

Consolidated Balance Sheet

IBJ Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
ASSETS			
Current Assets:			
Cash and Cash Equivalents	¥ 25,438	¥ 29,607	\$ 229,155
Marketable Securities	-	520	-
Lease Receivables and Investments in Lease (Notes 3 and 4)	930,318	823,384	8,380,489
Receivables (Notes 3 and 4):			
Notes and Accounts	1,015	363	9,144
Lease	3,336	4,289	30,057
Installment Sales	147,979	138,851	1,333,031
Loans	235,279	230,405	2,119,442
Factoring	233,106	125,538	2,099,870
Other	750	4,130	6,756
Total Receivables	621,467	503,577	5,598,300
Operational Investment Securities (Notes 3 and 4)	239,814	196,860	2,160,295
Prepaid Expenses and Other	51,121	50,760	460,515
Allowance for Doubtful Receivables	(1,555)	(2,265)	(14,010)
Total Current Assets	1,866,604	1,602,444	16,814,744
Property and Equipment:			
Leased Assets (Notes 3 and 4)	229,817	160,100	2,070,240
Advances for Purchases of Leased Assets	6,042	5,858	54,429
Other Operating Assets (Note 3)	6,311	3,888	56,853
Advances for Purchases of Other Operating Assets	-	1,873	-
Own-used Assets (Note 4)	3,360	2,992	30,276
Total Property and Equipment	245,531	174,714	2,211,798
Investments and Other Assets:			
Investment Securities (Note 4)	18,215	21,680	164,086
Investments in Unconsolidated Subsidiaries and Associated Companies	13,770	8,359	124,050
Long-term Receivables	3,432	2,440	30,918
Goodwill	528	133	4,759
Intangible Leased Assets (Note 3)	82	105	747
Deferred Tax Assets	2,338	2,006	21,063
Asset for Employees' Retirement Benefits	11	-	106
Other	11,573	9,567	104,252
Allowance for Doubtful Receivables	(215)	(171)	(1,945)
Total Investments and Other Assets	49,736	44,123	448,036
Total Assets	¥ 2,161,872	¥ 1,821,282	\$ 19,474,578

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IBJ Leasing Company, Limited and Consolidated Subsidiaries
As of March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
LIABILITIES and EQUITY			
Current Liabilities:			
Short-term Borrowings (Notes 4 and 5)	¥ 994,386	¥ 788,165	\$ 8,957,630
Current Portion of Long-term Debt (Notes 4 and 5)	197,959	202,054	1,783,258
Lease Payable	8,010	7,251	72,160
Accounts Payable - trade	56,040	54,383	504,828
Accrued Expenses	3,561	2,669	32,086
Income Taxes Payable	4,654	2,015	41,928
Deferred Profit on Installment Sales (Note 3)	2,091	258	18,840
Accruals for Debt Guarantees	31	27	284
Other	27,442	25,318	247,205
Total Current Liabilities	1,294,178	1,082,143	11,658,219
Long-term Liabilities:			
Long-term Debt (Notes 4 and 5)	642,411	546,020	5,786,973
Deposits Received	33,217	29,126	299,227
Liability for Employees' Retirement Benefits	2,461	2,410	22,172
Reserve for Management Board Benefit Trust	144	-	1,297
Other	7,299	6,947	65,758
Total Long-term Liabilities	685,534	584,505	6,175,427
Contingent Liabilities (Note 6)			
Equity (Note 8):			
Common Stock	26,088	17,874	235,006
Authorized, 140,000,000 Shares; Issued, 49,004,000 Shares as of March 31, 2019 and 42,649,000 Shares as of March 31, 2018			
Capital Surplus	23,941	16,070	215,670
Retained Earnings	118,219	105,148	1,064,942
Treasury Stock - at cost	(400)	(1)	(3,607)
147,127 shares as of March 31, 2019 and 583 shares as of March 31, 2018			
Accumulated Other Comprehensive Income:			
Unrealized Gain on Available-for-sale Securities	6,755	9,047	60,851
Deferred (Loss) Gain on Derivatives under Hedge Accounting	(502)	141	(4,528)
Foreign Currency Translation Adjustments	(577)	621	(5,198)
Defined Retirement Benefit Plans	109	48	987
Total	173,633	148,951	1,564,123
Non-controlling Interests	8,526	5,681	76,809
Total Equity	182,159	154,632	1,640,932
Total Liabilities and Equity	¥ 2,161,872	¥ 1,821,282	\$ 19,474,578

