Consolidated Balance Sheet
IBJ Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2017

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Balance Sheet
IBJ Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
LIABILITIES and EQUITY			
Current Liabilities:			
Short-term Borrowings (Note 6)	¥ 805,696	¥ 875,615	$ 7,180,893
Current Portion of Long-term Debt (Notes 5 and 6)	155,509	152,390	1,386,006
Lease Payable	7,329	8,861	65,321
Accounts Payable - trade	53,400	52,961	475,943
Accrued Expenses	2,619	2,231	23,350
Income Taxes Payable	1,200	4,412	10,698
Deferred Profit on Installment Sales (Note 4)	268	364	2,395
Accruals for Debt Guarantees	68	36	607
Other	19,671	22,359	175,328
Total Current Liabilities	1,045,764	1,119,232	9,320,541
Long-term Liabilities:			
Long-term Debt (Notes 5 and 6)	531,232	437,578	4,734,692
Deposits Received	25,623	21,640	228,373
Liability for Employees' Retirement Benefits	2,533	2,823	22,579
Retirement Allowance for Directors and Audit & Supervisory Board members	-	27	-
Other	5,375	4,630	47,910
Total Long-term Liabilities	564,764	466,700	5,033,554
Contingent Liabilities (Note 7)			
Equity:			
Common Stock Authorized, 140,000,000 Shares Issued, 42,649,000 Shares as of March 31, 2017 and 2016	17,874	17,874	159,307
Capital Surplus	16,086	16,086	143,371
Retained Earnings	94,319	84,514	840,640
Treasury Stock - at cost 583 shares as of March 31, 2017 and 550 shares as of March 31, 2016	(1)	(0)	(9)
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	8,036	7,956	71,624
Deferred Gain (Loss) on Derivatives under Hedge Accounting	24	(174)	215
Foreign Currency Translation Adjustments	348	1,026	3,108
Defined Retirement Benefit Plans	(116)	(249)	(1,038)
Total	136,571	127,033	1,217,218
Non-controlling Interests	5,183	5,753	46,196
Total Equity	141,755	132,786	1,263,414
Total Liabilities and Equity	¥ 1,752,284	¥ 1,718,720	$ 15,617,509

See accompanying Notes to Consolidated Financial Statements.

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

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

	Yen		U.S. dollars (Note 1)
	2017	2016	2017
Amounts per Share of Common Stock (Note 9)			
Net Income attributable to Owners of the Parent per Share	¥ 291.08	¥ 272.20	$ 2.59

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income
IBJ Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2017

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
IBJ Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2017

	Thousands	Millions of yen			
	Number of shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
Balance as of April 1, 2015	*42,648*	¥ 17,874	¥ 16,086	¥ 75,379	¥ (0)
Net Income attributable to Owners of the Parent				11,609	
Cash Dividends Paid				(2,473)	
Purchase of Treasury Stock	*(0)*				(0)
Changes in Scope of Consolidation					
Net change during year					
Balance as of March 31, 2016	*42,648*	¥ 17,874	¥ 16,086	¥ 84,514	¥ (0)
Net Income attributable to Owners of the Parent				12,414	
Cash Dividends Paid				(2,558)	
Purchase of Treasury Stock	*(0)*				(0)
Changes in Scope of Consolidation				(50)	
Net change during year					
Balance as of March 31, 2017	*42,648*	¥ 17,874	¥ 16,086	¥ 94,319	¥ (1)

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

	Thousands of U.S. dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
Balance as of March 31, 2016	$ 159,307	$ 143,371	$ 753,252	$ (8)
Net Income attributable to Owners of the Parent			110,643	
Cash Dividends Paid			(22,807)	
Purchase of Treasury Stock				(1)
Changes in Scope of Consolidation			(448)	
Net change during year				
Balance as of March 31, 2017	$ 159,307	$ 143,371	$ 840,640	$ (9)

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

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Cash Flows
IBJ Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2017

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

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of IBJ Leasing Company, Limited (“IBJL”) and its consolidated subsidiaries (together with IBJL, “IBJL Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the company’s financial statements issued domestically in order to present them in a form of which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2016 consolidated financial statements to conform to the classifications used in 2017. Certain disclosures required in the notes to the financial statements by the Japanese Financial Instruments and Exchange Law are omitted in this Business Report (Kessan Tanshin).

