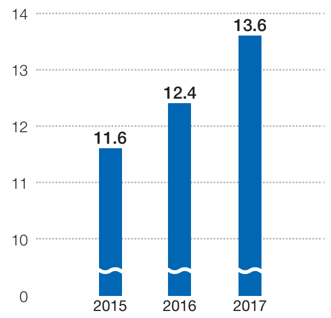
Achievements in Fiscal 2017

In fiscal 2017, the first fiscal year of the Fifth Mid-term Management Plan, we promoted various initiatives with these policies, and have been steadily accumulating achievements. I feel that the initiatives are bearing fruit. In the business of involving in commercial distributions, a new business strategy that focuses on the flows of purchase and product sales at clients, we succeeded in concluding contracts for large projects. With regard to the individual focus areas, in the real estate area, we recorded the first sales in real-estate leasing which covers childcare facilities and hotels with rising social needs and started initiatives targeting manufacturing factories and overseas real estate in collaboration with leading business operators. In the environment and energy area, we worked to reduce environmental load by enhancing the advisory function for clients including the provision of support for subsidy applications and the promotion of investment in energy saving, while we also expanded initiatives for the energy business such as the leasing of large-scale wind power-generation facilities. In the medical and healthcare area, in addition to financing for medical equipment, we are expanding the business in response to the growth of businesses undertaken by medical institutions such as the leasing of vehicles for nursing care. In the global area, we are strengthening the initiatives targeted at non-Japanese companies including increases in transactions with local conglomerates in Thailand and Indonesia and the growing number of leases for medical institutions in China. We have also steadily increased operating assets by making full use of our accumulated know-how in initiatives for aircraft-backed collateralized loans in the aircraft business.

As a result of these efforts, net income attributable to owners of the parent for fiscal 2017 amounted to ¥13.6 billion, achieving record-breaking profit for five consecutive years.

I consider fiscal 2018 to be an important year, at the halfway point for the IBJ Leasing Group to make a further leap forward toward achieving the targets with an eye on the final fiscal year of the Plan and beyond. We are committed to achieving the ¥14.5 billion target for net income attributable to owners of the parent by continuing to promote the strategies set forth in the Mid-term Management Plan, accurately responding to the needs of our clients and taking on the challenges of entering into new business domains, in addition to our specialty of financial solutions, transcending the framework of financing.

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



Value Creation Together with Clients

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Results in Fiscal 2017

Net Income Attributable to Owners of the Parent	ROE	Dividend Payout Ratio
¥13.6 Billion	9.6%	21.9%

President's Commitment

We will bring about sustainable growth by way of value co-creation with stakeholders, changing ourselves in tune with the changes of the times.

Reinforcement of the Management Base for Sustainable Growth

CSR of the IBJ Leasing Group
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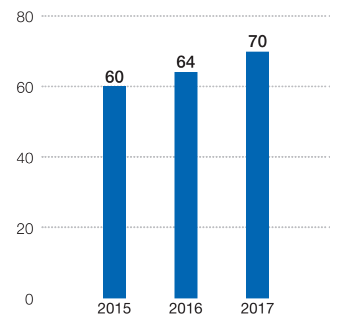
In order for the IBJ Leasing Group to achieve sustainable growth, it is necessary to not only promote the business strategies, but also reinforce its management base in ways such as further enhancing its corporate governance system, advancing its risk-return management through the integrated operation of the business portfolio and the financial ALM (asset liability management) and building an environment where employees can demonstrate their capabilities at their full potential.

With the aim of solidifying the foundation for sustainable growth, we reexamined the governance system in fiscal 2017 to further invigorate strategic discussions for growth at the Board of Directors meetings, and at the same time, reorganized the executive organization to create a system that is capable of speedier decision-making to allow for taking on challenges for new business models and handling diversified risks. We have also established a system to enhance our portfolio management, identify types of risks and the total risk exposure and take appropriate risks in order to promote challenges for entering into new businesses. To achieve sustainable corporate growth, we promote diversity to retain personnel with a diverse array of perspectives and values based on a variety of experiences and skills. At the same time, under the recognition that it is critical to provide all employees with a meaningful and engaging workplace, we are working to improve operational productivity through IT system investments and reforms in operational processes and to also enhance the 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 financial services business operator, 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 2017 we continued to increase shareholder returns by raising the annual dividend ¥6 to ¥70 per share, with the dividend payout ratio of 21.9%. ROE also increased by 0.2 points from the end of the previous fiscal year, to 9.6%.

We expect to raise the annual dividend per share an additional ¥4 in fiscal 2018, to ¥74 per share, amounting to the 17th consecutive year of dividend increases.

Desired Future Image of the IBJ Leasing Group

Value Creation Process of the IBJ Leasing Group
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In order to continue to be a company needed by society, it is indispensable to create value shared with stakeholders such as "clients," "shareholders," "society" and "employees" who are engaged with that company. We are committed to improving the corporate value of the IBJ Leasing Group by creating values of "providing flexible and a wide variety of services to meet the needs" for clients, incorporating their perspectives, and at the same time, creating the value of "sustainable increases of corporate value and shareholder returns" for our shareholders, "solving social issues and practicing corporate social responsibility through our businesses" for society and "the creation of environment and systems where all employees are provided with a meaningful and engaging workplace" for employees. In order to achieve further growth and social contribution, it is important for us to create a prosperous future, as well as solve social issues and bring about sustainable growth by way of value co-creation with clients, changing ourselves in tune with the 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 services with clients as the starting point.

Fifth Mid-term Management Plan (FY2017 – FY2019)

From fiscal 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 not only focuses on fields with promising prospects for growth on the back of structural changes in society and industries, but also utilizes its accumulated business know-how and financial strengths to actively promote businesses with higher profitability in addition to existing business lines.

The IBJ Leasing Group strives to make a further leap forward and achieve further value creation for stakeholders by implementing the measures stipulated in the Fifth Mid-term Management Plan.

Further Leap

2019

2018

2017

2016

Overview of the Fifth Mid-term Management Plan (FY2017 – FY2019)

Vision

Value-creating company tackling challenges together with clients

Business Strategies and Reinforcement of Management Base

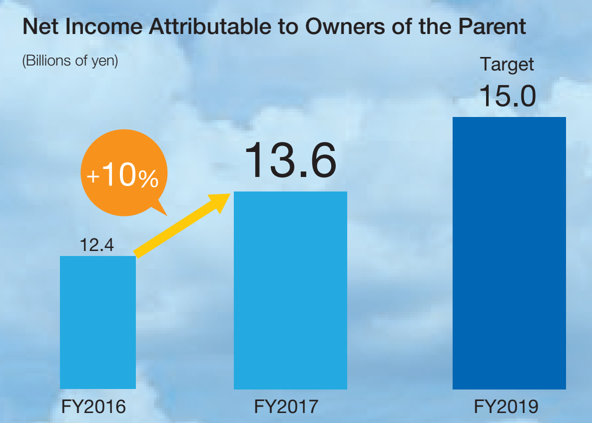
Basic Policy	Vigorously promote more profitable businesses leveraging expertise and financial strengths gained
Focus Areas	● New Business Strategies (Expanding existing client base) ● Medical and healthcare ● Environment and energy ● Real estate ● Global (Overseas subsidiaries/Aircraft) ● Technology
Reinforcement of Management Base	Strengthening risk-return management: integrated operation of the business portfolio and the financial ALM Resource strategy: promotion of diversity / improvement of operational productivity

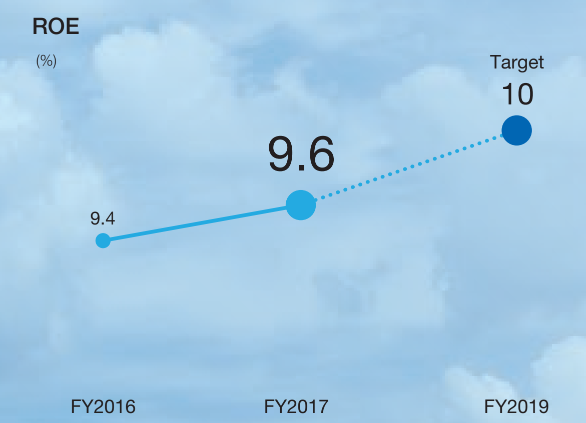
Targets for the Final Fiscal Year

Net Income Attributable to Owners of the Parent	ROE	Dividend Payout Ratio
¥15.0 billion	10%	Maintaining 20% or More

Results in FY2017

Net Income Attributable to Owners of the Parent	ROE	Dividend Payout Ratio
¥13.6 billion	9.6%	21.9%





“Fifth Mid-term Management Plan”

Approach in Initiatives for Business Strategies and Focus Areas

We will respond to the diverse needs of clients through our new business strategies to expand our businesses in fields that have good potential for high growth on the back of structural changes in society and industries. In addition, we strive for increases in corporate value by accelerating initiatives across the focus areas positioning client needs as the starting point.

Current basic approach

Promote business together with clients

Responding to the diverse needs of clients through our new business strategies

New business strategies
- Support clients’ commercial distribution
- Jointly promote service business with clients
- Promote JVs with clients

Further reinforce initiatives in focus areas

Expanding businesses in fields that have good potential for high growth in the future

- Medical and healthcare
- Environment and energy
- Real estate
- Global
  - Overseas subsidiaries
  - Aircraft
- Technology

\+

Future approach

Initiatives across focus areas

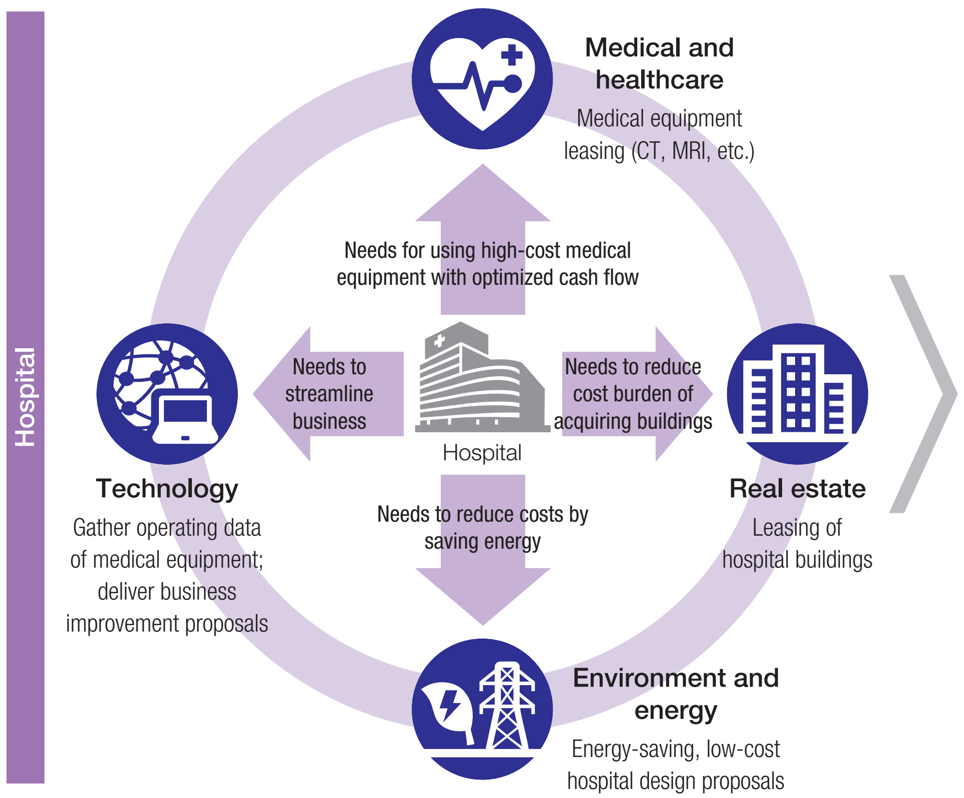
Offer higher value-added services by providing comprehensive package solutions that cut across focus areas starting with client needs

Overview of new business strategies

Support clients’ commercial distribution	Gain revenue such as fee income through involvement in the commercial distribution of clients across the entire business process, from upstream to downstream, in addition to capital investment
Jointly promote service business with clients	Enter into joint service contracts with clients and receive payment for services by helping them change their business model (from selling products to selling subscriptions or value-added services)
Promote JVs with clients	Create investment opportunities by sharing risks with clients as a business partner

Initiatives across focus areas (conceptual diagram)

Provide solutions to meet a wide range of needs from client perspective



Comprehensive package solutions across focus areas

Focus areas: Medical and healthcare × Real estate × Technology

Provide one-stop solutions that include everything from the provision of assets to the streamlining of business, such as leasing medical equipment and buildings and optimizing business efficiency by utilizing IoT data

Focus areas: Environment and energy × Medical and healthcare × Real estate

Proposals to run hospitals at low cost by leasing energy-saving medical equipment and buildings

“Fifth Mid-term Management Plan”

Market Outlook and Strategies by Focus Area

Changes in the external environment

- Aging population with low birthrate
- Global warming
- Resource and energy shortage
- Maturity of domestic market
- Advancement of globalization
- Labor shortage due to the decreasing labor force
- Transformation of business models driven by Industry 4.0

Focus area	Market outlook	Strategy	Targets for the final fiscal year (FY2019)
Medical and healthcare	● Rising needs to improve the efficiency of hospital management, treatment, and the use of related assets due to pressure to curb medical expenses. ● Rising needs for service providers in the areas of convalescence and nursing care due to the acceleration of aging.	➡ Expand equipment leasing opportunities in treatment/diagnosis and convalescence/nursing care ➡ Expand real estate leasing in response to needs for the construction and reconstruction of facilities operated ➡ Collaborate with new partners and expand the joint promotion of service business with clients	Contract execution volume ¥55billion
Environment and energy	● Rising needs for generation, storage and saving of energy, as will those for related capital investment, amid CO_2 reduction and other measures to curb global warming. ● Rising needs to level out costs and cash flow corresponding to the impact of saved energy.	➡ Seize environment- and energy saving-related capital investment projects ➡ Boost sales activities targeting local governments ➡ Promote involvement in the commercial distribution of environmental and energy business operators as a business partner ➡ Enter renewable energy business	Contract execution volume ¥50billion
Real estate	● Rising needs for real estate for childcare and nursing care, areas growing due to the rise in dual income families and the aged population, as well as for hotels due to the increase in inbound tourism. ● Rising needs for real estate in major overseas markets.	➡ Reinforce real estate leasing in areas with high societal needs ➡ Strengthen bridge function for domestic REIT ➡ Invest jointly leveraging knowledge and relationships with clients ➡ Seize opportunities to invest in overseas real estate funds	Operating assets ¥350billion
Global: Overseas subsidiaries	● Continued growth of the financial market and changes in social structure due to urbanization, industrialization, etc. in the Asian market, our focus area. ● In addition to the countries where IBJL already operates (China, Indonesia, Thailand, and the Philippines), large potential also in other Asian countries.	➡ Capture the needs of Japanese companies to make capital investment and business expansion overseas ➡ Increase transactions with non-Japanese companies ➡ Inorganic growth through M&As and the asset purchases	Operating assets ¥120billion
Global: Aircraft	● Rising needs to acquire aircraft and for related services such as repair and maintenance are expected to continue over the mid- to long-term driven by the expanding mobility trend and the rise of LCCs worldwide.	➡ Promote the aircraft operating lease business ➡ Promote initiatives for aircraft-backed collateralized loans ➡ Enter business related to engines, parts, and other aircraft peripherals ➡ Set up and expand sales of JOLCO	Operating assets ¥110billion
Technology	● Rapidly expanding needs across industries let alone corporations for: sophisticated management of equipment, enhancing the value of services by utilizing data, and developing strong infrastructure to accumulate and analyze vast amounts of data.	➡ Provide consulting on improving the operational efficiency of companies using data ➡ Provide data platform service across industries and the value chain	—

"Fifth Mid-term Management Plan"

Reinforcement of Management Base

Under the plan, we will aim to make a further leap toward the future by ramping up efforts to promote new businesses in addition to existing ones. To this end, we will properly manage risk-taking and returns, while at the same time further reinforcing the management base by focusing on realizing a more flexible and robust organization capable of taking on new challenges and transformation.

Strengthening of Risk-Return Management

We will promote a more sophisticated portfolio management which enables proper risk-taking and reinforce a structure for appropriate risk-return management through the 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 the advancement of even more diverse human resources in the workplace is essential for the IBJ Leasing Group to grow, we position the promotion of diversity as a key management strategy. We also optimize administrative processes and IT systems throughout the Group to improve operational productivity.

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

Funding Policies

Funding Policies

The IBJ Leasing Group offers wide-ranging financial services to meet clients' 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 comprehensive 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.

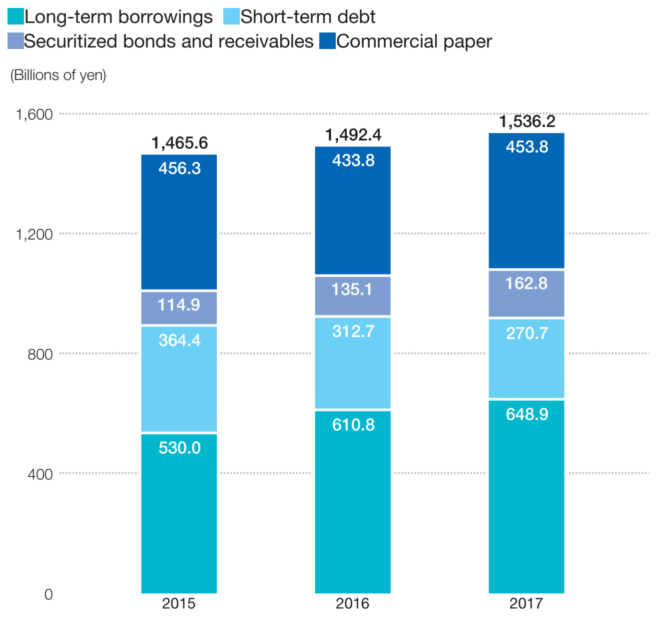
The Company obtains funding from financial markets through the issuance of commercial paper and corporate bonds and the securitization of lease receivables. In addition to ourselves, IBJL-TOSHIBA Leasing also issues commercial paper. IBJ Leasing has an issue limit of ¥550.0 billion, and IBJL-TOSHIBA Leasing of ¥150.0 billion.

