

FUYO LEASE GROUP

Fuyo Lease Group Integrated Report

2019

Go Where No One Has Gone Before

We believe.

Leasing is not just about lending things.

It's about lending inspiration, intelligence and a sense of wonder.

We believe.

We embrace challenges, because they are the fountain of new business.

We believe.

Meeting expectations is our duty. Exceeding them is our profession.

We believe.

Succeeding is easy when times are good, but true partners are there even in the hard times.

We act.

To open up new business opportunities in this country, we will take the first bold step.

We will expand the frontier of leasing.

We are Fuyo Lease.

Our corporate slogan, "Go where no one has gone before," embodies the Fuyo Lease Group's mission of sincerely responding to customers' needs and providing them with solutions that exceed their expectations, as well as our commitment to pioneering new business frontiers.

Management Philosophy

We support corporate activities through our leasing business with view to contributing to development of the society.

We maintain customer's first philosophy, providing best services.

We aim to earn high marks from shareholders and markets while pursuing creativity and innovation.

We create a challenging and rewarding workplace where employees think and act on their own.

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Editorial Policy

Purpose of this Report

Since FY 2018, Fuyo Lease Group has integrated its CSR Report and Annual Report into an Integrated Report. This report is designed to provide information on our financial and non-financial activities in an integrated manner to help the readers assess the Group's value comprehensively. We also aim to showcase the foundation of all our activities for value creation which will help stakeholders better understand our future corporate values.

Reporting Period

Fiscal year 2018 (April 2018 - March 2019)

*The report also includes some information pertaining to fiscal 2019.

Scope of Reporting

Fuyo General Lease Co.,Ltd., its 49 consolidated subsidiaries and 6 affiliate companies

Reference Guidelines

International Integrated Reporting Framework Ver. 1.0 released by the International Integrated Reporting Council (IIRC)

Date of Issuance

October, 2019

Note on Forward-Looking Statements

This report contains forward-looking statements, such as future plans and strategies, that are based on currently available information. These expectations and projections are subject to a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. These uncertainties include, but are not limited to social and economic conditions, market demand and competition, laws and regulations, interest rates, and currency exchange rates.

We aim to achieve sustainable growth by creating both social and corporate value through new businesses that respond to the changes in society.

President & Chief Executive Officer
Yasunori Tsujita

Sustainable Growth through Frontier Expansion

Fuyo Lease Group's five-year Medium-term Management Plan, Frontier Expansion 2021, is now in its third year. For the first three years, including this fiscal year, which marks the halfway point of the Plan, we have been working to deliver results in our existing businesses, including lease and finance, and expanding our strategic areas as well as building a new business platform. We have been developing a framework that allows us to grow sustainably by incorporating the concept of zone management into business portfolio management and working proactively to create new business value by solving social issues. Building on the activities carried out to date, we will pursue significant growth in new business areas, which will enable us to further deploy our corporate slogan "Go where no one has gone before" towards FY 2021, the final fiscal year of the Plan.

Fiscal Year 2018 Review

During the FY 2018 Japan's economy maintained moderate growth, due to progress in streamlining and labor-savings through capital investments to address labor shortages, in addition to a recovery in consumer spending driven by improvements in employment and income. In the leasing industry, lease transactions in FY 2018 increased by 2.8% year-on-year to ¥5,012.9 billion (statistics provided by the Japan Leasing Association).

Based on this background, the Group continued to post record earnings in FY 2018, following the trend from FY 2017, with total revenue of ¥618.1 billion, up 4.7% year-on-year, and operating profit of ¥39.2 billion, up 11.3% year-on-year. This result was mainly due to the accumulation of assets in the Real Estate and Aircraft businesses together with the conversion of INVOICE Inc., a Business Process Outsourcing (BPO) service provider, into a consolidated subsidiary.



Together with growth in the Medium-term Management Plan's strategic areas, new developments have started to appear on the horizon in the third year.

Under the Medium-term Management Plan, Frontier Expansion 2021, based on the concept of zone management, we are operating our businesses while looking towards the future in order to select strategic areas on which to focus (see figure on the following page). Zone management entails segmenting our business operations into four zones that are managed in different ways. More specifically, following a comprehensive assessment of factors such as future business prospects, the Group's strengths, and business foundations, we have positioned the following six strategic areas of Real Estate, Medical/Social Welfare, Energy/Environment, Aircraft, Overseas, and New Domains as parts of the Transformation Zone (a zone in which to expand new businesses). These six areas continue to expand steadily as drivers of profit growth.

The most significant result achieved in the past year is that the BPO service began to take shape as a specific strategic area of New Domains. The BPO service is a service that processes some or all of business operations on behalf of other companies. Through outsourcing these operations, the client company can concentrate their business resources, including employees, on high value-added core activities in order to streamline their operations and improve their productivity.

With the aim of enhancing our BPO services, we converted INVOICE Inc. and NOC Outsourcing & Consulting Inc. into consolidated subsidiaries in October 2018 and August 2019, respectively. In addition to Accretive Co., Ltd., an early payment factoring services provider, both INVOICE Inc., an integrated billing service provider, and NOC Outsourcing & Consulting Inc., a back-office service provider with a wide range of operations, joined the Group. Consequently, we aim to establish a leading position in BPO services in the accounting and settlement fields. While Japanese companies face urgent challenges including labor shortages and responding to work-style reform, we are confident that the Group's BPO services can provide solutions to these challenges.

Energy/Environment is another strategic area where progress has been made over the past year. In the solar power business, two additional solar power plants started commercial operation in FY 2018, bringing the total number of solar power plants currently in operation to 32. These solar power plants generate a total of 140 MWdc of electricity, enough to power some 40,000 households. We also plan to operate a new power plant in Fukushima Prefecture in FY 2019, which will be the first solar power business in a “difficult-to-return zone” affected by the Great East Japan Earthquake.

We believe that disseminating renewable energy is our social mission. In September 2018, we became the first Japanese general leasing company to join RE100^{*1}. By participating in RE100, we set a goal of

switching 100% of the electricity consumed in the Group’s business activities to renewable energy.

As part of our efforts to spread renewable energy, we announced the Fuyo RE Action Support Program in June 2019, which is a new way to raise funds through green bonds^{*2} from investors who are interested in ESG investments. The raised funds can be used to fund companies and organizations that participate in the 100% Renewable Electricity Declaration RE Action, a new framework for the 100% renewable energy initiative, which small- and medium-sized enterprises can participate in. The significance of this program has been recognized by the Ministry of the Environment and it was selected as a model case for issuing green bonds. Through this program, we will financially support the spread of renewable energy across the country.

Our View on Creating Shared Value (CSV) to Promote Growth

It is important to proactively continue zone management for the Group’s sustainable growth. We will actively develop new business areas for the future in an Incubation Zone, which we will use to establish and secure high-performance businesses that can capture clients and markets.

The key to achieving this goal is the concept of CSV^{*3}. CSV is about being actively involved in solving social issues and at the same time aiming for business growth. Growth in the business areas of BPO services and Energy/Environment over the past year was achieved based on the idea of looking at social issues from a CSV perspective and providing solutions to the issues through businesses.

In order to externally show our willingness to play an active role in solving social issues, we signed the UN Global Compact^{*4} in January 2018. We believe that we can capture the growing blue ocean market if we can provide solutions that leverage our strengths for the social issues presented in the Sustainable Development Goals (SDGs)^{*5} and respond to the new requests of society.

In April 2019, we established the Creating Shared Value (CSV) Promotion Office and started carrying out activities that will enable these ideas to take root across the Group. I continuously deliver messages to employees myself on the concept of CSV, and how to put it into practice.

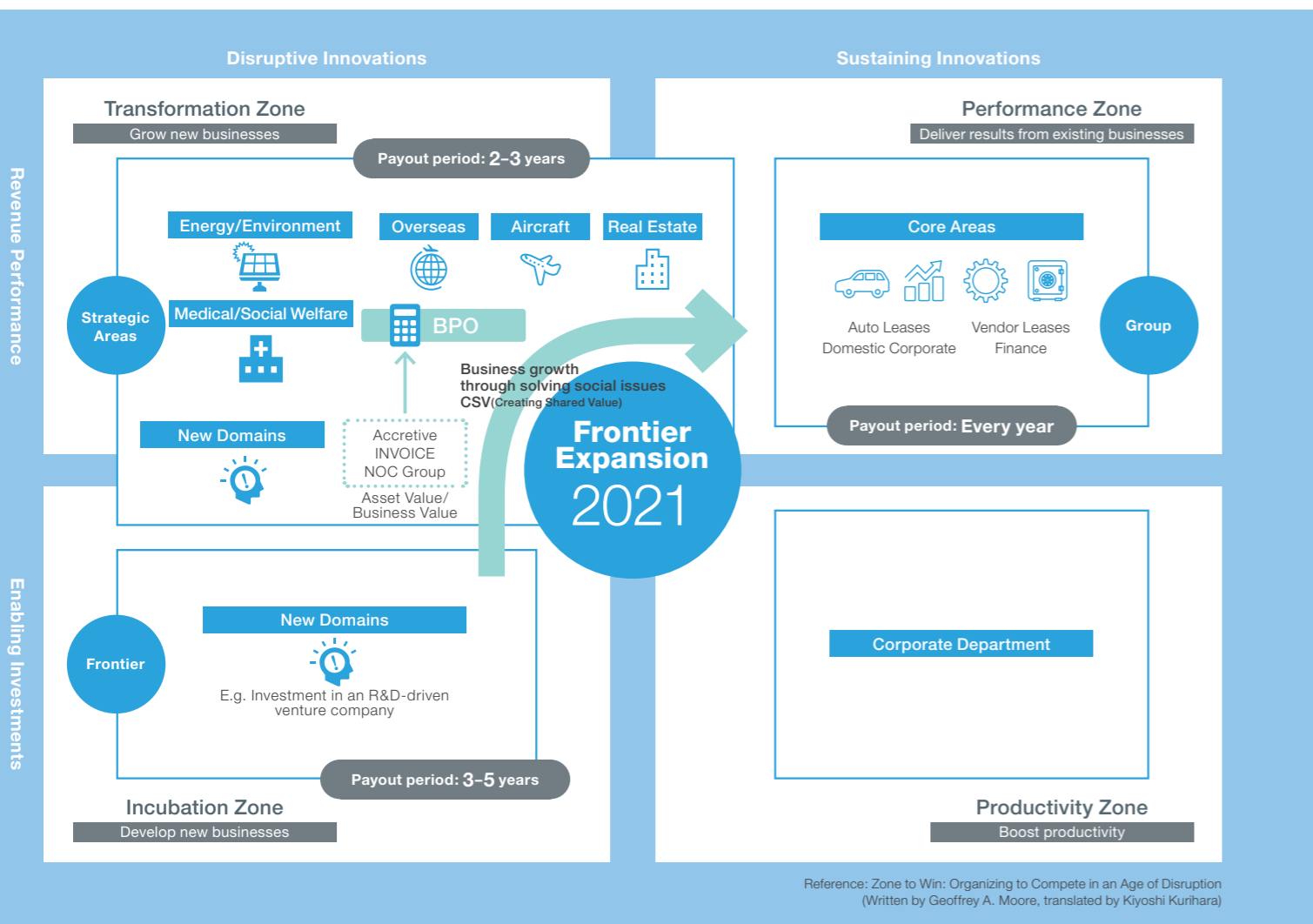
We believe the ideal way for the Group to grow its businesses is to create more profit opportunities for sustainable growth by continuing to provide solutions to multiple social issues with the concept of CSV in mind, like flowers that bloom and bear fruit throughout the four seasons.

Towards the Long-Term Distribution of Profits to Shareholders and Sustainable Growth

With performance and management indicators taken into account, we paid a cash dividend of ¥188 per share for the fiscal year ended March 2019, which is an increase of ¥42 year-on-year with a payout ratio of 22.1%. For the fiscal year ending March 2020, we forecast a cash dividend of ¥200 per share, an increase of ¥12, with a payout ratio of 23.2%. With the aim of promoting business strategies such as M&A and achieving further growth, we will work on returning profits to shareholders by continuing to pay stable dividends on a long-term basis while strengthening our management foundation and financial health by enhancing shareholders’ equity.

Typical of a non-manufacturing company, our people are important assets. We have introduced various systems that contribute to work-style reform in order to improve productivity and create a pleasant working environment, thus retain personnel. We have established a working group with the participation of employees to incorporate their views into the process of building various systems, resulting in the introduction of the staggered hours program. In FY 2018, about half of our employees used this program. It is crucial to secure diverse personnel in order to respond to the changing society. The Group focuses on in-house employee training to develop personnel with expertise and actively recruits from outside of the company.

We are committed to striving for continuous growth by expanding our business horizons in response to the changes in society, with a focus on leasing and financing. Under our corporate slogan, “Go where no one has gone before,” we will work to put the concept of CSV into practice and devote ourselves to becoming a company that continues to provide value to stakeholders.

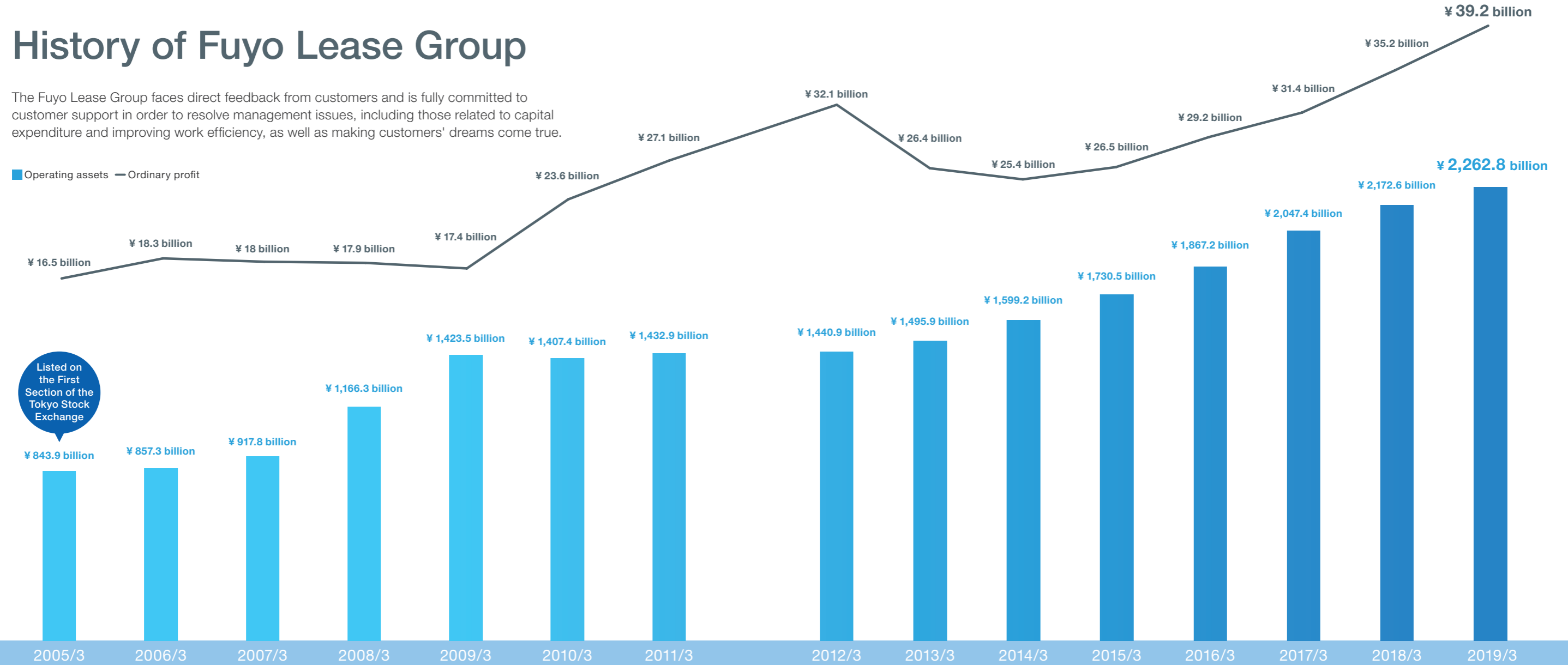


Reference: Zone to Win: Organizing to Compete in an Age of Disruption (Written by Geoffrey A. Moore, translated by Kiyoshi Kurihara)

^{*1} RE100: An international initiative aimed at sourcing 100% renewable energy for all business activities.
^{*2} Green bonds: Bonds issued by companies and organizations to fund projects that generate environmental benefits and preventing environmental pollution, including constructing and retrofitting businesses with renewable energy and energy-saving facilities. Due to the limited usage purposes of the raised funds, green bonds clearly illustrate the intent of funders.
^{*3} CSV: Creating Shared Value, a concept that aims to capture and balance both economic and social value.
^{*4} UN Global Compact: An international framework to achieve sustainable growth, comprising of 10 principles including approaches to environmental challenges and protecting human rights.
^{*5} SDGs (Sustainable Development Goals): Goals to achieve a sustainable world advocated by the UN. The agenda includes a set of 17 goals, 169 targets and a pledge to “Leave No One Behind.”

History of Fuyo Lease Group

The Fuyo Lease Group faces direct feedback from customers and is fully committed to customer support in order to resolve management issues, including those related to capital expenditure and improving work efficiency, as well as making customers' dreams come true.



1969 **Established Fuyo General Lease Co., Ltd.**
In May 1969, Fuyo General Lease Co., Ltd. was established with equity investments provided by six Fuyo Group companies, including Fuji Bank (currently Mizuho Bank, Ltd.) and Marubeni-Iida (currently Marubeni Corporation).

1978 **Launched aircraft leases**
In 1978, the Company participated in the first aircraft lease in Japan. Since then it has provided over 300 aircraft leases.

1987 **Established Fuyo Auto Lease Co., Ltd.**
In response to the expansion of the corporate car leasing market, the Auto Sales Division was separated from the Company to form Fuyo Auto Lease Co., Ltd.

1988 **Established Fuyo General Lease (USA) Inc.**
The Company set up its first overseas operation with expatriate staff in the US to capture the growing overseas leasing demand. Currently, the Company has 12 overseas bases, including those of group companies, in eight countries.