Consolidated Statement of Comprehensive Income

IBJ Leasing Company, Limited and Consolidated Subsidiaries

For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Net Income	¥ 17,205	¥ 14,169	\$ 154,989
Other Comprehensive (Loss) Income:			
Unrealized (Loss) Gain on Available-for-sale Securities	(2,295)	1,020	(20,675)
Deferred (Loss) Gain on Derivatives under Hedge Accounting	(647)	112	(5,833)
Foreign Currency Translation Adjustments	(1,223)	126	(11,024)
Defined Retirement Benefit Plans	64	169	583
Share of Other Comprehensive (Loss) Income in Associated Companies	(40)	97	(368)
Total Other Comprehensive (Loss) Income	(4,142)	1,525	(37,317)
Comprehensive Income	¥ 13,062	¥ 15,695	\$ 117,672
Total Comprehensive Income attributable to:			
Owners of the Parent	¥ 12,519	¥ 15,210	\$ 112,778
Non-controlling Interests	543	485	4,894

Consolidated Statement of Changes in Equity
 IBI Leasing Company, Limited and Consolidated Subsidiaries
 For the year ended March 31, 2019

	Thousands	Millions of yen			
	Number of shares of Common Stock Outstanding	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
Balance as of April 1, 2017	42,648	¥ 17,874	¥ 16,086	¥ 94,319	¥ (1)
Net Income attributable to Owners of the Parent				13,643	
Cash Dividends Paid				(2,814)	
Purchase of Treasury Stock					
Issuance of New Stock					
Change in Scope of Application of Equity Method					
Change in an Interest in Subsidiary by Sales Transaction					
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests			(15)		
Net change during year					
Balance as of March 31, 2018	42,648	¥ 17,874	¥ 16,070	¥ 105,148	¥ (1)
Net Income attributable to Owners of the Parent				16,594	
Cash Dividends Paid				(3,241)	
Purchase of Treasury Stock (Note 8)					(399)
Issuance of New Stock (Note 8)	6,208	8,213	8,213		
Change in Scope of Application of Equity Method				(282)	
Change in an Interest in Subsidiary by Sales Transaction			(59)		
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests			(283)		
Net change during year					
Balance as of March 31, 2019	48,856	¥ 26,088	¥ 23,941	¥ 118,219	¥ (400)

	Millions of yen						
	Accumulated Other Comprehensive Income				Total	Non-controlling Interests	Total Equity
	Unrealized Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
Balance as of April 1, 2017	¥ 8,036	¥ 24	¥ 348	¥ (116)	¥ 136,571	¥ 5,183	¥ 141,755
Net Income attributable to Owners of the Parent					13,643		13,643
Cash Dividends Paid					(2,814)		(2,814)
Purchase of Treasury Stock							
Issuance of New Stock							
Change in Scope of Application of Equity Method							
Change in an Interest in Subsidiary by Sales Transaction							
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests					(15)		(15)
Net change during year		1,011	117	273	164	497	2,064
Balance as of March 31, 2018	¥ 9,047	¥ 141	¥ 621	¥ 48	¥ 148,951	¥ 5,681	¥ 154,632
Net Income attributable to Owners of the Parent					16,594		16,594
Cash Dividends Paid					(3,241)		(3,241)
Purchase of Treasury Stock (Note 8)					(399)		(399)
Issuance of New Stock (Note 8)					16,427		16,427
Change in Scope of Application of Equity Method					(282)		(282)
Change in an Interest in Subsidiary by Sales Transaction					(59)		(59)
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests					(283)		(283)
Net change during year		(2,292)	(644)	(1,198)	61	2,845	(1,229)
Balance as of March 31, 2019	¥ 6,755	¥ (502)	¥ (577)	¥ 109	¥ 173,633	¥ 8,526	¥ 182,159

