

# Overview

## First-Half Results for FY2018

November 7, 2018



IBJ Leasing Co., Ltd.

This document contains forecasts and other forward-looking statements that are based on information available at the time of preparation of this document and subject to certain risks and uncertainties, and is not intended to guarantee that the company would achieve them. Actual business results may differ materially from those expressed or implied by such forward-looking statements due to various factors.

# Summary of First-Half Results for FY2018

- ✓ Recorded gross profit before write-offs and funding costs of ¥25.0 billion, an increase of 13% y-o-y, and net income attributable to owners of the parent of ¥8.6 billion, an increase of 29% y-o-y.
  - Both reached record highs on a semiannual basis.
- ✓ The progress of net income attributable to owners of the parent was favorable at 60% against the full-year forecast.

(¥bn)

	FY16 1H	FY17 1H	FY18 1H	Change	% Change
Revenues	181.4	178.4	<b>179.8</b>	+1.4	+1%
Gross profit before write-offs and funding costs	21.8	22.2	<b>25.0</b>	+2.8	+13%
Operating income	10.6	9.5	<b>11.1</b>	+1.6	+17%
Ordinary income	11.1	10.0	<b>13.0</b>	+3.0	+30%
Net income attributable to owners of the parent	7.5	6.7	<b>8.6</b>	+1.9	+29%

FY18 Forecast*	% progress
420.0	<b>43%</b>
—	—
20.0	<b>55%</b>
21.4	<b>61%</b>
14.5	<b>60%</b>

\*Announced on May 9, 2018

# Overview of Financial Results

(¥bn)

	FY16 1H	FY17 1H	FY18 1H	Change	% Change
Revenues	181.4	178.4	<b>179.8</b>	+1.4	+1%
Gross profit before write-offs and funding costs	21.8	22.2	<b>25.0</b>	+2.8	+13%
(Funding costs)	(2.6)	(3.4)	(4.1)	+0.7	+20%
Gross profit	19.2	18.8	<b>20.9</b>	+2.1	+11%
(Credit costs)	(-1.2)	(-0.4)	(-0.4)	+0.0	—
Operating income	10.6	9.5	<b>11.1</b>	+1.6	+17%
Ordinary income	11.1	10.0	<b>13.0</b>	+3.0	+30%
Net income attributable to owners of the parent	7.5	6.7	<b>8.6</b>	+1.9	+29%

## POINTS

- Gross profit before write-offs and funding costs increased favorably
- Due to higher foreign currency borrowings as a result of the expansion of the global business
- Reversal of allowance for credit costs continued
- Reached a record-high on a semiannual basis

	End of Mar 2017	End of Mar 2018	End of Sep 2018	Change	% Change
Operating assets	1,608.7	1,683.0	<b>1,894.8</b>	+211.8	+13%
Net assets	141.8	154.6	<b>160.6</b>	+6.0	+4%
Equity ratio	7.8%	8.2%	<b>7.6%</b>	-0.6pt	—

- Accumulated superior operating assets

# Business Performance Overview

(¥bn)

	FY16 1H	FY17 1H	FY18 1H	Change	% Change
<b>Contract execution volume</b>	535.7	641.6	<b>795.0</b>	+153.4	+24%
Leasing and installment sales	228.2	205.5	<b>269.9</b>	+64.4	+31%
Financing	307.4	436.1	<b>522.6</b>	+86.5	+20%
Others	—	—	<b>2.6</b>	+2.6	—

(¥bn)

	End of Mar 2017	End of Mar 2018	End of Sep 2018	Change	% Change
<b>Operating assets</b>	1,608.7	1,683.0	<b>1,894.8</b>	+211.8	+13%
Leasing and installment sales	1,088.1	1,122.2	<b>1,215.7</b>	+93.5	+8%
Financing	520.6	556.9	<b>672.7</b>	+115.8	+21%
Others	—	3.9	<b>6.4</b>	+2.5	+64%

	FY16 1H	FY17 1H	FY18 1H	Change
<b>Gross profit margin before write-offs and funding costs</b>	2.80%	2.76%	<b>2.79%</b>	+0.03pt