1996 **Established Fuyo Lease Sales Co., Ltd.**
Fuyo Lease Sales Co., Ltd. was established with the goal of providing enhanced handling of administrative work and processing of returned assets on behalf of customers when their leases expire.

2000 **Launched building leases**
The Company started to provide building leases in response to a growing demand for building leases from retail customers with multi-store operation.

2004 **Listed on the First Section of the Tokyo Stock Exchange**

2008 **Made Sharp Finance Co., Ltd. a consolidated subsidiary**
Sharp Finance Co., Ltd. offers a wide range of services to both corporate and individual customers. Sharp Finance is one of the leading players in the vendor leasing market.

2012 **Started commercial operation of solar power plants**
The Company launched a solar power generation business in response to increasing demand for renewable energy. As of the end of FY 2018, the Company supplied enough renewable energy to power approximately 40,000 households from its 32 power plants located throughout Japan.

2017 **Made Accretive Co., Ltd. a consolidated subsidiary**
Accretive Co., Ltd. became a consolidated subsidiary to expand the financing segment. Accretive provides convenient financial services including factoring services for businesses, medical institutions, and elderly nursing-care providers.

2018 **Made INVOICE Inc. a consolidated subsidiary**
INVOICE Inc. became a consolidated subsidiary. INVOICE offers business process outsourcing (BPO) services, such as integrated billing services, which help customers save labor and increase the efficiency of their operations.

2019 **Made NOC Outsourcing & Consulting Inc. a consolidated subsidiary**
To strengthen its BPO services, the Company acquired NOC Outsourcing & Consulting Inc. as a consolidated subsidiary. NOC Outsourcing & Consulting offers a wide range of outsourcing services and highly specialized business consultancy services. Combined with the Group's existing resources, NOC Outsourcing & Consulting provides high-quality BPO services and supports customers to increase productivity and transition to high value-added operations.

Overview of Fuyo Lease Group

FUYO LEASE GROUP

Fuyo General Lease Co., Ltd.

Domestic Group Companies

- Sharp Finance Co., Ltd.
- Fuyo Auto Lease Co., Ltd.
- Accretive Co., Ltd.
- Fuyo Network Service Co., Ltd.
- Fuyo Lease Sales Co., Ltd.
- FUJITA Co., Ltd.
- FGL Service Co., Ltd.
- Aqua Art Co., Ltd.
- INVOICE Inc.
- NOC Outsourcing & Consulting Inc.
- Yokogawa Rental & Lease Co., Ltd.
- Nihon Credit Lease Corporation

Overseas Group Companies

- Fuyo General Lease (USA) Inc.
- Fuyo General Lease (China) Co., Ltd.
- Fuyo General Lease (HK) Limited
- Fuyo General Lease (Asia) Pte. Ltd.
- FGL Aircraft Ireland Limited
- Aircraft Leasing and Management Limited
- TDF Group Inc.
- Pacific Rim Capital, Inc.

Overview of Fuyo General Lease Co., Ltd.

Company name	Fuyo General Lease Co., Ltd.
Headquarters	3-3-23, Kanda-Misaki-cho, Chiyoda-ku, Tokyo 101-8380, Japan
Established	May 1, 1969
Paid-in capital	¥10,532 million (Number of shares outstanding: 30,288,000 shares)
Shares listed on	First Section of the Tokyo Stock Exchange (ticker : 8424)
Number of employees	Consolidated : 1,960 / Non-consolidated : 704 (as of March 31, 2019)
Operation	Domestic : Head office sales department and 17 regional sales offices (non-consolidated) 16 domestic group companies and 11 overseas group companies
Line of business	<ul style="list-style-type: none"> ● Leasing and installment sales of IT equipment, office equipment, industrial machinery/machine tools, commercial/service equipment, medical devices, transportation equipment (ships, aircrafts, automobiles, etc.), civil engineering and construction machinery, etc. ● Commercial loans and other financial services ● Leasing of real estates ● Consultative services, etc.

Domestic Group Companies

Sharp Finance Co., Ltd.

As a good partner of sales companies, Sharp Finance offers financial services solutions, which include leasing items for sales promotions.

Fuyo Network Service Co., Ltd.

Fuyo Network Service sells ICT equipment and software, offers technical services, including kitting, making various settings, building, and erasing data as well as reselling second-hand PCs.

FGL Service Co., Ltd.

At the headquarters of Fuyo Lease, FGL Service handles the various administrative functions of the Fuyo Lease Group and the non-life insurance agency business.

NOC Outsourcing & Consulting Inc.

NOC Outsourcing & Consulting Inc. offers high-quality business process outsourcing (BPO) services to customers. The Company provides customers with support to increase their work efficiency and to reduce costs in human resources, accounting, administrative, back office, and IT operations.

Fuyo Auto Lease Co., Ltd.

Fuyo Auto Lease streamlines complicated operations relating to customers' vehicles and provides total support for rationalizing management.

Fuyo Lease Sales Co., Ltd.

Fuyo Lease Sales handles all of the clerical tasks for leased assets after their leases expire, as well as sales of used assets. It also buys and sells customer-owned used assets.

Aqua Art Co., Ltd.

Aqua Art operates a rental business for tropical fish tanks, which replicate the natural environment. Aquariums with tropical fish and aquatic plants are offered under a comprehensive maintenance system.

Yokogawa Rental & Lease Co., Ltd.

Yokogawa Rental & Lease, a joint venture with Yokogawa Electric Corporation, offers multi-vendor rental services for measuring instruments and IT equipment. Because it is one of the companies with the largest stock of equipment in the industry, it can respond quickly to the needs of customers.

Accretive Co., Ltd.

Accretive provides highly convenient financial services, focusing mainly on factoring business for medical and nursing-care receivables.

FUJITA Co., Ltd.

FUJITA specializes in replacing medical equipment in addition to buying and removing second-hand medical equipment. FUJITA also assists hospitals and clinics close medical practices.

INVOICE Inc.

INVOICE's offerings include business customers combined billing services that help reduce costs and improve productivity, and Internet services for residential buildings for individual customers.

Nihon Credit Lease Corporation

Nihon Credit Lease, a joint venture with Nichiigakkan Co., Ltd., leases nursing care equipment such as wheelchairs and electric beds.

Overseas Group Companies

Fuyo General Lease (USA) Inc.

Based in New York and Los Angeles, Fuyo General Lease (USA) Inc. provides financial services to customers located in the Americas.

Fuyo General Lease (Asia) Pte. Ltd.

Fuyo General Lease (Asia) Pte. Ltd. provides financial services to companies expanding into Southeast Asia.

TDF Group Inc.

Based in Canada, TDF Group Inc. engages in rental, leasing, and sales of pickup trucks in North America.

Fuyo General Lease (China) Co., Ltd.

Based in Shanghai, Fuyo General Lease (China) Co., Ltd. offers leases to companies expanding their businesses into China.

FGL Aircraft Ireland Limited

Based in Dublin, FGL Aircraft Ireland Limited offers aircraft leases to airlines in Europe and Asia.

Pacific Rim Capital, Inc.

Pacific Rim Capital, Inc. handles operating leases for material handling equipment in the US, Canada, Mexico, and Europe.

Fuyo General Lease (HK) Limited

Fuyo General Lease (HK) Limited provides financial services to companies expanding into East Asia except for Japan.

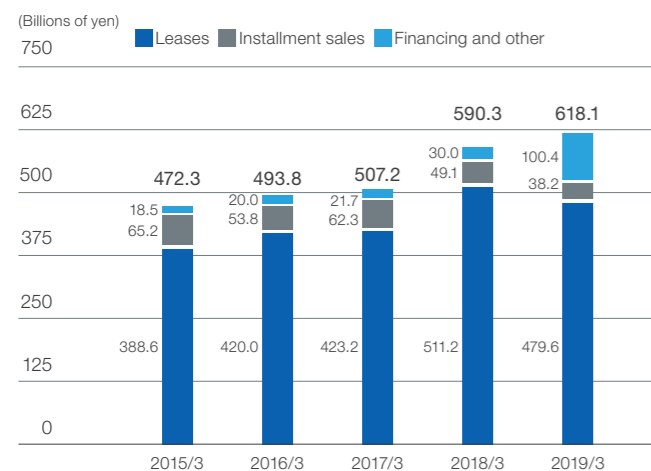
Aircraft Leasing and Management Limited

Aircraft Leasing and Management Limited provides comprehensive aircraft services including aircraft lease marketing, aircraft management, post-lease aircraft sales, and advisory services.

Financial Highlights

Total Revenue

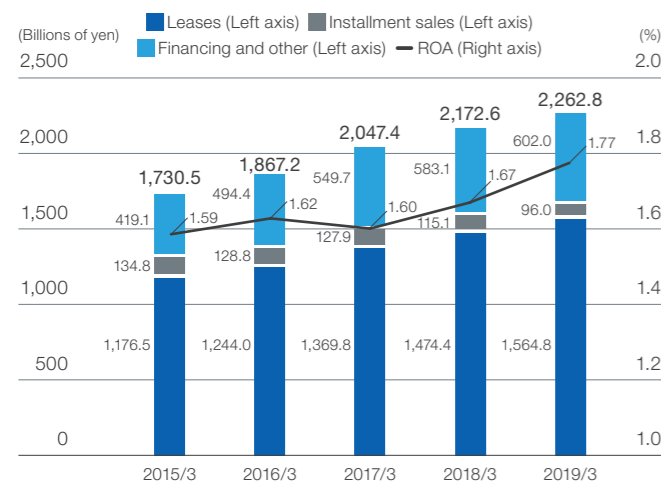
Total revenue **618.1 billion yen** (+4.7% year on year)



Total revenue increased by 4.7% year on year to 618.1 billion yen due to INVOICE Inc. becoming a consolidated subsidiary in October 2018 and contributing to the strengthening of the BPO business.

Operating Assets/ROA

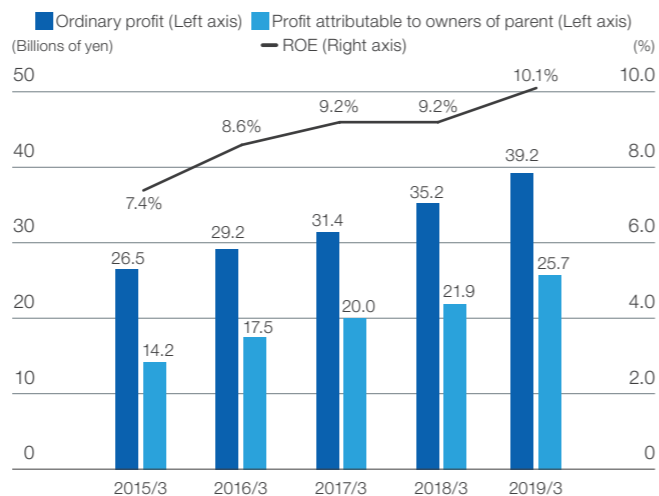
Operating assets **2,262.8 billion yen** (+4.2% from the end of previous FY)
 ROA **1.77%** (+0.10 points from the end of previous FY)



Operating assets rose by 4.2% from the end of the previous fiscal year to 2,262.8 billion yen while ROA increased by 0.1 points from the end of the previous fiscal year to 1.77%. This uptick was the result of an increase of assets in strategic areas, including real estate and aircraft operating leases as well as the operation of mega solar systems.

Ordinary Profit/Profit Attributable to Owners of Parent

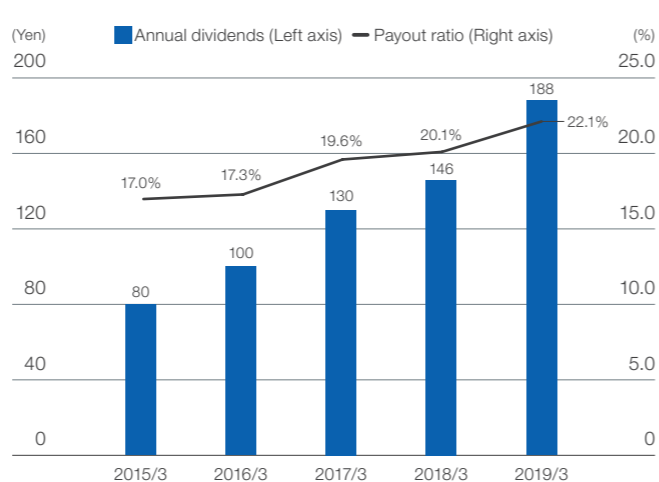
Ordinary profit **39.2 billion yen** (+11.3% year on year)
 Profit attributable to owners of parent **25.7 billion yen** (+17.1% year on year)



Both ordinary profit and profit attributable to owners of parent hit record highs for the second year in a row due to growing revenues from leases, including real estate leases, and the positive effects from the consolidation of INVOICE Inc.

Annual Dividends/Payout Ratio

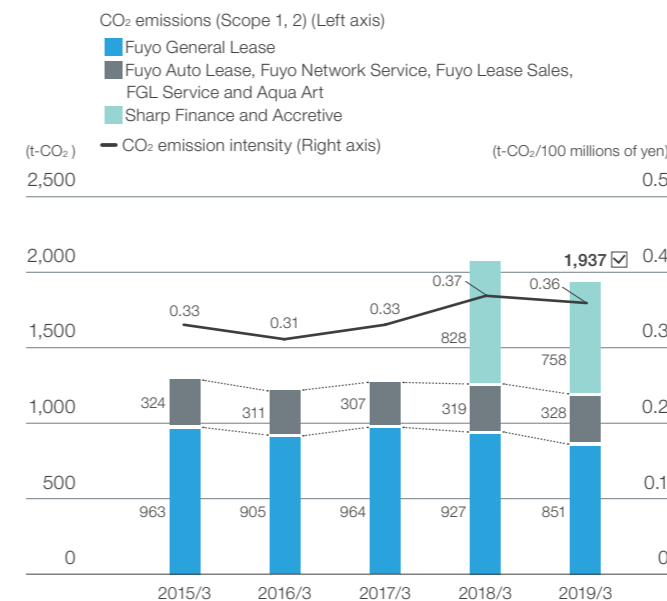
Annual dividends **188 yen**
 Payout ratio **22.1%**



Both the annual dividend and the payout ratio continue to rise steadily. It is our fundamental policy to distribute our profits to shareholders by continuing to pay stable dividends on a long-term basis.

Non-Financial Highlights

CO₂ Emissions (Scope 1, 2)/CO₂ Emission Intensity

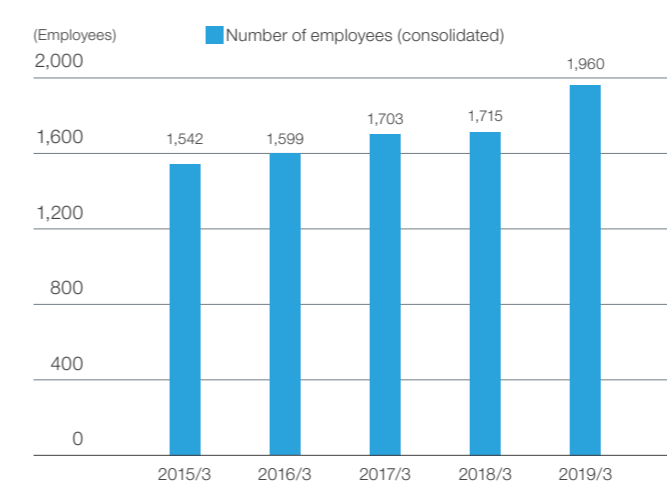


Both CO₂ emissions and CO₂ emission intensity rose as additional companies joined the Fuyo Lease Group during the fiscal year that ended on March 2018. During the fiscal year that ended on March 2019, the Group's implementation of energy efficiency initiatives led to reductions in both CO₂ emissions and CO₂ emission intensity.

* Sharp Finance and Accretive were added after the fiscal year ended March 2018.

Number of Employees (consolidated)

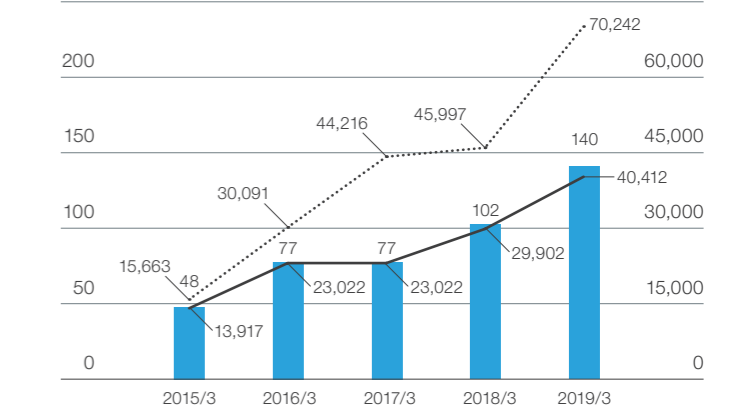
Number of employees (consolidated) **1,960 Employees**



The number of employees continues to increase as the Group expands. As we work to enhance the value of our corporate group, we focus on developing human resources with an emphasis on making our company a better workplace so that all of our employees can realize their full potential as they hone their professional skills.

Solar Power Generated (output)/Power Supplied/CO₂ Reduction (estimation)

Solar power generated (output) **140 MWdc**
 Power supplied Equivalent to approximately **40,000 households***
 CO₂ reduction (estimation) **70,242 t-CO₂**



The solar power generation business made steady progress. In FY 2018, two new solar power plants became operational, and the total output reached 140 MWdc.

* Calculated at 3,600 kWh per household.