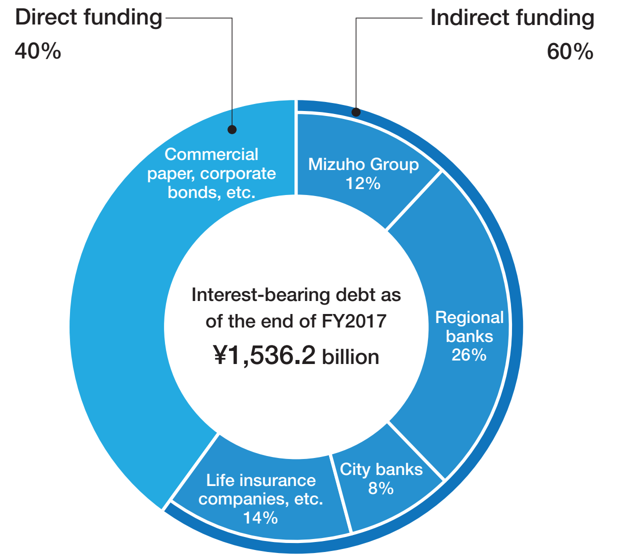
In addition, the Group has concluded overdraft agreements and commitment line agreements in the total amount of ¥928.1 billion with 63 financial institutions as of the end of FY2017 with the aim of securing the liquidity of working capital and efficient fundraising. The unused balance under these agreements is ¥676.6 billion, which ensures sufficient liquidity.

With regard to ALM operations, the Company's PM/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[1] and value at risk (VaR)[2]. We have formulated ALM policies based on these analyses, and work to ensure smooth funding and cost control by flexibly implementing these policies in day-to-day operations.

Terms
1 Delta: An indicator to show how much the present value of assets and liabilities changes in the case of increases in interest rate
2 Value at risk (VaR): A method under which calculations are made, based on past statistics, to quantify how much loss in the position of the portfolio held would be incurred during a certain period of time with certain probabilities in the case of unfavorable market situations and ascertain the maximum amount of potential loss as risk exposure.

Interest-bearing Debt





Credit Rating

IBJ Leasing has obtained credit ratings from Rating and Investment Information, Inc. (R&I) and Japan Credit Rating Agency, Ltd. (JCR) to evaluate its creditworthiness.

Rating and Investment Information, Inc. (R&I)		Japan Credit Rating Agency, Ltd. (JCR)
Long-term rating	Short-term rating	Long-term rating
A–	a–1	A–

Commitment by the Operating Unit

We will take on challenges for further growth by offering comprehensive package solutions that meet a wide range of client needs.

The business environment surrounding companies is drastically changing. On the back of such circumstances are the structural changes in society and industries in Japan, including the decreasing labor force and the advancement of technologies and globalization. Companies are required to ascertain these various changes and build business models that best suit themselves on a daily basis. Under such a business environment, clients are facing more issues than ever, and their needs change with each passing day.

As we aim to become a business partner of choice for clients, we need to promote business positioning client needs as the starting point instead of providing uniform products and services. At IBJ Leasing, each operating unit has formulated comprehensive strategies under which clients' management issues and their solutions are planned and systematically implemented. In case of issues that are beyond the capacities of an operating unit, a system is put in place to work on a client's issue for resolution through concerted efforts of not only specialized departments with a high level of expertise such as the Real Estate Business Department, the Environmental Energy Business Promotion Department and the Medical & Healthcare Department, but also middle and back offices.

In fiscal 2017, we have promoted the business strategies set forth in the Fifth Mid-term Management Plan based on such approaches and systems, and as a result, we succeeded in achieving some progress in the business of involving in commercial distribution, a new business strategy that focuses on the flows of purchase and product sales at clients, and in each of the focus areas, namely, "medical and healthcare," "environment and energy," "real estate" and "global" fields.

More specifically, in the business of involving in commercial distribution, we have been making bulk purchases on behalf of clients, successfully providing value including "cost reduction," "prevention of loss of sales opportunities" and "support for suppliers." In addition, we assist clients' business not only by providing support for product sales through proactive engagement in the sales of their products and services, but also comprehensive solutions for which we receive fees based on a contract for a subscription or value-added service that utilizes a pay-per-use scheme or provides additional maintenance services. In addition to the steady achievements we have made in each of the focus areas, in the medical and healthcare field for example, we have started initiatives to cut across focus areas for medical institutions based on client needs, whereby we provide not only leasing of medical equipment to be used in hospitals, but also comprehensive environment- and energy-related proposals that enable energy saving and cost reduction as well as "real estate" leasing of nursing care facilities.

Fiscal 2018 is a year in which we are to further promote these initiatives. We believe that promoting the comprehensive package solutions based on various client needs by cutting across focus areas is the way sales promotion shall be carried out under this Mid-term Management Plan. We are committed to be involved in the entire business of clients in depth and support the resolution of management issues. In so doing, what matters most is how accurately we grasp client needs, and we need to further strengthen relationships with clients in three dimensions: namely, vertical orientation (in multiple layers ranging from staff in charge to top management), horizontal orientation (not only for a single department, but cutting across multiple departments) and depth (intimacy with each layer or department). By strengthening relationships in three dimensions, we will accurately identify client needs and achieve the resolution of issues by being deeply involved in the entire business.

The IBJ Leasing Group will continue with the effort to become a business partner of choice for clients and take on challenges for further growth.

Hidehiko Kamata

Managing Executive Officer

Value Creation Together with Clients

"Medical and Healthcare"

With the advancement of the aging society, the role of the medical and healthcare field in society is becoming increasingly important. Under such circumstances, the IBJ Leasing Group is promoting real estate business activities in cooperation with real estate developers and the 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 client needs in the medical and healthcare field.

Contract Execution Volume in FY2017

¥34.9 billion

Sales Strategies

Expand facility equipment leasing in the convalescence/nursing care fields in addition to medical equipment leasing in Japan and overseas	**In addition to initiatives for advanced medical equipment in Japan and financing for medical equipment including leases for local medical institutions in China, we will capture capital investment needs in the convalescence/nursing care fields.**
Expand real estate leasing in response to needs for the construction and reconstruction of facilities operated by clients	**We will promote the provision of real estate leasing in response to the needs of nursing care providers for the construction of new facilities and the reconstruction of aged hospital facilities.**
Jointly promote service business with clients through collaboration with medical, nursing care and healthcare equipment manufacturers	**We aim to cooperate with medical, nursing care and healthcare equipment manufacturers to boost the service business and facility equipment sales.**

Case Study Maintenance Lease of World's First Four-Way Hybrid Operating Room

With a total of 450 beds, SAITAMA SEKISHINKAI Hospital operated by the Social medical corporation SEKISHINKAI supports regional healthcare as the core hospital in the western Saitama medical service area.

When SAITAMA SEKISHINKAI Hospital was considering the introduction of the world's first* four-way hybrid operating room at the Minimally Invasive Cranial Nerve Center, IBJ Leasing proposed maintenance lease jointly with Siemens Healthcare K.K. As a result, SAITAMA SEKISHINKAI Hospital selected equipment for angiography, computed tomography (CT) and magnetic resonance imaging (MRI) proposed by us for use in the operating room. The IBJ Leasing Group is committed to contributing to the advancement of regional healthcare through initiatives aimed at advanced medical equipment such as these.

*According to market research by Siemens Healthcare

Client's Feedback

SAITAMA SEKISHINKAI Hospital, Social medical corporation SEKISHINKAI

In addition to traditional surgical equipment, equipment for angiography, CT and MRI has also been installed in the four-way hybrid operating room, allowing highly-sophisticated and minimally invasive procedures to be conducted swiftly. Because equipment was introduced on a maintenance lease basis, it was easier for us to grasp the balance of payments for the capital investment by including the maintenance costs in the monthly lease fees, which at the same time enabled stable cash flow.

We appreciate all the proposals that have been made by IBJ Leasing related to medical equipment to date.

Mr. Kazuo Mochida

General Manager

Value Creation Together with Clients

"Environment and Energy"

Contract Execution Volume in FY2017

¥83.3 billion

Amid the growing importance of environmental activities on a global scale, the IBJ Leasing Group is committed to helping promote social efforts in conserving the environment and energy. To this end, in addition to financing services including leasing, we will support clients in their installation of environment- and energy-related equipment and contribute to the widespread use of renewable energy through alliances with manufactures, engineering companies, operating companies, etc.

Sales Strategies

Capture the needs of both providers and users of environment- and energy-related facilities and expand the number of projects for facility leases, etc.	We will provide high value-added products and services through application agency for various subsidies and collaboration with manufacturers and engineering companies.
Boost sales activities targeting local governments	We will expand initiatives for the facility renewal projects, etc., of local governments.
Be involved in commercial distribution and capture the diverse needs of manufacturers and engineering companies as their business partner	We will seize new business opportunities by getting involved in commercial distribution upon obtaining a deep understanding.
Participate in projects by utilizing a network with companies operating the renewable energy business, such as manufacturers, electricity and gas companies, etc.	We will pursue initiatives taking up a business risk-taking model.

Case Study Leasing of Large-Scale Wind Farm Facility

The introduction of renewable energy has various goals including driving countermeasures against global warming through the diversification of energy sources and the realization of a low-carbon society, and its uptake is being encouraged.

As a pioneer that established the industry as the first company in Japan to specialize in wind power generation, Eco Power Co., Ltd., a group company of Cosmo Energy Holdings Co., Ltd., is engaged in the wind power generation business across Japan. IBJ Leasing proposed a scheme that utilizes a lease service for introducing wind power generators and leased 19 wind power generators (generation capacity of 43,600 kW) to Eco Power in fiscal 2017.

Client's *Feedback* Eco Power Co., Ltd.

Eco Power is working to realize a sustainable, recycling-oriented society by contributing to the promotion and widespread use of renewable energy as a specialist in the wind power generation business. The proposal made by IBJ Leasing was a valuable scheme for Eco Power, based on their deep understanding of the wind power generation business and abundant financial know-how, and this lead to our adoption of that proposal.

Mr. Kazuyuki Yukawa
Director

Value Creation Together with Clients

"Real Estate"

Operating Assets in FY2017

¥245.7 billion

In an increasingly aging society with a low birthrate, the real estate business is facing increasingly diversified needs such as the promotion of the medical and healthcare field and increased hotel construction on the back of demand from inbound tourism. The IBJ Leasing Group will respond to diversified client needs for property such as commercial facilities and logistics facilities by taking advantage of its initiatives in fields with growing social needs and accumulated know-how.

Sales Strategies

Reinforce real estate leasing in areas with high societal needs	We will reinforce our initiatives in fields with growing social needs such as hotels, healthcare, and childcare.
Enhance bridge functions for REITs in Japan	We will increase opportunities to provide bridge functions in line with increasing matching needs to close gaps between the timing for acquisition and the timing for selling associated with the diversification of property held under REITs.
Increase superior joint investment projects with clients leveraging accumulated know-how	We will make joint investments in response to the investment needs of clients by assessing projects taking advantage of our accumulated know-how and thereby earn investment returns.
Seize opportunities to invest in overseas real estate funds	We will work to diversify opportunities for revenue by making joint investments in overseas real estate funds operated by leading Japanese developers.

Case Study IBJ Leasing's Initiatives for its First Off-Balance Sheet Development Project of a Manufacturing Plant

ICHIKOH INDUSTRIES, LTD., a major manufacturer of automotive parts that boasts 114 years of history since its foundation, is forging ahead with extending and renovating its footprints in Japan and overseas, and the establishment of a domestic manufacturing plant for headlights, its mainstay, is part of these measures. ICHIKOH INDUSTRIES adopted the IBJ Leasing Group's proposal for an off-balance sheet development project, a scheme for the resolution of issues on balance sheets and business strategies, for the new plant in collaboration with the Industrial & Infrastructure Fund Investment Corporation (IIF), the only REIT specializing in industrial and infrastructure properties in Japan.

Client's *Feedback* ICHIKOH INDUSTRIES, LTD.

We received this proposal from IBJ Leasing and IIF for our construction of the new plant that was essential for the "growth of head lamp businesses" we set out in our mid-term plan.

While we anticipated a high level of ongoing capital investments, the plan enabled the leveling of funding and cost burdens as well as an off-balance sheet development scheme. This is why we chose this proposal as the best solution for promoting our management strategy, and we appreciate the ingenuity of the proposal.

Mr. Hideki Shirato
Director and Senior Managing Executive Officer

Value Creation Together with Clients

"Global/Overseas Subsidiaries"

Operating Assets in FY2017

¥70.9billion

Amid globalization and the growing number of Japanese companies entering overseas markets, the Asian region has become increasingly important not only as a production base, but also as a consuming region, and the economy in the region is continuing to grow. The IBJ Leasing Group has four local sales subsidiaries in the Asian region to respond to client needs related to overseas business and financing through transactions among overseas subsidiaries, cross-border transactions, etc.

Sales Strategies

Capture the needs of Japanese companies to make capital investment and business expansion overseas	We aim to win capital investment projects in line with the further business expansion of clients and become a strategic partner for their overseas business.
Increase transactions with non-Japanese companies	We aim to increase transactions with local companies included in the commercial distribution of Japanese companies and expand the client base through collaboration with IBJ Leasing's overseas investees.
Inorganic growth through M&As and asset purchases	We always give consideration to our growth potential through M&As or asset purchases of local companies.

Case Study Indonesia : Support for PT United Tractors Which is Taking Part in a National Infrastructure Development Project

The Republic of Indonesia, which is establishing an increasingly prominent position as a country that drives the ASEAN economy, is now in the process of implementing a transport infrastructure development project as part of its National Medium-Term Development Plan (2015–2019) for connecting the vast country. The PT United Tractors Group is participating in the project as a private firm, and has the largest private construction company in the country and engages in important projects related to the development of the transportation network including an elevated road construction project to connect Jakarta, the capital, and other regions in the country.

PT. IBJ VERENA FINANCE, an overseas subsidiary of IBJ Leasing in Indonesia, facilitates the introduction of construction machinery through leasing to PT United Tractors, and these transactions contribute to infrastructure development in the country from a financial aspect.

Client's Feedback PT United Tractors Tbk

Mr. Iwan Hadiantoro

Finance Director

PT United Tractors Tbk. is the sole distributor of construction machinery manufacturers in Japan such as Komatsu and Tadano and has established good relationship with Japanese companies.

Currently, the Group is involved in the development of transport and road networks related to National Infrastructure development project.

The growth of Indonesian economy has triggered the increasing demand for the capital investment of construction machinery. We and our customers need financing solutions for the procurement of construction machinery products. Through the financing support provided by PT. IBJ VERENA FINANCE, we and our customers can enjoy the benefit which help them to procure the machineries to support their business operations.

Value Creation Together with Clients

"Global/Aircraft"

Operating Assets in FY2017

¥76.2billion

The expansion of mobility worldwide and the market entry of LCCs due to the liberalization of the airline industry are fueling the global increase in travelers, leading to a growing demand for air travel. The IBJ Leasing Group is helping to address the growing demand for aircraft by providing airline companies around the world with services including aircraft leasing and aircraft-backed loans or loans secured by engines.

Sales Strategies

Drive forward aircraft operating lease business	We will increase the establishment of aircraft operating leases centering on general-purpose narrow-body aircraft after appropriately identifying risk and return.
Promote initiatives for aircraft-backed collateralized loans	We will expand our initiatives by further strengthening the capability to establish aircraft-backed loans based on accumulated know-how.
Enter business related to engines, parts, and other aircraft peripherals	We will consider participating in business related to engines, parts, and other aircraft peripherals as part of new business development.
[Fee Business] Set up and expand sales of JOLCO	We aim to increase fee income by diversifying the conditions for setting up JOLCO.

Initiatives at IBJ Leasing

For the promotion of the aircraft-related business, specialized and extensive knowledge of the laws, taxes and accounting systems of each country is indispensable, not to mention knowledge of finance and equipment such as aircraft. In addition, most of our transactions are carried out with overseas clients, requiring communication capabilities including language skills.

IBJ Leasing has accumulated a variety of insight and know-how through its experience in the aircraft business for more than 30 years. We provide financing services secured by aircraft or engines mainly for leading overseas airline clients. In recent years, we have established a subsidiary (IBJ Air Leasing) jointly with Aircastle Limited, a leading aircraft leasing company in the U.S., to also work on the aircraft operating lease business. Furthermore, we are expanding the business domain for aircraft operating leases by, for example, commencing in-house operation of aircraft for the first time utilizing know-how accumulated at the subsidiary.

We will continue our efforts to meet the growing demand for aircraft through the promotion of the business strategies set out in the Mid-term Management Plan.

A Board of Directors meeting of IBJ Air Leasing

Yoshiyasu Mizutomi

Executive Officer, General Manager of Aviation Business Department

CSR of the IBJ Leasing Group

We will achieve sustainable growth together with society by fulfilling our responsibility for stakeholders and creating value that can be shared.

The IBJ Leasing Group sets the slogan "We aim to be a Group which contributes to society by offering valued financial services which lead to future prosperity" as its Corporate Philosophy, and corporate social responsibility (CSR) is the basis of our business activities.

Looking at the surrounding business environment, the IBJ Leasing Group sees so many issues that need to be addressed, such as global environmental issues and structural changes in Japanese society, and the solutions to such issues always need to adapt to changes in society. In recent years, ESG investments are expanding, which mean investments focused not only on financial information, but also on corporate initiatives toward the environment, society and governance (ESG) and non-financial information accumulated through such initiatives. The IBJ Leasing Group deems this situation as that corporations are being tested for their capabilities to respond to such changes and solve issues.