	Thousands of U.S. dollars (Note 1)			
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock
Balance as of March 31, 2018	\$ 161,014	\$ 144,764	\$ 947,199	\$ (9)
Net Income attributable to Owners of the Parent			149,484	
Cash Dividends Paid			(29,198)	
Purchase of Treasury Stock (Note 8)				(3,598)
Issuance of New Stock (Note 8)	73,992	73,992		
Change in Scope of Application of Equity Method			(2,543)	
Change in an Interest in Subsidiary by Sales Transaction		(535)		
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests		(2,551)		
Net change during year				
Balance as of March 31, 2019	\$ 235,006	\$ 215,670	\$ 1,064,942	\$ (3,607)

	Thousands of U.S. dollars (Note 1)						
	Accumulated Other Comprehensive Income				Total	Non-controlling Interests	Total Equity
	Unrealized Gain on Available-for-sale Securities	Deferred (Loss) Gain on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans			
Balance as of March 31, 2018	\$ 81,502	\$ 1,278	\$ 5,602	\$ 435	\$ 1,341,785	\$ 51,176	\$ 1,392,961
Net Income attributable to Owners of the Parent					149,484		149,484
Cash Dividends Paid					(29,198)		(29,198)
Purchase of Treasury Stock (Note 8)					(3,598)		(3,598)
Issuance of New Stock (Note 8)					147,984		147,984
Change in Scope of Application of Equity Method					(2,543)		(2,543)
Change in an Interest in Subsidiary by Sales Transaction					(535)		(535)
Change in an Interest in Subsidiary due to Transactions with Non-controlling Interests					(2,551)		(2,551)
Net change during year		(20,651)	(5,806)	(10,800)	552	25,633	(11,072)
Balance as of March 31, 2019	\$ 60,851	\$ (4,528)	\$ (5,198)	\$ 987	\$ 1,564,123	\$ 76,809	\$ 1,640,932

Consolidated Statement of Cash Flows

IBJ Leasing Company, Limited and Consolidated Subsidiaries
For the year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash Flows from Operating Activities:			
Income before Income Taxes	¥ 25,114	¥ 20,535	\$ 226,239
Adjustments for:			
Income Taxes Paid	(4,938)	(4,565)	(44,487)
Depreciation and Disposal of Fixed Assets	13,227	11,679	119,158
Equity in Earnings of Associated Companies	(332)	(124)	(2,994)
Profit from Investments	(1,512)	(445)	(13,626)
Loss on Impairment of Long-lived Assets	8	-	76
Decrease in Allowance for Doubtful Receivables	(1,022)	(1,037)	(9,208)
Increase (Decrease) in Accruals for Debt Guarantees	4	(40)	39
Gain on Sales of Marketable and Investment Securities	(908)	(586)	(8,180)
Loss on Devaluation of Marketable and Investment Securities	53	16	481
Change in assets and liabilities:			
Increase in Lease Receivables and Investments in Lease	(107,665)	(14,175)	(969,876)
Increase in Receivables	(105,120)	(14,931)	(946,947)
Increase in Operational Investment Securities	(43,330)	(24,366)	(390,331)
Decrease in Accounts Payable — trade	1,739	955	15,667
Gain on Step Acquisition	(42)	-	(384)
Purchases of Leased Assets	(120,504)	(92,767)	(1,085,525)
Proceeds from Sales of Leased Assets	38,874	57,834	350,186
Increase in Interest Payable	193	50	1,739
Other — net	10,461	7,773	94,235
Total Adjustments	(320,816)	(74,731)	(2,889,977)
Net Cash Used in by Operating Activities	(295,701)	(54,196)	(2,663,738)
Cash Flows from Investing Activities:			
Purchases of Own-used Assets	(3,368)	(1,637)	(30,340)
Purchases of Marketable and Investment Securities	(9,812)	(825)	(88,396)
Proceeds from Sales and Redemption of Marketable and Investment Securities	6,434	650	57,963
Purchase of Subsidiaries causing Changes in Scope of Consolidation	(711)	-	(6,408)
Other — net	(487)	(284)	(4,394)
Net Cash Used in Investing Activities	(7,945)	(2,096)	(71,575)
Cash Flows from Financing Activities:			
Net Increase in Short-term Borrowings	193,162	5,643	1,740,045
Proceeds from Long-term Debt	304,488	210,921	2,742,894
Repayments of Long-term Debt	(211,098)	(169,286)	(1,901,614)
Proceeds from Common Stock Issuance	16,427	-	147,984
Cash Dividends Paid	(3,241)	(2,814)	(29,198)
Other — net	(192)	(146)	(1,734)
Net Cash Provided by Financing Activities	299,546	44,317	2,698,377
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(68)	19	(619)
Net Increase in Cash and Cash Equivalents	(4,168)	(11,955)	(37,555)
Cash and Cash Equivalents at Beginning of Year	29,607	41,563	266,710
Cash and Cash Equivalents at End of Year	¥ 25,438	¥ 29,607	\$ 229,155