Number of Female Managers (non-consolidated) (Percentage of female employees holding managerial positions)

36 employees (10.9%)

Employee Satisfaction Survey (consolidated)

Job satisfaction* **87.3%**

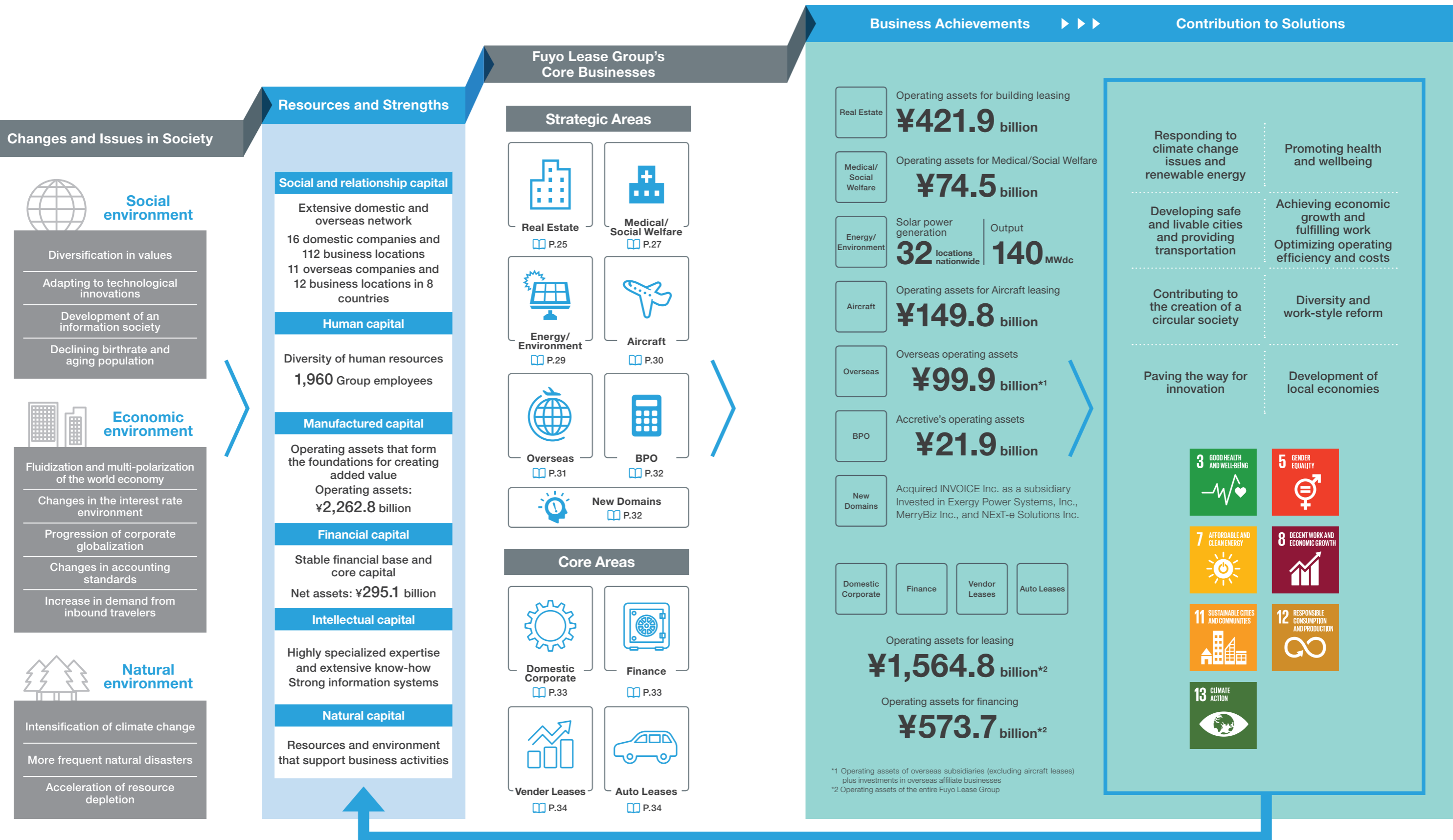
* Percentage of employees who rated at least one out of six job satisfaction questions as four or above (on a scale of one to five) in the Employee Awareness Survey.

Percentage of Outside Directors and Outside Corporate Auditors (non-consolidated)

38.5% (Five out of 13 directors and corporate auditors are outside directors and outside corporate auditors.)

Value Creation Story

The Fuyo Lease Group finds risks and opportunities from social changes and issues, and is motivated to solve the issues by providing various solutions. Drawing on our distinctive resources and strengths, our group's value creation story aims to go beyond our stakeholders' expectations by increasing our corporate value and creating sustainable value in the society.



Consolidated Management Goals	FY 2018 Actual (FY ended Mar. 2019)	FY 2019 Interim Target (FY ending Mar. 2020)	FY 2021 Target (FY ending Mar. 2022)
Operating assets	¥2,262.8 bn	¥2,300.0-2,400.0 bn	¥2,500.0 bn
Ordinary profit	¥39.2 bn	¥42.0 bn	¥50.0 bn
ROA (Ordinary profit on operating assets)	1.77%	1.7-1.8%	2.0%

Business Achievements

- Real Estate**: Operating assets for building leasing **¥421.9 billion**
- Medical/Social Welfare**: Operating assets for Medical/Social Welfare **¥74.5 billion**
- Energy/Environment**: Solar power generation **32** locations nationwide | Output **140** MWdc
- Aircraft**: Operating assets for Aircraft leasing **¥149.8 billion**
- Overseas**: Overseas operating assets **¥99.9 billion*1**
- BPO**: Accretive's operating assets **¥21.9 billion**
- New Domains**: Acquired INVOICE Inc. as a subsidiary. Invested in Exergy Power Systems, Inc., MerryBiz Inc., and NEXT-e Solutions Inc.

Domestic Corporate

Finance

Vendor Leases

Auto Leases

Operating assets for leasing **¥1,564.8 billion*2**

Operating assets for financing **¥573.7 billion*2**

*1 Operating assets of overseas subsidiaries (excluding aircraft leases) plus investments in overseas affiliate businesses
*2 Operating assets of the entire Fuyo Lease Group

Contribution to Solutions

Responding to climate change issues and renewable energy

Promoting health and wellbeing

Developing safe and livable cities and providing transportation

Achieving economic growth and fulfilling work
Optimizing operating efficiency and costs

Contributing to the creation of a circular society

Diversity and work-style reform

Paving the way for innovation

Development of local economies

3 GOOD HEALTH AND WELL-BEING

5 GENDER EQUALITY

7 AFFORDABLE AND CLEAN ENERGY

8 DECENT WORK AND ECONOMIC GROWTH

11 SUSTAINABLE CITIES AND COMMUNITIES

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

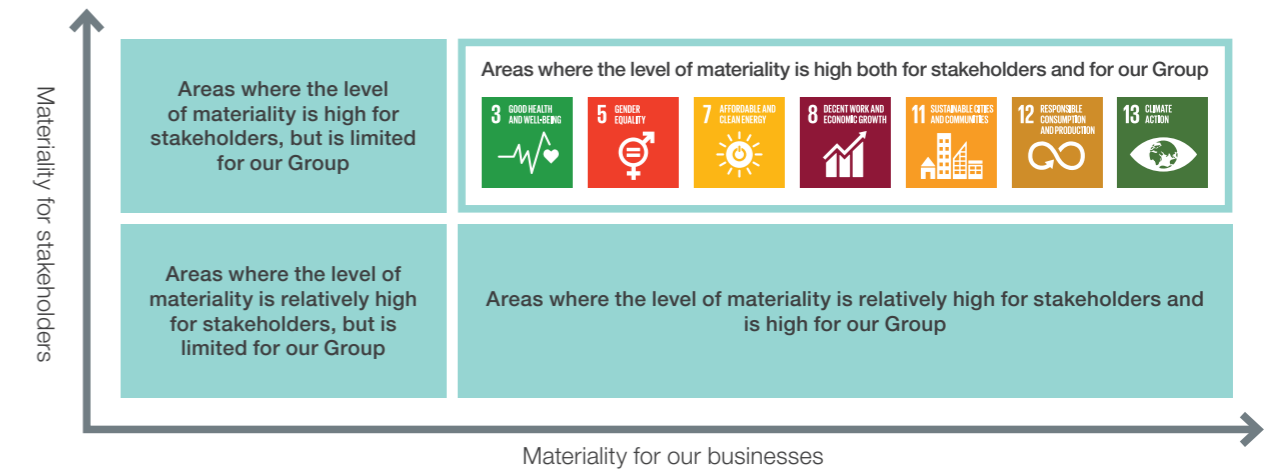
Materiality

In order to realize a sustainable society, the Fuyo Lease Group has identified issues to be solved through the Group's businesses as Material Issues (important issues to be addressed), taking into consideration their impacts on society and stakeholders with reference to the SDGs proposed by the United Nations. We will contribute to creating a prosperous and sustainable society by enhancing shared values between society and companies through our efforts along with identified Materiality.



Materiality for Fuyo Lease Group

Following the Materiality identification process shown to the left, we identified Goal 3, 5, 7, 8, 11, 12, and 13 as the most important strategic goals.



KPIs and Targets of Materiality (Creation of Shared Value through Business Activities)

Material Issues (Materiality)	Themes of Initiatives	KPIs			Contributing to society and the environment (outcome)	Relevant SDGs
		Results and plan (output)		Targets		
			FY 2018 Results	Targets		
Responding to climate change issues and renewable energy	Expand supply of renewable energy	Supplying clean energy through the solar power generation business	140MWdc	FY 2021 target: 200MWdc	Estimated CO ₂ reduction 70,242 t-CO ₂ [FY 2018]	
	Convert power consumed by the Fuyo Lease Group into renewable energy	Setting targets and promoting the use of renewable energy in business operations	Participated in RE100 Started reviewing utilization of renewable energy	2030 target: 50% 2050 target: 100%	Promoting the use of renewable energy through showcasing customer's experiences	7 AFFORDABLE AND CLEAN ENERGY
	Provide support for the wider use of renewable energy through the provision of financial services	Providing financial services to companies participating in "the 100% Renewable Electricity Declaration RE Action" Operating assets of the Energy/Environment businesses (excluding solar power generation business)	- ¥24.6 billion	FY 2019 target: Starting service provision for "the Fuyo RE Action Support Program"	Providing financial services to companies participating in the RE Action in support of their renewable energy initiatives Promoting renewable energy and energy saving	13 CLIMATE ACTION
	Promote cutting-edge renewable energy-related technologies	Offering support to renewable energy-related technology venture companies	Invested in Exergy Power Systems [June 2018] and NEXT-e Solutions [March 2019]	Offering support for selling and providing services for new technologies and products	Disseminating advanced renewable energy-related technologies *See Business Segments Overview (P.29)	
Promoting health and wellbeing	Expand access of medical, elderly nursing-care, and welfare services	Operating assets of Medical/Social Welfare businesses	¥74.5 billion	FY 2021 target: ¥80 billion	Improving both the quantity and quality of medical, elderly nursing-care, and welfare services	
	Support medical institutions with their management	Balance of factoring for medical and nursing-care receivables (balance of FPS Medical by Accretive)	¥10.4 billion	FY 2021 target: ¥25 billion	Helping medical institutions to achieve financial stability by meeting their funding needs	3 GOOD HEALTH AND WELL-BEING
	Promote cutting-edge healthcare technologies	Offering support to medical venture companies	Acquired FUJITA as a subsidiary	FY 2019 results: Invested in Japanese Organization for Medical Device Development	Disseminating advanced medical technologies *See Business Segments Overview (P.27)	
Developing safe and livable cities and providing transportation	Promote environmentally-friendly urban scape and residential space	Operating assets of real estate leases (Hotels, leisure and service facilities, commercial facilities, distribution facilities, etc.)	¥421.9 billion	FY 2021 target: ¥480 billion	Supplying environmentally-friendly assets	11 SUSTAINABLE CITIES AND COMMUNITIES
	Contribute to expanding the volume of safe, inexpensive, and fast transportation	Number of aircraft owned by the Group	35	FY 2021 target: 70	Transportation capacity: 8.8 million people*2 per year [FY 2018]	
Achieving economic growth and fulfilling work	Support corporate activities through leasing business, contribution to social development	Operating assets	¥2,262.8 billion	FY 2021 target: ¥2,500 billion	Providing right-to-use and/or possessory rights to customers through leases, and outsourcing of processes and procedures associated with ownership	8 DECENT WORK AND ECONOMIC GROWTH
	Improve management efficiency, overcome labor shortage, and address work-style reform	Expansion of BPO business	Acquired INVOICE as a subsidiary Collaborated with MerryBiz	FY 2019 results: Acquired NOC Outsourcing & Consulting as a subsidiary Building of the BPO promotion system	Assisting customers to improve productivity and to shift to high-value added business operations	
Contributing to the creation of a circular society	Promote 3Rs (reduce, reuse, and recycle) for leased assets after the end of their lease period	Reuse and recycle rate for returned PC	100%	FY 2019 target: 95% or more	Reducing waste and promoting a circular society	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	Reduce the impact on the environment through proper waste disposal	Proper disposal of industrial waste	Proper disposal of all waste	Same as column to the left	Reducing our environmental impact by ensuring proper disposal of waste	
Diversity and work-style reform	Improve work-style to pursue efficiency and productivity	Rate of taking annual paid leave (non-consolidated)	68.4%	FY 2021 target: 80%	Improving work-style to pursue efficiency and productivity	5 GENDER EQUALITY
	Promote work-life balance	Platinum Kurumin certification (non-consolidated)	Maintained Certification		Creating a work environment where employees can keep a good work-life balance and supporting the development of the next generation of workers	
	Empower women in workplaces and develop human resources with diverse strengths	Number of female managers (non-consolidated)	36	FY 2021 target: 40	Ensuring that female employees can realize their full potential in the workplace	8 DECENT WORK AND ECONOMIC GROWTH
	Improve job satisfaction	Rate of job satisfaction*1 (consolidated)	87.3%	Steady improvement	Increasing productivity and added value by enhancing job satisfaction	

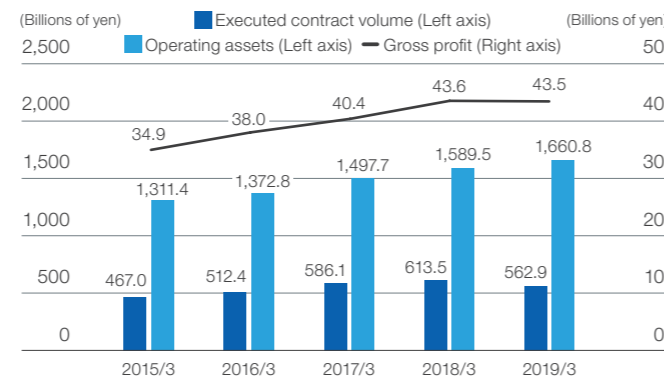
*1 Percentage of employees who rated 4 or above (on a scale of 1 to 5) for at least one job satisfaction question out of 6 in the Employee Satisfaction Survey
*2 Calculated independently from the breakdown of aircraft possessed and figures published by aircraft manufacturers, etc

Leasing and Installment Sales

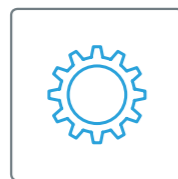
Developments in FY 2018

We offered a range of real estate leases for a variety of buildings including hotels and nursing homes for the elderly. Additionally, we developed new business partners for aircraft lease customers mainly in Asian markets and increased the number of aircraft we own.

We are steadily increasing profits by acquiring highly profitable operating assets.



Major Business Operations



→ More information: P.33

Finance Leases

We provide finance leases where we buy machinery or equipment the client needs and rent it to them for a relatively long-term at a fixed rate.



→ More information: P.33

Operating Leases

We provide operating leases where the asset is leased at a rate calculated on the basis of "the value of the asset minus the residual estimated value" at the end of the lease.

Installment Sales

An installment sale is an arrangement where we buy machinery or equipment on behalf of our clients who will pay us back in installments over an extended period of time. We offer installment sales when the client wants to acquire an asset that is not suitable for leasing due to tax reasons or simply when the client wants to own an asset.



→ More information: P.25

Real Estate Leases

A real estate lease is an arrangement where we lease a building we own that is located on our land to a customer through a fixed-term commercial leasehold contract. We have a number of buildings available for lease that can be used for a variety of purposes, including shopping centers, roadside shops, hotels, office buildings, distribution centers, and nursing homes for the elderly.



→ More information: P.30

Aircraft Leases

An aircraft lease is an aircraft leasing arrangement for airlines. Since participating in Japan's first "Samurai Lease" for British Airways in 1978, we have provided leasing arrangements for more than 300 aircraft.



→ More information: P.34

Vendor Leases

A vendor lease is a leasing arrangement where we provide support to the vendors of office, information, medical, and other equipment and machinery. By leveraging the know-how and experience that Sharp Finance has acquired over the years, we provide robust support for vendors' sales activities at over 50 sales locations throughout Japan.



→ More information: P.34

Auto Leases

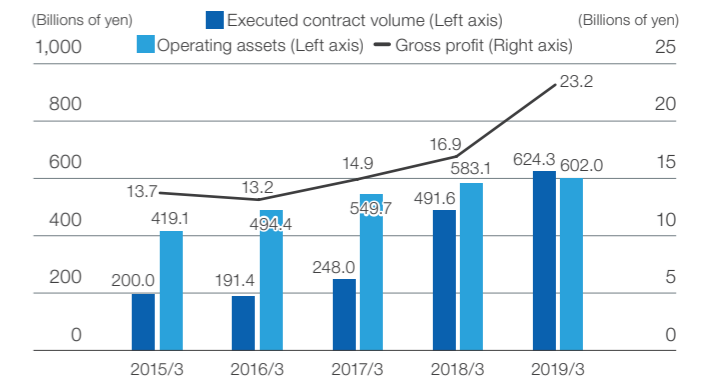
Fuyo Auto Lease provides total vehicle services that include vehicle procurement, tax returns and payments, insurance claims and payments, and vehicle maintenance and inspections.

Financing and Other

Developments in FY 2018

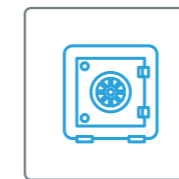
In the Financing business segment, both operating assets and profits increased as a result of our commitment to acquiring profitable assets. In the Other business segment, both sales and profits increased significantly due to the addition of INVOICE's non-asset business following its acquisition as a consolidated subsidiary.

Furthermore, two new solar power plants have commenced their commercial operations.



Major Business Operations

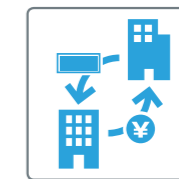
Financing



→ More information: P.33

Financing Programs

If a client is looking to invest in equipment or liquidate, acquire, or develop real estate, we offer financing programs, such as nonrecourse loans, to help fulfill their capital needs.