## POINTS

### ■ Contract execution volume increased 24% y-o-y

- For “Leasing and installment sales,” execution volume increased in areas such as industrial and factory as well as commerce and services
- For both “Leasing and installment sales” and “Financing,” real estate-related bridge scheme projects increased

### ■ Operating assets increased 13% from the end of the previous fiscal year in line with an increase in contract execution volume

### ■ Gross profit margin before write-offs and funding costs improved y-o-y

# Contract Execution Volume / Leasing and Installment Sales

## Contract execution volume by equipment type

### POINTS

(¥bn)

	FY16 1H	FY17 1H	FY18 1H	Change	% Change
Industrial and factory	53.1	37.9	<b>60.6</b>	+22.7	+60%
Information and communications	35.9	42.3	<b>45.0</b>	+2.7	+7%
Transport	25.4	26.7	<b>28.7</b>	+2.0	+8%
Construction	14.3	23.0	<b>19.5</b>	-3.5	-15%
Medical	6.5	8.3	<b>7.7</b>	-0.6	-8%
Commerce and services	15.0	14.4	<b>19.8</b>	+5.4	+38%
Office equipment	5.1	4.8	<b>4.1</b>	-0.7	-15%
Other	72.9	48.3	<b>84.6</b>	+36.3	+75%
Real estate	60.8	25.2	<b>73.3</b>	+48.1	+190%
Total	228.2	205.5	<b>269.9</b>	+64.4	+31%

■ Steadily captured capital investment needs

■ Captured needs for capital investment and overseas store development in the retail industry

■ Increased mainly for superior bridge scheme projects

# Contract Execution Volume / Financing

## Contract execution volume

(¥bn)

	FY16 1H	FY17 1H	FY18 1H	Change	% Change
Commercial Distribution Finance / Loan etc.	243.9	410.7	<b>446.3</b>	+35.6	+9%
Aircraft	4.8	7.8	<b>6.4</b>	-1.4	-17%
Real Estate	53.6	12.7	<b>60.0</b>	+47.3	—
Vessel	5.1	4.8	<b>9.8</b>	+5.0	+103%
Total	307.4	436.1	<b>522.6</b>	+86.5	+20%