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 2018 consolidated financial statements to conform to the classifications used in 2019. 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 ¥111.01 to US\$1.00, the approximate rate of exchange at March 31, 2019. 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, KL Lease & Estate Co., Ltd., IBJ Leasing (China) Ltd., PT. VERENA MULTI FINANCE Tbk, PT. IBJ VERENA FINANCE, IBJ Air Leasing Limited and IBJ Air Leasing (US) Corp.

The number of consolidated subsidiaries as of March 31, 2019 and 2018 was 32 and 26, respectively. The consolidated financial statements for the year ended March 31, 2019 newly include the accounts of PT. VERENA MULTI FINANCE Tbk, Aircraft MSN 7316 LLC and Aircraft MSN 7791 LLC, of which IBJL acquired shares, as well as the accounts of IBJL Aircraft Lotus Co., Limited, IBJL Aircraft Rafflesia Co., Limited, Aircraft MSN 33212 LLC and IBJ Air Leasing (Ireland) 2 Limited as they were newly incorporated. The accounts of IBJ Air Funding (US) LLC were excluded from the consolidated financial statements, as it was liquidated during the year.

The number of associated companies accounted for under the equity method as of March 31, 2019 and 2018 was 3. Investments in associated companies consist of MG Leasing Corporation, Krung Thai IBJ Leasing Co., Ltd. and PNB-IBJL Leasing and Finance Corporation.

Kaikias Leasing Co., Ltd. and 106 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 28 other subsidiaries are also not consolidated or accounted for under the equity method, as they are immaterial. IBJ ROYAL LINE S.A. and 1 associated company 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 SPEs that were not consolidated under Guidance No. 15 as of March 31, 2019 and 2018. Total assets (simply compiled amount) of such SPEs as of March 31, 2019 and 2018 were ¥124,429 million (\$1,120,889 thousand) and ¥120,601 million, respectively. Total liabilities (simply compiled amount) of such SPEs as of March 31, 2019 and 2018 were ¥124,935 million (\$1,125,444 thousand) and ¥121,161 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 2019 and 2018 was ¥11,151 million (\$104,940 thousand) and ¥2,109 million, respectively, with no gain/loss on the transfer of such receivables. IBJL holds subordinated interests of such transferred receivables of ¥212 million (\$2,002 thousand) and ¥81 million in 2019 and 2018, respectively. IBJL recognized profit dividends of ¥173 million (\$1,633 thousand) and ¥153 million, respectively, for the years ended March 31, 2019 and 2018, and servicing fees received of ¥1 million (\$12 thousand) with respect to the transactions with such SPEs for both of the years ended March 31, 2019 and 2018. 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 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 (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) Stock Issue Costs and Bond Issue Costs

Costs for stock issuance and 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 ¥8,406 million (\$75,728 thousand) and ¥8,400 million at March 31, 2019 and 2018, 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) Reserve for Management Board Benefit Trust

Reserve for Management Board Benefit Trust is provided for the payment of IBJL's shares, etc. to executive officers based on the estimated amount of stock benefit obligations at the end of the fiscal year.

(q) 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.

(r) 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.

(s) 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.

(t) Recognition of Revenues and Cost of Sales

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

(u) 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.

(v) 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 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.

(w) Consumption Taxes

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

(x) 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.