→ More information: P.27 and P.32

Factoring

Factoring is a service where we buy clients' receivable accounts to help them meet their immediate cash needs. Accretive offers Flexible Payment Service (FPS), a factoring service for accounts receivable, and FPS Medical, a factoring service for medical and nursing-care receivables.



→ More information: P.32

Business Process Outsourcing (BPO) Services

BPO service is a service that processes some or all of business operations on behalf of other companies by using specialized skills and know-how.

Fuyo Lease Group's BPO Services	
Bookkeeping and journalizing (Accretive)	Collection agency services (Sharp Finance)
Integrated billing services (INVOICE)	Accounting services (MerryBiz ¹)
Comprehensive outsourcing services (NOC Group)	

¹A Capital and business alliance partner

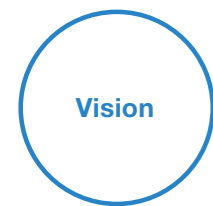


→ More information: P.29

Solar Power Generation Business

As of end FY 2018, we have 32 solar power plants that are in operation. Our total renewable energy output reached 140 MWdc, and we supply enough renewable energy to meet the power consumption demands of approximately 40,000 households.

Medium-Term Management Plan (FY2017-FY2021)

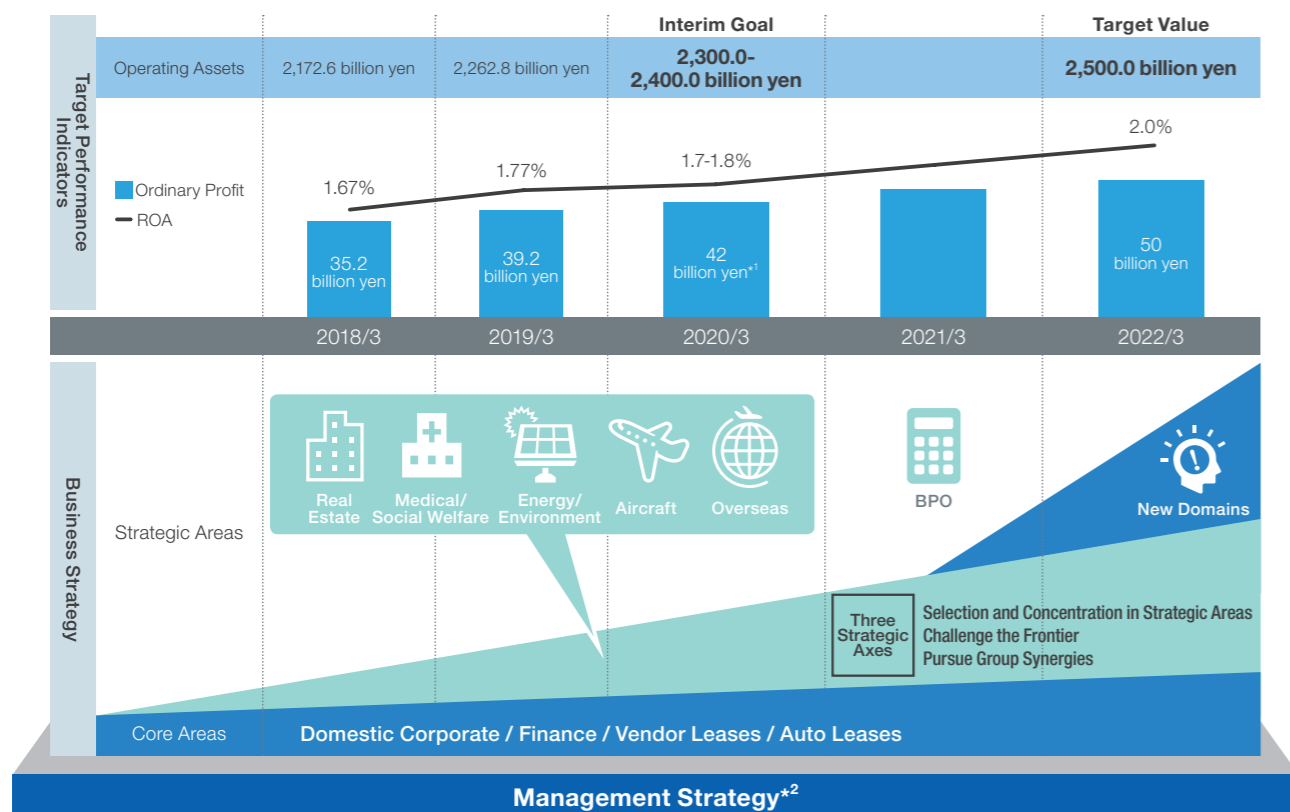


Frontier Expansion 2021: "Go where no one has gone before"

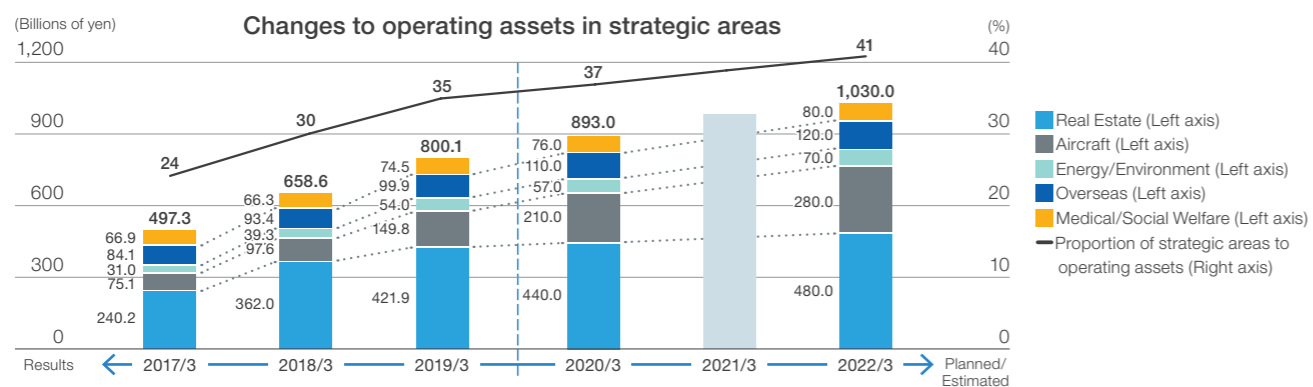
Aiming to be a corporate group that moves into uncharted business and continues to expand the frontier

Overview of Strategies and Goals

The Fuyo Lease Group aims to achieve strong sustainable growth amid the significantly changing business environment surrounding the domestic leasing business by fulfilling the corporate slogan of "Go where no one has gone before," and by untiring challenges of new business fields and business models in order to expand the frontier of our business portfolio. (Profit model shown below.)



*1 Earnings forecast in FY 2019 (ending March 31, 2020) (Initial target: ¥38 billion to ¥42 billion)
*2 Strategies to strengthen the management foundation which supports the execution of business strategies



Key Performance Indicators and Progress

We have set performance targets for operating assets, return on assets (ROA), and ordinary profit for the fiscal year ending March 31, 2022, the final year of the current five-year Medium-term Management Plan, in addition to the interim targets set for the fiscal year ending March 31, 2020, the Plan's third year. During the fiscal year ended March 2019, which was the

second year of the Plan, both sales and profits hit record highs for the second year in a row, due to an increase in operating assets in strategic areas, including real estate and aircraft assets, and the acquisition of INVOICE Inc. as a consolidated subsidiary. We will continue to move ahead with our business operations with the aim of achieving our set targets.

Selection and Concentration in Strategic Areas

Frontier Expansion 2021 is comprised of a business strategy centered on the business promotion side and of a management strategy centered on bolstering the management foundation that supports the business strategy.

Business Strategy After establishing six Strategic Areas and four Core Areas of focus, we have formulated individual strategies and policies in the focus Areas.

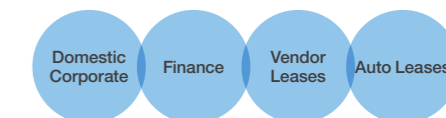
Strategic Areas

Areas positioned as growth drivers and designated for concentration of management resources



Core Areas

Areas designated for market (customer base) maintenance and expansion through efficient sales operations such as intra-Group collaboration



Management Strategy The following have been established as strategies to strengthen the management foundation that supports the execution of business strategies.

- ▶ Bolster ability to address new risks in conjunction with the frontier expansion
- ▶ Strengthen corporate functions and boost productivity
- ▶ Enhance the governance system in order to demonstrate Fuyo Lease Group's capabilities

Three Strategic Axes

Keeping our focus concentrated on the three Strategic Axes of our business and management strategies, we aim to achieve the targets set in Frontier Expansion 2021.

1 Selection and Concentration in Strategic Areas

Following a comprehensive evaluation of factors such as future business prospects as well as the Group's strengths and business foundation, we have set six areas as Strategic Areas that we can expect most promising growth.

2 Challenge the Frontier

One of our core efforts in terms of entering new businesses and expanding our business domain is to plant new business seeds, cultivate them, and have them bear fruit during the Medium-term Management Plan period. Through businesses focusing on asset value risk-taking, which is a unique area of expertise for us as a leasing company, as well as businesses relying on business value for further expansion of the frontier, we will advance our highly-competitive businesses that go beyond our conventional framework of relying on corporate risk, and build a foundation for improving profit-earning capabilities and achieving sustainable growth.

3 Pursue Group Synergies

Group companies will do more to utilize the capabilities of other group companies to solve customers' problems or apply their own capabilities on customers of other group companies to ensure effective and efficient sales. In particular, we will drastically boost our business performance by linking the capabilities and the customer bases of Fuyo Lease, which excels in business with large companies, with Sharp Finance, which is centered on the retail side, and Accretive, which links large companies with small- and medium-sized companies through its factoring platform.

Results in FY 2018

In our Real Estate operations, real estate leases, including hotel leases, and the acquisition of large buildings and residential buildings contributed to an increase in operating assets.

In our Energy/Environment operations, two new large-scale solar power plants became operational and the construction of the Group's largest solar power plant to date was started.

In our Aircraft operations, operating assets increased as we attracted new customers mainly in Asian markets and increased the number of aircraft in our fleet.

In our Overseas operations, we invested in a leasing company that is involved in operating leases of material handling equipment (MHE) in North America to strengthen our business foundation in the region. We also provided expatriate staff to the Singaporean subsidiary to enhance our sales network.

*3 Material handling equipment (MHE): equipment such as forklift trucks used at distribution centers.

Results in FY 2018

We acquired INVOICE Inc. as a consolidated subsidiary to improve our BPO services.

In our Energy/Environment operations, we entered into capital and business alliances with companies that have unique rechargeable battery technologies (Exergy Power Systems and NEXt-e Solutions). We are working with these companies in the field of rechargeable batteries for which strong demand is expected in the future.

Results in FY 2018

In our Medical/Social Welfare operations, the Healthcare Advisory Office, which was established in August 2018 and is currently known as the Healthcare Advisory Division, started to offer advisory services to medical corporations. The Division provides a wide range of services in partnership with other group companies, including factoring for medical receivables and buying and disposing of pre-owned medical equipment.

In our New Domains operations, the BPO Service Promotion Division was established in April 2019 to provide BPO services tailored to our customers' needs, such as integrated billing services, outsourced payment services, and bookkeeping and journalizing.

Long-Term Approach

We see Creating Shared Value (CSV) as one of our management decision criteria. By putting our corporate slogan of "Go where no one has gone before" into practice, we are

committed to contributing to the building of a sustainable society and increasing our corporate value, with the focus on the lease and financing business.

Special Feature 1

Contributing to a Sustainable Society by Promoting the Spread of Renewable Energy



Rising Awareness of Climate Change and the Role of Business

Today, the impacts of climate change, including extreme weather and rising sea levels, are becoming increasingly apparent and it is said that the impacts are expected to become more serious in the years to come. The Paris Agreement was adopted in 2015 with a goal to mitigate climate change, and all countries, whether developed or developing, are required to implement greenhouse gas reduction measures.

United Nations has positioned climate change as one of the Sustainable Development Goals (SDGs) and called for urgent action towards its mitigation.

Furthermore, businesses have become more aware of the fact that they need to consider ESG* factors in order to grow sustainably and that they are expected to play a greater role in combating climate change. In these circumstances, the Fuyo Lease Group relentlessly allocates its business resources to the “Energy/Environment,” which have been identified as one of the strategic areas in its Medium-term Management Plan, “Frontier Expansion 2021.” (For more information, please see “Foundation for Value Creation” on pages 37 and 38.)

*ESG stands for environment, social, and governance.

The Fuyo Lease Group Joins RE100, a Global Initiative to Promote Renewable Energy

We joined RE100 in 2018 as part of our commitment to tackling climate change. We were the first comprehensive leasing company in Japan to join this global corporate leadership initiative, which aims to source 100% renewable energy to power business activities.

To participate in RE100, we set a goal of transitioning 100% of the electricity used in our business activities to renewable energy by 2050. At the same time, we are committed to promoting

renewable energy through our business activities in the following three areas: renewable energy generation business, promotion of renewable energy-related infrastructure, and provision of support for investments in renewable energy-related technologies and their commercialization.



1 Renewable Energy Generation Business

The Group generates solar power as part of its efforts to promote the spread of renewable energy in the course of business activities. The Group currently operates solar power plants at 32 locations throughout Japan, supplying enough electricity to power approximately 40,000 households in local communities. In FY 2019, a new power plant will become operational in Fukushima Prefecture. The new plant is the first solar power generation project undertaken in an area designated as a “difficult-to-return zone” due to being affected by the Great East Japan Earthquake.



The Shichikashuku solar power plant in Miyagi Prefecture

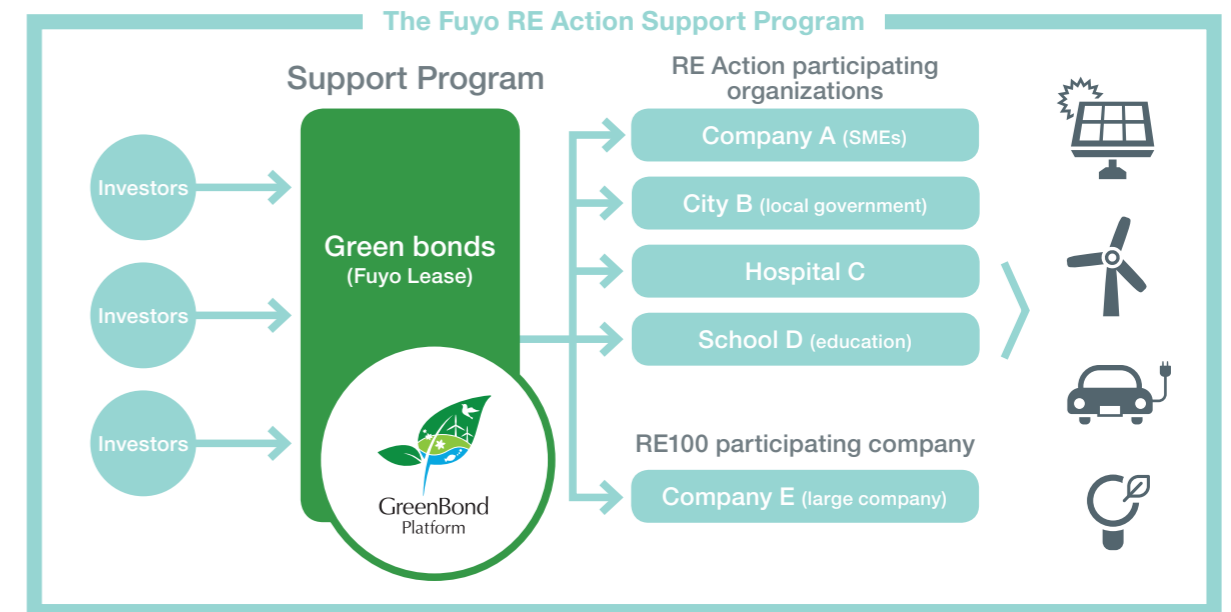
2 Promoting Renewable Energy-Related Infrastructure

Recently, more and more Japanese companies have been joining RE100. However, small- and medium-sized enterprises, administrative agencies, hospitals, and educational institutions do not meet the requirements for joining RE100. To enable these organizations to implement renewable energy initiatives and raise public awareness throughout Japan, efforts are being made to develop a new framework for the 100% renewable energy initiative, “the 100% Renewable Electricity Declaration RE Action,” which small- and medium-sized enterprises can also take part in.

In response to these developments, we have launched “the Fuyo RE Action Support Program.” The purpose of the program is to promote a transition to renewable energy by providing financial support to businesses and organizations that have signed up

to “the 100% Renewable Electricity Declaration RE Action.” More specifically, we raise funds from investors and issue green bonds and use the gathered funds to support businesses and organizations that have joined “the 100% Renewable Electricity Declaration RE Action” to incorporate renewable energy and/or energy efficient equipment into their operations.

“The Fuyo RE Action Support Program” has been selected as a Model Case for the FY 2019 Green Bond Issuance by the Ministry of the Environment in recognition of its uniqueness and contribution to Japan’s efforts to promote renewable energy countrywide. As “the 100% Renewable Energy Declaration RE Action” progresses, we are committed to providing active support to our clients in response to their financing needs for renewable energy.



3 Providing Support for Investments in Renewable Energy-Related Technologies and Their Commercialization

We provide commercialization support to venture companies possessing cutting-edge renewable energy technologies through investments and business collaborations.

In FY 2018, we formed capital and business alliances with Exergy Power Systems Inc. (hereinafter Exergy Power Systems), and NEXT-e Solutions Inc. (hereinafter NEXT-e Solutions). Exergy Power Systems is a venture company originating at the University of Tokyo. The company has developed hydrogen

storage cells that have excellent durability and high output in addition to continuous ultrafast charging and discharging properties. NEXT-e Solutions possesses a technology to control the variability in lithium-ion battery performance. The company envisions wider applications that include prolonging battery life, predicting battery degradation, and remote control.

By supporting these venture companies, we strive to promote the spread of renewable energy and to create new business opportunities.