The consolidated financial statements are stated in Japanese yen, the currency of the country in which IBJL is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.20 to US$1.00, the approximate rate of exchange at March 31, 2017. The translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate. The amounts indicated in millions of yen are rounded down by truncating the figures below one million. As a result, totals may not add up exactly.

2. Summary of Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of IBJL Group including IBJL-TOSHIBA Leasing Company, Limited, Dai-ichi Leasing Co., Ltd., IBJ Auto Lease Company, Limited, IBJ Leasing (China) Ltd. and PT.IBJ Verena Finance.

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

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

Astro Leasing International Co., Ltd. and 103 other subsidiaries are neither consolidated nor accounted for under the equity method, as they are acting as operators under Tokumei Kumiai agreements and the leased assets and liabilities do not substantially belong to the subsidiaries. Achilles Line Shipping S.A. and 29 other subsidiaries are also not consolidated or accounted for under the equity method, as they are immaterial. I-N Information Systems, Ltd. and 2 other associated companies are not accounted for under the equity method, as they are immaterial.

Upon consolidation, significant intercompany accounts and transactions have been eliminated. In addition, all significant unrealized profit included in assets resulting from transactions within IBJL Group has also been eliminated.

The accounting standard for consolidated financial statements requires a company to consolidate all subsidiaries where the company controls the operations, irrespective of whether or not the company owns a majority of their shares. Control is considered to exist where the company has (a) the power to appoint or remove the majority of the Board of Directors or an equivalent governing body, and/or (b) the power to cast the majority of the votes at a meeting of the Board of Directors or an equivalent governing body.

Goodwill represents 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. The differences between the costs and underlying net equity of investments in consolidated subsidiaries and associated companies at acquisition are recorded as Goodwill and are 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 (the “ASBJ”) permits companies to avoid consolidation of certain Special Purpose Entities (“SPEs”) that were established and are being operated for the purpose of securitization of receivables.

IBJL securitizes its lease receivables to diversify its funding sources and ensure stable funding. In the securitization structures, IBJL uses SPEs that include *Tokurei Yugen Kaisha* and *Kabushiki Kaisha*. IBJL transfers the lease receivables to the SPEs in the securitization structures. The SPEs procure funds, such as borrowings, backed by the transferred assets and these funds flow back to IBJL as sales proceeds of the transferred assets. IBJL also provides collection services to the SPEs. A portion of the receivables is not transferred and is held by IBJL. These receivables held by IBJL are properly evaluated at the end of the fiscal year, and these are appropriately reflected in the consolidated financial statements.

As a result of securitizations, IBJL had 20 and 19 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2017 and 2016, respectively. Total assets (simply compiled amount) of such SPEs as of March 31, 2017 and 2016 were ¥160,191 million ($1,427,728 thousand) and ¥164,381 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2017 and 2016 were ¥160,806 million ($1,433,213 thousand) and ¥165,080 million, respectively. IBJL owns no voting rights in most of the SPEs while some employees of IBJL serve as directors.

The total amount of Lease Receivables and Investments in Lease transferred from IBJL to such SPEs in 2017 and 2016 was ¥18,257 million ($162,727 thousand) and ¥17,212 million, respectively, with no gain/loss on the transfer of such receivables. IBJL holds subordinated interests of such transferred receivables of ¥4,615 million ($41,140 thousand) and nil in 2017 and 2016, respectively. IBJL recognized profit dividends of ¥46 million ($416 thousand) and ¥41 million, respectively, for the years ended March 31, 2017 and 2016, and servicing fees received of ¥1 million ($16 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2017 and 2016. These amounts do not include transactions with SPEs that do not meet the criteria for off-balance-sheet transactions, because IBJL treats these asset transfer transactions to the SPEs as financial transactions.

(b) Business Combinations

Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

(c) Cash Equivalents

Cash Equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash Equivalents include time deposits, certificates of deposit, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

(d) Lease Accounting

In March 2007, the ASBJ issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions”, which revised the previous accounting standard for lease transactions. As a lessor, all finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as Lease Receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee are recognized as Investments in Lease. All other leases are accounted for as operating leases.

As a lessee, all finance leases that are deemed to transfer ownership of the leased property to the lessee are capitalized.

(e) Installment Sales

For installment sales contracts, Installment Sales Receivables are recognized for the principal equivalent portion of the total contract amounts when properties are delivered. Interest equivalent amounts are recognized as Installment Sales when the related installment receivables become due.