The IBJ Leasing Group will achieve sustainable growth by fulfilling the responsibilities expected of us as a member of society and proactively exerting influence on society. In addition to fulfilling economic responsibilities such as the pursuit of appropriate profit and securing employment, we are committed to fulfilling our legal responsibilities to comply with laws, regulations and various rules and ethical responsibilities to display behavior wherein human rights are respected and social norms are not violated. Furthermore, in addition to fulfillment of these social responsibilities, we believe that the sustainable development of the IBJ Leasing Group will be achieved by our initiatives toward the resolution of social issues and our contribution to the creation of a sustainable society through our business activities.

The IBJ Leasing Group sets value creation for "clients," "shareholders," "society" and "employees," the key stakeholders, as its commitment and considers that the resolution of social issues is our opportunity to grow, as set forth in the Fifth Mid-term Management Plan currently underway. We support the investments of clients in renewable energy facilities and environmentally-friendly equipment to achieve the reduction of environmental load on a global scale, one of the material issues, with our solutions. In addition, amid the advent of the super-aging society, the IBJ Leasing Group is pushing forward with initiatives that combine the solution of social issues with its business, such as making contributions to longer healthy life expectancies through support for customers' introduction of medical and healthcare equipment, as well as the resolution of the issue of long waiting lists for nursery schools through real estate lease for childcare facilities.

Furthermore, in order for the IBJ Leasing Group to achieve sustainable growth, it needs not only to keep its business in constant motion, but also to strive to reinforce its corporate governance and enhance its human resources and non-financial assets so as to be capable of responding to any changes. The IBJ Leasing Group sees human resources as precious management assets in particular. In order to create an environment where all employees can demonstrate their capabilities at their full potential, we are working to improve operational productivity through IT system investments and reforms in operational processes, and at the same time, to enhance the work-life balance through the promotion of diversity. This is because we believe that the creation of a working environment where diverse employees can demonstrate creativity is the source for the capability to respond to changes. It is also necessary to have corporate governance that functions effectively and good management transparency to carry out appropriate and prompt decision-making. In this context, the IBJ Leasing Group is working to reinforce the internal control system in ways such as the effective operation of the Board of Directors, thorough implementation of compliance within Japan and overseas and the establishment of a risk management system.

The IBJ Leasing Group will continue working toward the realization of a sustainable society and the enhancement of corporate value through the creation of value that can be shared with stakeholders. I hope for your continued support and patronage into the future.

Shin Kuranaka

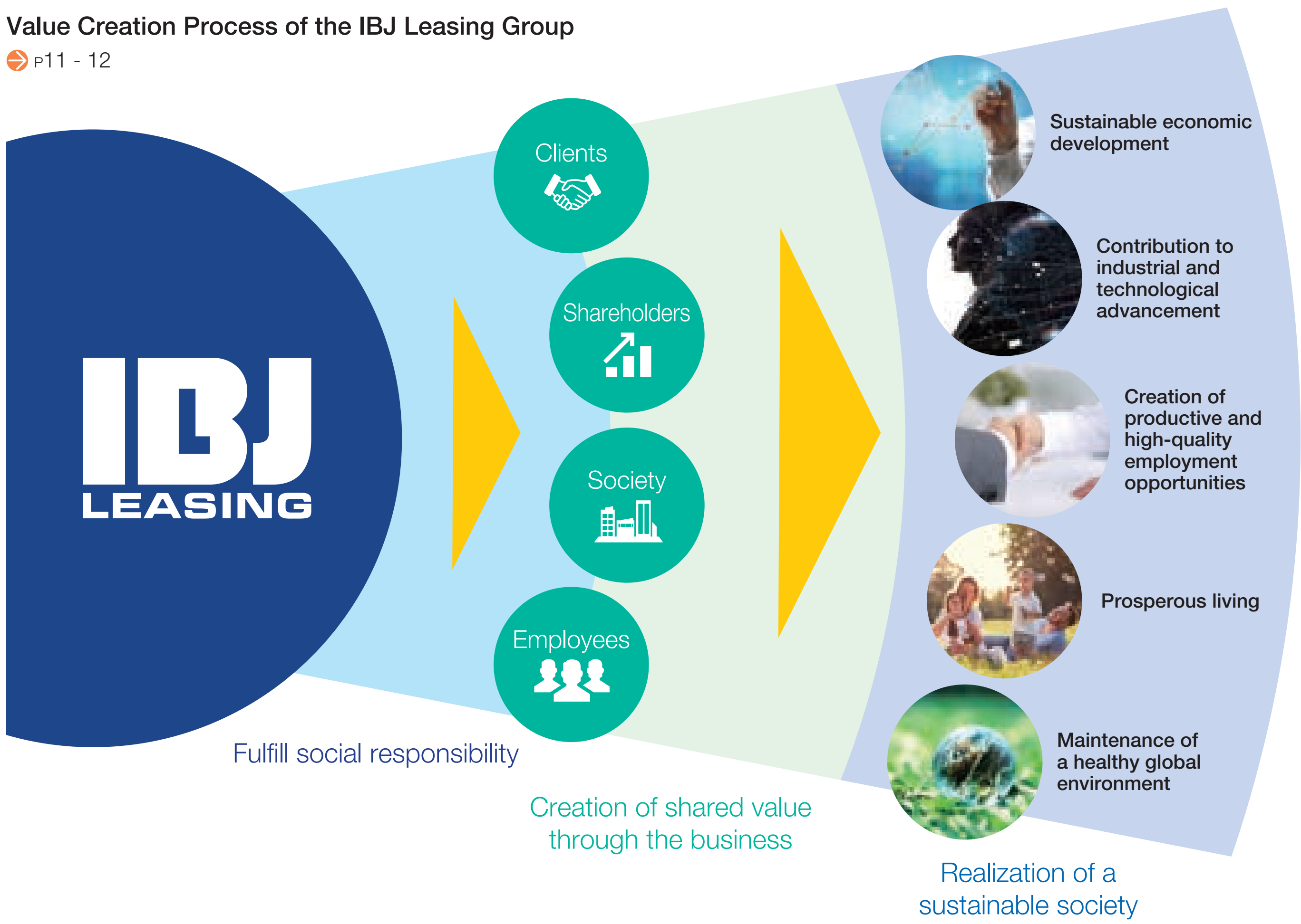
Senior Managing Director,
Chief CSR Officer

CSR Activities

The businesses of the IBJ Leasing Group, including financing, the management of equipment, insurance, and overseas businesses, are closely connected with the economy, society and the environment in various aspects. The IBJ Leasing Group aims to realize a sustainable society, increase corporate value and achieve growth by fulfilling social responsibilities through its business activities and by gaining trust from various stakeholders including "clients," "shareholders," "society" and "employees."

Value Creation Process of the IBJ Leasing Group

P11 - 12



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.	E S	Value creation together with clients	P26-30
Shareholders	Enhance corporate governance and ensure transparency of corporate activities through fair, timely and appropriate information disclosure.	G	Corporate governance Compliance Dialogue with shareholders and investors	P35-36 P37 P45
Society	Promote social contribution activities and environmental initiatives based on ISO14001 in an organizational and continuous manner and contribute to the realization of a sustainable society through business.	E S	Initiatives for reducing environmental load Social contribution activities	P44 P44
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.	S	Recruitment and development of human resources Work-life balance Promotion of diversity	P40-42 P43 P43

E Environment S Society G Governance

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.
June 2007	Executive Managing Director, 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, CCO, CIO, Chief CSR Officer of the Company
June 2013	Senior Managing Director, Senior Managing Executive Officer, CCO, CIO, Chief CSR Officer of the Company
April 2017	Senior Managing Director, Senior Managing Executive Officer, CCO, CIO, CRO, Chief CSR 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
February 2018	Managing Director, Managing Executive Officer, CFO 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	Senior Research Fellow, Japan Center for Economic Research
May 2012	Trustee, Senior Research Fellow, Japan Center for Economic Research (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 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)
	Director of SENKO Group Holdings Co., Ltd. (present position)

Corporate Auditors

Outside Audit & Supervisory Board Member

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	Audit & Supervisory Board Member of the Company (present position)

Outside Audit & Supervisory Board Member

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	Audit & Supervisory Board Member of the Company (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)

Outside Auditor

Akira Noguchi

April 1979	Joined The Dai-ichi Mutual Life Insurance Company
April 2006	Executive Vice President of DLIBJ Asset Management Co., Ltd.
April 2011	Senior Executive Vice President of DIAM Co., Ltd.
October 2016	Director, Managing Executive Officer, Head of Institutional Marketing Division of Asset Management One Co., Ltd.
April 2018	Director of Trust & Custody Services Bank, Ltd.
June 2018	Deputy President of Trust & Custody Services Bank, Ltd. (present position)
	Auditor of the Company (present position)

Corporate Executive Officers

Managing Executive Officers

Noriyuki Yukawa
Katsuhiko Yoshida
Hironobu Yamaguchi
Hidehiko Kamata
Kunimoto Wakasugi
Tetsuya Norimatsu
Yasuhisa Fujiki

Executive Officers

Toshiyuki Kamimura
Kozo Shino
Yoshiyasu Mizutomi
Katsuzumi Orihashi
Chihiro Tokiyasu
Yutaka Sasaki
Toshikazu Ishizaka
Hiromichi Koyata
Noboru Otaka
Asao Tsumuji
Yasushi Hara
Kunihiro Mio
Mitsuyuki Kimura

Message from Outside Director

Message

After years of work as a government official (at the Economic Planning Agency, the current Cabinet Office), I started my career teaching at a university. Over the course of my career as an economist spanning about half a century, I have always observed the Japanese economy and discussed economic policy issues. Based on such experience, I believe that I can make a contribution as an outside director in the following two ways.

First, to check the Company's management with an outside set of eyes, so to speak, and point out any issues that may be difficult to notice from inside the company. I have never worked in the private sector, nor am I an expert on financial issues. So, I intend to point out things that I can see precisely because of being a person who has not been engaged in any business operations, rather than to discuss and provide advice on specific details of the lease business.

Second, to convey economic and social movements from a broad perspective. Observing the Japanese economy, I can tell that there are megatrends such as globalization, gender equality and demographic changes that no one can avoid. In view of the fact that there are such megatrends, corporate management should know about them, adapt as swiftly as possible, and if at all possible, proactively navigate such issues.

I hope that I can help IBJ Leasing on these fronts to achieve further development with the knowledge and experience I've accumulated.

Takao Komine Professor, Department of Regional Development, Taisho University

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 26, 2018)

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 FY2017	Number of meetings held	18 times
	Attendance rate of directors	100%
	Attendance rate of corporate auditors	100%
Audit Committee meetings in FY2017	Number of meetings held	15 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, with a performance-linked, share-based remuneration system introduced from 2018. As for the compensation for outside directors, it is fixed monthly corresponding to their responsibilities.
Independent auditor		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 the rapid and efficient execution of business in accordance with the decisions of the Board of Directors, and delegates authority for business execution to the president and executive officers.

In fiscal 2017, the Company established the Executive Management Committee as the highest decision-making body for executives to reinforce the operation of meeting bodies, Policy Planning Committees & Council for each function under the Executive Management Committee, with the objective of enabling prompt and appropriate decision-making in addition to taking on challenges for new business models and responding to increasingly diversified risks.

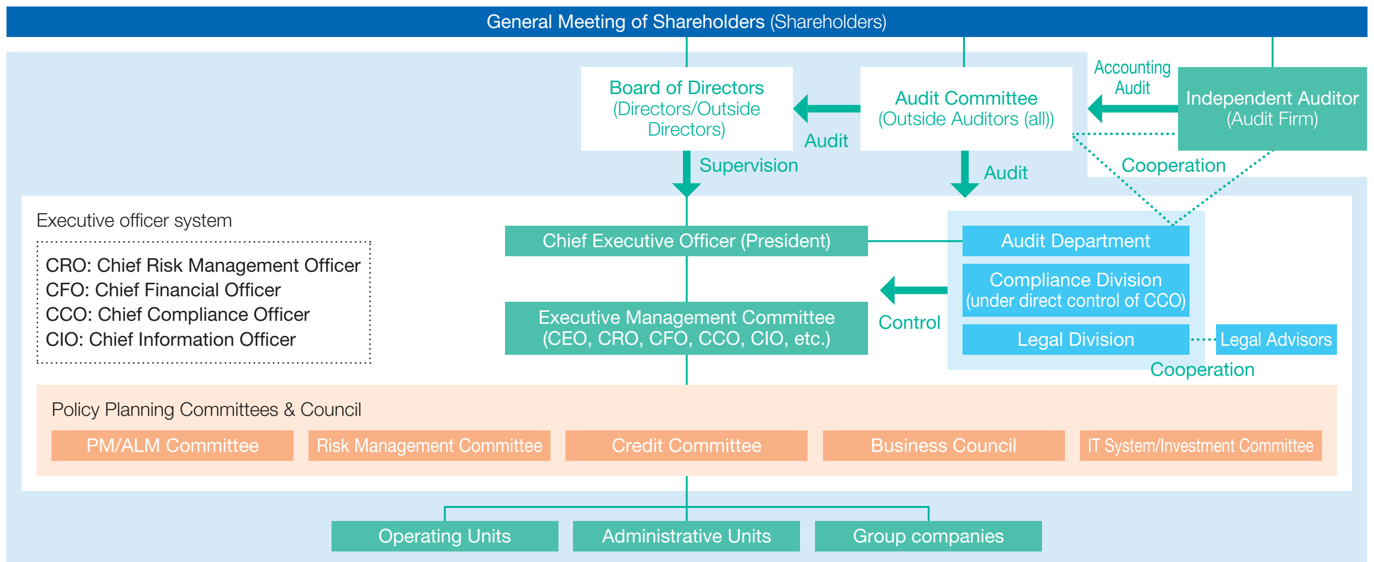
Auditors and Audit Committee

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 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.

Outside Standing Auditors Shigeaki Katayama and Takehito Miyaguchi have both engaged in financial operations for many years and possess sufficient financial and accounting knowledge.

Corporate Governance Structure (Revised in fiscal 2017)



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.

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.

In addition, IBJ Leasing has introduced the performance-linked, share-based remuneration system by the resolution of the Ordinary General Meeting of Shareholders held on June 26, 2018. The system aims to contribute to the improvement of business performance in the medium- to long-term and increasing corporate value, and ultimately sharing awareness of raising our stock value with our shareholders by further clarifying the linkage of the remuneration for directors (excluding the chairman of the Board of Directors and outside directors) and executive officers who do not concurrently serve as directors with the business performance and stock value of IBJ Leasing.

Total amount of compensation, etc. for directors and corporate auditors in FY2017

	Number of recipients	Total amount of compensation, etc.
Directors excluding outside directors	6	¥260 million
Corporate auditors excluding outside auditors[1]	1	¥ 5 million
Outside officers[2]	9	¥ 82 million

1 This includes one corporate auditor who resigned on or prior to March 31, 2018.
2 This includes two outside officers who resigned on or prior to March 31, 2018.

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 26, 2018)	Reasons for appointment	Attendance at meetings of Board of Directors / Audit Committee
Outside director	Takao Komine	Trustee, Senior Research Fellow, Japan Center for Economic Research 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: 18 out of 18 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.	Board of Directors meetings: 14 out of 14 meetings (since assuming 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.	Board of Directors meetings: 14 out of 14 meetings (since assuming 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: 18 out of 18 meetings Audit Committee meetings: 15 out 15 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.	Board of Directors meetings: 14 out of 14 meetings Audit Committee meetings: 10 out 10 meetings (since assuming office in June 2017)
	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.	Board of Directors meetings: 14 out of 14 meetings Audit Committee meetings: 10 out 10 meetings (since assuming office in June 2017)
	Akira Noguchi	Deputy President, Trust & Custody Services Bank, Ltd.	We expect that he would make use of his abundant experience and broad insight in financial institutions in carrying out the Company's audit operations, and also that he would contribute to maintaining and raising the level of corporate governance of the Company.	— (Assumed office in June 2018)

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.

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 established 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

Comprehensive 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 the 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.

The IBJ Leasing Group has categorized risks that arise in association with the operating activities into financial risk to be managed quantitatively and operational risk to be managed qualitatively, and risk management systems are established for each risk. Moreover, the new Risk Management Committee was instituted in fiscal 2018 to centrally manage operational risk and establish a comprehensive risk management system that also encompasses the management of financial risk.

As for financial risk, meaning credit risk[1], market risk[2] and price fluctuation risk[3], the locations and the magnitude of risk are monitored based on the management framework centered on the allocation of risk capital. Operational risk such as administrative risk, system risk, legal risk, etc., is monitored for the status of occurrence of risk events, countermeasures, preventive measures, etc.

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 through the Risk Management Committee, whose members include executives in charge of the 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 fluctuations (interest rates, stock prices, foreign exchange rates, etc.).
3 Price fluctuation risk is the risk of fluctuations in the value of items other than marketable products, for example, the risk of fluctuations in the estimated residual value in operating leases and risk inherent in real estate-related financing (risk of fluctuations in the real estate value at the expiry of a contract).

Risk Capital Allocation

An extremely high priority is placed on the integrated monitoring and control of total financial risk. 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 each financial risk, 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 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 the Executive Management Committee and Policy Planning Committees (such as the PM/ALM Committee), 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 megabanks, in accordance with the Financial Services Agency's "Financial Inspection Manual," and also implement write-offs and provide reserves based on the assessment results. 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 pre-allocated risk capital, and report to the Board of Directors on a monthly basis. In addition, we are focusing on initiatives to improve our asset quality by controlling the risks inherent in the business and assets through portfolio management.