Special Feature 2 Contributing to Client Companies' Improved Productivity through BPO Services



Challenges Facing Japanese Companies

The corporate environment is changing significantly as labor shortages have become a social issue and work-style reform is required to reduce long working hours. Companies face an urgent challenge to increase the productivity of employees by reducing the time spent on cumbersome paperwork and increasing the time used to focus on high value-added core businesses activities.

The Fuyo Lease Group is promoting the

enhancement of Business Process Outsourcing (BPO) services as part of the New Domains defined in the Medium-term Management Plan, Frontier Expansion 2021. In 2018, we converted INVOICE Inc. (hereinafter INVOICE), an integrated billing service provider for corporate clients, into a consolidated subsidiary, in order to reinforce the system for providing BPO services that have the potential to support increased productivity.

Changes in the Communication Environment and Business Operations

With changes in communication services due to the easing of regulations and technological advances in the domestic communication market, the communication environment is undergoing major transitions that includes the launch of the MY-LINE system, the spread of fixed-line telephone services and mobile phones, and the introduction of IP telephones. While companies have enjoyed many benefits from the diversification of communication services, the increase in the

number of communication lines and service providers has forced back-office divisions, including the general affairs divisions and the accounting divisions, to carry out an increased numbers of activities, including the management of equipment and processing of bills. Moreover, changes in management and financial accounting increased the volume of complex back-office work, such as tracking usage and journalizing.

INVOICE's BPO Services

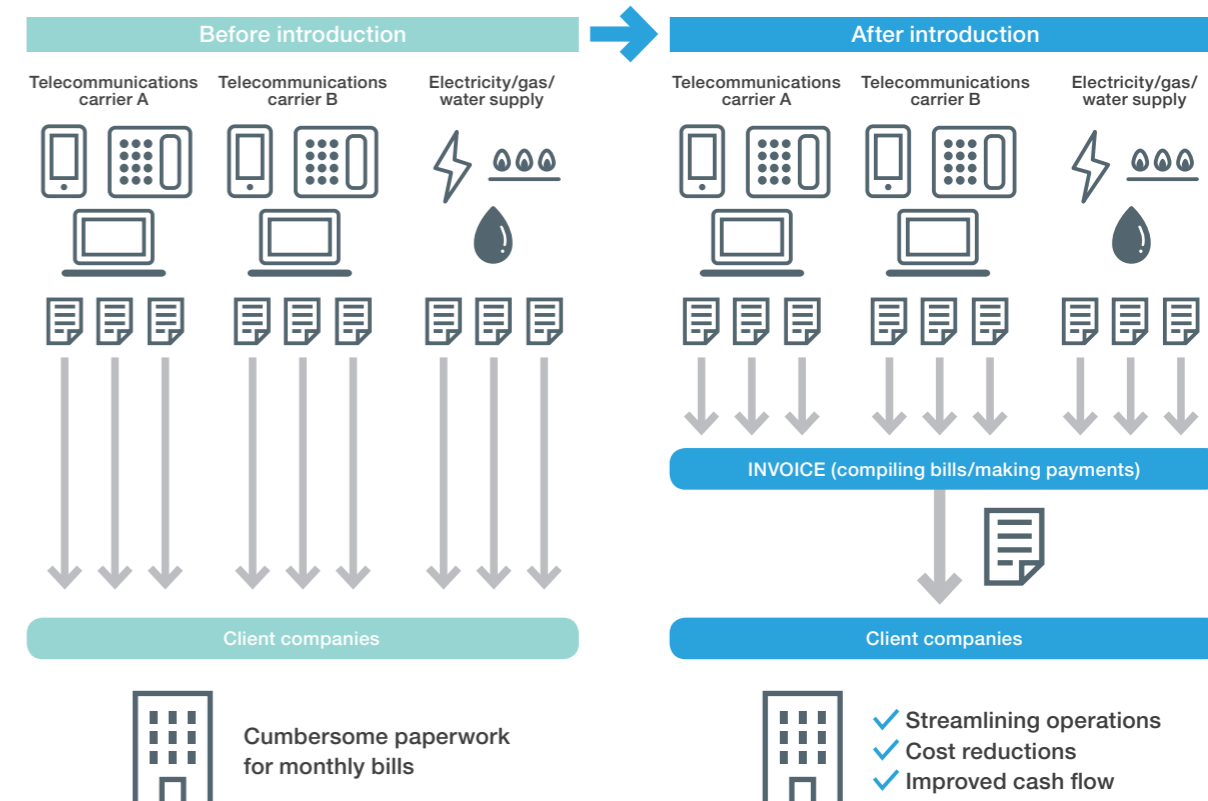
Against this backdrop, INVOICE's "integrated billing service for corporate communication fees" provides a solution to the challenges in bill-processing tasks businesses face.

INVOICE provides an integrated billing service that carries out fee payments to individual carriers on the client's behalf after processing all of the communication bills delivered to individual offices. Integrating the different payment procedures used by each office and each telecommunications carrier allows the client to streamline operations. Understanding the details of mobile phone and internet usage from the compiled bills and proposing the most suitable communication plan to clients also helps them reduce communication costs.

Developing Future Businesses and Building Stronger Relationships with Clients through the Group's Foundations

There have been drastic changes in our business environment, including in the communication environment, as a result of the technological development of next-generation communications, such as 5G and IoT, as well as in payment and settlement operations. In order to respond to these changes, we will further enhance our integrated billing services for utilities payments, including telecommunication services, by increasing character recognition rates using AI, and improving the overall efficiency of business processes through the use of Robotic Process Automation (RPA). We will also make energy-saving proposals based on the analysis of utilities data. The Group will work as one to build a system for addressing client needs from various perspectives and to provide BPO services for clients while seeking to increase cross-selling within the Group.

Workflow of integrated billing service



VOICE



Having had many opportunities to listen to clients who have trouble carrying out cumbersome accounting tasks needed in daily operating activities, we see the increasing needs for integrated billing services. For example, one of our clients could not identify the cause of an outlier bill even though the outlier occurred after bills had been delivered to each office. The client was very pleased when our service helped to improve their situation. These kinds of comments from clients and being able to build lasting relationships with them by checking the monthly billing and usage data in order to propose new cost-reduction measures motivates us in our work. While there are more than 16,000 companies who utilize our services so far, we feel that many of them are fully satisfied with our services, as evidenced by an extremely low churn rate. We will continue to listen to clients and make proposals so that they can enjoy benefits not only at the start of using our services but also on an ongoing basis.

Gi Business Division, INVOICE Inc.

(From right) Section Chief, Takuto Hashimoto, Daisuke Fujihira, and Senior Staff Member, Masafumi Yamada

Real Estate

We offer a wide range of real estate-related financial services, including building leases, which use fixed-term commercial leasehold contracts, and the Security Deposit System, which reduces the cost burden on tenants who have to pay expensive security deposits when renting space in a building adjacent to a train station or in a shopping center.

We provide unique and unparalleled solutions by leveraging know-how and product development capabilities we have amassed for over 30 years.

Business Environment

Growth Opportunities

- An increase in large-scale development projects focusing on the Tokyo metropolitan area
- An increase in various development projects in the Kansai region following the selection of Osaka as the host city of the World Expo 2025
- Emerging needs to utilize idle real estate
- More retailers and companies operating multiple stores are actively looking to increase their retail space

Strategies

- Diversifying channels for obtaining real estate information through alliances with financial institutions and real estate-related companies
- Increasing the added value of real estate leases by providing real estate information to companies operating multiple stores and others
- Maintaining and expanding business with real estate leasing clients
- Expanding business in real estate leases and financial services

Challenges

- Addressing potential downturn in the overheated real estate market
- Capturing changes in clients' needs by changing of accounting standards
- Developing human resources with high degrees of specialization necessary for business expansion

Actions

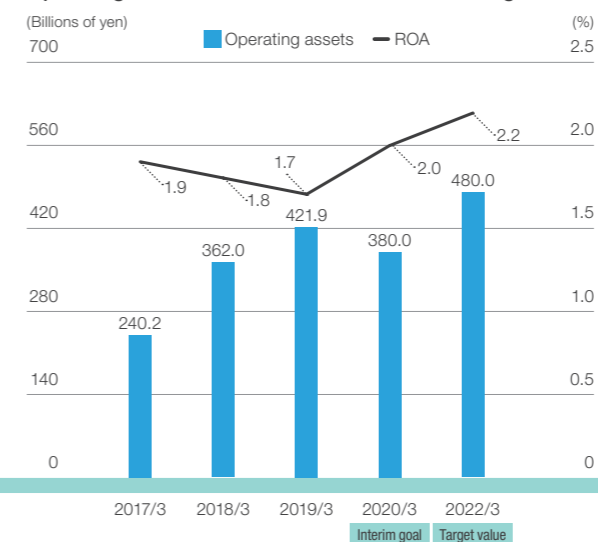
- Increase levels of risk management for real estate held by the Fuyo Lease Group
- Develop new services in response to changes to accounting standards
- Promote human resources development by e.g. providing support to employees to obtain qualifications and implementing job rotation

FY 2018 Overview and Outlook

In FY 2018, we performed very well in the Real Estate business and achieved the interim goal for operating assets a year earlier than expected. By promoting Fuyo Lease Group-led leases*, we aim to accumulate more operating assets than the amount set as the interim goal, while improving profitability.

* Fuyo Lease Group-led leases are real estate leases arranged to match good clients (tenants) with related properties based on real estate information provided by us.

Operating assets and ROA for Real Estate leasing



Growth Strategies under Frontier Expansion 2021

The value of real estate contracts increased more than threefold during the previous Medium-term Management Plan period (FY 2014 to FY 2016) due to an increasing number of large contracts, growing demand for hotels, and the launch of initiatives aimed at nursing homes. During the current Medium-term Management Plan period (FY 2017 to FY 2021), we aim to double operating assets, which initially stood at 240 billion yen, to 480 billion yen by discovering needs by providing land information and by working even closer with real estate developers. We will also put more effort into strengthening real estate financing and focus on Fuyo Lease Group-led real estate investments with the aim of expanding the frontiers of our operations.

Major Achievements

The World's First "Hydrogen Hotel" Opened

Kawasaki King Skyfront Tokyu REI Hotel, to which Fuyo Lease offers a building lease, was opened in Kawasaki City, Kanagawa Prefecture in June 2018. It is the first hotel in the world to use hydrogen as an energy source. The hotel is currently carrying out a pilot project to replace approximately 30% of electricity and thermal energy consumed to power its operations with hydrogen in order to support a testing program for the development of a low-carbon hydrogen supply chain, a part of the Ministry of Environment's medium to long-term climate change initiatives.

Showa Denko Kawasaki Plant directly supplies low-carbon hydrogen made from used plastics to the hotel through a pipeline after which the hydrogen is converted into electricity and heat through fuel cells.

This initiative is highly effective for combating climate change because hydrogen is a low-carbon, zero-emission energy source and hydrogen that is locally produced from industrial waste is consumed locally.

We are committed to continuing environmentally-friendly operations.



Kawasaki King Skyfront Tokyu REI Hotel

Fuyo Lease Jointly Acquired Beneficiary Rights in Nasu Garden Outlet

Fuyo Lease acquired real estate trust beneficiary rights in Nasu Garden Outlet, Nasushiobara City, Tochigi Prefecture, jointly with Sojitz Commerce Development Corporation in May 2019.

Nasu Garden Outlet, which was opened in July 2008, has approximately 140 tenants as well as shops selling local produce and specialties and a dog park, among other facilities. Under the concept of "a garden in the middle of the woods," the Outlet, which has a significant commercial presence, continues to attract tenants with their ability to pull in crowds of shoppers, and it is expected to invigorate the area in partnership with local tourist attractions.

Through our Real Estate business, we aim to make a positive contribution to the development of local communities and to improve people's lives.



Medical/Social Welfare

We offer a wide range of services, which include leasing medical equipment, buying pre-owned medical equipment as well as factoring for medical and nursing-care receivables. We meet our clients' needs in a timely manner by offering a range of one-stop services through the newly established Healthcare Advisory Division.

Business Environment

Growth Opportunities

- Growing need for medical services and nursing care in an aged society
- Increasing needs for operating efficiency at medical institutions and nursing care and social welfare providers
- Growing need for financing, as medical equipment employing state-of-the-art technologies for higher performance becomes more expensive

Strategies

- Focusing on advisory services for medical institutions
- Maximizing synergies between Group companies when buying pre-owned medical equipment, factoring, and providing BPO services
- Promoting business opportunities nationwide in collaboration with local financial institutions and business partners

Challenges

- Lower profits from individual lease and financing services
- Intensified competition in the medical and social welfare market by new entrants

Actions

- Improve profitability by switching to offering solutions
- Differentiating from competitors by offering a broad range of one-stop services

Fuyo Lease Platform Concept

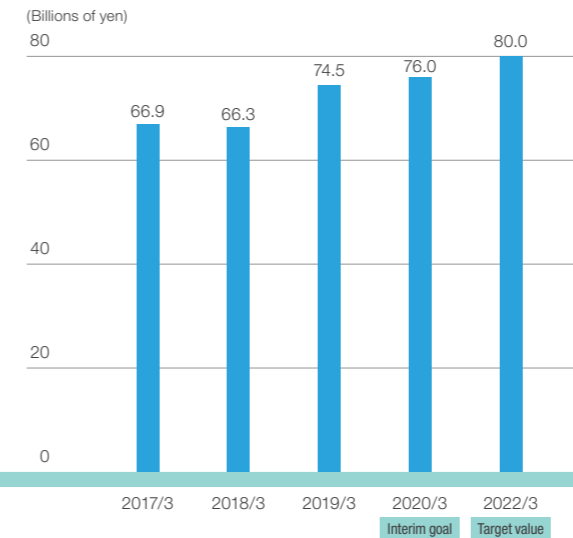


	Platform				
	Management solutions	Equipment, facilities, and amenities	Financing (facility ownership)	Removal, transportation, disposal, buying and selling pre-owned equipment	Business efficiency and Energy saving and cost saving
Fuyo Lease Healthcare Advisory Division		RIVERFIELD	Fuyo Lease	Fuyo Lease Sales	INVOICE
Japanese Organization for Medical Device Development (JOMDD)		CREWT Medical Systems	Sharp Finance	FUJITA	NOC Outsourcing & Consulting
Consulting firms		Lily MedTech	Fuyo Auto Lease	Officebusters	MerryBiz
Medical information providers		Medical System Networks	Accretive	Logistics companies	Energy service companies
		Medical equipment trading companies	Yokogawa Rental & Lease	Waste disposal contractors	Building management companies
		Medical equipment manufacturers	Nihon Credit Lease		Water supply companies
		IT vendors			RPA suppliers

FY 2018 Overview and Outlook

In FY 2018, we performed well in our main service segments of factoring business for medical and nursing-care receivables and buying and selling pre-owned medical equipment. With the newly established Healthcare Advisory Division as a driving force, we intend to offer combined leasing solutions that transcend our conventional finance leases and diversify profit opportunities.

Operating assets for Medical/Social Welfare



Growth Strategies under Frontier Expansion 2021

Our Medical business will focus on expanding the scope of our frontiers by launching advisory services designed to put hospital operations and business management back on track, leveraging FUJITA's expertise in selling and buying pre-owned medical equipment, and capitalizing on Accretive's factoring for medical and nursing-care receivables. In the area of Social Welfare (nursing care), we became an industry pioneer to start building leases for nursing care facilities, such as nursing homes for the elderly, during the period of the previous Medium-term Management Plan (FY 2014 to FY 2016). We will move ahead by capitalizing on our strong ties with nursing care industry giants, such as the NICHIIIGAKKAN.

Major Achievements

The Healthcare Advisory Division Established

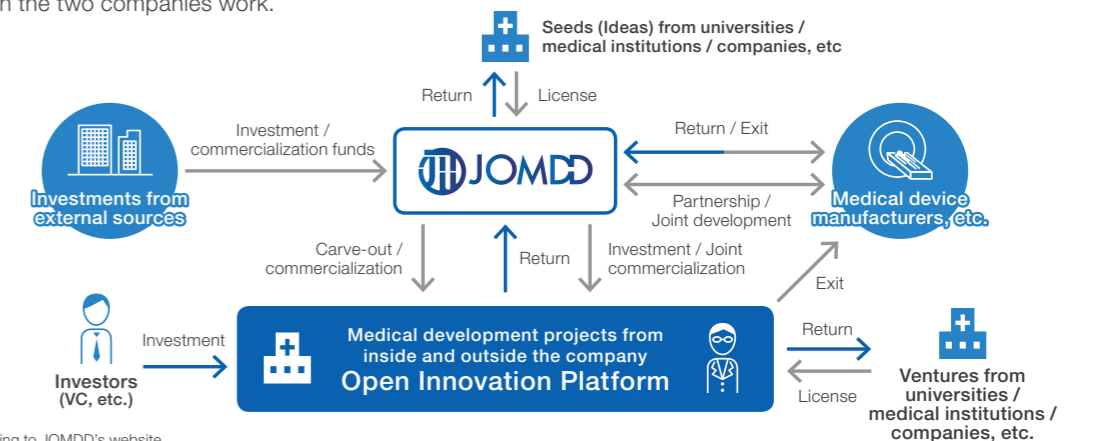
To further enhance advisory services for medical institutions, the Healthcare Advisory Office was restructured as an independent division called the Healthcare Advisory Division in April 2019.

The Healthcare Advisory Division's staff visit over 400 medical institutions and elderly nursing care providers in a year to identify their needs. The Division aims to launch new healthcare services that take advantage of the Group's strengths including business process outsourcing (BPO) and robotic process automation (RPA) while helping people live longer and healthier lives, thus revitalizing local economies.

Capital and Business Alliance Agreement with a Medical Device Incubator, JOMDD

Fuyo Lease entered into a capital and business alliance agreement with Japanese Organization for Medical Device Development, Inc. ("JOMDD") in March 2019 by subscribing to a portion of JOMDD's shares that it allocated to third parties in order to increase its capital. JOMDD is one of few medical device incubators in Japan that provides one-stop support for medical seed development, intellectual property, clinical studies, pharmaceuticals, and sales channels.

