

Overview

First-Half Results for FY2017

Nov 8, 2017



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.

Leasing and Installment Sales

- Information and Communications and Construction grew, but overall volume declined y-o-y partly owing to the selection and execution of projects in Real Estate.

Contract execution volume by equipment type

(¥bn)

	FY15 1H	FY16 1H	FY17 1H	Change	(%)
Industrial and factory	51.5	53.1	37.9	-15.2	(-29%)
Information and communications	35.8	35.9	42.3	+6.4	(+18%)
Transport	22.4	25.4	26.7	+1.3	(+5%)
Construction	17.2	14.3	23.0	+8.7	(+60%)
Medical	14.8	6.5	8.3	+1.8	(+27%)
Commerce and services	18.4	15.0	14.4	-0.6	(-4%)
Office equipment	5.4	5.1	4.8	-0.3	(-7%)
Other	46.7	72.9	48.3	-24.6	(-34%)
Real estate	34.8	60.8	25.2	-35.6	(-59%)
Total	212.2	228.2	205.5	-22.7	(-10%)

Financing

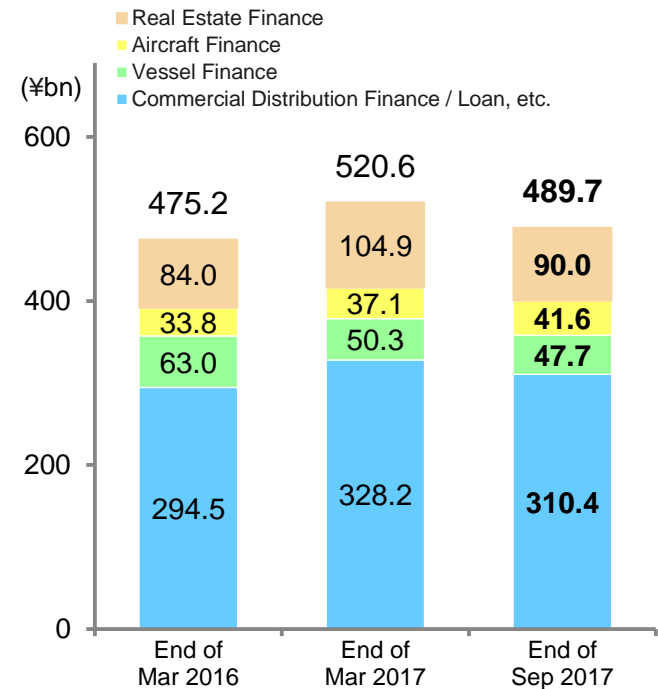
- ❑ Contract execution volume increased y-o-y.
 - In Commercial Distribution Finance / Loan, etc., volume increased due to contract conclusion in short-term factoring and commercial distribution support.
 - In Aircraft Finance, volume increased due to measures on aircraft-backed collateral loans.
 - In Real Estate Finance, volume decreased as a result of refined selection of projects.
- ❑ Operating assets decreased from the end of the previous fiscal year due to considerable redemptions during the period.

Contract execution volume

	FY15 1H	FY16 1H	FY17 1H	Change	(%)
Commercial Distribution Finance / Loan etc.	246.8	243.9	410.7	+166.8	(+68%)
Vessel Finance	6.5	5.1	4.8	-0.3	(-6%)
Aircraft Finance	12.1	4.8	7.8	+3.0	(+63%)
Real Estate Finance	14.0	53.6	12.7	-40.9	(-76%)
Total	279.4	307.4	436.1	+128.7	(+42%)

(¥bn)