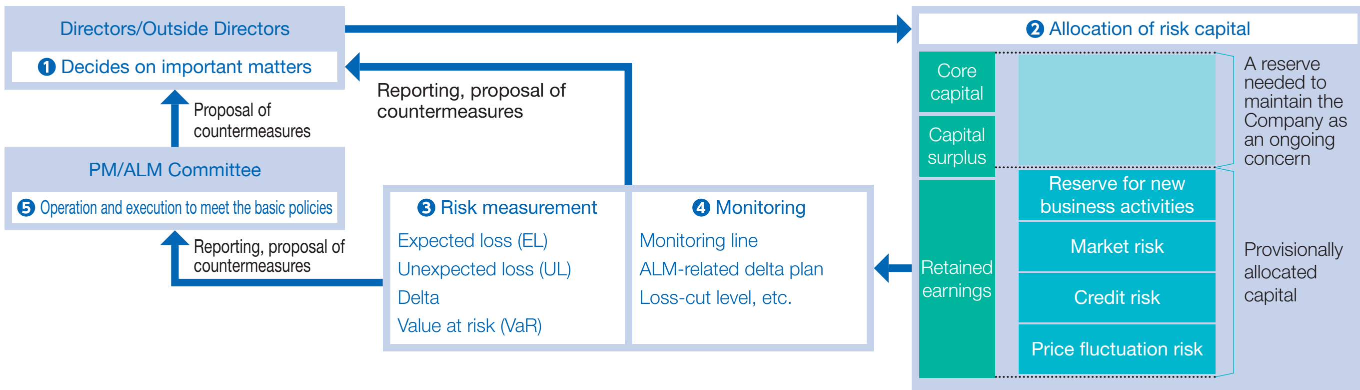
Market Risk Management Structure

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 PM/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 PM/ALM Committee as well as those of the Board of Directors.

Operational Risk Management Structure

The Operational Risk Management Division of the Risk Management Department centrally collects and manages operational risk events resulting from inadequacies, administrative errors, compliance issues, inappropriate business operations, system failures and any other external factors and takes appropriate actions according to the relevant risk categories such as the formulation of countermeasures and measures to prevent recurrence. Furthermore, risk-related analyses are reported quarterly at meetings of the Risk Management Committee, as well as those of the Board of Directors, together with financial risk.

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.

Commitment by the Personnel Unit

The IBJ Leasing Group encourages diverse human resources to take on challenges and aims to achieve growth on a global scale.

Executive Officer, General Manager of Personnel Department
Chihiro Tokiyasu

The IBJ Leasing Group provides services that contribute to financial solutions using equipment and the acceleration of our clients' business. More specifically, our services start with our sales representatives identifying client needs. They discuss the matter with departments in charge of that field, and create solutions based on such needs. After that, specialists in tax affairs, accounting and legal affairs validate the solutions from the perspectives of their fields of expertise. Then, the sales representatives propose the solutions to clients. This is a cycle carried out on a daily basis. It is our business to accurately grasp diverse client needs and respond to them by utilizing our collective wisdom, and each and every one of the employees conducts the business and supports the growth of IBJ Leasing.

Amid the fast-paced structural changes in society and industries, the flexibility to keenly respond to changes and diversity that can accommodate global developments has become increasingly important, not to mention knowledge of and expertise in finance, tax affairs, accounting, related legal affairs and equipment. With the aim of "developing human resources and creating a corporate culture willing to take on challenges and promoting work style reform," the IBJ Leasing Group is working to create systems and a working environment where organizations can perform at their full potential in the belief that it is important for us to ensure the diversity of employees and create and maintain a meaningful and engaging workplace for each of them.

To be specific, we are carrying out concrete measures toward the above objectives by dividing them into four major categories: "evaluation and remuneration systems," "human resource development," "human resource portfolio and strategic personnel allocation" and "the promotion of diversity and work style reform." In so doing, we place particular focus on the following three points.

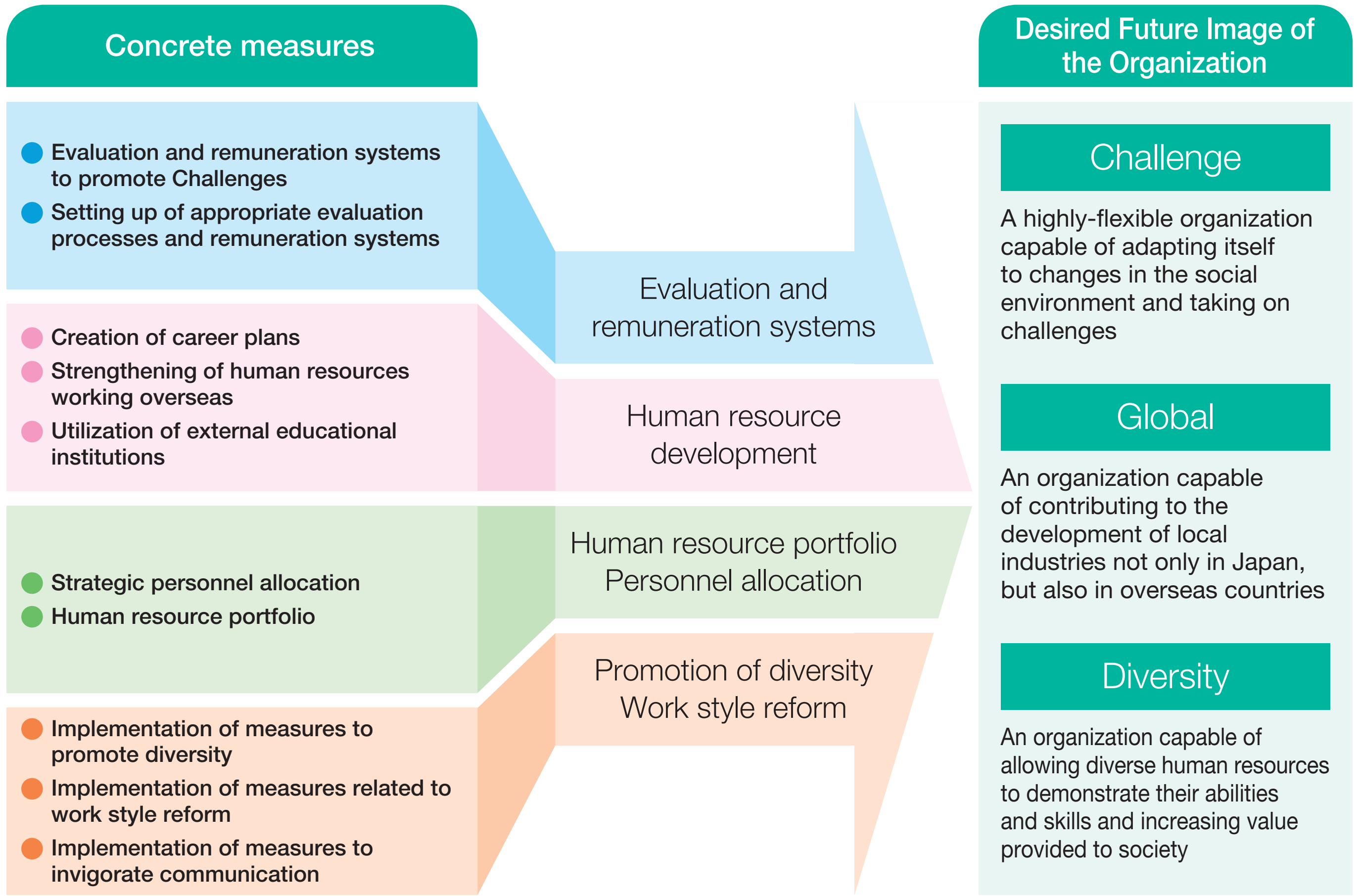
Firstly, we are pushing forward with measures to take on further "Challenges" with the aim of responding to structural changes in society and industries and creating new value. In line with this, we have introduced evaluation and remuneration systems that place strong emphasis on "Challenge" in particular, among the "Three Cs" in the Action Guidelines of IBJ Leasing, namely "Challenge", "Change" and "Create".

Next, we develop human resources who can play an active role on the global scene. The development of human resources who work overseas is carried out centered on three pillars of the education and training of existing employees, the hiring of students who desire to work overseas and the mid-career recruitment of employees with overseas experience. As for the development of existing employees, we make open calls for employees who desire to work overseas, have the applicants undergo language training and then dispatch them to overseas subsidiaries. In new college graduate recruiting, we focus on the hiring of students studying abroad and those who desire to work overseas. At the same time, we proactively recruit mid-career employees who have overseas experience as those who can make immediate contributions to the Group.

Lastly, diversity. The IBJ Leasing Group is promoting diversity including work style reform with the aim of establishing an environment where all employees can demonstrate their capabilities at their full potential. In an aim to provide employees a variety of ways to work with more flexibility, we have established an environment with systems enabling career conversions for employees: from general positions or area-limited career-track positions to unlimited career-track positions; or conversions to lifework positions in which those who are temporarily unable to perform their duties due to reasons such as childcare, nursing care, etc. may convert from career-track positions to area-limited career-track positions or general positions. In addition, we established an organizational setup where experienced employees can teach their accumulated insight and know-how to less experienced colleagues and share intellectual property, and at the same time, are pushing forward with the creation of a working environment that has a sense of unity beyond the boundaries between departments.

The IBJ Leasing Group sees employees as invaluable assets and continues with its efforts to create an organization where each employee can demonstrate their creativity and play an active role.

Overview of the Personnel Strategies



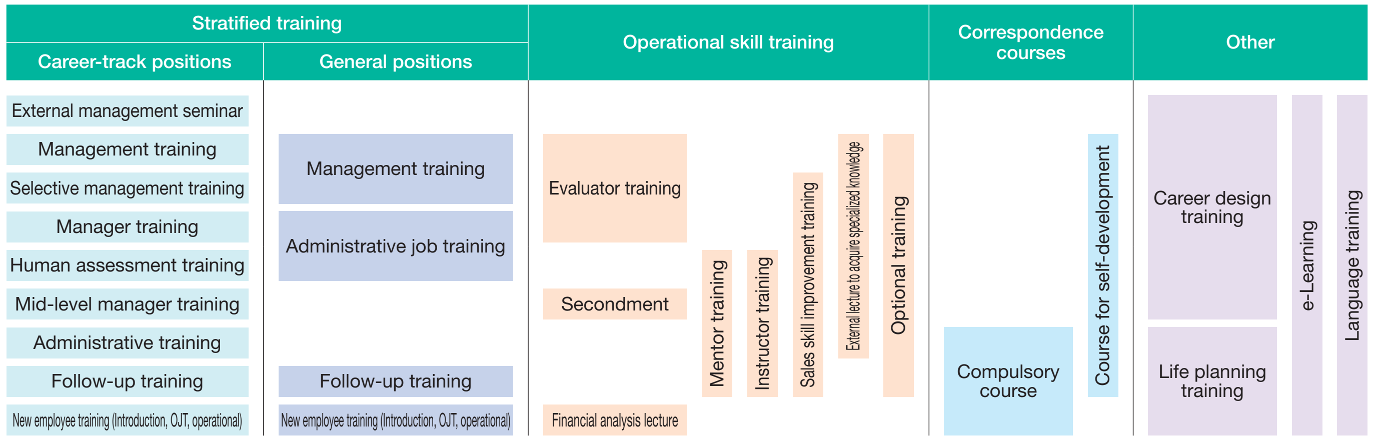
Recruitment and Development of Human Resources

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.

In addition, the IBJ Leasing Group strives to develop human resources by setting up career plans for each employee as a guide for employees to understand the knowledge, skills, etc., they should acquire in each of the steps in their career, devote themselves to their duties and self-improvement by setting their own goals and undergo necessary training in a systematic manner.

Training Program Diagram



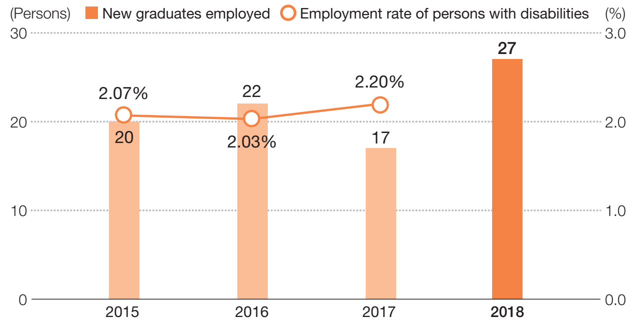
Recruitment and Development of Human Resources

Hiring New 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 new graduates, as well as mid-career workers with various backgrounds and persons with disabilities.

We believe that the 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

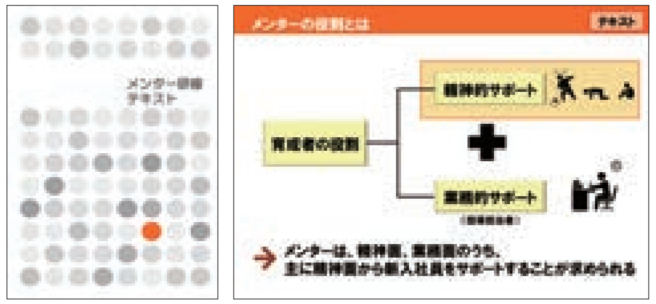
An Internship Program is provided for students so that they can have a better understanding of the leasing industry and our business operations.

The program is provided in a systematic manner under which interns receive basic knowledge of the leasing business and get an organizational overview, learn analytical methods to understand corporate business models and engage in sales role-plays, on top of on-site visits to clients' locations together with IBJ Leasing employees. The program has received favorable responses from participating students with comments such as "because of the content-rich program, I was able to understand the challenge and excitement of the work" through learning of the operations from various angles.

On-the-Job Training (OJT) and Mentor Systems

The OJT and mentor systems have been instituted to support new employees from both operational and mental aspects so that they can learn the operations and grow effectively.

The OJT system is designed to allow trainees to deepen their understanding of their jobs and master the operations by working on practical operations together with their instructors. The mentor system allows employees who have just started their careers to designate senior employees close to their own career stage as mentors and provides an environment where they can ask for various consultations on not only questions and concerns over work, but also private matters, so that they can mitigate their anxiety.



Employees who become mentors are required to undergo mentor training beforehand.

Development of Global Human Resources

The IBJ Leasing Group has set the Global field as part of the focus areas in the Fifth Mid-term Management Plan currently underway and is strategically implementing the development and strengthening of human resources who can play an active role in overseas countries based on the three pillars for achieving the Plan, namely education and training of existing employees, the hiring of students who desire to work overseas and the mid-career recruitment of employees with overseas experience.

Following the open call for overseas-oriented employees made within the Company in September 2017, four trainees including three who applied have been dispatched to overseas subsidiaries in April 2018 after undergoing language training.

In addition, we focus on the hiring of students studying abroad and those who desire to work overseas, while also proactively undertaking the mid-career recruitment of employees who have overseas experience as those who can make immediate contributions to the Group.

Employee Feedback Trainee at Philippines Subsidiary PNB-IBJL Leasing and Finance Corporation **Koki Kimijima**

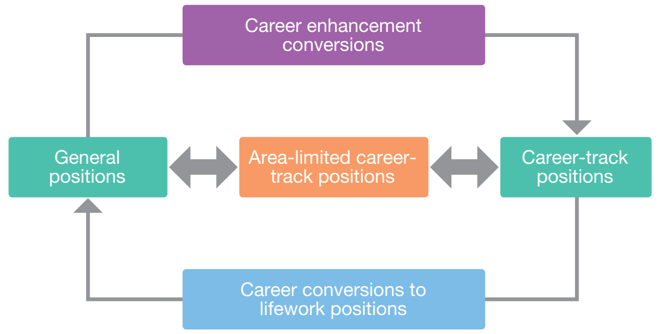
I joined the Company in 2015 and have served as an account representative for small and medium enterprises in Tokyo for three years. I participated in the open call for overseas-oriented employees in the hope of achieving growth in a challenging environment where I can work with people and in communities with more diverse cultural backgrounds and values. After undergoing language training, I started working at an overseas subsidiary in the Philippines in April 2018 and have been engaged in sales activities for Japanese clients while studying sales practices, the tax system, accounting, etc., of the country.

Here, communication is based mostly on English, so I am striving to improve my language skills as well. I hope to be assigned overseas in the future drawing on the knowledge, abilities and language skills I acquired during this period as a trainee.

System for Career Conversions

We have been promoting the establishment of systems that allow for flexible work styles according to the life cycle of employees in order to create a meaningful and engaging corporate culture, and an easier-to-work environment has been established where systems are introduced to enable (i) career enhancement conversions (career conversions from general positions to career-track positions); (ii) career conversions from area-limited career-track positions to unlimited career-track positions; and (iii) career conversions to lifework positions (those who are temporarily unable to perform their duties due to reasons such as childcare, nursing care, etc. may convert from career-track positions to area-limited career-track positions or general positions).

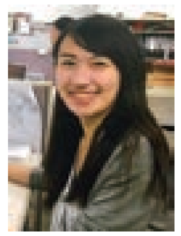
In fiscal 2017, eight employees in general positions have undergone trials for taking career-track positions, and four employees have converted their employment types from area-limited career-track positions to unlimited career-track positions.



Employee Feedback Trainee at Thailand Subsidiary Krung Thai IBJ Leasing Co., Ltd. **Kaoru Enda**

I converted my employment type from the area-limited career-track position to the unlimited career-track position in October 2017, because I wanted to accumulate operational experience and broaden my knowledge by working in various areas without being limited to the Tokyo metropolitan area. I have been assigned to a Thailand subsidiary since April 2018 using the overseas trainee program. Working currently as a member of the sales team responsible for the central area of Thailand, I am engaged in the cultivation of Japanese companies operating in the country and provide support for other team members. I sometimes get to accompany locally-hired staff in their sales activities and gain many opportunities to learn about the unique culture and management strategies of local companies, which provides me with valuable experiences every day.

I am committed to mounting an effort to proactively absorb new findings so that I will be able to make attractive proposals on overseas business to clients.



Promotion of Work-Life Balance and Diversity

Work Style Reform

Expanding Promotion of the Advancement of Women to Work Style Reform

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 in recent years, has presented proposals to management as to the measures to be taken, not only to promote the advancement of women, but also to realize diversified ways of working by all employees. In Phase 4 implemented in fiscal 2017, we appointed employees in management positions in each department and office as leaders of work style reform, SAKURA People, and worked to promote organizational reform in working styles so as to expand the work style reform movement on a company-wide basis.