We will develop a financial scheme to facilitate the commercialization of products developed and marketed by JOMDD, and, at the same time, utilize its expertise to enhance our capabilities in the Medical and Social Welfare area, which is one of our strategic areas. Furthermore, we intend to create and maximize synergies between the two companies through collaborations with medical institutions and business partners with which the two companies work.



*Referring to JOMDD's website



Energy/ Environment

We will promote the expansion of renewable energy in the solar power generation business, and support our clients in their energy-saving activities through ESCO services*.

Additionally, we are working to offer new value with our services, which include a plant factory managed by the newly-established Agri Business Promotion Office.

* ESCO services provide everything needed to improve energy efficiency, including technology, equipment, personnel, and funding. As an ESCO service provider, we receive a portion of the actual energy cost savings generated through the services as compensation.

Business Environment

Growth Opportunities

- Enhanced social initiatives to realize a low-carbon society (e.g. SDGs, RE100)
- Growing demand for solar power generation and other clean energy sources
- Continued energy saving needs amid rising energy costs
- Increasing demand for food safety

Strategies

- Expanding solar power generation and making further contributions to local communities (some solar power plants are due to become operational in an area affected by the Great East Japan Earthquake)
- Promoting low-carbon initiatives, including signing up for RE100
- Promoting energy efficiency through ESCO services
- Establishing the Agri Business Promotion Office and constructing a plant factory

Challenges

- Addressing new technologies related to renewable energy and energy efficiency
- Possible scrapping of the feed-in-tariff (FIT*) scheme

Actions

- Developing capital and business alliances with startups that have new technologies
- Focus on new initiatives toward a post-FIT era (e.g. power generation for own consumption, rechargeable battery-related businesses)

* Under the FIT scheme, payments are provided at a fixed rate for the renewable energy produced, e.g. solar energy.



Aircraft

Since participating in the first "Samurai Lease" back in 1978, we have provided more than 300 aircraft leasing arrangements for airline companies across the globe. In 1999, we became the first in the Japanese leasing industry to expand into the primary aircraft market in Dublin, Ireland. We also executed a lease for aircraft owned by our company in 2009 and acquired UK-based Aircraft Leasing and Management Limited (ALM) in 2014 with the aim of expanding our operations.

Business Environment

Growth Opportunities

- Increasing need for aircrafts around the world

Strategies

- Steadily increasing our aircraft fleet by leveraging our unique network
- Building a portfolio with greater liquidity mainly consisting of narrow-body aircraft
- Taking advantage of our accumulated know-how by providing aircraft leasing arrangements over the years
- Working on packaged contracts, under which multiple aircraft are leased

Challenges

- Global inflows of investment funds, intensified competition due to new entrants, and declining profitability

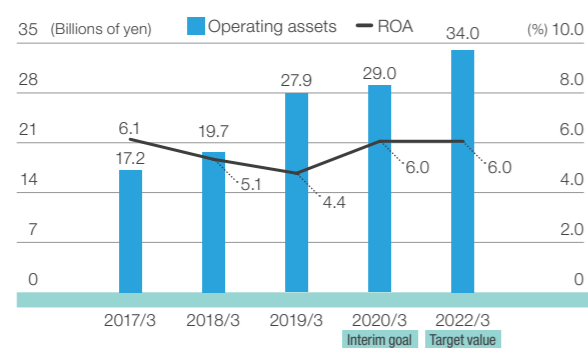
Actions

- Increase the number of airline clients by using the extensive network of UK-based ALM
- Expand businesses through investments and joint ventures
- Build relationships of trust with clients by providing continuous services ranging from making leasing arrangements to post-leasing and re-leasing services

FY 2018 Overview and Outlook

In the solar business, in FY 2018, we steadily increased operating assets, with two new solar power plants becoming operational on schedule. We will step up our activities to promote self-sufficient power generation, ahead of a post-FIT era. In April 2019, we set up a joint venture with TEPCO Energy Partner, Inc. and another partner to operate a plant factory (scheduled to start operations in spring of 2020).

Operating assets and ROA for solar power generation business



Growth Strategies under Frontier Expansion 2021

In the solar power generation business, 29 large-scale solar power plants (known as mega-solar power plants) were in operation during the previous Medium-term Management Plan period (FY 2014 to FY 2016). Under the current Medium-term Management Plan, we plan to operate large solar power plants that are several times the size of our existing plants, in order to supply 200MWdc electricity by the final year of the Medium-term Management Plan (FY 2021). We will step up efforts in the ESCO business in collaboration with our partners, who are industry leaders, while working on new energy businesses and others to expand the frontiers of our operations.

Major Achievements

Joint Venture Established to Operate One of the Largest Plant Factory in Japan

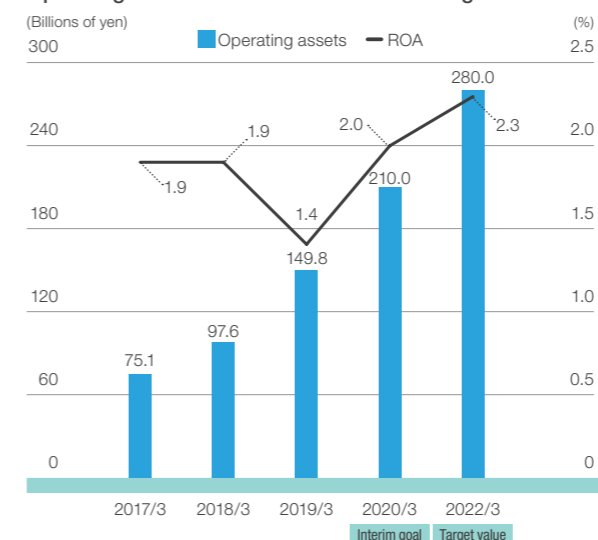
Through a joint-venture company set up with TEPCO Energy Partner, Incorporated and Farmship, Inc., established in April 2019, we will begin preparations to operate one of the largest plant production factory in Japan. The factory is a closed farming factory that is kept clean and uses an artificially controlled environment and lights to provide an optimal environment for vegetable production. The plant is due to become operational in the spring of 2020. We aim to expand our business segments through the business collaboration with them.



FY 2018 Overview and Outlook

In FY 2018, the number of aircraft we own increased by 11 to 35. The number of owned aircraft and operating assets are increasing steadily through increasing business with airline clients mainly in Asia. We aim to own 70 aircraft by FY 2021.

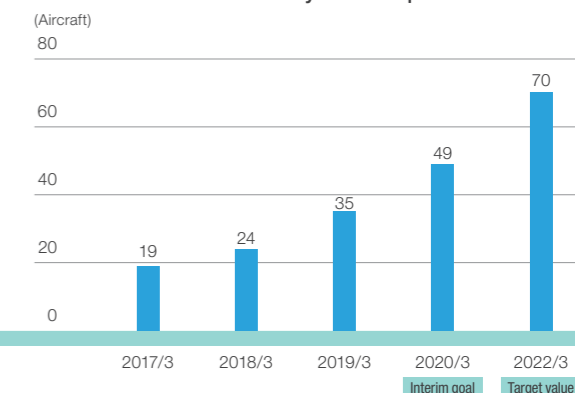
Operating assets and ROA for aircraft leasing



Growth Strategies under Frontier Expansion 2021

Leasing arrangements for aircraft owned by our company grew to 19 during the previous Medium-term Management Plan period (FY 2014 to FY 2016). We aim to increase the number of aircraft leased per year by ten, so that the number of company-owned aircraft reaches 70 by the final year of the current Medium-term Management Plan (FY 2021). We will accelerate the pace of acquiring operating assets by working on packaged contracts, under which multiple aircraft are leased, expanding the scope of airlines and equipment covered, and strengthening our organizational structure.

Number of aircraft owned by the Group





Overseas

We aim to expand our overseas business and increase our overseas locations mainly in North America and Asia by leveraging our network to attain organic growth*, while building up high-quality assets through investments, acquisitions, and alliances with local companies to achieve inorganic growth*.

* Organic growth means growth achieved by implementing a strategy of using our existing management resources.
 * Inorganic growth means growth achieved by forming business alliances or engaging in business acquisitions.

Business Environment

Growth Opportunities

- Growing overseas financing needs as more manufacturers relocate their production bases outside Japan
- Asia's expanding financial markets
- Developing the market through collaborations with local companies with high levels of expertise

Strategies

- Strengthening business networks by providing expatriate staff to the Singaporean subsidiary
- Expanding business in North America with target-specific M&A deals
- Increasing profit opportunities by obtaining the know-how of acquired companies

Challenges

- Facing competition from other companies in overseas business projects
- Facing competition from other finance schemes due to monetary easing implemented around the globe

Actions

- Expanding non-Japanese business in North America and Asia
- Focusing on M&A deals and capital alliances to expand business



BPO

We help clients improve productivity by offering business process outsourcing services, including accounting and settlement services. BPO services are at the core of the New Domains in which we are actively investing management resources.

FY 2018 Overview and Outlook

In FY 2018, we acquired INVOICE, which provides integrated billing services, as a consolidated subsidiary, to expand the range of services we offer. With the aim of further expanding our services and creating synergies with existing BPO resources, we acquired NOC Outsourcing & Consulting, which offers a variety of outsourcing and consulting services, as a consolidated subsidiary in 2019.

Business Environment

Growth Opportunities

- Growing demand for BPO services amid deteriorating labor shortages and the need to change how we work

Strategies

- Utilizing the Fuyo Lease Group's country-wide sales network
- Establishing a specialist division to spearhead BPO services
- Promoting unique BPO services offered by group companies such as INVOICE and Accretive

Challenges

- Low barriers to entry, possibly leading to price competition
- Securing human resources engaged in BPO services

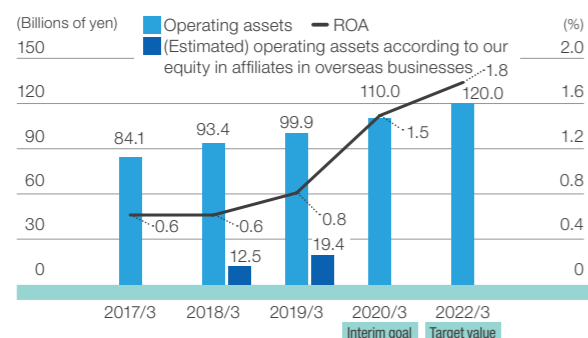
Actions

- Utilize the Group's client base (links to finance and accounting divisions)
- Provide comprehensive BPO services, including accounting and settlement services
- Standardization and automation of operations through new technologies such as AI

FY 2018 Overview and Outlook

Pacific Rim Capital, Inc. in the US, which offers operating leases for forklift trucks, became our equity-method affiliate in FY 2018. We seek to achieve further organic and inorganic growth by leveraging the Group's know-how and maximizing synergies.

Operating assets* and ROA for Overseas businesses (Business of overseas subsidiaries excluding aircraft leasing)



Growth Strategies under Frontier Expansion 2021

Our Overseas business segment saw its operating assets almost double during the period of the previous Medium-term Management Plan (FY 2014 to FY 2016), and we will pick up the pace of obtaining assets even further. We will continue to focus on expanding non-Japanese businesses mainly in North America and Asia, as we did under the previous Medium-term Management Plan. Over the medium-term, we will seek inorganic growth through M&A and capital alliances with the aim of achieving an additional 1.5-fold increase in operating assets by the final year of the current Medium-term Management Plan (FY 2021).

* Investments in affiliates in overseas businesses are included among the operating assets stated in the summary of financial results.



New Domains

One of the Strategic Areas specified in Frontier Expansion 2021, New Domains are collectively referred to as new business initiatives as well as expanding the scope of our businesses.

FY 2018 Overview and Outlook

In FY 2018, we invested in Exergy Power Systems, which has proprietary rechargeable battery technology, NEXt-e Solutions, and Japanese Organization for Medical Device Development, which provides support for commercializing state-of-the-art medical technologies, in an effort to develop a new business model. We will continue to strive to expand our business frontiers.

We are working to expand our business frontiers through M&A and capital and business alliances with companies that have unique technologies and know-how.

Major Achievements

Investment timing	Business Form	Partner	Description
Apr. 2018	Subsidiary	FUJITA	Capable of providing one-stop services, including everything from removal to buying of pre-owned medical equipment. The consolidation of FUJITA will enable us to develop new products and services.
June 2018	Investment	Exergy Power Systems	Invested in the company, which develops and manufactures next-generation energy storage systems.
June 2018	Investment	MerryBiz	Invested in the company, which provides accounting administrative services "virtual accounting assistants."
Oct. 2018	Subsidiary	INVOICE	Acquired the company that provides integrated billing services as a consolidated subsidiary to expand our services that contribute to improving our clients' productivity.
Mar. 2019	Investment	NEXt-e Solutions	Invested in the company, which possesses cutting-edge rechargeable battery control technology.
Mar. 2019	Investment	Japanese Organization for Medical Device Development	Invested in the company, which provides support for the commercialization of state-of-the-art medical technologies.
May 2019	Investment	Synspective	Invested in the company, which offers one-stop solutions using satellite-based observation data.
Aug. 2019	Subsidiary	NOC Outsourcing & Consulting	Acquired the company, which offers a broad range of outsourcing services and has high-level consultancy functions, as a consolidated subsidiary and accelerated the expansion of BPO services.

Major Achievements

Pacific Rim Capital, Inc., a US Independent Operating Leasing Company, Became Fuyo Lease's Equity-method Affiliate
 Fuyo Lease acquired shares of Pacific Rim Capital, Inc. ("PRC"), a leading independent leasing company in the US, thus making PRC an equity-method affiliate.

PRC is a leading independent leasing company, which primarily handles operating leases of material handling equipment ("MHE") in the US, Mexico, and Canada. PRC is expected to grow steadily as the MHE market is set to expand further, supported by an increasingly strong demand from the logistics industry.

We are promoting advances into new areas through investments and collaborations with non-Japanese leasing companies with high levels of expertise in inorganic strategies. Through the acquisition of PRC's shares, we can match our Japanese clients in North America with PRC to facilitate its growth. At the same time, we are also able to build a stable revenue base in North America by relying upon PRC's know-how in operating leases of MHE in order to grow our overseas business.

Domestic Corporate

This is a Core Area that supports the Fuyo Lease Group. In addition to conventional leases, such as for information and office equipment as well as commercial facility leases, we offer a wide range of services that include leasing arrangements and strategic financial solutions tailored to clients' needs.

Business Environment

Growth Opportunities

- Nation-wide client base
- Diversified clients' needs

Strategies

- Our group companies work as one to provide a wide variety of products and services
- Offering solutions that use previously gained know-how

Challenges

- Decrease in benefits of leasing due to changes in accounting standards
- Increased competition in a sluggish domestic leasing market
- Reduced clients' needs for financing due to monetary easing

Actions

- Propositions that go beyond the fields of leasing and financing to address a variety of clients' needs
- Strengthening and differentiating the functions of solutions by promoting cooperation among our group companies
- Optimizing resource allocation

FY 2018 Overview and Outlook

In FY 2018, as a result of offering a wide range of solutions tailored to clients' business needs, we were able to enter into various types of transactions, including real estate contracts as well as various overseas transactions. We will continue to increase transactions by offering solutions and providing BPO services to client companies, while maximizing synergies among our group companies.

Growth Strategies under Frontier Expansion 2021

Solutions are our specialty, and we will continue to enhance our offerings to corporate clients of our group companies. We will also establish an integrated system for our group companies to provide services that flexibly address clients' needs. In the areas of information communication equipment, construction machinery, and industrial machinery, we will proceed with creating a new business model in collaboration with our alliance partners, utilizing know-how gained in the past.

Financing

In addition to conventional corporate loans, we provide a wide array of services, including fund investments and business-related investments as well as investments and lending positioned as balance sheet solutions.

Business Environment

Growth Opportunities

- A wide range of opportunities for businesses with fewer regulatory limitations

Strategies

- Using wide-ranging financial know-how accumulated in diverse areas

Challenges

- Improved financing environment resulting from monetary easing and increased competition due to reduced clients' needs for financing
- Deterioration of financial market conditions

Actions

- Optimizing the risk-return tradeoff by offering a wide array of financial functions
- Developing the information infrastructure to support sophistication of the monitoring related to fund investments

FY 2018 Overview and Outlook

In FY 2018, we sought to optimize our portfolio in order to adapt to unstable financial market conditions. We will continue to accumulate the know-how needed to further improve profitability.

Growth Strategies under Frontier Expansion 2021

We will shift our focus to more profitable areas, while maintaining an appropriate risk-return tradeoff. This effort will center on investments in funds, business-related investments, and investment and lending positioned as balance sheet solutions.



Vendor Leases

As a partner to dealers of office, information, medical, and other equipment and machinery, we focus on providing financial service solutions that help vendors sell their products. We are continually working to enhance our ability to offer solutions, such as those designed to help companies provide services to the healthcare market, with the aim of creating new markets.

Business Environment

Growth Opportunities

- Large market share and high recognition in the vendor leasing market

Strategies

- Utilizing an operational framework that allows detailed responses to clients' needs by having approximately 50 bases across the country
- Utilizing an established operating base and years of expertise gained in the healthcare market

Challenges

- Sluggish domestic leasing market
- Lower profitability due to competition with other companies

Actions

- Further expanding the range of sales partners and extending information channels
- Expanding real-estate leasing services and non-asset (fee-based) business initiatives by cooperation within our group

FY 2018 Overview and Outlook

Going forward, we will continue to increase transactions with existing vendor clients and create new alliance partners. We will also pursue synergies in collaboration with our group companies in real estate leases and the collection agency business for BPO services.

Growth Strategies under Frontier Expansion 2021

We will seek further growth of the Vendor Leases business, operated by Sharp Finance, mainly by expanding the range of partners we work with and shifting resources to the Tokyo metropolitan area. We will also focus on leveraging the Group's strengths by offering real estate leases, factoring services, and other products and know-how available from our group companies to Sharp Finance's customers.



Auto Leases

We offer a wide range of services including auto financing, maintenance, insurance, and safe driving education as well as administrative support. We will continue to pursue business expansion by leveraging synergies among our group companies, and proceed with the expansion and improvement of products and services in order to adapt to innovations in mobility technology.