(y) 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. Operating Assets

(1) Operating Assets as of March 31, 2019 and 2018 consisted of the following:

	(Millions of yen)		(Thousands of U.S. dollars)
	2019	2018	2019
Leasing and Installment Sales:			
Finance Lease	¥ 930,318	¥823,384	\$ 8,380,489
Operating Lease	229,900	160,206	2,070,987
Installment Sales (*1)	145,888	138,592	1,314,191
Leasing and Installment Sales total	1,306,106	1,122,183	11,765,667
Finance	708,950	556,933	6,386,363
Other	6,311	3,888	56,853
Total Operating Assets	¥ 2,021,368	¥1,683,005	\$ 18,208,883

(*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, 2019 and 2018 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2019	2018	2019
Leasing and Installment Sales:			
Finance Lease	¥ 374,218	¥283,525	\$ 3,371,038
Operating Lease	120,314	87,285	1,083,816
Installment Sales (*1)	54,885	59,671	494,417
Leasing and Installment Sales total	549,418	430,482	4,949,271
Finance	996,700	901,485	8,978,477
Other	2,698	3,941	24,305
Total	¥ 1,548,817	¥1,335,909	\$ 13,952,053

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

4. Pledged Assets

Assets pledged as collateral as of March 31, 2019 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2019	2019
Lease Receivables and Investments in Lease	¥13,835	\$124,637
Installment Sales Receivable	7,926	71,405
Loans Receivables	6,470	58,292
Operational Investment Securities	24,541	221,075
Leased Assets	15,580	140,352
Own-used Assets	100	909
Investment Securities	8	75
Total	¥68,464	\$616,745

Liabilities secured by the above assets as of March 31, 2019 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2019	2019
Short-term Borrowings	¥25,966	\$233,911
Current Portion of Long-term Debt	4,659	41,970
Long-term Debt	28,282	254,778
Total	¥58,908	\$530,659

5. Short-term Borrowings and Long-term Debt

(1) “Short-term Borrowings” as of March 31, 2019 and 2018 was as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2019	2018	2019
Short-term Borrowings			
Short-term Borrowings from banks and other financial institutions	¥302,209	¥270,743	\$2,722,364
Commercial Paper	609,800	453,800	5,493,199
Payables under securitized lease receivables	82,376	63,621	742,067
Total	¥994,386	¥788,165	\$8,957,630
Current Portion of Long-term Debt			
Bonds payable	¥20,777	¥20,000	\$187,166
Long-term Debt from banks and other financial institutions	177,182	182,054	1,596,092
Total	¥197,959	¥202,054	\$1,783,258

(2) “Long-term Debt” as of March 31, 2019 and 2018 was as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2019	2018	2019
Long-term Debt			
Bonds payable	¥85,000	¥38,000	\$765,697
Long-term Debt from banks and other financial institutions	524,173	466,824	4,721,859
Payables under securitized lease receivables	33,238	41,196	299,417
Total	¥642,411	¥546,020	\$5,786,973

6. Contingent Liabilities

Contingent Liabilities as of March 31, 2019 were as follows:

	(Millions of yen)	(Thousands of U.S. dollars)
	2019	2019
Guarantee Obligations with respect to operating activities	¥11,221	\$101,082
Other Guarantee Obligations	15,933	143,532
Total	¥27,154	\$244,614

7. Segment Information

(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.

(2) Methods of measurement for the amounts of sales, profit, 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, assets, liabilities and other items for the years ended March 31, 2019 and 2018 was as follows:

	(Millions of yen)					
	2019					
	Reportable segment			Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
Leasing and Installment Sales	Finance	Other				
Sales:						
Sales to external customers	¥366,095	¥16,724	¥2,073	¥384,893	¥ -	¥384,893
Intersegment sales and transfers	333	700	119	1,153	(1,153)	-
Total	366,429	17,424	2,193	386,047	(1,153)	384,893
Operating Expenses	348,382	7,837	1,532	357,753	4,227	361,980
Segment Profit	¥18,046	¥9,587	¥660	¥28,294	¥(5,380)	¥22,913
Segment Assets	¥1,320,729	¥842,165	¥11,940	¥2,174,835	¥(12,962)	¥2,161,872
Others						
Depreciation and Amortization	11,460	-	-	11,460	1,767	13,227
Capital Expenditure	120,504	-	-	120,504	3,368	123,872
	(Millions of yen)					
	2018					
	Reportable segment			Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
	Leasing and Installment Sales	Finance	Other			
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	¥3,659	¥1,821,282
Others						
Depreciation and Amortization	10,119	-	-	10,119	1,544	11,664
Capital Expenditure	92,767	-	-	92,767	1,637	94,404