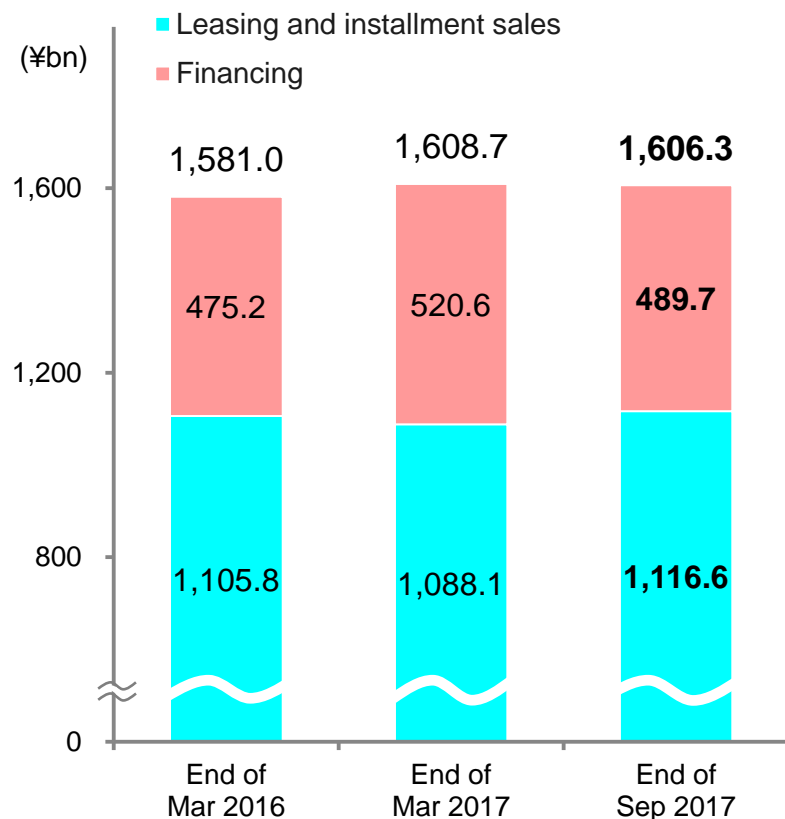
Operating assets



Operating Assets and Yield

- Operating assets at the end of period and gross profit margin before write-offs and funding costs remained steady y-o-y.

Operating assets



Yield

	FY16 1H	FY17 1H	Change
Gross profit margin before write-offs and funding costs	2.80%	2.76%	-0.04pt
Funding costs ratio	0.34%	0.42%	+0.08pt
Gross profit margin	2.47%	2.34%	-0.13pt
Operating assets (average balance, ¥bn)	1,553.7	1,607.5	+53.8

Notes) Each ratio is annualized.

Gross profit margin before write-offs and funding costs

= Gross profit before write-offs and funding costs / Average balance of operating assets

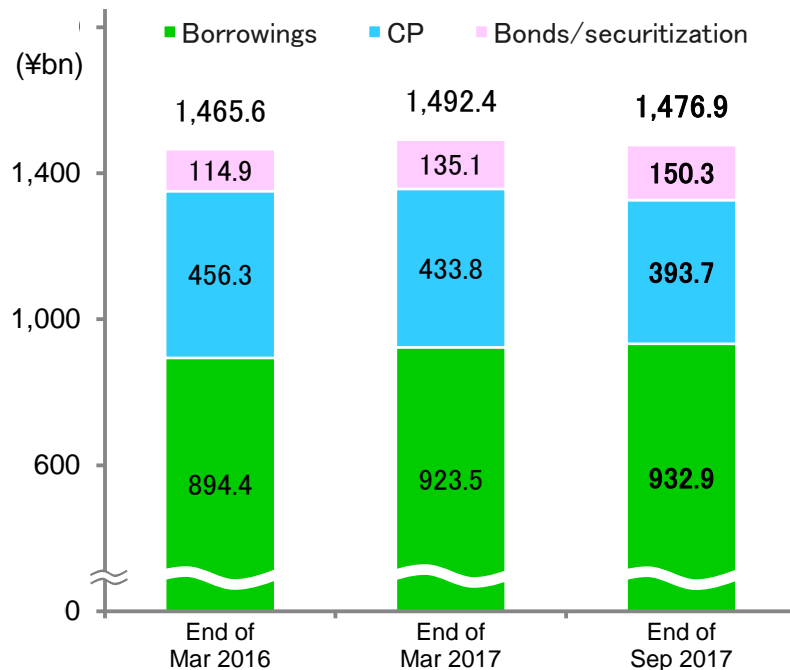
Funding costs ratio = Funding costs / Average balance of operating assets