Phase 1
From October 2014 to May 2015
Work style reform for female employees
·Expansion of work domains for female members of the general staff
·Establishment of a system for career conversions

Phase 2
From June 2015 to December 2015
Career support for women in career-track positions
·Establishment of program to support career design
·Invigoration of job rotation

Phase 3
From October 2016 to February 2017
Initiatives for work style reform from management's perspective
·Promotion of streamlined operations and career formation

Phase 4
From October 2017 to March 2018
Launch of SAKURA People
·Appointment of employees in management positions in each department and office as leaders of work style reform

From April 2018: Development into Initiatives as Company-Wide Work Style Reform

The Diversity Promotion Division works to implement initiatives to promote work style reform and create various types of plans for personnel system reform, etc. In fiscal 2017, the Division promoted changes to various personnel systems, while at the same time established a mechanism under which excellent case examples gained through the activities undertaken by SAKURA People as mentioned above are shared on a group-wide basis. In fiscal 2018, the Division is accelerating its initiatives toward the improvement of company-wide operational productivity by further advancing the activities of SAKURA People and adding work style reform to the personnel evaluation items for employees.

Initiatives to Invigorate Communication

Torakoya

The IBJ Leasing Group set up Torakoya* as an in-house educational institution in October 2017 with the purpose of transferring knowledge and know-how accumulated by the Group in its history and providing a venue for communication among employees beyond generations. At Torakoya, interactive sessions are provided by seasoned employees with abundant experience as lecturers instead of classroom lectures, enabling communication that goes beyond workplaces, employment types and ages.

*"Torakoya" was named by a vote of employees, which is a combination of the Head Office address, Toranomon, and Terakoya, Japanese private educational institutions during the Edo period.

Case Study Lecturer: IBJ Auto Lease Company, Limited — **Setsuko Nonogaki**

Details of the Lecture

Ms. Nonogaki joined the Company as a general staff. After serving as a staff member in the operating unit and the planning and administrative unit, she converted her employment type to the career-track position. She is currently seconded to the group company IBJ Auto Lease Company, Limited, playing an active role in a managerial position.

As a role model of women's advancement in the workplace in the IBJ Leasing Group, Ms. Nonogaki gave a lecture centered around her knowledge and findings accumulated during the course of her career and her thoughts on the job, company and colleagues, which garnered quite a high level of satisfaction among participants.

Lecturer's Voice

My experience as a lecturer at Torakoya was a very good opportunity for me, allowing me to reconfirm what I placed the highest emphasis on, what I had thought during my career, and ultimately, my whole career at the Company. I realized that, after giving the lecture, there were many people with worries and concerns precisely because they are faithfully engaged with the Company. I received feedback and comments from the participants saying, for example, "This lecture gave me an opportunity to learn about various informative topics to use as a model in considering my own career," and I am pleased to know that my hopes and thoughts were passed along to my less-experienced colleagues.

Holding of an In-House Lobby Concert

An in-house concert was held as a venue for a gathering of the IBJ Leasing Group members. A concert hall-like atmosphere was created with illumination and flower stands, and many employees enjoyed the music of the string quartet. The event received many favorable responses from the participants.

Environmental and Social Activities

Initiatives for a Recycling-Oriented Society

In lease transactions, equipment "owned" by leasing companies is "used" by clients; therefore, after the lease term expires, the equipment will be returned to the leasing companies for destruction, sale, disposal, etc. The IBJ Leasing Group screens expired equipment that can be reused or that can be used as materials, implements 3Rs (Reduce, Reuse and Recycle) by taking appropriate disposal measures such as selling to used-item dealers and consigning to recycling companies, and thereby contributes to the creation of a recycling-oriented society.

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-	
	FY2017 target	Results
Reduce the amount of paper used	Maintain average monthly level (sheets used per person) of FY2013-FY2015	11% reduction from target
Reduce consumption of electric power	Maintain average monthly level of FY2013-FY2015	11% reduction from target
Sustainable contribution to building a recycling-oriented society	Achieve reuse rate* of 67% or more	Reuse rate 69% achieved
Promote 3R by purchasing used equipment	10% increase from FY2016 results	85% achieved
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

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

Social Contribution Activities

Support for Areas Affected by the Heavy Rain Event of July 2018

We extend our deepest condolences to those who were affected by the Heavy Rain Event of July 2018.

The IBJ Leasing Group donated ¥10 million through The Japanese Red Cross Society as our contribution to support the victims and to restore the affected areas. In addition, we sent relief supplies such as drinking water and sandbags to the affected area.

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. 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. Those caps are separated and collected for recycling, and sold to recycling business operators.

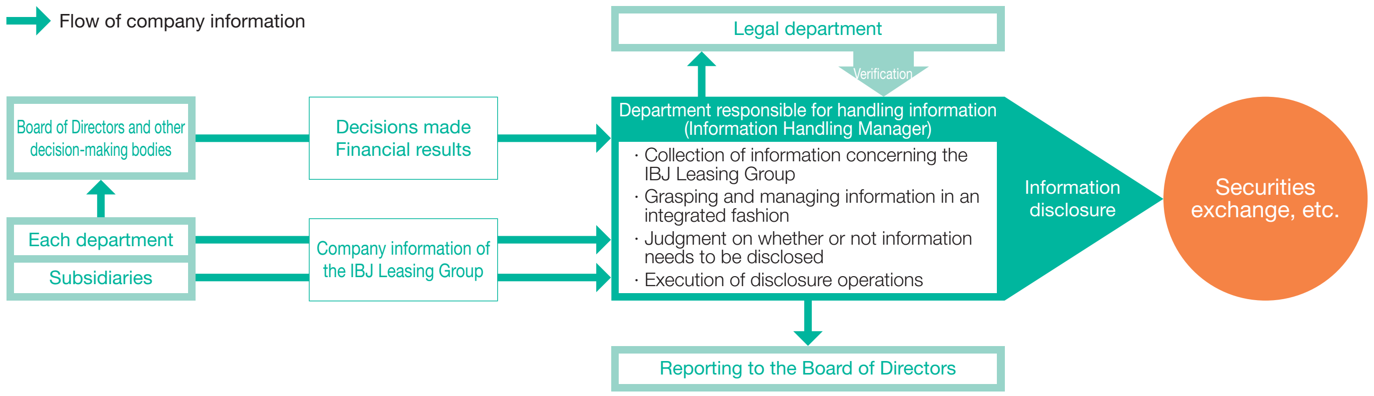
Since October 2010, the IBJ Leasing Group has put collection boxes at various locations in the Head Office building and each branch and has been actively promoting collection of Eco Caps.

FY (accumulated)	Number of caps collected (estimate)	Converted to number of vaccines	Converted to CO_2
2010-2017	366,980 caps	Vaccines for approximately 443.05 children	2,794.31kg

Dialogue 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 stakeholders. 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.



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 IBJ Leasing Group and fair evaluation of its corporate value. The IBJ Leasing Group 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, questionnaire surveys, etc. for individual investors. Through such means, we engage in active dialogue with shareholders and investors.

The IBJ Leasing Group aims to achieve sustainable increases in corporate value by appropriately incorporating opinions and feedback obtained through dialogue into management.

Record of IR Activity in FY2017

Financial results briefing session	Twice
Briefing session for individual investors	Once
Individual meeting with institutional investors, etc.	52 times

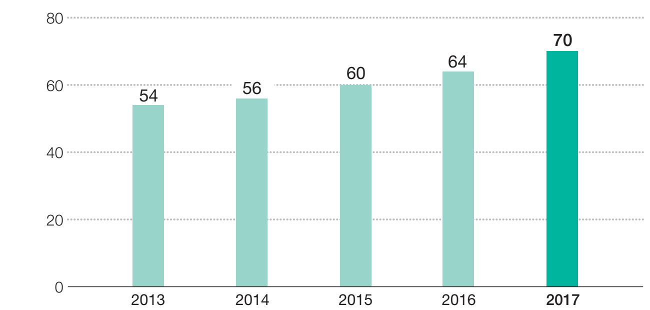
Shareholder Returns

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.

Consolidated Financial Data and Corporate Information

Analyses on Business Conditions and Results of Operations

1. Financial Results and Business Performance Overview

The global economic environment in fiscal 2017 has been on a moderate expansion track partly due to steady growth of the U.S. and European economies and solid performance in the Asian economy.

The Japanese economy has been on a moderate recovery trend partly due to the effect of the global economy, and capital investment has 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 monetary easing policy, both long-term interest rates and short-term interest rates remained low.

Amid such a business environment, the IBJ Leasing Group has started to implement the Fifth Mid-term Management Plan covering the three-year period from April 2017 to fiscal 2019. Under this plan, the Group sets the vision of a "value-creating company tackling challenges together with clients" and utilizes its accumulated business know-how and financial strengths to actively promote businesses with higher profitability in addition to existing business lines.

In fiscal 2017, the first year of the plan, the Group steadily implemented strategies aimed at further growth such as taking on the challenge of entering into new domains and promoting initiatives focused on profitability. As a result of these efforts, net income attributable to owners of the parent amounted to ¥13,643 million, achieving record-breaking profit for five consecutive years.

As for the business condition in fiscal 2017, the Group pushed forward with initiatives for business strategies and the focus areas set out in the Fifth Mid-term Management Plan and carried out high value-added proposal-based sales activities that cover the whole business activities of clients, leading to the expansion of the Groups' initiatives that contribute to the acceleration of capital investment and business activities of large- and mid-sized corporate clients.

Serving the manufacturing industry and the internal demand-oriented industry is the Group's forte and is established as its core business. While succeeding in concluding contracts for large projects through the commercial distribution business that focuses on the flows of purchase and product sales at clients, in the real estate field, the Group recorded the first sales in real-estate leasing which covers childcare facilities and hotels with rising social needs. Furthermore, in addition to logistics and commercial facilities that it had traditionally covered in this field, the Group started initiatives targeting manufacturing factories and overseas real estate (in the U.S. and Europe) in collaboration with leading business operators.

At the same time, the Group also places its focus on the fields where business expansion can be expected in association with the structural changes in society and industries in Japan. In the environment and energy field, the transaction volumes have significantly increased as the Group worked to attract corporate investment in energy saving through the promotion of businesses that utilize subsidies, while also expanded initiatives for the energy business such as the leasing of large-scale wind power-generation facilities. In the medical and healthcare field, in addition to financing for medical equipment, the Group is expanding the business in response to the growth of business undertaken by medical institutions such as the leasing of vehicles for nursing care. In the global field, the Group is strengthening initiatives targeted at non-Japanese companies including increases in transactions with local conglomerates in Thailand and Indonesia and the growing number of leases for medical institutions in China. The Group has also steadily increased its operating assets by making full use of accumulated know-how in initiatives for aircraft-backed collateralized loans in the aircraft business.

As a result of these developments, the contract execution volume increased 22.3% year on year to ¥1,335,909 million, while operating assets increased 4.6% compared with the previous year to ¥1,683,005 million.

The financial results for each segment are as follows.
(Revenues indicate revenues to external customers.)

[Leasing and Installment Sales]
Revenues in leasing and installment sales decreased 7.3% year on year to ¥386,007 million partly due to the recording in the previous fiscal year of a series of sales of real estate for which the lease term had expired, and operating income decreased 1.6% year on year to ¥15,524 million.

Operating assets at the end of fiscal 2017 increased ¥34,043 million compared with the previous year to ¥1,122,183 million.

[Financing]
Revenues in financing increased 9.4% year on year to ¥12,510 million while operating income increased 29.7% year on year to ¥7,963 million as the Group responded to diverse client needs.

Operating assets at the end of fiscal 2017 increased ¥36,354 million compared with the previous year to ¥556,933 million.

[Other]
In the other segment, revenues decreased 11.1% year on year to ¥1,220 million, while operating income decreased 15.9% year on year to ¥393 million.

Operating assets at the end of fiscal 2017 increased ¥3,888 million compared with the previous year to ¥3,888 million as the Group worked on bridge projects in the photovoltaic power generation business.

Contract Execution Volume

(Millions of yen)

	2013	2014	2015	2016	2017
Leasing and installment sales	384,855	456,381	465,505	475,661	430,482
Financing	452,814	486,752	599,847	616,366	901,485
Other	—	—	—	—	3,941
Total	837,669	943,134	1,065,352	1,092,027	1,335,909

Operating Assets

(Millions of yen)

	2013	2014	2015	2016	2017
Leasing and installment sales	942,767	1,032,603	1,105,808	1,088,139	1,122,183
Financing	400,279	399,695	475,216	520,579	556,933
Other	—	—	—	—	3,888
Total	1,343,046	1,432,299	1,581,025	1,608,718	1,683,005

2. Results of Operations and Financial Position

Revenues
Revenues decreased ¥29,667 million year on year to ¥399,738 million, partly due to the recording in the previous fiscal year of a series of sales of real estate for which the lease term had expired.

Gross profit and operating income
Cost of revenues decreased ¥28,657 million year on year to ¥361,541 million following a decrease in revenues. Of this amount, funding costs increased ¥1,262 million year on year to ¥6,959 million due to reasons such as an increase in foreign currency borrowing following the expansion of initiatives in the global field.

Selling, general and administrative expenses decreased ¥2,210 million year on year to ¥19,034 million. Of this amount, personnel and facilities costs increased ¥147 million year on year to ¥19,782 million. In addition, as for credit costs, the provision of the allowance for doubtful accounts, etc., decreased ¥2,357 million year on year, amounting to ¥(782) million, due in part to the reversal of a portion of the large provision of allowance for doubtful receivables incurred in the previous fiscal year.

As a result of the above, operating income increased ¥1,200 million year on year to ¥19,162 million.

Net income attributable to owners of the parent
As for extraordinary income and loss, extraordinary income was ¥586 million and extraordinary loss was ¥16 million, recording a net extraordinary income of ¥570 million.

The extraordinary income was due to the recording of a gain on sales of shares held as Strategic shareholdings and the extraordinary loss was due to the recording of a loss on devaluation of investment securities.

Income before income taxes increased ¥1,680 million year on year to ¥20,535 million.

Corporate taxes, current income taxes and deferred income taxes amounted to ¥6,365 million, while net income attributable to non-controlling interests was ¥526 million.

As a result of the above, net income attributable to owners of the parent increased ¥1,229 million year on year to ¥13,643 million.

Operating assets
The Group pushed forward with initiatives for business strategies and the focus areas set out in the Fifth Mid-term Management Plan and carried out high value-added proposal-based sales activities that cover the whole business activities of clients, leading to the expansion of the Groups' initiatives that contribute to the acceleration of capital investment and business activities of large- and mid-sized corporate clients. As a result, operating assets at the end of fiscal 2017 increased ¥74,287 million compared with the previous year to ¥1,683,005 million.

Total assets
Total assets at the end of fiscal 2017 also increased ¥69,217 million compared with the previous year to ¥1,821,501 million.

Interest-bearing debt
Interest-bearing debt at the end of fiscal 2017 increased ¥43,801 million compared with the previous year to ¥1,536,240 million following an increase in operating assets.

Equity
Total equity at the end of fiscal 2017 increased ¥12,877 million compared with the previous year to ¥154,632 million, as a result of income during the year.

Source of capital and liquidity of funds
In order to offer wide-ranging financial services to meet customer needs, the Group strives for funding that ensures stability and curtails costs. The Group also raises funds flexibly based on its annual cash plans and comprehensive asset liability management (ALM) policies that respond to fluctuations in the financial environment.

The Group's funds comprise long-term and short-term procurements using a combination of indirect funding via borrowing from financial institutions and direct funding from the market. At the end of the fiscal 2017, indirect funding decreased ¥3,916 million compared with the previous year to ¥919,621 million. Direct funding increased ¥47,718 million compared with the previous year to ¥616,618 million, partly due to the issuance of commercial paper and the securitization of lease receivables.

In addition, the Group has concluded overdraft agreements and commitment line agreements in the total amount of ¥928,137 million with 63 financial institutions as of the end of fiscal 2017 with the aim of securing the liquidity of working capital and efficient fundraising. The unused balance under these agreements is ¥676,567 million, which ensures sufficient liquidity.

Status of cash flows
Net cash used in operating activities was ¥54,196 million partly due to an increase in operating assets.

Net cash used in investing activities was ¥2,096 million partly due to ongoing system investments.

Net cash provided by financing activities as a whole was ¥44,317 million, with ¥439 million of cash outflow from indirect funding and ¥47,718 million of cash inflow from direct funding through commercial paper and the securitization of receivables.

As a result of the above activities, the balance of cash and cash equivalents as of the end of fiscal 2017 decreased ¥11,955 million compared with the previous year to ¥29,607 million.

Business Risks and Other Risks

The following factors constitute the principal business risks that have the 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 26, 2018

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 revenue, 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. 1 9 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 fiscal 2017 was ¥8,400 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 operational risk (including administrative 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)) and price fluctuation risk (the risk of the estimated residual value of operating leases falling below the originally anticipated level).