For sales-type contracts, Installment Sales and the corresponding Installment Cost of Sales are fully recognized when the property is sold. Interest equivalent amounts applicable to the portion to be collected are deferred and recorded as Deferred Profit on Installment Sales.

(f) Marketable Securities, Operational Investment Securities and Investment Securities

Marketable Securities, Operational Investment Securities and Investment Securities are classified as Available-for-sale Securities based upon management's intent. Available-for-sale Securities, which have a readily determinable fair value, are stated at fair value with changes in net unrealized gain or loss, net of applicable income taxes, included directly in Equity (cost of securities sold is calculated by the moving average method). Available-for-sale Securities, which do not have readily determinable fair value, are stated at cost.

Operational Investment Securities is held for the purpose of generating operational financial income. The income from Operational Investment Securities is stated in Revenues in the Consolidated Statement of Income.

(g) Loans Receivables and Factoring Receivables

Loans to customers and receivables arising from factoring are included in Loans Receivables and Factoring Receivables, respectively. Income from these receivables is recognized as Revenues.

(h) Property and Equipment

1. Leased Assets

   Leased Property and Equipment are initially accounted for at their acquisition costs and depreciated over the lease term by the straight-line method to the residual value, which is an amount to be realized at the time when the lease contract is terminated.

2. Own-used Assets

   Own-used Assets of IBJL and its domestic consolidated subsidiaries are stated at cost and depreciated over the following estimated useful lives mainly by the declining-balance method:

Buildings	3-65 years
Fixtures and furniture	2-20 years

(i) Long-lived Assets

IBJL Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(j) Intangible Assets

1. Leased Assets
   Intangible Leased Assets are accounted for in the same way as Leased Property and Equipment.
2. Own-used Software
   Own-used Software is amortized over the internally estimated useful lives (5years) by the straight-line method.
3. Other Intangible Assets
   Other Intangible Assets are stated at cost. Amortization of intangible assets by IBJL and its domestic consolidated subsidiaries is mainly computed by the straight-line method over the estimated useful lives.

(k) Bond Issue Costs

Costs for bond issuance are expensed upon payment.

(l) Allowance for Doubtful Receivables

Allowance for Doubtful Receivables is provided based on the estimated historical default rate for general trade receivables, and is based on individual reviews for receivables from doubtful and legally bankrupt creditors.

The amounts of Long-term Receivables considered uncollectible, which include receivables from legally bankrupt creditors, were directly written-off. The amounts directly written-off were ¥8,501 million ($75,772 thousand) and ¥8,476 million at March 31, 2017 and 2016, respectively.

(m) Reserve for Bonus Payments

IBJL and certain domestic consolidated subsidiaries provide a reserve for future bonus payments to employees. This reserve is maintained at the estimated amount payable after the year-end, based on the services provided during the fiscal year.

(n) Reserve for Bonus Payments to Directors

IBJL and certain domestic consolidated subsidiaries provide a reserve for future bonus payments to executive officers. This reserve is maintained at the estimated amount payable for the fiscal year.

(o) Retirement and Pension Plans

IBJL and certain consolidated subsidiaries have a corporate pension plan and/or lump-sum severance payment plan as a defined benefit type of a retirement benefits plan as well as a corporate pension plan as a defined contribution type of a retirement benefits plan. There are some cases in which extra retirement benefits are paid to employees when they retire.

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

(p) Asset Retirement Obligations

An asset retirement obligation is recorded for a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

(q) Accruals for Debt Guarantees

IBJL and certain domestic consolidated subsidiaries provide Accruals for Debt Guarantees for losses that might occur in relation to guarantees of the indebtedness of others, taking the debtors' financial condition into consideration.

(r) Income Taxes

IBJL and its domestic consolidated subsidiaries are subject to corporate tax, inhabitants' taxes and enterprise taxes. Deferred income taxes are recorded by the asset and liability method based on the differences between the tax bases of assets and liabilities and those as reported in the consolidated financial statements, using enacted tax rates that will be in effect when the differences are expected to reverse.

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

(s) Recognition of Revenues and Cost of Sales

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

(t) Translation of Foreign Currency Assets and Liabilities

1. Translation of foreign currency transactions

   All monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gain and loss from translation are recognized in the Consolidated Statement of Income as income or expenses.

   Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into Japanese yen at the rates effective at the respective transaction dates.