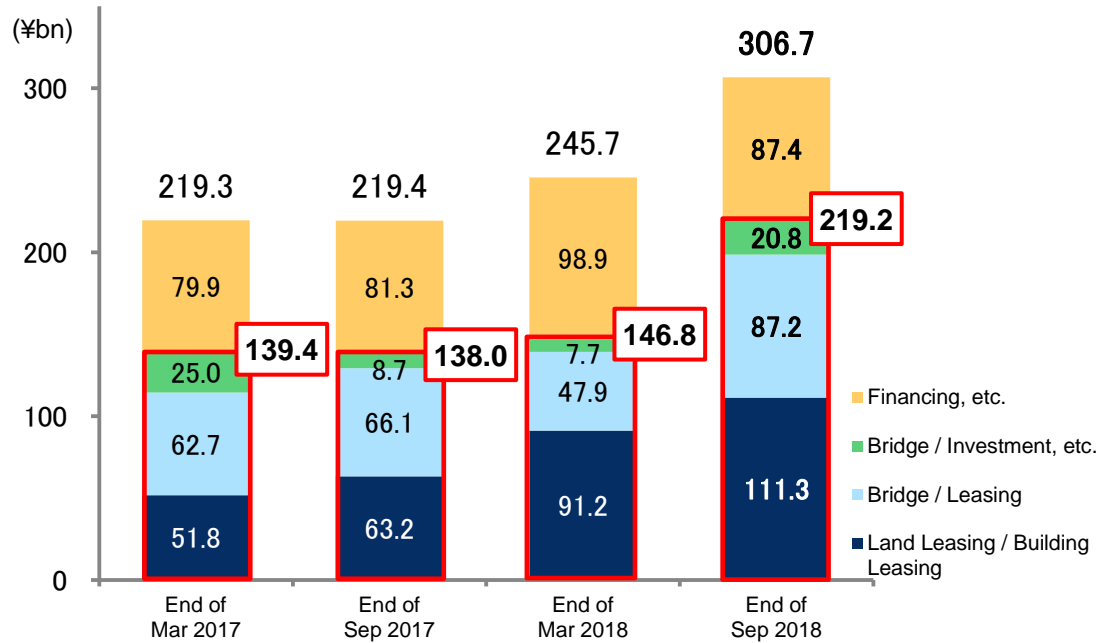
### POINTS

■ Volume for commercial distribution finance increased steadily

■ Captured superior bridge scheme projects

# Balance (Real Estate/Global)

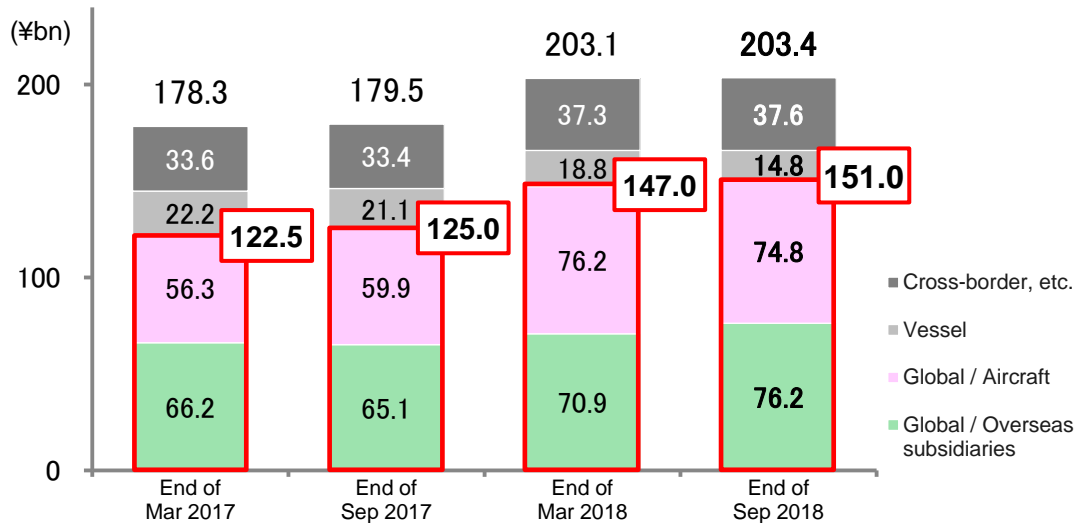
Real estate



## POINTS

■ Property ownership businesses (outlined in red) increased due to execution of superior projects mainly in metropolitan areas

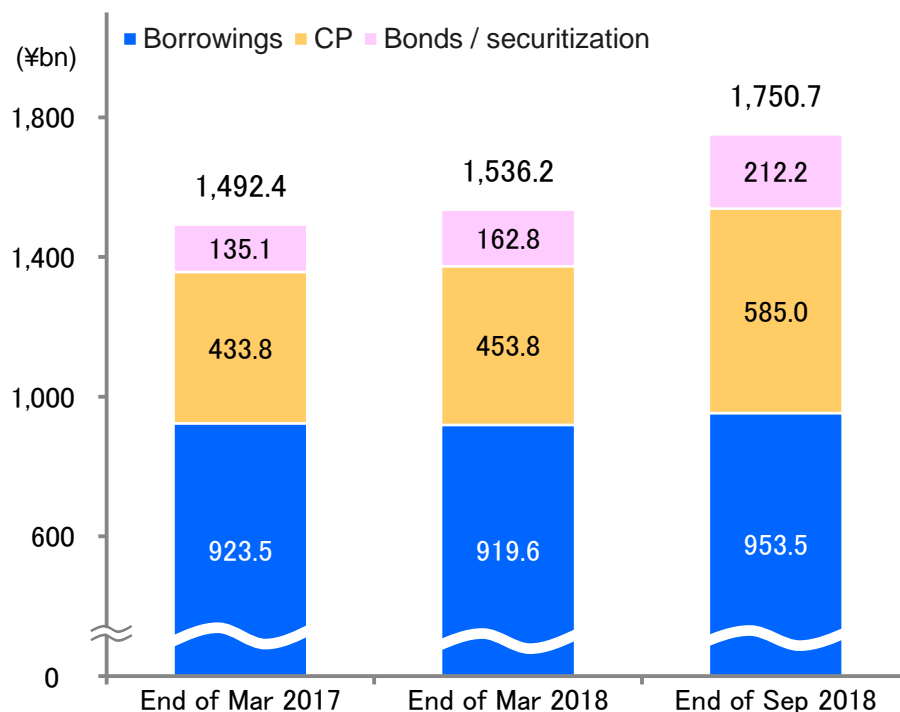
Global



■ Balance of global operations (Aircraft/Overseas subsidiaries) increased slightly from the end of the previous fiscal year