Consolidated Financial Statements

Consolidated Balance Sheet

IBJ Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
ASSETS			
Current Assets:			
Cash and Cash Equivalents (Note 15)	¥ 29,607	¥ 41,563	$ 278,606
Marketable Securities (Notes 3 and 15)	520	44	4,893
Lease Receivables and Investments in Lease (Notes 4, 6, 14 and 15)	823,384	809,304	7,748,039
Receivables (Notes 4, 6 and 15):			
Notes and Accounts	363	486	3,423
Lease	4,289	4,028	40,360
Installment Sales	138,851	138,089	1,306,588
Loans	230,405	205,206	2,168,113
Factoring	125,538	139,749	1,181,313
Other	4,130	3,130	38,863
Total Receivables	503,577	490,690	4,738,660
Operational Investment Securities (Notes 3, 4, 6 and 15)	196,860	172,493	1,852,456
Deferred Tax Assets (Note 9)	1,595	1,874	15,010
Prepaid Expenses and Other	50,760	53,763	477,659
Allowance for Doubtful Receivables	(2,265)	(3,130)	(21,321)
Total Current Assets	1,604,039	1,566,603	15,094,002
Property and Equipment:			
Leased Assets (Notes 4, 5 and 6)	251,467	236,482	2,366,309
Accumulated Depreciation	(91,366)	(95,568)	(859,762)
Net Leased Assets	160,100	140,913	1,506,547
Advances for Purchases of Leased Assets	5,858	311	55,131
Other Operating Assets (Note 4)	3,941	—	37,086
Accumulated Depreciation	(52)	—	(492)
Net Other Operating Assets	3,888	—	36,594
Advances for Purchases of Other Operating Assets	1,873	—	17,630
Own-used Assets	6,315	6,187	59,425
Accumulated Depreciation	(3,322)	(3,200)	(31,265)
Net Own-used Assets	2,992	2,986	28,160
Total Property and Equipment	174,714	144,211	1,644,062
Investments and Other Assets:			
Investment Securities (Notes 3, 6 and 15)	21,680	20,340	204,010
Investments in Unconsolidated Subsidiaries and Associated Companies	8,359	7,907	78,662
Long-term Receivables (Note 15)	2,440	3,331	22,968
Goodwill	133	168	1,259
Intangible Leased Assets (Note 4)	105	101	993
Deferred Tax Assets (Note 9)	631	975	5,941
Other	9,567	8,987	90,035
Allowance for Doubtful Receivables	(171)	(343)	(1,610)
Total Investments and Other Assets	42,747	41,469	402,258
Total Assets	¥ 1,821,501	¥ 1,752,284	$ 17,140,322

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
LIABILITIES and EQUITY			
Current Liabilities:			
Short-term Borrowings (Notes 6, 7 and 15)	¥ 788,165	¥ 805,696	$ 7,416,630
Current Portion of Long-term Debt (Notes 6, 7 and 15)	202,054	155,509	1,901,328
Lease Payable (Notes 14 and 15)	7,251	7,329	68,234
Accounts Payable - trade (Notes 15 and 20)	54,383	53,400	511,750
Accrued Expenses	2,669	2,619	25,124
Income Taxes Payable	2,015	1,200	18,965
Deferred Profit on Installment Sales (Note 4)	258	268	2,431
Accruals for Debt Guarantees	27	68	256
Other	25,318	19,671	238,246
Total Current Liabilities	1,082,143	1,045,764	10,182,964
Long-term Liabilities:			
Long-term Debt (Notes 6, 7 and 15)	546,020	531,232	5,138,053
Deposits Received	29,126	25,623	274,083
Liability for Employees' Retirement Benefits (Note 8)	2,410	2,533	22,686
Other	7,167	5,375	67,443
Total Long-term Liabilities	584,725	564,764	5,502,265
Commitments and Contingent Liabilities (Note 10)			
Equity: (Notes 11 and 19)			
Common Stock Authorized, 140,000,000 Shares; Issued, 42,649,000 Shares as of March 31, 2018 and 2017	17,874	17,874	168,196
Capital Surplus	16,070	16,086	151,221
Retained Earnings	105,148	94,319	989,447
Treasury Stock - at cost 583 shares as of March 31, 2018 and 2017	(1)	(1)	(9)
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	9,047	8,036	85,138
Deferred Gain on Derivatives under Hedge Accounting	141	24	1,335
Foreign Currency Translation Adjustments	621	348	5,852
Defined Retirement Benefit Plans	48	(116)	454
Total	148,951	136,571	1,401,634
Non-controlling Interests	5,681	5,183	53,459
Total Equity	154,632	141,755	1,455,093
Total Liabilities and Equity	¥ 1,821,501	¥ 1,752,284	$ 17,140,322

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Income

IBJ Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Revenues	¥ 399,738	¥ 429,405	$ 3,761,535
Cost and Expenses	361,541	390,198	3,402,099
Gross Profit	38,197	39,206	359,436
Selling, General and Administrative Expenses (Note 12)	19,034	21,244	179,117
Operating Income	19,162	17,962	180,319
Other Income (Expenses):			
Interest Income	2	3	26
Dividend Income	516	506	4,861
Equity in Earnings of Associated Companies	124	212	1,169
Profit from Investments	445	357	4,190
Interest Expenses	(308)	(268)	(2,907)
Bond Issuance Costs	(3)	(106)	(28)
Gain on Sales of Fixed Assets	—	0	—
Gain on Sales of Investment Securities	586	266	5,522
Loss on Devaluation of Investment Securities	(16)	(162)	(156)
Loss on Impairment of Long-lived Assets	—	(39)	—
Other — net	25	121	239
Income before Income Taxes	20,535	18,854	193,235
Income Taxes: (Note 9)			
Current	5,380	5,864	50,634
Deferred	984	374	9,263
Total	6,365	6,239	59,897
Net Income	14,169	12,615	133,338
Net Income attributable to Non-controlling Interests	526	201	4,952
Net Income attributable to Owners of the Parent	¥ 13,643	¥ 12,414	$ 128,386

	Yen		U.S. dollars (Note 1)
	2018	2017	2018
Amounts per Share of Common Stock (Notes 2(w) and 19)			
Net Income attributable to Owners of the Parent per Share	¥ 319.91	¥ 291.08	$ 3.01
Cash Dividends applicable to the fiscal year	¥ 70.00	¥ 64.00	$ 0.66

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, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net Income	¥ 14,169	¥ 12,615	$ 133,338
Other Comprehensive Income (Loss): (Note 17)			
Unrealized Gain on Available-for-sale Securities	1,020	80	9,600
Deferred Gain on Derivatives under Hedge Accounting	112	171	1,060
Foreign Currency Translation Adjustments	126	(526)	1,188
Defined Retirement Benefit Plans	169	132	1,591
Share of Other Comprehensive Income (Loss) in Associated Companies	97	(100)	920
Total Other Comprehensive Income (Loss)	1,525	(243)	14,359
Comprehensive Income	¥ 15,695	¥ 12,372	$ 147,697
Total Comprehensive Income attributable to:			
Owners of the Parent	¥ 15,210	¥ 12,147	$ 143,131
Non-controlling Interests	485	224	4,566

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, 2018

	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 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, 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)
Changes in an Interest in Subsidiary												
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
Net Income attributable to Owners of the Parent				13,643						13,643		13,643
Cash Dividends Paid				(2,814)						(2,814)		(2,814)
Purchase of Treasury Stock												
Changes in Scope of Consolidation												
Changes in an Interest in Subsidiary			(15)							(15)		(15)
Net change during year						1,011	117	273	164	1,566	497	2,064
Balance as of March 31, 2018	*42,648*	¥ 17,874	¥ 16,070	¥ 105,148	¥ (1)	¥ 9,047	¥ 141	¥ 621	¥ 48	¥ 148,951	¥ 5,681	¥ 154,632

	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 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, 2017	$ 168,196	$ 151,371	$ 887,548	$ (9)	$ 75,620	$ 228	$ 3,281	$ (1,095)	$ 1,285,140	$ 48,774	$ 1,333,914
Net Income attributable to Owners of the Parent			128,386						128,386		128,386
Cash Dividends Paid			(26,487)						(26,487)		(26,487)
Purchase of Treasury Stock											
Changes in Scope of Consolidation											
Changes in an Interest in Subsidiary		(150)							(150)		(150)
Net change during year					9,518	1,107	2,571	1,549	14,745	4,685	19,430
Balance as of March 31, 2018	$ 168,196	$ 151,221	$ 989,447	$ (9)	$ 85,138	$ 1,335	$ 5,852	$ 454	$ 1,401,634	$ 53,459	$ 1,455,093

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, 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash Flows from Operating Activities:			
Income before Income Taxes	¥ 20,535	¥ 18,854	$ 193,235
Adjustments for:			
Income Taxes Paid	(4,565)	(8,951)	(42,964)
Depreciation and Disposal of Fixed Assets	11,679	10,891	109,904
Equity in Earnings of Associated Companies	(124)	(212)	(1,169)
Profit from Investments	(445)	(357)	(4,190)
Loss on Impairment of Long-lived Assets	—	39	—
Decrease in Allowance for Doubtful Receivables	(1,037)	(610)	(9,759)
(Decrease) Increase in Accruals for Debt Guarantees	(40)	31	(385)
Gain on Sales of Marketable and Investment Securities	(586)	(266)	(5,522)
Loss on Devaluation of Marketable and Investment Securities	16	162	156
Gain on Sales of Fixed Assets	—	(0)	—
Change in assets and liabilities:			
Increase in Lease Receivables and Investments in Lease	(14,175)	(8,855)	(133,395)
(Increase) Decrease in Receivables	(14,931)	31,863	(140,504)
Increase in Operational Investment Securities	(24,366)	(75,383)	(229,293)
Increase in Accounts Payable — trade	955	2,177	8,992
Purchases of Leased Assets	(92,767)	(138,384)	(872,940)
Proceeds from Sales of Leased Assets	57,834	104,750	544,220
Increase in Interest Payable	50	21	478
Other — net	7,773	(8,870)	73,147
Total Adjustments	(74,731)	(91,954)	(703,224)
Net Cash Used in Operating Activities	(54,196)	(73,100)	(509,989)
Cash Flows from Investing Activities:			
Purchases of Own-used Assets	(1,637)	(1,333)	(15,404)
Proceeds from Sales of Fixed Assets	—	15	—
Purchases of Marketable and Investment Securities	(825)	(1,603)	(7,768)
Proceeds from Sales and Redemption of Marketable and Investment Securities	650	61	6,118
Proceeds from Sales of Subsidiaries causing Changes in Scope of Consolidation (Note 18)	—	2,546	—
Other — net	(284)	(172)	(2,678)
Net Cash Used in Investing Activities	(2,096)	(487)	(19,732)
Cash Flows from Financing Activities:			
Net Increase (Decrease) in Short-term Borrowings	5,643	(57,411)	53,106
Proceeds from Long-term Debt	210,921	295,430	1,984,770
Repayments of Long-term Debt	(169,286)	(168,793)	(1,592,981)
Cash Dividends Paid	(2,814)	(2,558)	(26,487)
Other — net	(146)	546	(1,377)
Net Cash Provided by Financing Activities	44,317	67,213	417,031
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	19	(342)	187
Net Decrease in Cash and Cash Equivalents	(11,955)	(6,716)	(112,503)
Cash and Cash Equivalents at Beginning of Year	41,563	48,332	391,109
Decrease in Cash and Cash Equivalents resulting from Exclusion from Scope of Consolidation	—	(52)	—
Cash and Cash Equivalents at End of Year	¥ 29,607	¥ 41,563	$ 278,606

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 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥106.27 to US$1.00, the approximate rate of exchange at March 31, 2018. 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, 2018 and 2017 was 26. The number of associated companies accounted for under the equity method as of March 31, 2018 and 2017 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 102 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. Aries Line Shipping S.A. and 26 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 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2018 and 2017. Total assets (simply compiled amount) of such SPEs as of March 31, 2018 and 2017 were ¥120,601 million ($1,134,862 thousand) and ¥160,191 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2018 and 2017 were ¥121,161 million ($1,140,129 thousand) and ¥160,806 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 2018 and 2017 was ¥2,109 million ($19,848 thousand) and ¥18,257 million, respectively, with no gain/loss on the transfer of such receivables. IBJL holds subordinated interests of such transferred receivables of ¥81 million ($765 thousand) and ¥4,615 million in 2018 and 2017, respectively. IBJL recognized profit dividends of ¥153 million ($1,444 thousand) and ¥46 million, respectively, for the years ended March 31, 2018 and 2017, and servicing fees received of ¥1 million ($15 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2018 and 2017. 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 interests 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 stated at cost 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. Other Operating Assets
   Other Operating Assets are stated at cost and depreciated over the estimated useful lives by the straight-line method.
3. 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 ¥8,400 million ($79,045 thousand) and ¥8,501 million at March 31, 2018 and 2017, 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 retirement 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.

(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 gains and losses 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 assets and liabilities, including Loans Receivables and 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.

(y) New Accounting Pronouncement

Tax Effect Accounting—On February 16, 2018, the ASBJ issued ASBJ Statement No. 28 "Partial Amendments to Accounting Standard for Tax Effect Accounting", and ASBJ Guidance No. 26 (revised 2018) Implementation Guidance on Recoverability of Deferred Tax Assets, which included certain revisions of the previous accounting and auditing guidance issued by the Japanese Institute of Certified Public Accountants ("JICPA"), when it is relegated from ASBJ to JICPA.

The amended accounting standard and revised guidance change the accounting treatment of timing difference on the investment in subsidiary. The recoverability judgmental instruction for the first classification category, i.e., the healthiest companies, is also changed.

IBJL Group expects to apply the amended accounting standard and revised guidance effective for the beginning of the fiscal year ending March 31, 2019, and is in the process of measuring the effects of applying those in future applicable periods.

Revenue Recognition—On March 30, 2018, the ASBJ issued ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," and ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition.

In May 2014, the International Accounting Standard Board ("IASB") and the Financial Accounting Standards Board ("FASB") issued "Revenue from Contracts with Customers", i.e., IFRS 15 from IASB and Topic 606 from FASB. They are comprehensive accounting standards for revenue recognition as a consequence of the cooperative development project by the two boards.

ASBJ developed a comprehensive accounting standard for revenue recognition and published it in conjunction with the Implementation Guidance in the light of the circumstances where IFRS 15 will be applied from the fiscal year starting on and after January 1, 2018, and Topic 606 will be applied from the fiscal year starting on or after December 15, 2017.

The basic policy of the ASBJ in developing the accounting standard for revenue recognition is, first, to take in the basic principles of IFRS 15 to be consistent with it and keep comparability. If there are practices that are prevailing in Japan and need to be treated differently, then, the ASBJ develops an alternative accounting treatment to the extent it does not harm the comparability of the other accounting standard.

IBJL Group expects to apply the accounting standard and guidance for the fiscal year beginning on or after April 1, 2021, and is in the process of measuring the effects of applying the accounting standard and guidance in future applicable periods.

3. Marketable Securities, Operational Investment Securities and Investment Securities

(1) Available-for-sale Securities whose fair values are readily determinable as of March 31, 2018 and 2017 were as follows:

Available-for-sale Securities

Securities with carrying amounts exceeding acquisition costs

	Millions of yen						Thousands of U.S. dollars		
	2018			2017			2018		
	Carrying amount	Acquisition cost	Unrealized gain	Carrying amount	Acquisition cost	Unrealized gain	Carrying amount	Acquisition cost	Unrealized gain
Equity Securities	¥ 20,612	¥ 11,812	¥ 8,800	¥ 18,701	¥ 11,460	¥ 7,241	$ 193,966	$ 111,156	$ 82,810
Bonds									
National and Local Government Bonds	4,024	4,000	24	4,049	4,000	49	37,872	37,640	232
Corporate Bonds	104,485	100,061	4,424	61,371	57,061	4,310	983,208	941,576	41,632
Other	5,754	5,590	163	5,433	5,194	238	54,146	52,604	1,542
Total	¥ 134,877	¥ 121,464	¥ 13,412	¥ 89,555	¥ 77,715	¥ 11,839	$ 1,269,192	$ 1,142,976	$ 126,216

Securities with carrying amounts not exceeding acquisition costs

	Millions of yen						Thousands of U.S. dollars		
	2018			2017			2018		
	Carrying amount	Acquisition cost	Unrealized loss	Carrying amount	Acquisition cost	Unrealized loss	Carrying amount	Acquisition cost	Unrealized loss
Equity Securities	¥ 752	¥ 857	¥ (105)	¥ 356	¥ 396	¥ (39)	$ 7,079	$ 8,072	$ (993)
Bonds									
Corporate Bonds	1,494	1,500	(5)	24,788	24,900	(111)	14,059	14,115	(56)
Other	6,129	6,393	(263)	1,965	2,087	(121)	57,682	60,163	(2,481)
Total	¥ 8,376	¥ 8,751	¥ (375)	¥ 27,111	¥ 27,383	¥ (272)	$ 78,820	$ 82,350	$ (3,530)

(2) Proceeds from sales of Available-for-sale Securities for the years ended March 31, 2018 and 2017 were ¥1,165 million ($10,963 thousand) and ¥28 million, respectively. Gross realized gains on these sales were ¥600 million ($5,654 thousand) and ¥21 million for the years ended March 31, 2018 and 2017, respectively.

(3) IBJL Group recorded impairment losses on investment securities of ¥16 million ($156 thousand) and ¥162 million for the years ended March 31, 2018 and 2017, respectively.

4. Operating Assets

As described in Note 13, the classification of reportable segments was changed from this fiscal year. The following information as of March 31, 2017 or for the year ended March 31, 2017 is presented under the new reportable segment.

(1) Operating Assets as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Leasing and Installment Sales:			
Finance Lease	¥ 823,384	¥ 809,304	$ 7,748,039
Operating Lease	160,206	141,014	1,507,540
Installment Sales (*1)	138,592	137,820	1,304,157
Leasing and Installment Sales total	1,122,183	1,088,139	10,559,736
Finance	556,933	520,579	5,240,745
Other	3,888	—	36,594
Total Operating Assets	¥ 1,683,005	¥ 1,608,718	$ 15,837,075

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

(2) The total amounts of new contracts for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Leasing and Installment Sales:			
Finance Lease	¥ 283,525	¥ 283,415	$ 2,667,971
Operating Lease	87,285	137,977	821,355
Installment Sales (*1)	59,671	54,267	561,508
Leasing and Installment Sales total	430,482	475,661	4,050,834
Finance	901,485	616,366	8,482,977
Other	3,941	—	37,086
Total	¥ 1,335,909	¥ 1,092,027	$12,570,897

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

5. 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 years ended March 31, 2018 and 2017 was ¥2,755 million ($25,930 thousand) and ¥2,993 million, respectively. Rental income and operating expenses are mainly recognized as "Revenues" and "Cost and Expenses", respectively.

Gain on sales of rental properties for the years ended March 31, 2018 and 2017 was ¥564 million ($5,308 thousand) and ¥1,018 million, respectively. 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, 2017	Increase	March 31, 2018	March 31, 2018
¥ 95,653	¥ 16,779	¥ 112,432	¥ 118,507

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

Thousands of U.S. dollars			
Carrying Amount			Fair Value
April 1, 2017	Increase	March 31, 2018	March 31, 2018
$ 900,096	$ 157,892	$ 1,057,988	$ 1,115,151

(*1) Carrying amount recognized in the Consolidated Balance Sheets is net of accumulated depreciation.
(*2) "Increase" for the years ended March 31, 2018 and 2017 primarily represents the acquisition of certain properties for ¥74,667 million ($702,624 thousand) and ¥105,012 million, respectively.
(*3) Fair values of properties are mainly determined by appraisal reports issued by real estate appraisers.