Business Environment

Growth Opportunities

- The auto leasing market is expected to continue expanding
- Changes in mobility business

Strategies

- Providing safe and well-maintained vehicles through partnerships with approximately 6,300 repair shops across Japan
- Providing high value-added services, under which customers can outsource administrative work related to the purchase, management, and maintenance of automobiles
- Strengthening alliances with automobile-related companies

Challenges

- Increasing price competition due to competitors lowering prices
- Increasing the number of vehicles in our inventory

Actions

- Expanding the customer base by strengthening cooperation within the Fuyo Lease Group
- Developing unique products and differentiating ourselves from competitors through collaborations with partner companies

FY 2018 Overview and Outlook

Looking ahead, we aim to further boost our business performance by increasing the number of vehicles in our inventory and building up operating assets, while enhancing cooperation within our group.

Growth Strategies under Frontier Expansion 2021

We will leverage synergies among our group companies to expand the Auto Leases business. In particular, we will approach Sharp Finance's retail client base and further strengthen coordination with Fuyo Lease.

Foundation for Value Creation

The Fuyo Lease Group aims to solve social issues through its business operations as it paves the way to a sustainable society and sustainable business growth, while responding to the expectations of its stakeholders. The Group sees Creating Shared Value (CSV) as the foundation of its management principles and established the Creating Shared Value Promotion Office in April 2019 to further pursue CSV as a long-term strategy.

VOICE



Takashi Mizutani
General Manager, Creating Shared Value Promotion Office
Corporate Planning Division

The main role of the Creating Shared Value Promotion Office is to develop CSV-based management strategies and to plan and promote actions to be taken to achieve those strategies. The Group is working to instill into employees the concept that CSV increases corporate value while addressing social needs and challenges, in addition to pushing to create new value and achieving sustainable growth.

As non-financial information becomes increasingly important, the Group actively discloses information to investors and stakeholders, and engages with them. In addition to being a constituent of the MSCI Japan ESG Select Leaders Index, the Group was also selected to be one of the constituents in the FTSE Blossom Japan Index in June 2019 in recognition of its ESG*1 management initiatives.

The Group continues to strive to actively develop new businesses by addressing and responding to social needs and challenges. At the same time, the Group is committed to making information about its activities available to the public.

*1 ESG stands for environment, social, and governance.

Stakeholder Dialogue

We believe that communicating with stakeholders is the key to accurately understanding various social issues and the role we are expected to play. We see communication as the bridge that brings us closer to stakeholders, and we use it to ensure that we live in harmony with people from all walks of life.

Customers	Our management philosophy is to “always give first priority to the customer and provide the best service.” In putting that philosophy into practice we work to enhance the level of satisfaction of all our customers, including users of our leasing services.
Suppliers and partners	We work together with suppliers of leased assets, business partners, and vendors to build and maintain fair and equal relationships that serve as fertile ground upon which everyone involved can grow.
Shareholders	Our basic policy is to return stable profits to shareholders on a long-term basis. We also disclose information in a timely, appropriate, and fair manner to ensure the transparency of our operations.
Industry organizations and competitors	We work with competitors to enhance the leasing business, improve services, and share information, for example, through the initiatives undertaken by the Japan Leasing Association.
Communities and NPO	We value communication with people, companies, NGO/NPO and other organizations not only in the areas where we operate but also with a host of communities that lie beyond, and engage in community-based activities as a responsible corporate citizen.
Natural environment	To address environmental issues, we actively implement environmental initiatives through our business activities and strive to minimize our environmental footprint.
National government, administrative authorities, etc.	We maintain appropriate relationships with the government of Japan, relevant ministries and agencies, and local governments. We also maintain sound relationships with the central governments and administrative authorities of countries where our overseas subsidiaries operate.
Financial institutions	We raise funds necessary for our operations by maintaining strong relationships of trust with financial institutions.
Employees and their families	We work to create a safe, happy, and vibrant workplace environment for our employees. In addition, we are building a better occupational environment where all employees can find their own optimal work-life balance and enhance the quality of both life and work.

Environmental Management

Basic Approach

The Fuyo Lease Group is committed to reducing its environmental footprint through appropriate environmental management and building a closed-loop society through its business operations. We have formulated an environmental philosophy and policy in order to engage the entire group into activities that address environmental

issues. We have also acquired ISO14001 for the Group’s major operating sites to operate management system for continuous improvement.*2

*2 ISO14001 certified sites: Fuyo General Lease’s head office and Osaka branch, Fuyo Leasing Sales, Fuyo Network Service, and FGL Service.

Environmental Philosophy

The Fuyo Lease Group acts with care to preserve the global environment based on its management philosophy of “supporting our customers’ business activities, and contributing to the community through the leasing business,” and promotes activities to address environmental issues in line with its environmental policy.

Environmental Policy

- 1 Protecting the global environment through leasing business**
We endeavor to provide products and services that contribute to protecting the global environment in our business activities, including leasing, rental, and financial business.
- 2 Promoting resource and energy saving activities**
We are aware of the environmental burdens associated with business activities and endeavor to engage in resource and energy saving activities and green procurement.
- 3 Contributing to the development of a recycling society**
We promote the reuse and recycling of goods no longer leased, restrict the generation of waste, and ensure proper disposal of waste.
- 4 Complying with environmental laws**
We comply with environment-related laws and agreements to which the Fuyo Lease Group has agreed.
- 5 Establishing an environmental management system**
We promote continuous improvement of an environmental management system and endeavor to prevent environmental pollution by setting environmental targets.

Long-Term Environmental Targets

The Fuyo Lease Group has set long-term environmental targets of powering its operations with 50% renewable energy by 2030 and 100% by 2050.

Key Environmental Targets

Objectives	Scope	FY 2018 targets	FY 2018 results	Evaluation	FY 2019 targets
Climate change initiatives	Fuyo General Lease & Group companies*3	Maintain the FY 2010 level of CO ₂ emissions (t-CO ₂) (Scope 1 & 2)	4.3% decrease from the FY 2010 level	○	10.0% decrease from the FY 2013 level of CO ₂ emissions (t-CO ₂) (Scope 1 & 2)
Promote energy conservation	Fuyo General Lease & Group companies*3	Maintain the FY 2010 level of energy consumption (kWh)	17.1% decrease from the FY 2010 level (kWh)	○	5.0% decrease from the FY 2013 level of energy consumption (kWh)
		Maintain the FY 2010 level of gasoline consumed by company vehicles (L)	34.0% decrease from the FY 2010 level (L)	○	10.0% decrease from the FY 2013 level of gasoline consumed by company vehicles (L)
Comply with environmental laws and regulations	Fuyo General Lease & Group companies*3	Assess compliance with environmental laws and regulations	Conducted compliance assessment. No non-compliance found	○	Assess compliance with environmental laws and regulations
Saving the environment through leasing	Fuyo General Lease	24 billion yen of assets in energy-efficient and environmentally-friendly properties*4	24.6 billion yen	○	28 billion yen of assets in energy-efficient and environmentally-friendly properties
Contributing to the creation of a circular society	Fuyo General Lease	More than 95% reuse and recycle rate for returned PC	100%	○	More than 95% reuse and recycle rate for returned PC

*3 Scope: all domestic locations of Fuyo General Lease and Group companies including Fuyo Auto Lease, Fuyo Network Service, Fuyo Lease Sales, FGL Service, and Aqua Art.
*4 Machines related to energy including boilers and turbines, industrial waste recycling equipment, pollution control devices, environmental equipments such as energy saving devices including combined heat and power systems and water purification systems, and renewable energy (i.e. solar power generation) supply facilities.

Climate Change Initiatives

Basic Approach

Today, climate change is a universally recognized problem, and increasing greenhouse gas emissions are making it worse. As the Paris Agreement, an international framework for climate action beyond 2020, and other initiatives give momentum to efforts to reduce greenhouse gas emissions across the globe, renewable energy along with environmentally-friendly products and services are more important than ever. The Fuyo Lease Group is working towards climate change mitigation by reducing greenhouse gas emissions from our operations. We carries out business

activities in view of risks and opportunities in the business environment that climate change brings. With a BCP in place, we are well prepared for any emergency in which our business activities could be disrupted by the destruction of social infrastructure caused by a natural disaster. We also recognize that business opportunities lie in renewable energy generation and energy-efficient assets leasing businesses. This is an area we will focus upon as one of the strategic areas of the Medium-term Management Plan. We aim to grow our businesses alongside activities to mitigate climate change.



Initiatives to Reduce Greenhouse Gas Emissions

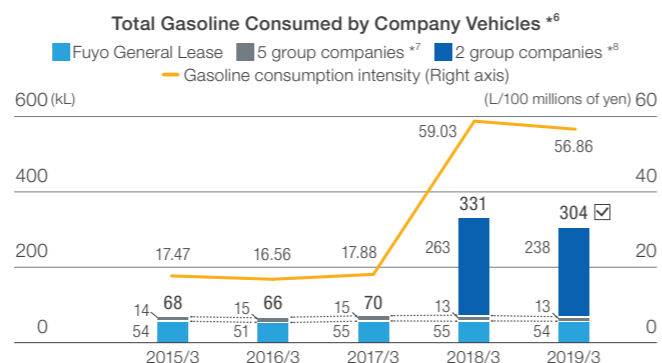
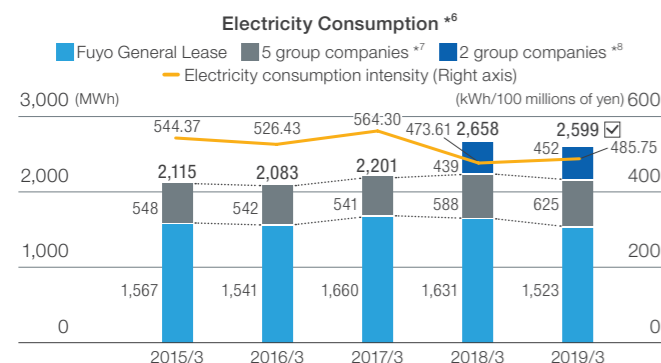
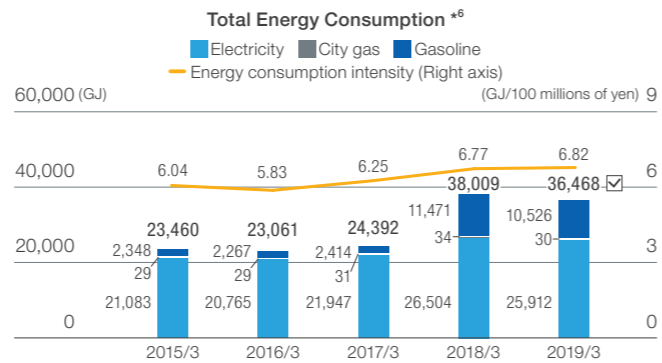
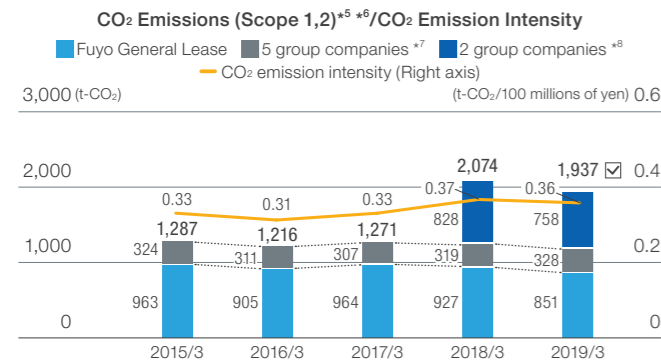
The Japan Leasing Association has formulated a voluntary low-carbon society action plan, which Fuyo Lease has signed on to as a member company.

The Fuyo Lease Group is making efforts to conserve the environment at all our locations by setting targets that lower our CO₂ emissions and energy consumption, and work to reduce power usage, as well as our company vehicles' fuel consumption and exhaust emissions. In 2018, we started to issue green bonds (available only to those businesses that are expected to improve the environment) to raise funds from

a variety of sources while promoting renewable energy. In addition, we joined RE100, a business initiative which aims to source 100% renewable energy to power business activities, as the first comprehensive leasing company in Japan. In 2019, we endorsed the Task Force on Climate-related Financial Disclosures' (TCFD) recommendations. Not only does the Group make direct efforts to reduce its own greenhouse gas emissions but also makes indirect contributions to reducing greenhouse gas emissions through promoting renewable energy by utilizing schemes of lease and finance.



Environmental Data



^{*5} Total CO₂ emissions were calculated with the emission factors specified by the government based on the Ministerial Ordinance Concerning GHG emissions Associated with Business Activities of Specified Emitters (The emissions associated with electricity are calculated based on the emission factor issued by power transmission and distribution business operators of where our regional operations and offices are located). Fuyo General Lease and the Groups' companies are not included in specified emitters.
^{*6} Data coverage: all domestic locations of Fuyo General Lease, Fuyo Auto Lease, Fuyo Network Service, Fuyo Lease Sales, FGL Service, Aqua Art, Sharp Finance and Accretive. Before March 2017 do not include figures of Sharp Finance and Accretive as their data collection began in FY 2017.
^{*7} 5 group companies: all domestic locations of Fuyo Auto Lease, Fuyo Network Service, Fuyo Lease Sales, FGL Service, and Aqua Art.
^{*8} 2 group companies: all domestic locations of Sharp Finance and Accretive.

Energy Conservation via Products and Services

We have partnered with energy-saving equipment manufacturers, construction companies, and companies in other various sectors to help customers save energy through the ESCO service and other programs. The ESCO service provides everything needed to improve energy efficiency, including technology, equipment, personnel, and funding, and achieves energy conservation without compromising a customer's current environment or convenience. As the

ESCO service provider, we receive a portion of the actual energy cost savings generated through the service as compensation. In addition, we help our customers reduce costs and CO₂ emissions by introducing various energy saving solutions tailored to their energy usage. Examples of the solutions include energy-saving control and operational improvement for air-conditioning systems and LED lightings, and subsidized leasing.

Promotion of Renewable Energy

As climate change risks increase, the renewable energy market continues to grow with a focus on solar, wind, biomass, small and medium hydro, and geothermal power. Fuyo Lease leverage the know-how gained through our power generation business to offer a host of power generation equipment installation plans that meet a wide array of customer needs. Those include everything

from large-scale power plants to rooftop solar panels of distribution warehouses and other commercial facilities as off-grid schemes for self-consumption. Along with various financing options, we introduce them to customers with the aim of taking the use of renewable energy to new heights. (For more information, please see "Special Feature 1. Climate Change Initiatives" on pages 21 and 22.)

Saving the Environment through Leasing

Basic Approach

Effectively using limited resources and reducing waste as much as possible together comprise one of the most important steps towards building a sustainable society.

The Fuyo Lease Group provides products and services that contribute to protecting the global environment

through its business activities, including leasing, renting, and financing, while promoting the reuse and recycling of leased assets after their leases expire to minimize waste and ensure their proper disposal.

Saving Resources and Reducing Waste through the 3Rs

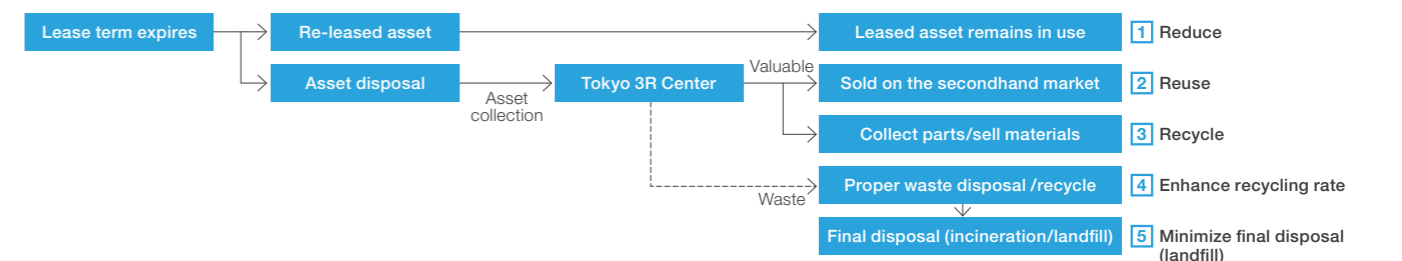
Guided by our environmental policy, we actively work on the 3Rs (Reduce, Reuse, and Recycle) for leased assets once a lease ends. At the Tokyo 3R Center, which is responsible for reusing and recycling leased assets after their leases expire, we reuse and recycle not only items leased by our corporate group but also used assets we have bought from other companies.

Appropriate Disposal of Waste

When disposing of leased assets that can no longer be used after their leases expire, we take the utmost care to ensure they do not pollute the environment. Going above and beyond simply complying with the Waste Management and Public Cleansing Act (Waste Management Act), as a waste generating business operator we keep close track of every piece of waste we dispose of through an electronic manifest^{*9} system. We conduct on-site inspections of waste disposal contractors according to an annual schedule.

^{*9} Manifest: A document or electronic data that verifies proper disposal of waste. Waste generating business operators are required by the Waste Management Act to issue and collect a manifest or register it to confirm proper disposal of waste.

3Rs initiatives for leased assets after their leases expire



Human Resource Management Strategies for Enhancing Value

Basic Approach

In today's society where values and needs are becoming more diverse, the Fuyo Lease Group believes that diversity is a key growth driver. Attracting and retaining highly talented people regardless of their sex, age, and other factors is crucial for continually creating new value. As we work to enhance the value of our corporate group, we focus on developing human resources with emphasis on making our company a better

workplace, so that all of our employees can realize their full potential as they hone their professional skills. We encourage respect for human rights in accordance with international norms such as the Universal Declaration of Human Rights, and embrace the Code of Corporate Conduct that has zero tolerance for discrimination on the basis of sex, nationality, race, ethnicity, religion, disability, etc.