- Interest-bearing debt increased from the end of the previous fiscal year in line with the increase in operating assets.
  - Also actively raised funds from markets (issued three-year and five-year bonds, totaling ¥45.0 billion).
- Funding costs ratio increased due to higher foreign currency borrowings as a result of the y-o-y expansion of the global business.

## Interest-bearing debt



## Funding costs (ratio)

	FY18 1H		
	FY16 1H	FY17 1H	FY18 1H
Funding costs	2.6	3.4	4.1
Funding costs ratio	0.34%	0.42%	0.46%

Note)  
 Funding costs ratio = Funding costs (annualized basis) / Average balance of operating assets



# Earnings Forecasts and Dividends

- Net income attributable to owners of the parent is equivalent to 60% of the FY2018 annual plan.

## 【Dividends】

- In view of business results, paid interim dividend of ¥38, an increase of ¥2 from the initial forecast.
- Plan to raise annual dividend for the 17th straight year in FY2018; a ¥6 increase to ¥76/share.

(¥bn)

	FY2017 (Results) (A)	FY2018 (Forecast) (B)		Change (B)-(A)	% Change (B)/(A)	
		1H results	% progress			
Revenues	399.7	<b>420.0</b>	<b>179.8</b>	<b>43%</b>	+20.3	+5%
Operating income	19.2	<b>20.0</b>	<b>11.1</b>	<b>55%</b>	+0.8	+4%
Ordinary income	20.0	<b>21.4</b>	<b>13.0</b>	<b>61%</b>	+1.4	+7%
Net income attributable to owners of the parent	13.6	<b>14.5</b>	<b>8.6</b>	<b>60%</b>	+0.9	+6%

	FY2017 (Results) (A)	FY2018 (Initial forecast) (B)	Change (B)-(A)
Annual dividend	¥70	¥74	+¥4
Interim dividend	¥32	¥36	+¥4
Year-end dividend	¥38	¥38	±¥0
Dividend payout ratio	21.9%	21.8%	

	FY2018 (after dividend increase) (C)	Change (C)-(A)
	<b>¥76</b>	<b>+¥6</b>
<b>+2</b>	<b>¥38</b>	<b>+¥6</b>
(Plan)	¥38	±¥0
	<b>22.4%</b>	

# Supplemental Material for Financial Results

# Overview of Fifth Mid-term Management Plan (FY 2017-2019)

## 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

Existing client base

Environment and energy

Real estate

Global (Aircraft & overseas subsidiaries)