6. Pledged Assets

Assets pledged as collateral as of March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Lease Receivables and Investments in Lease	¥ 14,307	$ 134,629
Loans Receivables	4,053	38,144
Operational Investment Securities	1,217	11,459
Leased Assets	12,567	118,259
Investment Securities	1	16
Total	¥ 32,147	$ 302,507

Liabilities secured by the above assets as of March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Short-term Borrowings	¥ 1,000	$ 9,410
Current Portion of Long-term Debt	2,060	19,388
Long-term Debt	24,190	227,632
Total	¥ 27,250	$ 256,430

7. Short-term Borrowings and Long-term Debt

(1) "Short-term Borrowings" as of March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	2018	2017	2018	2018
Short-term Borrowings				
Short-term Borrowings from banks and other financial institutions	¥ 270,743	¥ 312,715	$ 2,547,696	0.66%
Commercial Paper	453,800	433,800	4,270,255	0.05%
Payables under securitized lease receivables	63,621	59,180	598,679	0.16%
Total	¥ 788,165	¥ 805,696	$ 7,416,630	
Current Portion of Long-term Debt				
Bonds payable	¥ 20,000	¥ —	$ 188,200	0.151~0.175%
Long-term Debt from banks and other financial institutions	182,054	155,509	1,713,128	0.57%
Total	¥ 202,054	¥ 155,509	$ 1,901,328	

(2) "Long-term Debt" as of March 31, 2018 and 2017 was as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted average interest rate
	2018	2017	2018	2018
Long-term Debt				
Bonds payable	¥ 38,000	¥ 58,000	$ 357,580	0.21~0.38%
Long-term Debt from banks and other financial institutions	466,824	455,312	4,392,812	0.72%
Payables under securitized lease receivables	41,196	17,919	387,661	0.30%
Total	¥ 546,020	¥ 531,232	$ 5,138,053	

(*1) IBJL Group has entered into overdraft contracts with 63 and 65 financial institutions that provide IBJL Group with credit facilities amounting to ¥928,137 million ($8,733,763 thousand) and ¥901,516 million as of March 31, 2018 and 2017, respectively. The unused facilities maintained by IBJL Group as of March 31, 2018 and 2017 amounted to ¥676,567 million ($6,366,495 thousand) and ¥602,724 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, 2018 and 2017 were ¥126,554 million ($1,190,879 thousand) and ¥86,359 million, respectively.
(*3) The aggregate annual maturities of "Long-term Debt" as of March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
Years Ending March 31	2018	2018
2020	¥ 189,264	$ 1,780,978
2021	129,210	1,215,869
2022	77,499	729,271
2023	65,427	615,671
2024 and thereafter	84,618	796,264
Total	¥ 546,020	$ 5,138,053

8. Retirement and Pension Plans

Outline of plans

IBJL and certain consolidated subsidiaries have a corporate pension plan and/or lump-sum severance payment plan as a defined benefit retirement benefits plan as well as a corporate retirement 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, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	¥ 6,364	¥ 6,550	$ 59,891
Current service cost	362	369	3,408
Interest cost	25	25	237
Actuarial gains	(33)	(36)	(313)
Benefits paid	(212)	(422)	(2,003)
Other	—	(121)	—
Balance at end of year	¥ 6,505	¥ 6,364	$ 61,220

(*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, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at beginning of year	¥ 3,831	¥ 3,726	$ 36,051
Expected return on plan assets	34	54	321
Actuarial gains	201	133	1,895
Contributions from the employer	177	219	1,668
Benefits paid	(148)	(217)	(1,401)
Other	—	(85)	—
Balance at end of year	¥ 4,095	¥ 3,831	$ 38,534

(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, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Defined benefit obligation	¥ 4,113	¥ 4,014	$ 38,708
Plan assets	(4,095)	(3,831)	(38,534)
Total	18	183	174
Unfunded defined benefit obligation	2,392	2,349	22,512
Net liability arising from defined benefit obligation	¥ 2,410	¥ 2,533	$ 22,686

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Asset for employees' retirement benefits	¥ —	¥ —	$ —
Liability for employees' retirement benefits	2,410	2,533	22,686
Net liability arising from defined benefit obligation	¥ 2,410	¥ 2,533	$ 22,686

(4) The components of net periodic benefit costs for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥ 362	¥ 369	$ 3,408
Interest cost	25	25	238
Expected return on plan assets	(34)	(54)	(321)
Recognized actuarial losses	9	39	88
Net periodic benefit costs	¥ 362	¥ 379	$ 3,413

(*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, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Actuarial gains	¥ 243	¥ 191	$ 2,295
Total	¥ 243	¥ 191	$ 2,295

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2018 and 2017, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized actuarial gains (losses)	¥ 49	¥ (194)	$ 462
Total	¥ 49	¥ (194)	$ 462

(7) Plan assets as of March 31, 2018 and 2017:

a. Components of plan assets

Plan assets consisted of the following:

	2018	2017
Domestic debt investments	18.4%	17.1%
Domestic equity investments	23.7	24.7
Foreign debt investments	7.6	6.2
Foreign equity investments	19.4	19.7
Insurance assets (general account)	28.1	29.4
Others	2.8	2.9
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, 2018 and 2017, are set forth as follows:

	2018	2017
Discount rate	0.30 - 0.47%	0.30 - 0.47%
Expected rate of return on plan assets	0.89%	1.50%
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 retirement plan for the years ended March 31, 2018 and 2017, were ¥59 million ($555 thousand) and ¥58 million, respectively.

9. Income Taxes

IBJL and certain consolidated subsidiaries are subject to a number of taxes based on income, which, in the aggregate, resulted in a normal effective statutory tax rate in Japan of approximately 30.9% for the years ended March 31, 2018 and 2017.

Deferred Tax Assets and Liabilities consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred Tax Assets:			
Allowance for Doubtful Receivables	¥ 1,194	¥ 2,447	$ 11,237
Depreciation	550	592	5,179
Liability for Employees' Retirement Benefits	435	397	4,094
Write-off of Securities	213	222	2,011
Accrued Enterprise Tax	169	98	1,595
Other	3,568	3,383	33,583
Deferred Tax Assets Subtotal	6,131	7,142	57,699
Valuation Allowance	(332)	(350)	(3,128)
Total Deferred Tax Assets	5,799	6,791	54,571
Deferred Tax Liabilities:			
Net unrealized gain on Available-for-sale Securities	(3,938)	(3,488)	(37,065)
Investments in Lease	(192)	(223)	(1,809)
Other	(422)	(240)	(3,974)
Total Deferred Tax Liabilities	(4,553)	(3,952)	(42,848)
Net Deferred Tax Assets	¥ 1,245	¥ 2,839	$ 11,723

Balance reported on the Consolidated Balance Sheets:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred Tax Assets:			
Current Assets	¥ 1,595	¥ 1,874	$ 15,010
Investments and Other Assets	631	975	5,941
Deferred Tax Liabilities:			
Long-term Liabilities	(980)	(11)	(9,228)
Net Deferred Tax Assets	¥ 1,245	¥ 2,839	$ 11,723

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2017, was as follows:

	2017
Normal effective statutory tax rate	30.9%
Inhabitants tax per capita levy	0.2
Permanent differences, such as entertainment expenses	0.5
Amortization of goodwill	0.1
Valuation allowance	0.2
Other — net	1.2
Actual effective tax rate	33.1%

Such information for the year ended March 31, 2018 is not presented as the difference is less than 5% of the effective statutory tax rate.

10. Commitments and Contingent Liabilities

(1) Commitments

IBJL had loan commitment agreements as of March 31, 2018 and 2017 of ¥6,063 million ($57,058 thousand) and ¥4,562 million, respectively. The loans provided under these credit facilities as of March 31, 2018 and 2017 amounted to ¥4,947 million ($46,552 thousand) and ¥2,606 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, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Guarantee Obligations with respect to operating activities (*1)	¥ 11,282	$ 106,169
Other Guarantee Obligations	11,431	107,566
Total	¥ 22,713	$ 213,735

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

11. Equity

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividends upon resolution at the shareholders meeting. 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.

12. Selling, General and Administrative Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
(Reversal)/provision for Doubtful Receivables	¥ (746)	¥ 1,529	$ (7,021)
(Reversal)/accruals for Debt Guarantees	(40)	37	(385)
Salaries and Wages	7,203	7,501	67,787
Provision for Bonus Payments	784	572	7,384
Provision for Bonus Payments to Directors	67	62	635
Retirement Benefits Costs for Employees	421	438	3,968

13. Segment Information

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

(1) Description and revision 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 periodically how resources are allocated among the IBJL Group.

IBJL Group provides total financial services such as leasing business, installment sales and loan business to a wide range of customers from large companies to small and medium-sized companies. IBJL Group has three business segments based on its services: “Leasing and Installment Sales”, “Finance” and “Other”.

“Leasing and Installment Sales” segment represents leasing business for industrial machinery, transportation equipment and information-related equipment (including sales of subject properties upon expiration or cancellation of lease agreements) and installment sales business. “Finance” segment represents loan business, factoring business and securities business which invests in securities that are held for the purpose of generating operational revenues. “Other” segment represents buying and selling of used properties business and sales of solar power business etc.

From this fiscal year, “Leasing” segment and “Installment Sales” segment, which had been presented separately, are integrated and converted into “Leasing and Installment Sales” segment. Also, a management business of Operational Security, which had been included in “Other” segment, is separated from “Other” segment, and integrated to “Loans” segment which had been reported separately and converted into “Finance” segment. The segment information for the year ended March 31, 2017 was reclassified and presented under the new reportable segment.

(2) Methods of measurement for the amounts of sales, profit, 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, assets, liabilities and other items for the years ended March 31, 2018 and 2017 was as follows:

Millions of yen

2018	Reportable segment					
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:						
Sales to external customers	¥ 386,007	¥ 12,510	¥ 1,220	¥ 399,738	¥ —	¥ 399,738
Intersegment sales and transfers	372	337	107	817	(817)	—
Total	386,379	12,848	1,327	400,555	(817)	399,738
Operating Expenses	370,855	4,884	934	376,674	3,901	380,575
Segment Profit	¥ 15,524	¥ 7,963	¥ 393	¥ 23,881	¥ (4,718)	¥ 19,162
Segment Assets	¥ 1,199,470	¥ 609,459	¥ 8,692	¥ 1,817,622	¥ 3,879	¥ 1,821,501
Others						
Depreciation and Amortization	10,119	—	—	10,119	1,544	11,664
Capital Expenditure	92,767	—	—	92,767	1,637	94,404

Millions of yen

2017	Reportable segment					
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:						
Sales to external customers	¥ 416,594	¥ 11,438	¥ 1,372	¥ 429,405	¥ —	¥ 429,405
Intersegment sales and transfers	411	269	95	777	(777)	—
Total	417,005	11,708	1,468	430,182	(777)	429,405
Operating Expenses	401,235	5,567	1,000	407,803	3,639	411,443
Segment Profit	¥ 15,770	¥ 6,140	¥ 467	¥ 22,378	¥ (4,416)	¥ 17,962
Segment Assets	¥ 1,167,914	¥ 559,170	¥ 4,063	¥ 1,731,148	¥ 21,136	¥ 1,752,284
Others						
Depreciation and Amortization	9,105	—	—	9,105	1,785	10,891
Capital Expenditure	138,384	—	—	138,384	1,333	139,717

Thousands of U.S. dollars

2018	Reportable segment					
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1)(*2)(*3)	Consolidated (*4)
Sales:						
Sales to external customers	$ 3,632,326	$ 117,720	$ 11,489	$ 3,761,535	$ —	$ 3,761,535
Intersegment sales and transfers	3,504	3,180	1,008	7,692	(7,692)	—
Total	3,635,830	120,900	12,497	3,769,227	(7,692)	3,761,535
Operating Expenses	3,489,748	45,962	8,795	3,544,505	36,711	3,581,216
Segment Profit	$ 146,082	$ 74,938	$ 3,702	$ 224,722	$ (44,403)	$ 180,319
Segment Assets	$ 11,287,011	$ 5,735,012	$ 81,795	$ 17,103,818	$ 36,504	$ 17,140,322
Others						
Depreciation and Amortization	95,227	—	—	95,227	14,537	109,764
Capital Expenditure	872,940	—	—	872,940	15,404	888,344

(*1) The details of Reconciliations to Segment Profit for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Elimination of intersegment transactions	¥ (256)	¥ (287)	$ (2,412)
Administrative expenses not allocated to the reportable segments	(4,462)	(4,129)	(41,991)
Total	¥ (4,718)	¥ (4,416)	$ (44,403)

(*2) The details of Reconciliations to Segment Assets as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Elimination of intersegment transactions	¥ (29,865)	¥ (11,786)	$ (281,034)
Corporate assets not allocated to the reportable segments	33,744	32,922	317,538
Total	¥ 3,879	¥ 21,136	$ 36,504

(*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

(*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 for the year ended March 31, 2018 is not presented as domestic assets exceeded 90% of all segments.
(*3) Information by geographic segment of Sales for the years ended March 31, 2018 and 2017 is not presented as domestic sales exceeded 90% of all segments.

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

	Millions of yen					
	2017					
	Reportable segment					
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations	Consolidated
Impairment loss	¥ 39	¥ —	¥ —	¥ 39	¥ —	¥39

Not applicable for the year ended March 31, 2018

(6) Goodwill per reportable segment:

Not applicable

14. Lease Transactions

Operating Leases as lessee

The minimum rental commitments under non-cancellable operating leases at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥ 6	¥ 8	$ 63
Due after one year	8	11	80
Total	¥ 15	¥ 20	$ 143

Finance Leases as lessor

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Lease contract receivables	¥ 777,746	¥ 769,756	$ 7,318,591
Estimated residual value	1,468	1,744	13,822
Interest income equivalents	(28,707)	(28,207)	(270,137)
Total	¥ 750,508	¥ 743,293	$ 7,062,276

(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
	2018	2018
2019	¥ 21,762	$ 204,789
2020	16,102	151,524
2021	12,636	118,913
2022	9,595	90,293
2023	5,223	49,152
2024 and thereafter	10,530	99,096
Total	¥ 75,852	$ 713,767

(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
	2018	2018
2019	¥ 233,575	$ 2,197,945
2020	175,171	1,648,365
2021	130,838	1,231,188
2022	85,586	805,365
2023	46,022	433,074
2024 and thereafter	106,552	1,002,654
Total	¥ 777,746	$ 7,318,591

Operating Leases as lessor

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥ 48,099	¥ 41,609	$ 452,618
Due after one year	96,358	84,463	906,733
Total	¥ 144,458	¥ 126,073	$ 1,359,351

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, 2018 and 2017 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Lease Receivable	¥ 1,082	¥ 1,650	$ 10,182
Investments in Lease	5,933	5,483	55,832
Lease Payable	7,223	7,187	67,970

15. Financial Instruments and Related Disclosures

(1) Policy for financial instruments

IBJL Group provides comprehensive financial services, including leasing, installment sales and loans. From the perspective of financial stability, IBJL Group diversifies its funding sources. In addition to the indirect funding from financial institutions, IBJL Group utilizes direct funding such as issuing bonds, commercial paper and securitization of lease receivables. Further, IBJL Group has an integrated Asset-Liability Management (ALM) program. 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.

IBJL Group also utilizes derivative transactions such as foreign currency forward contracts and interest and currency swaps etc. to control the level of the risk associated with the assets and liabilities denominated in foreign currencies.

(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. Any large contract or matter requiring complex risk judgment requires the deliberation and the decision by the Credit Committee which enhances the risk control process. When offering new services or new products, IBJL Group thoroughly reviews the identification and evaluation of inherent risks through the Risk Control Committee.

And next, 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 PM · ALM Committee, 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, 2018 and 2017, are as shown below. The Internal Models Approach applied to measure 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).

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Sensitivity to interest rate (10BPV)	¥ (2,550)	¥ (2,480)	$ (23,995)
Interest rate risk volume (VaR)	¥ 1,350	¥ 3,030	$ 12,703

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, 2018 and 2017, 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
	2018	2017	2018
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 PM · ALM Committee 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 is 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,	2018			2017		
	Carrying amount	Fair value	Unrealized gain (loss)	Carrying amount	Fair value	Unrealized gain (loss)
Cash and Cash Equivalents	¥ 29,607	¥ 29,607	¥ —	¥ 41,563	¥ 41,563	¥ —
Securities (*1)						
Available-for-sale Securities	143,253	143,253	—	116,666	116,666	—
Lease Receivables and Investments in Lease (*2) (*3) (*4)	808,601	831,478	22,877	797,650	816,496	18,846
Installment Sales Receivables (*2) (*5)	138,472	141,124	2,652	137,683	140,478	2,795
Loans Receivables (*2)	229,707	241,234	11,527	204,755	215,655	10,900
Factoring Receivables (*2)	125,118	126,266	1,148	138,957	140,602	1,644
Long-term Receivables (*6)	2,281	2,281	—	2,995	2,995	—
Assets total	¥ 1,477,042	¥ 1,515,246	¥ 38,204	¥ 1,440,271	¥ 1,474,458	¥ 34,187
Short-term Borrowings	¥ 788,165	¥ 788,166	¥ 0	¥ 805,696	¥ 805,669	¥ (26)
Lease Payable	7,251	7,240	(10)	7,329	7,381	52
Accounts Payable — trade	54,383	54,321	(62)	53,400	53,310	(90)
Long-term Debt (*7) (*8)	748,074	748,665	590	686,742	687,124	382
Liabilities total	¥ 1,597,875	¥ 1,598,393	¥ 518	¥ 1,553,168	¥ 1,553,487	¥ 318
Hedge accounting is not applied (*9)	¥ 316	¥ 316	¥ —	¥ 136	¥ 136	¥ —
Hedge accounting is applied (*9)	(8)	(8)	—	(5)	(5)	—
Derivative transactions total	¥ 308	¥ 308	¥ —	¥ 131	¥ 131	¥ —

Thousands of U.S. dollars

March 31,	2018		
	Carrying amount	Fair value	Unrealized gain (loss)
Cash and Cash Equivalents	$ 278,606	$ 278,606	$ —
Securities (*1)			
Available-for-sale Securities	1,348,012	1,348,012	—
Lease Receivables and Investments in Lease (*2) (*3) (*4)	7,608,934	7,824,207	215,273
Installment Sales Receivables (*2) (*5)	1,303,021	1,327,980	24,959
Loans Receivables (*2)	2,161,546	2,270,016	108,470
Factoring Receivables (*2)	1,177,366	1,188,171	10,805
Long-term Receivables (*6)	21,471	21,471	—
Assets total	$ 13,898,956	$ 14,258,463	$ 359,507
Short-term Borrowings	$ 7,416,630	$ 7,416,637	$ 7
Lease Payable	68,234	68,132	(102)
Accounts Payable — trade	511,750	511,162	(588)
Long-term Debt (*7) (*8)	7,039,381	7,044,940	5,559
Liabilities total	$ 15,035,995	$ 15,040,871	$ 4,876
Hedge accounting is not applied (*9)	$ 2,982	$ 2,982	$ —
Hedge accounting is applied (*9)	(77)	(77)	—
Derivative transactions total	$ 2,905	$ 2,905	$ —

(*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 3. Marketable Securities, Operational Investment Securities and Investment Securities.