Gross profit margin = Gross profit / Average balance of operating assets

Funding

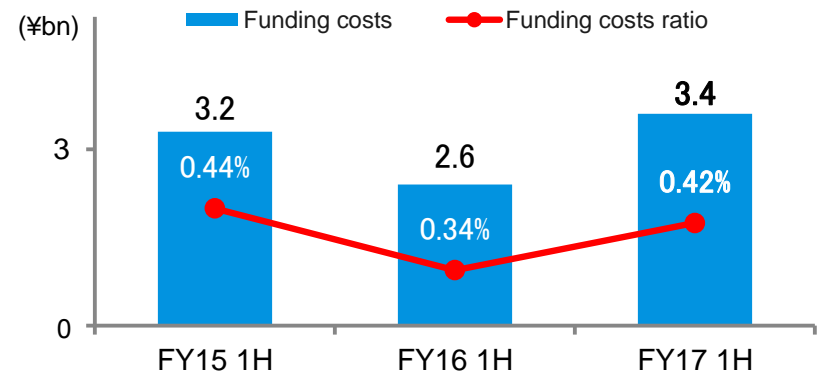
- Long-term funding was increased to improve financial stability, and the long-term ratio rose. Funding costs increased mainly due to more foreign currency borrowings.
- The CP issuance limit of IBJ Leasing was increased from ¥400.0 billion to ¥550.0 billion in order to enhance channels for flexible funding.

Interest-bearing debt



	End of Mar 2016	End of Mar 2017	End of Sep 2017
Long-term ratio	40%	46%	48%

Funding costs (%)



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

Net assets/ equity ratio

	End of Mar 2016	End of Mar 2017	End of Sep 2017
Net assets (¥bn)	132.8	141.8	148.4
Equity ratio	7.4%	7.8%	8.2%

- Gross profit before write-offs and funding costs increased y-o-y due to accumulation of superior projects.
 - Assets such as real estate and aircraft operating leases denominated in foreign currencies contributed.
- Due to an increase in funding costs and a decrease in gains on credit cost reversals, net income attributable to owners of the parent declined y-o-y, but progressed favorably against the full-year forecasts.

(¥bn)

Consolidated P/L	FY15 1H	FY16 1H	FY17 1H	Change	% Change	FY17 Forecast <% progress>	
Revenues	166.2	181.4	178.4	-3.0	-2%	<45%>	400.0
Gross profit before write-offs and funding costs	21.4	21.8	22.2	+0.4	+2%		—
(Funding costs)	(3.2)	(2.6)	(3.4)	(+0.8)	(+30%)		—
Gross profit	18.2	19.2	18.8	-0.4	-2%		—
(Credit costs)	(0.1)	(-1.2)	(-0.4)	(+0.8)	(-)		—
Operating income	8.3	10.6	9.5	-1.1	-11%	<52%>	18.3
Ordinary income	8.8	11.1	10.0	-1.1	-10%	<53%>	19.0
(Ordinary income before write-offs)	(8.9)	(10.0)	(9.6)	(-0.4)	(-3%)		—
Net income attributable to owners of the parent	5.9	7.5	6.7	-0.8	-11%	<52%>	13.0

Earnings Forecast and Dividends

- Profit at each level is performing favorably against full-year forecasts.
- Plan to raise annual dividend for the 16th straight year in FY2017; a ¥2 increase to ¥66/share

(¥bn)

	FY2016 (Results) (A)	FY2017 (Forecast) (B)		Change (B)-(A)	% Change (B)/(A)	
		1H results	% progress			
Revenues	429.4	400.0	178.4	45%	-29.4	-7%
Operating income	18.0	18.3	9.5	52%	+0.3	+2%
Ordinary income	18.8	19.0	10.0	53%	+0.2	+1%
Net income attributable to owners of the parent	12.4	13.0	6.7	52%	+0.6	+5%