Medical and healthcare

Technology

### Reinforcement of management base

**Strengthening of risk-return management: Integrated operation of business portfolio and financial ALM**

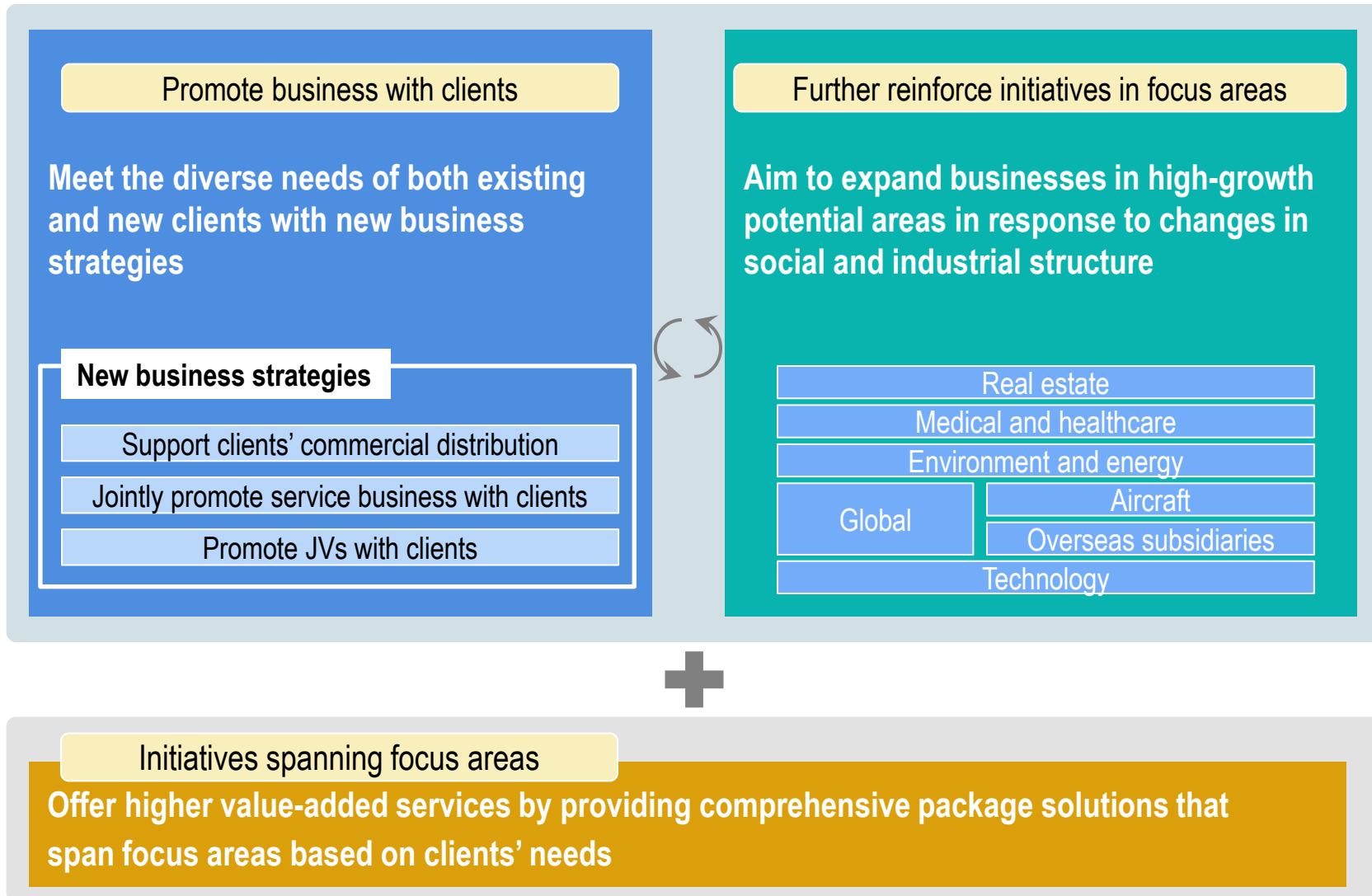
**Resource strategy: Promotion of diversity / improvement of operational productivity**

## Target figures for the final fiscal year

- Net income attributable to owners of the parent: **¥15.0 billion**
- ROE: **10%**
- Dividend payout ratio: **Maintain 20% or more**

# Approach for Promoting Fifth Mid-term Management Plan Focus Areas

- Meet diverse client needs with new business strategies, and expand businesses in high-growth potential areas
- Accelerate initiatives that span focus areas based on clients' needs over the mid- to long-term



# Marketing Strategies and Results in Focus Areas



## Existing client base

Large and mid-sized companies

- In addition to the financial solutions, promote new business strategies to strengthen profitability

### New business strategies

- (1) Support clients' commercial distribution
- (2) Jointly promote service business with clients
- (3) Promote JVs with clients



## Real estate

- Continue focusing on store leasing in collaboration with major developers and on bridge schemes
- Tackle new domains such as healthcare, childcare, hotels and overseas real estate

Balance at the end of September 2018: **¥306.7 bn**



## Medical and healthcare

- Expand the scope from sales to hospitals "Community-based integrated care system" "Data health and preventive health management"
- Develop service business
- Integrate with the real estate business