(c) Lease Receivables and Investments in Lease

The fair values of Lease Receivables and Investments in Lease are principally determined by discounting the future cash flows (lease payments received less maintenance fees), by credit risk categories for risk management, at an appropriate benchmark rate such as 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 16.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unlisted Stocks (*1) (*2)	¥ 10,950	¥ 10,428	$ 103,045
Funds, Investments in Partnerships (*3)	39,502	45,697	371,716
Preferred Equities (*4)	1,233	1,233	11,611
Other (*4)	32,480	26,759	305,637
Total	¥ 84,166	¥ 84,119	$ 792,009

(*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, 2018 and 2017 was ¥16 million ($156 thousand) and ¥162 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.

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

	Millions of yen					
March 31, 2018	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	¥ 29,607	¥ —	¥ —	¥ —	¥ —	¥ —
Securities						
Available-for-sale Securities Bonds						
National and Local government Bonds	2,000	2,000	—	—	—	—
Corporate Bonds	—	5,500	25,300	22,000	28,160	20,600
Other	6,338	23,285	4,831	4,915	5,120	9,490
Lease Receivables and Investments in Lease	248,361	185,200	138,861	91,498	49,104	110,357
Installment Sales Receivables	52,285	36,511	23,694	14,270	7,336	4,752
Loans Receivables	42,656	44,523	54,293	28,288	21,774	38,868
Factoring Receivables	101,916	7,144	5,992	4,134	1,594	4,754
Total	¥ 483,166	¥ 304,166	¥ 252,973	¥ 165,106	¥ 113,090	¥ 188,824

	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, 2018	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	$ 278,606	$ —	$ —	$ —	$ —	$ —
Securities						
Available-for-sale Securities Bonds						
National and Local government Bonds	18,820	18,820	—	—	—	—
Corporate Bonds	—	51,755	238,073	207,020	264,985	193,846
Other	59,649	219,118	45,464	46,252	48,186	89,302
Lease Receivables and Investments in Lease	2,337,083	1,742,737	1,306,681	860,999	462,075	1,038,464
Installment Sales Receivables	492,009	343,571	222,966	134,284	69,034	44,724
Loans Receivables	401,396	418,970	510,902	266,194	204,894	365,757
Factoring Receivables	959,034	67,234	56,391	38,905	15,008	44,741
Total	$ 4,546,597	$ 2,862,205	$ 2,380,477	$ 1,553,654	$ 1,064,182	$ 1,776,834

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

16. Derivatives

Fair values of derivative transactions were as follows. The fair value is measured at quoted prices obtained from the financial institutions. The contract amounts shown in the tables are the notional amounts of derivatives and do not indicate IBJL's exposure to credit or market risks:

Derivative transactions to which hedge accounting is not applied:

(1) Foreign currency forward contracts

Millions of yen

At March 31,	2018				2017			
	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)
Selling U.S.$	¥ 2,317	¥ —	¥ 207	¥ 207	¥ 3,585	¥ 2,317	¥ 186	¥ 186
Buying U.S.$	¥ —	¥ —	¥ —	¥ —	¥ 1,268	¥ —	¥ (49)	¥ (49)

Thousands of U.S. dollars

At March 31,	2018			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Selling U.S.$	$ 21,805	$ —	$ 1,950	$ 1,950
Buying U.S.$	$ —	$ —	$ —	$ —

(2) Interest rate and currency swaps

Millions of yen

At March 31,	2018			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Payment - floating rate in Japanese Yen, receipt - floating rate in U.S. dollars	¥ 3,333	¥ 3,333	¥ 109	¥ 109

Thousands of U.S. dollars

At March 31,	2018			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gain (Loss)
Payment - floating rate in Japanese Yen, receipt - floating rate in U.S. dollars	$ 31,366	$ 31,366	$ 1,033	$ 1,033

Not applicable at March 31, 2017

Derivative transactions to which hedge accounting is applied:

(1) Interest rate swaps

Millions of yen

At March 31,	2018				2017			
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate, receipt - floating rate	Short-term Borrowings, Long-term Debt	¥ 122,378	¥ 93,750	¥ (85)	Long-term Debt	¥ 104,991	¥ 81,039	¥ (94)

Thousands of U.S. dollars

At March 31,	2018			
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate, receipt - floating rate	Short-term Borrowings, Long-term Debt	$ 1,151,583	$ 882,193	$ (806)

(2) Interest rate and currency swaps

Millions of yen

At March 31,	2018				2017			
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate in Japanese Yen, receipt - fixed rate in U.S. dollars	Operational Investment Securities	¥ 2,457	¥ 2,457	¥ 71	—	¥ —	¥ —	¥ —
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Long-term Debt	¥ 130	¥ 14	¥ 5	Long-term Debt	¥ 824	¥ 136	¥ 89

Thousands of U.S. dollars

At March 31,	2018			
	Hedged item	Contract Amount	Contract Amount due after One Year	Fair Value
Payment - fixed rate in Japanese Yen, receipt – fixed rate in U.S. dollars	Operational Investment Securities	$ 23,126	$ 23,126	$ 673
Payment - fixed rate in Indonesian Rupiah, receipt - floating rate in U.S. dollars	Long-term Debt	$ 1,232	$ 140	$ 56

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 15 is included in that of the hedged items (i.e., Loans Receivables and Long-term Debt).

	Millions of yen					
At March 31,	2018			2017		
	Hedged item	Contract Amount	Contract Amount due after One Year	Hedged item	Contract Amount	Contract Amount due after One Year
Payment - fixed rate, receipt - floating rate	Loans Receivables	¥ 4,041	¥ 4,041	—	¥ —	¥ —
	Long-term Debt	¥ 63,583	¥ 47,030	Long-term Debt	¥ 67,428	¥ 52,623

	Thousands of U.S. dollars		
At March 31,	2018		
	Hedged item	Contract Amount	Contract Amount due after One Year
Payment - fixed rate, receipt - floating rate	Loans Receivables	$ 38,027	$ 38,027
	Long-term Debt	$ 598,319	$ 442,552

17. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrealized Gain on Available-for-sale Securities			
Gains arising during the year	¥ 2,659	¥ 1,235	$ 25,029
Reclassification adjustments to profit or loss	(1,189)	(1,119)	(11,192)
Amount before income tax effect	1,470	115	13,837
Income tax effect	450	34	4,237
Total	¥ 1,020	¥ 80	$ 9,600
Deferred Gain on Derivatives under Hedge Accounting			
Losses arising during the year	¥ (10)	¥ (12)	$ (98)
Reclassification adjustments to profit or loss	175	276	1,652
Amount before income tax effect	165	264	1,554
Income tax effect	52	93	494
Total	¥ 112	¥ 171	$ 1,060
Foreign Currency Translation Adjustments			
Adjustments arising during the year	¥ 126	¥ (526)	$ 1,188
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	126	(526)	1,188
Income tax effect	—	—	—
Total	¥ 126	¥ (526)	$ 1,188
Defined Retirement Benefit Plans			
Adjustments arising during the year	¥ 234	¥ 151	$ 2,205
Reclassification adjustments to profit or loss	9	39	89
Amount before income tax effect	243	191	2,294
Income tax effect	74	58	703
Total	¥ 169	¥ 132	$ 1,591
Share of Other Comprehensive Income (Loss) in associates			
Income (Loss) arising during the year	¥ 97	¥ (100)	$ 920
Reclassification adjustments to profit or loss	—	—	—
Total	¥ 97	¥ (100)	$ 920
Total Other Comprehensive Income (Loss)	¥ 1,525	¥ (243)	$ 14,359

18. Supplemental information of Cash Flows

The assets and liabilities of Toshiba Medical Finance Co., Ltd ("TMF") as of March 31, 2016 were as follows. TMF was excluded from the consolidated financial statements for the year ended March 31, 2017, as IBJL sold all of its shares of TMF:

	Millions of yen
	2017
Current Assets	¥ 47,890
Property and Equipment & Investment and Other Assets	801
Current Liabilities	(32,987)
Long-term Liabilities	(10,490)
Non-controlling Interests	(1,825)
Gain on Sales of Stock	244
Proceeds from Sales of TMF	3,634
Cash and Cash equivalents of TMF	(1,088)
Net Proceeds	¥ 2,546

Not applicable at March 31, 2018

19. Per Share Information

Details of basic net income attributable to owners of the parent per share ("EPS") for the years ended March 31, 2018 and 2017 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,	2018				2017			
	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	¥ 13,643	42,648	¥ 319.91	$ 3.01	¥ 12,414	42,648	¥ 291.08	$ 2.74

20. Effect of Bank Holiday

As financial institutions in Japan were closed on March 31, 2018, amounts that would normally have been settled on that day were collected or paid on the following business day, April 2, 2018. The effects of the settlements on April 2 instead of March 31 include the followings:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Payables :		
Accounts Payable - trade	¥ 2,279	$ 21,446
Other:		
Notes Deposit for Installment Sales Receivables	¥ 275	$ 2,592
Notes Deposit for Investments in Lease	15	142
Notes Deposit for other	4	38

21. Subsequent Events

Appropriation of Retained Earnings

The following appropriation of Retained Earning at March 31, 2018, was approved at IBJL's shareholders' meeting on June 26, 2018:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥38.00 ($0.36) per share	¥ 1,620	$ 15,250

Independent Auditor's Report

Deloitte Touche Tohmatsu LLC
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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, 2018, 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, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 22, 2018

Member of
Deloitte Touche Tohmatsu Limited

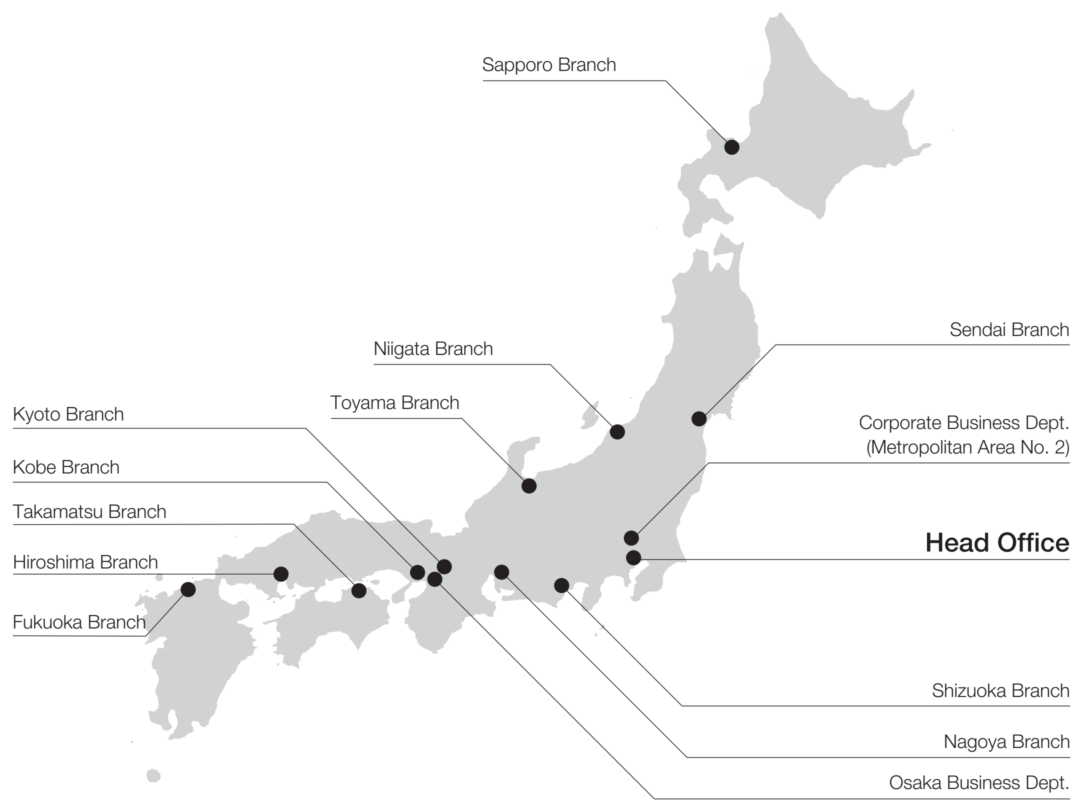
Corporate Information

Corporate Profile (As of March 31, 2018)

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: 1,081; Non-consolidated: 621
Date of Establishment	December 1, 1969	**Business Description**	Integrated financial services

Business Sites (As of August 31, 2018)

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, 2018)

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%
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	PHP1,000,000 thousand	General leasing	25%

*An equity-method affiliate

Stock Information (As of March 31, 2018)

Stock Information

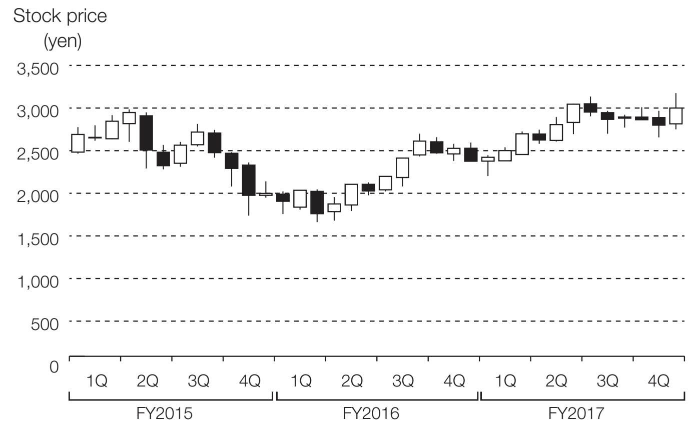
Number of Shares Authorized	140,000,000
Number of Shares Issued	42,649,000
Number of Shareholders	41,614
Stock Exchange Listing	Tokyo Stock Exchange, 1st section
Securities Code	8425
Shareholder Registry Administrator	Mizuho Trust & Banking Co., Ltd.
(Office Location)	Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd. 2–1, Yaesu 1-chome, Chuo–ku, Tokyo

Major Shareholders (Top 20)

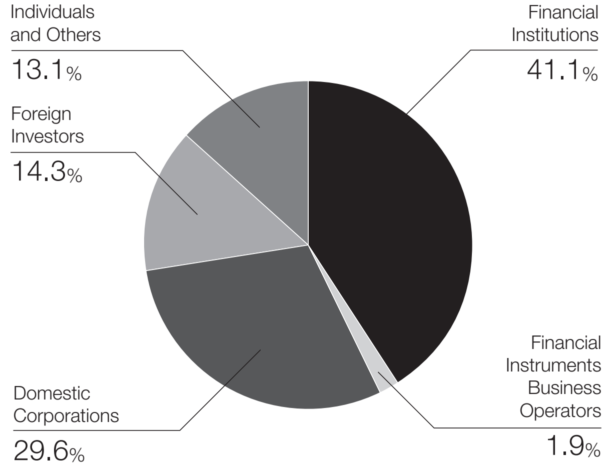
Shareholders	Number of Shares Held (1,000 shares)	Shareholding Ratio* (%)
The Dai-ichi Life Insurance Company, Limited	2,930	6.87
NISSAN MOTOR CO., LTD. Retirement Benefit Trust Account, with the trustee being Mizuho Trust & Banking Co., Ltd., and re-trustee Trust & Custody Services Bank, Ltd.	1,750	4.10
Mizuho Bank, Ltd.	1,626	3.81
UNIZO Holdings Company, Limited.	1,546	3.62
Japan Trustee Services Bank, Ltd. (Trust Account)	1,393	3.26
Meiji Yasuda Life Insurance Company	1,251	2.93
DOWA HOLDINGS CO., LTD.	1,120	2.62
NIPPON STEEL KOWA REAL ESTATE CO., LTD.	975	2.28
The Kyoritsu Co., Ltd.	949	2.22
Japan Trustee Services Bank, Ltd. (TOSHIBA CORPORATION Retirement Benefit Trust Account re-entrusted by the Mitsui Sumitomo Trust & Banking Co., Ltd.)	900	2.11
The Master Trust Bank of Japan, Ltd. (Trust Account)	895	2.09
SUBARU CORPORATION	720	1.68
Japan Trustee Services Bank, Ltd. (Trust Account 5)	708	1.66
STATE STREET BANK AND TRUST COMPANY	692	1.62
Tosoh Corporation	684	1.60
RBC ISB S/A DUB NON RESIDENT/TREATY RATE UCITS-CLIENTS ACCOUNT	675	1.58
Credit Saison Co., Ltd.	670	1.57
THE SHIGA BANK, LTD.	670	1.57
IINO KAIUN KAISHA, LTD.	666	1.56
Sompo Japan Nipponkoa Insurance Inc.	540	1.26

*Shareholding ratio is calculated by deducting treasury stock.

Stock Performance



Distribution of Shareholders



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