Annual dividend	¥64	¥66	+¥2
Interim dividend	¥30	¥32	+¥2
Year-end dividend	¥34	(Plan) ¥34	±¥0

Dividend payout ratio	22.0%	21.7%
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Supplemental Material for Financial Results

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

● Focus area (1)

Summary

- **Steadily promote marketing strategies of each focus area in the Fifth Mid-term Management Plan**

Each focus area

Business domain	Marketing strategy	Topics
<p>Existing client base Large and mid-sized companies</p>	<ul style="list-style-type: none"> • In addition to the mainstay financing solutions, promote new business strategies to strengthen profitability <p>New business strategies</p> <ul style="list-style-type: none"> (1) Support clients' commercial distribution (2) Jointly promote service business with clients (3) Promote JVs with clients 	<ul style="list-style-type: none"> • Concluded first contract for a large project through involvement in client's commercial distribution of large size energy-related equipment sales
<p>Real estate</p>	<ul style="list-style-type: none"> • Continue focusing on retail space leasing through collaboration with major store developers and on bridge schemes • Tackle new domains such as healthcare, childcare facilities, hotels, and overseas real estate 	<ul style="list-style-type: none"> • Achieved first results for real estate leasing of childcare facilities and hotels • Took measures in the U.S. real estate market through collaboration with a leading partner

Balance at the end of Sep 2017
¥219.4 bn

● Focus area (2)

Business domain		Marketing strategy	Topics	
<div style="background-color: #4a90e2; color: white; padding: 20px; text-align: center;"> Medical and healthcare </div>		<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Concluded contract for a large automobile lease to support the business expansion of a major nursing care company Transactions targeted at local healthcare institutions are growing in China 	Execution volume in FY17 1H ¥15.8 bn
				<div style="background-color: #4a90e2; color: white; padding: 20px; text-align: center;"> Overseas subsidiaries </div>
Global	<div style="background-color: #add8e6; padding: 20px; text-align: center;"> Aircraft </div>	<ul style="list-style-type: none"> Promote collaboration in the aircraft JV Expand the scope to cover engines and parts — Consider business development in new domains by leveraging expertise 	<ul style="list-style-type: none"> Fully considering risk-return, the aircraft-related business has been growing steadily 	

*Valued using forex rates at the end of Sep 2017.

Business domain

Marketing strategy

Topics

Environment and energy

- Extensively capture demand associated with companies' investment in energy saving
 - Strengthen consulting functions
 - Expand coverage of the power-related business and capture demand
 - Power generation, transmission and distribution, energy supply
- **Commenced leasing of large-scale wind farm (see (1) below)**
 - **Launched advanced energy business in collaboration with major business operators (see (2) below)**

Execution volume in FY17 1H
¥49.7 bn

(1) Project for Eco Power Co., Ltd.

14 wind power generators for a total generation capacity of 28,000kW



(2) Launch of Japan's first microgrid system with a total of 117 homes

- Area where PanaHome's Smart City Shioashiya "Solar-Shima" is being developed
This microgrid system will power a total of 117 homes in Zone D4



■ Responsibilities of each project participant

Participant	Role
PanaHome	Design, development, housing construction, and overall planning of the smart city
ENERES	Energy management services
IBJ Leasing	Own and manage private power distribution lines
Public Enterprises Agency	Residential land development and regional cooperation

Company Profile

Company Name	IBJ Leasing Company, Limited
Address	1-2-6 Toranomom, Minato-ku, Tokyo 105-0001
Representative	Hiroshi Motoyama, President and CEO
Establishment	December 1, 1969
Listing	Tokyo Stock Exchange, 1st Section (Code: 8425)
Capital Stock	17,874 million yen (Outstanding shares: 42,649,000)
Employees	1,070 (Consolidated, as of September 30, 2017)
Business Sites	14 in Japan (Tokyo, Osaka, Nagoya, others) 6 overseas (5 in Asia, 1 in Europe)

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)**