Execution volume : in FY18 1H **¥16.1 bn**



## Environment and energy

- Extensively capture demand associated with companies' investment in energy saving
  - Strengthen consulting functions
- Strengthen capturing demand of the power-related business
  - Power generation, transmission and distribution, energy supply

Execution volume in FY18 1H: **¥20.0 bn**



## Global (Aircraft / Overseas subsidiaries)

- Promote collaboration in the aircraft JV
- Consider operations in the engines and parts sectors
- Support overseas business development of Japanese companies
- Expand business with non-Japanese companies at full scale

Balance at the end of September 2018 :  
 Aircraft **¥74.8 bn**  
 Overseas subsidiaries **¥76.2 bn**



## Technology

- Provide solutions reflecting change in the industrial structure, that is, the shift from "sales to services"
- Proactively collaborate with pioneering companies in each field

# ● Topics in Focus Areas (1)

Existing client base



Real estate



Medical and healthcare



Met client needs by being involved in commercial distribution, both in procurement and sales



Leasing of large hotel building in metropolitan areas (see (1) below)



Bridge scheme for logistics facilities, hotels, and office buildings



Investing in healthcare real estate fund (see (2) below)

Spans focus areas



Leasing of cutting-edge surgical support robots



Entered into a contract for a service scheme provided jointly with a medical equipment manufacturer.

## (1) Leasing of large hotel building

Leased Daiwa Roynet Hotel building in Ariake (Tokyo), which boasts more rooms than any other Daiwa Roynet Hotel



## (2) Investing in healthcare real estate fund

Medical and healthcare



Real estate



Invested in healthcare real estate fund for nursing homes and other facilities




# ● Topics in Focus Areas (2)




Spans focus areas

- 

 Installation of energy-efficient/low-cost equipment in hospital in collaboration with engineering company (see (3) below)


---

- 
 Investment in solar power projects, and bridge schemes for solar power business


---

- 
 Started in-house management of aircraft in addition to JVs


---

- 
 Leasing to non-Japanese clients by offering vendor finance through local subsidiaries of Japanese companies (see (4) below)

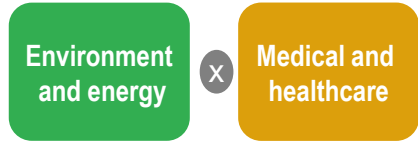
---

- 
 Leasing of equipment to Thai conglomerate

---

- 
 Passed resolution to make Indonesian auto finance company a subsidiary

## (3) Installation of equipment in hospital in collaboration with engineering company



Collaborated with engineering company to install energy-efficient equipment such as highly efficient air conditioning and lighting in hospitals



## (4) Expanded business through vendor finance

Increased business with non-Japanese clients by offering vendor finance through the subsidiaries (in Thailand and the Philippines) of our clients in Japan



# Company Profile



<b>Company Name</b>	<b>IBJ Leasing Company, Limited</b>
<b>Address</b>	<b>1-2-6 Toranomom, Minato-ku, Tokyo 105-0001</b>
<b>Representative</b>	<b>Hiroshi Motoyama, President and CEO</b>
<b>Establishment</b>	<b>December 1, 1969</b>
<b>Listing</b>	<b>Tokyo Stock Exchange, 1st Section (Code: 8425)</b>
<b>Capital Stock</b>	<b>17,874 million yen (Outstanding shares: 42,649,000)</b>
<b>Employees</b>	<b>1,140 (consolidated, as of September 30, 2018)</b>
<b>Business Sites</b>	<b>14 in Japan (Tokyo, Osaka, Nagoya, others) 6 overseas (5 in Asia, 1 in Europe)</b>

## **Key Group Companies:**

**IBJL-TOSHIBA Leasing Company, Limited, Dai-ichi Leasing Co., Ltd.,  
Universal Leasing Co., Ltd., IBJ Auto Lease Company Limited,  
KL Lease & Estate Co., Ltd. (building leases),  
KL & Co., Ltd. (used property purchase / sales),  
IBJ Air Leasing Limited (aircraft operating leases)**