2. Translation of foreign currency financial statements

   The assets, liabilities, revenues and expenses of overseas consolidated subsidiaries are translated into Japanese yen at the exchange rates at the balance sheet dates of each subsidiary. Differences arising from such translation are shown in either Non-controlling Interests or Foreign Currency Translation Adjustments under Accumulated Other Comprehensive Income in a separate component of Equity.

(u) Derivatives and Hedging Activities

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

Interest rate and currency swaps are utilized to manage interest rate risks as well as foreign currency risks. IBJL Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the Consolidated Statement of Income and b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

(v) Consumption Taxes

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

(w) Per Share Information

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

(x) Accounting Changes and Error Corrections

Under ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections," accounting treatments are required as follows: (1) Changes in Accounting Policies - When a new accounting policy is applied following revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation - When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates - A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors - When an error in prior-period financial statements is discovered, those statements are restated.

3. Changes in accounting policies

Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016

Effective the fiscal year ended March 31, 2017, IBJL has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No.32, June 17, 2016), in accordance with the revision of the Corporation Tax Law of Japan. As a result, the depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of this change on the consolidated financial statement was immaterial.

4. Operating Assets

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

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

(*1) Leasing total consists of the aggregate of “Lease Receivables and Investments in Lease”, “Leased Assets” and “Intangible Leased Assets” on the Consolidated Balance Sheet at the year-end.

(*2) Installment Sales represent “Installment Sales Receivables” less “Deferred Profit on Installment Sales” on the Consolidated Balance Sheet at the year-end.

(2) The total amounts of new contracts entered into during the years ended March 31, 2017 and 2016 were as follows:

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

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

5. Pledged Assets

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

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

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

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

6. Short-term Borrowings and Long-term Debt

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

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

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

	(Millions of yen)		(Thousands of U.S. dollars)
	2017	2016	**2017**
Long-term Debt			
Bonds payable	**¥58,000**	¥40,000	**$516,934**
Long-term Debt from banks and other financial institutions	**455,312**	397,578	**4,058,047**
Payables under securitized lease receivables	**17,919**	-	**159,711**
Total	**¥531,232**	¥437,578	**$4,734,692**

7. Contingent Liabilities

"Contingent Liabilities" as of March 31, 2017 was as follows:

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

8. Segment Information

(1) Description of reportable segments

The reportable segments of IBJL Group are those for which separate financial information is available and regular evaluation by IBJL management is being performed in order to decide how resources are allocated among the IBJL Group.

IBJL Group provides total financial services to a wide range of customers from large companies to small and medium-sized companies. IBJL Group has four business segments based on its services: "Leasing", "Installment Sales", "Loans" and "Other".

The Leasing segment is engaged in leasing services (leasing and renting) for industrial machinery, transportation equipment and information-related equipment (including sales of subject properties upon expiration or cancellation of lease agreements). The Installment Sales segment is engaged in installment sales of production equipment, construction and engineering machinery, and commercial equipment. The Loans segment is engaged in corporate finance, vessel finance and factoring services. The Other segment is engaged in investing in securities that are held for the purpose of generating operational revenues, as well as engaged in assurance services.

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

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies".

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

(Millions of yen)

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

(Millions of yen)

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

(Thousands of U.S. dollars)

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

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

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

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

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

(*3) Reconciliations of “Depreciation and Amortization” and “Capital Expenditure” are related to corporate assets not allocated to the reportable segments.

(*4) Segment Profits are reconciled to Operating Income in the Consolidated Statement of Income.

(4) Information about Geographical Areas

Property and Equipment

(Millions of yen)

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

(Thousands of U.S. dollars)

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

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

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

(*3) Information by geographic segment of Sales 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	Installment sales	Loans	Other	Total	Adjustments	Consolidated
Impairment loss	**¥39**	**¥ -**	**¥ -**	**¥ -**	**¥39**	**¥ -**	**¥39**

(Thousands of U.S. dollars)

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

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

(6) Goodwill per reportable segment:

Not applicable

9. Per Share Information

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

	(Millions of yen)	(Thousands of shares)	(Yen)	(U.S. dollars)
For the year ended March 31, 2017:	Net income attributable to owners of the parent	Weighted average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥12,414**	**42,648**	**¥291.08**	**$2.59**
For the year ended March 31, 2016:				
Basic EPS				
Net income available to common shareholders	¥11,609	42,648	¥272.20	$2.42