(Thousands of U.S. dollars)						
2019						
Reportable segment						
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations (*1) (*2) (*3)	Consolidated (*4)
Sales:						
Sales to external customers	\$3,297,860	\$150,659	\$18,678	\$3,467,197	\$ -	\$3,467,197
Intersegment sales and transfers	3,006	6,308	1,079	10,393	(10,393)	-
Total	3,300,866	156,967	19,757	3,477,590	(10,393)	3,467,197
Operating Expenses	3,138,301	70,604	13,805	3,222,710	38,079	3,260,789
Segment Profit	\$162,565	\$86,363	\$5,952	\$254,880	\$(48,472)	\$206,408
Segment Assets	\$11,897,394	\$7,586,391	\$107,561	\$19,591,346	\$(116,768)	\$19,474,578
Others						
Depreciation and Amortization	103,234	-	-	103,234	15,920	119,154
Capital Expenditure	1,085,525	-	-	1,085,525	30,340	1,115,865

(*1) The details of Reconciliations to Segment Profit for the years ended March 31, 2019 and 2018 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2019	2018	2019
Elimination of intersegment transactions	¥(426)	¥(256)	\$(3,846)
Administrative expenses not allocated to the reportable segments	(4,953)	(4,462)	(44,626)
Total	¥(5,380)	¥(4,718)	\$(48,472)

(*2) The details of Reconciliations to Segment Assets as of March 31, 2019 and 2018 were as follows:

	(Millions of yen)		(Thousands of U.S. dollars)
	2019	2018	2019
Elimination of intersegment transactions	¥(49,664)	¥(29,865)	\$(447,390)
Corporate assets not allocated to the reportable segments	36,702	33,524	330,622
Total	¥(12,962)	¥3,659	\$(116,768)

(*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)				
2019				
Japan	Europe	North America / Latin America	Asia	Total
¥216,669	¥9,515	¥18,933	¥413	¥245,531

(Thousands of U.S. dollars)				
2019				
Japan	Europe	North America / Latin America	Asia	Total
\$1,951,801	\$85,716	\$170,556	\$3,725	\$2,211,798

(*1) Assets are classified by country or region based on the location of IJL 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, 2019 and 2018 is not presented as domestic sales exceeded 90% of all segments.

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

(Millions of yen)						
2019						
Reportable segment						
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations	Consolidated
Impairment loss	¥ -	¥ -	¥ -	¥ -	¥8	¥8

(Millions of yen)						
2019						
Reportable segment						
	Leasing and Installment Sales	Finance	Other	Total	Reconciliations	Consolidated
Impairment loss	\$ -	\$ -	\$ -	\$ -	\$76	\$76

Reportable segment information for the year ended March 31, 2018 is not presented as the amount of impairment loss is immaterial.

(6) Goodwill per reportable segment:

Not applicable

8. Note to Consolidated Statement of Changes in Equity

- (1) The increase of 6,355,000 issued shares in common stock is due to the issuance of new shares through the third-party allotment.
- (2) The increase of 146,544 shares of treasury stock is due to the acquisition of IBJL's shares by IBJL's board benefit trust of 146,500 shares and the purchase of shares less than one unit of 44 shares.

9. Per Share Information

Details of basic net income attributable to owners of the parent per share ("EPS") for the years ended March 31, 2019 and 2018 were as follows:

	<u>(Millions of yen)</u>	<u>(Thousands of shares)</u>	<u>(Yen)</u>	<u>(U.S. dollars)</u>
	Net income attributable to owners of the parent	Weighted-average shares	EPS	
<u>For the year ended March 31, 2019:</u>				
Basic EPS				
Net income available to common shareholders	¥16,594	42,697	¥388.64	\$3.50
<u>For the year ended March 31, 2018:</u>				
Basic EPS				
Net income available to common shareholders	¥13,643	42,648	¥319.91	\$2.88