Activities towards Creating a Better Workplace

Working with the goal of making people's jobs more challenging and fulfilling, we are striving to build a better working environment where all employees can find their own optimal work-life balance and enhance the quality of both life and work through maintaining and improving their health, gaining new knowledge and experiences, attaining personal growth etc. Since the Act on Advancement of Measures to Support Raising Next-Generation Children went into effect in 2005, we have been working to create a better job environment for working parents by developing a "general employer action plan" as required by the law. Following the special Platinum Kurumin certification received in FY 2017, we joined "the Ikuboss Corporate Alliance" in FY 2018, which is a network of businesses seeking to change the mindsets of management-level staff and to develop the next generation of model leaders ("Ikuboss").

nursing care duties, as well as their lifestyles. Furthermore, by having a working group that includes a cross-section of employees, we can create a better workplace from our workers' perspective. In FY 2017, we introduced "+Friday (Plus Friday)," a program that allows employees to choose one Friday each month when they can leave work at 1:00 p.m., at the recommendation of the working group. In FY 2018, as we joined the Ikuboss Corporate Alliance, we organized the Ikuboss Seminar for management-level staff to change their mindsets. The seminar's participants collectively signed up to the Ikuboss Declaration to express their commitment as leaders to supporting their staff's professional and personal development, and to achieving good business performance, as well as to enjoying their work and personal lives.

We have been implementing work-style reforms since FY 2014. Not only do we ensure legal compliance through programs designed to reduce long working hours, including programs such as the Refresh Days (leave-work-early days), we have also introduced a staggered hours program, which offers four different work schedules with earlier and later starting and finishing times so employees can choose the schedule most suitable to their needs, for activities such as childcare or family

Action Plan: Stage 7 (April 2017 - March 2022)

Description	<ul style="list-style-type: none"> Promoting independent and active working styles Encouraging male employees to take a more active role in parenting Reducing total working hours Offering diverse career path options
Numerical targets	<ul style="list-style-type: none"> Percentage of male employees who take childcare leave etc.: 80% or more (April 2021 - March 2022 (1 year)) Percentage of employees who take annual paid leave: 70% or more^{*10} (April 2020 - March 2021 (1 year))



^{*10}The target has been revised to be "80% or more."

Empowering Women in the Workplace

We see empowering women in the workplace as a management priority and are taking steps towards creating a work environment where women can fulfill their potential and play a more active role than ever. Our initiatives for empowering women focus on four specific areas -- recruitment, human resources development, organizational culture reforms, and work-life balance. In 2014, we set the goals of increasing the employment ratio of new female graduates to 30% and making the percentage of women in managerial positions one-and-a-half times more than it was in 2014 by 2020 (i.e. 40 women). We have stepped up activities for hiring women and have established clear training guidelines, while providing female managerial candidates with career development support and more. The Diversity Promotion Office opened its doors in FY 2017 to bolster our organizational capability for creating a workplace where all employees can realize their full potential,

regardless of gender. For example, to keep those employees who have experienced once-in-a-lifetime events motivated, we provide pre-maternity leave guidance and organize back-to-work seminars for those who return to work after taking child-care leave.

Employee Data ^{*11}

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Retention rate of employees after 3 years (%)	87.5	94.7	100	85.7 <input checked="" type="checkbox"/>	-	-
Turnover rate (%) ^{*12}	1.3	1.1	0.8	1.0	1.9	1.9 <input checked="" type="checkbox"/>
Rate of paid leave taken (%)	59.1	58.5	61.9	68.9	68.0	68.4 <input checked="" type="checkbox"/>
Number of female managers (persons)	25	25	27	29	32	36 <input checked="" type="checkbox"/>
Employment rate of the disabled (%)	2.0	2.0	1.8	2.2	2.3	2.3 <input checked="" type="checkbox"/>

^{*11} Scope: Fuyo General Lease (non-consolidated) ^{*12} Turnover rate includes separations due to personal reasons, reaching retirement age, and other reasons including transfer. It does not include separations of re-employed workers due to the expiration of their contract terms.

Human Resource Development

At the Fuyo Lease Group, our basic hiring policy is to keep the selection process fair, impartial, unbiased, and non-discriminatory. We also provide opportunities for all employees to independently achieve personal growth, while respecting each other's personality.

In FY 2017, we partially revised the performance evaluation system so that we can better understand the roles and abilities required of each employee in evaluating their performance as our operations become more diverse and complex. To embody our corporate slogan of "Go where no one has gone before" and the core principle of the Medium-term Management Plan, which is to move into uncharted businesses and continue to expand frontiers, we introduced a new scheme in FY 2018, under which employees are evaluated and supported in taking up challenges with the focus on their actions. In addition, we also introduced a new internal job application scheme that encourages employees to engage in personal development and improvement of their skills. Under the scheme, a total of seven

job openings were posted for positions of sales department/branch managers, the head of an affiliated company, positions in strategic fields such as medical, real estate, and energy, positions in the credit department, and administrative positions responsible for BCP.

Because our employees need an encyclopedic knowledge of laws, taxes, accounting, finance, products, industry trends, and more, we are focusing on equipping employees with top-notch professional skills. We value employees' pursuit of professionalism and willingness to develop their unique skills, and, to this end, we provide employees with practical on-the-job-training (OJT) at their workplaces, as well as off-the-job-training (Off-JT), including group training and personal development support. Because we see group training as an opportunity to pursue the Group synergies and share the Group's culture, we organized group training, with a total of 270 employees from group companies attending seven training programs in FY 2018.

Community Engagement

Basic Approach

Recognizing close ties with its neighbors, the Fuyo Lease Group hopes to grow together with them, while being a good corporate citizen who contributes to the development of local communities. The Group has formulated a CSR

policy and is conducting CSR activities that make best use of its know-how, products, and services focusing on the environment, community engagement, academia and research, and assistance to disaster-affected areas.

Activities: Case Example

Every year, Fuyo Lease and the Group company, Aqua Art, team up with students majoring in art and design at Tokyo Metropolitan Kogei High School and Tokyo Designer Gakuin College located near the Fuyo Lease head office to create interior aquarium designs and decorations, some of which are displayed at commercial facilities. In FY 2018, welcoming the Tokyo Communication Arts College as a new participant, the event provided a great opportunity for students to have fun designing aquariums, while at the same time letting visitors know about interior aquarium.

In FY 2019, which is the eighth times, we hosted an exhibition jointly with Tokyo Dome Hotel. A selection of the six aquariums were displayed in the lobby and elsewhere in the hotel during the special event that ran from July 25 through August 5.



Students from a creation team and their work exhibited at the hotel lobby

VOICE



Hideyuki Otsubo
Executive Officer and General Manager, General Affairs Division

In order to meet clients' higher level needs, act according to the corporate slogan of "Go where no one has gone before," and to be a company that clients will choose, it is essential to develop a resilient workforce consisting of individuals with the ability to think, act, and solve problems on their own. In addition to on-the-job training and level-specific training provided in the workplace, we also offer a range of programs to support those who are motivated to engage in personal development, including the motivation support program and the overseas trainee system.

Promotion of diversity is also essential for us to be able to offer solutions that surpass clients' expectations. We strive to create a pleasant work environment for people with diverse backgrounds regardless of gender or nationality.

Board Members

As of June 21, 2019



Takashi Sato

Director and Chairman (Representative Director)

Apr. 1977 Joined The Fuji Bank, Limited
 Mar. 2006 Managing Executive Officer of Mizuho Corporate Bank, Ltd. (retired in March 2009)
 May 2009 Deputy President and Executive Officer of the Company
 June 2009 Director and Deputy President Deputy President and Executive Officer Representative Director (current position)
 Nov. 2009 President and Chief Executive Officer President and Executive Officer
 Apr. 2016 Director and Chairman To present



Yasunori Tsujita

President and Chief Executive Officer (Representative Director)

Apr. 1981 Joined The Fuji Bank, Limited
 June 2013 Deputy President-Executive Officer, Member of the Board of Directors (Representative Director) of Mizuho Financial Group, Inc. (until June 2014)
 Nov. 2013 Deputy President-Executive Officer, Member of the Board of Directors of Mizuho Bank, Ltd. (until March 2015)
 June 2014 Member of the Board of Directors and Deputy President & Executive Officer (Representative Executive Officer) of Mizuho Financial Group, Inc. (until March 2015)
 Apr. 2015 Member of the Board of Directors (retired in June 2015)
 May 2015 Deputy President and Executive Officer of the Company
 June 2015 Director and Deputy President Deputy President and Executive Officer Representative Director (current position)
 Apr. 2016 President and Chief Executive Officer President and Executive Officer To present



Shozo Kazama

Director and Deputy President (Representative Director)

Apr. 1979 Joined The Fuji Bank, Limited
 Mar. 2006 Executive Officer, General Manager of Shinbashi Branch of Mizuho Bank, Ltd.
 Apr. 2009 Managing Executive Officer, General Manager of Business Unit of Mizuho Research Institute Ltd. (retired in April 2010)
 May 2010 Senior Managing Executive Officer of the Company
 June 2010 Senior Managing Director and Senior Managing Executive Officer
 Apr. 2014 Representative Director (current position)
 Apr. 2018 Director and Deputy President Deputy President and Executive Officer To present



Seiichi Isshiki

Outside Director **Independent**

Apr. 1972 Joined Nippon Oil Corporation
 June 2012 Representative Director, President of JX Nippon Oil & Energy Corporation
 Director of JX Holdings, Inc.
 June 2014 Advisor of JX Nippon Oil & Energy Corporation (currently JXTG Nippon Oil & Energy Corporation) (retired in June 2016)
 June 2015 Director of the Company To present



Hideo Ichikawa

Outside Director **Independent**

Apr. 1975 Joined Showa Denko K.K.
 Jan. 2011 Representative Director, President, Corporate Officer and Chief Executive Officer (CEO)
 Jan. 2017 Representative Director, Chairman of the Board (current position)
 June 2018 Director of the Company To present



Masayuki Yamamura

Outside Director **Independent**

Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation
 June 2008 Executive Vice President, General Manager of Tokyo Branch of NIPPON TELEGRAPH AND TELEPHONE EAST CORPORATION
 June 2009 Executive Vice President, Senior Executive Manager of Network Business Headquarters
 June 2012 President, Representative Director
 June 2018 Counselor to the President (current position)
 June 2019 Director of the Company To present



Shinya Aizawa

Senior Managing Director

Apr. 1982 Joined The Fuji Bank, Limited
 Apr. 2010 Executive Officer, General Manager of Internal Audit Division of Mizuho Corporate Bank, Ltd. (retired in April 2011)
 May 2011 Managing Executive Officer of the Company
 June 2011 Managing Director and Managing Executive Officer
 Apr. 2018 Senior Managing Director and Senior Managing Executive Officer To present



Yoriaki Takebe

Senior Managing Director

Apr. 1978 Joined The Yasuda Trust & Banking Co., Ltd.
 Apr. 2005 Executive Officer, General Manager of Real Estate Planning Division of Mizuho Trust & Banking Co., Ltd.
 June 2009 Executive Managing Director (retired in April 2011)
 Apr. 2011 Executive Officer, General Manager of Business Promotion Division 1 of the Company
 Apr. 2013 Managing Executive Officer
 Apr. 2018 Senior Managing Executive Officer
 June 2018 Senior Managing Director and Senior Managing Executive Officer To present



Soichi Hosoi

Managing Director

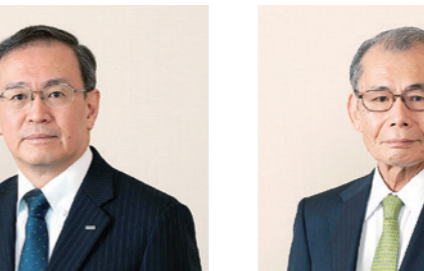
Apr. 1983 Joined The Fuji Bank, Limited
 Apr. 2013 Executive Officer, General Manager of Financial Planning Division of Mizuho Financial Group, Inc. (retired in April 2014)
 Executive Officer, General Manager of Financial Planning Division of Mizuho Bank, Ltd. (retired in April 2014)
 Executive Officer, General Manager of Financial Planning Division of Mizuho Corporate Bank, Ltd. (until July 2013)
 Apr. 2014 Managing Executive Officer of the Company
 June 2014 Managing Director and Managing Executive Officer To present



Kiyoyuki Takashima

Full-time Audit & Supervisory Board Member

Apr. 1979 Joined the Company
 Apr. 2011 General Manager of Shinjuku Branch
 Apr. 2012 Executive Officer, General Manager of Shinjuku Branch
 Oct. 2014 Executive Officer, General Manager of Tokyo Business Division III
 June 2016 Full-time Audit & Supervisory Board Member of the Company To present



Shigeru Suda

Full-time Audit & Supervisory Board Member

Apr. 1981 Joined the Company
 Aug. 1999 General Manager of International Division
 Mar. 2009 General Manager of Internal Audit Division
 June 2017 Full-time Audit & Supervisory Board Member of the Company To present



Teruhiko Numano

Outside Audit & Supervisory Board Member **Independent**

Apr. 1973 Registered as attorney-at-law Assistant professor, Nihon University College of Law
 July 2003 Trustee of Nihon University, and Dean of Nihon University College of Law
 June 2005 Outside Audit & Supervisory Board Member of the Company To present
 Sep. 2005 Vice-President of Nihon University, and Dean of Nihon University College of Law
 July 2006 Vice-President of Nihon University
 Aug. 2006 Retired from the position as Vice-President of Nihon University
 Apr. 2011 Retired from professorship at Nihon University College of Law



Yoshihiro Jinnai

Outside Audit & Supervisory Board Member **Independent**

Oct. 1978 Joined The Yasuda Fire and Marine Insurance Co., Ltd.
 Apr. 2010 Associate Director, General Manager, 1st Production Department of Sompo Japan Insurance Inc.
 Apr. 2011 Executive Officer, General Manager, Hokkaido Regional Headquarters
 Apr. 2012 Managing Executive Officer, General Manager, Hokkaido Regional Headquarters
 Mar. 2013 Retired from the position as Managing Executive Officer
 June 2013 President, Audatex Japan Co., Ltd. (currently Cognivision Inc.) (retired in June 2017)
 June 2017 Outside Audit & Supervisory Board Member of the Company To present

Corporate Governance

Our Approach to Corporate Governance

The Fuyo Lease Group places strong emphasis on creating and maintaining relationships with all stakeholders, including shareholders, customers, employees, and local communities. We believe that the fundamental objective of corporate governance is to perform business activities with sincerity and fairness in line with our management philosophy.

To achieve sustainable growth and increase corporate value over the medium to long term, we have established our own Corporate Governance Guidelines which align with the purpose and spirit of the Japan's Corporate Governance Code. These Guidelines serve as the foundation for our corporate governance framework, operating policies and other management policies, to which we adhere in everything we do.

Corporate Governance Structure

Fuyo Lease has established a Board of Corporate Auditors, which includes two outside corporate auditors who are independent from our company. In addition, in order to enhance the supervisory function of the Board of Directors, we have also appointed three independent outside directors, who provide oversight and advice on the execution of business operations from an external perspective.

Furthermore, to improve management efficiency and expedite decision-making by separating the management oversight function from the execution of operations, we have adopted the executive officer system.

Strengthening Corporate Governance

Fuyo Lease has implemented various initiatives aimed at strengthening corporate governance.

Year	Initiative	Objective
2008	Introduced performance-based compensation and stock compensation-type stock options	To strengthen links between directors' remuneration and their performance and shareholder value
2011	Reduced the term of office of a director from two years to one year	To increase opportunities to build shareholder confidence
2015	Increased the number of independent outside directors from one to two	To strengthen the management oversight structure
	Established the Corporate Governance Guidelines	To comply with the Japan's Corporate Governance Code
2016	Set up the Nomination and Compensation Advisory Committee	To ensure independence and objectivity in the decision-making process for matters such as nomination and compensation
	Started analyzing and evaluating the overall effectiveness of the Board of Directors	To verify the effectiveness of the roles and functions of the Board of Directors and to make ongoing improvements
2018	Increased the number of independent outside directors from two to three	To strengthen the management oversight structure
	Introduced a stock compensation plan (Board Benefit Trust, BBT)	To strengthen links between directors' remuneration and shareholder value
2019	Disclosed an English version of the Corporate Governance Report	To enhance external disclosure related to corporate governance

Establishment of the Corporate Governance Guidelines

In conformity with the purpose and spirit of the Japan's Corporate Governance Code, Fuyo Lease has established our own Corporate Governance Guidelines, which provide a foundation for corporate governance framework, operating policies, etc. The Corporate Governance Guidelines set out the framework, operating policies, roles, and responsibilities of different supervisory and executive functions, in addition to our basic approach to corporate

governance. To achieve sustainable growth and increase our corporate value over the medium to long term, we adhere to these guidelines in everything we do across the Fuyo Lease Group.

Board of Directors

The Board of Directors consists of nine directors, including six inside directors and three independent outside directors. The Board of Directors deliberates and makes decisions on important management issues, as well as matters specified in laws and regulations, the Articles of Incorporation, and the Regulations governing the Board of Directors. The Board of Directors also oversees the execution of operations by Directors and Executive Officers.

In FY 2018, the Board of Directors met 12 times.

Nomination and Compensation Advisory Committee

Fuyo Lease has set up the Nomination and Compensation Advisory Committee under the Board of Directors in order to eliminate arbitrariness in decision-making processes and to maintain a highly transparent management structure. The committee consists of four members, including three independent outside directors and an inside director. The committee mainly deliberates on topics such as nominating or removing of candidates for directors and corporate auditors, remuneration of directors, succession planning, and analysis and evaluations of the overall effectiveness of the Board of Directors, and reports its findings to the Board of Directors.

In FY 2018, the Nomination and Compensation Advisory Committee met five times.

Board of Corporate Auditors

Our Board of Corporate Auditors is composed of four auditors, including two full-time and two part-time auditors who are also independent outside corporate auditors. According to the audit plan formulated by the Board

of Corporate Auditors, each corporate auditor audits execution of operations by directors by attending important meetings, reviewing important documents, examining operations and assets, and reviewing the audit findings of the independent accounting auditor and the internal audit department among other relevant activities. Corporate auditors closely work with the Internal Audit and Internal Control Departments to conduct audits in order to enhance audit quality. At the request of the corporate auditors, an employee (a staff member from the Internal Audit Division) has been appointed to assist them.

In FY 2018, the Board of Corporate Auditors met 11 times.

Executive Committee

The Executive Committee is composed of Executive Officers with positions of managing executive officer or higher, the heads of the Management & Planning Division, General Affairs Division, and Business & Planning Division as well as the Presidents of affiliated companies. Full-time corporate auditors also attend meetings of the Committee on a regular basis.

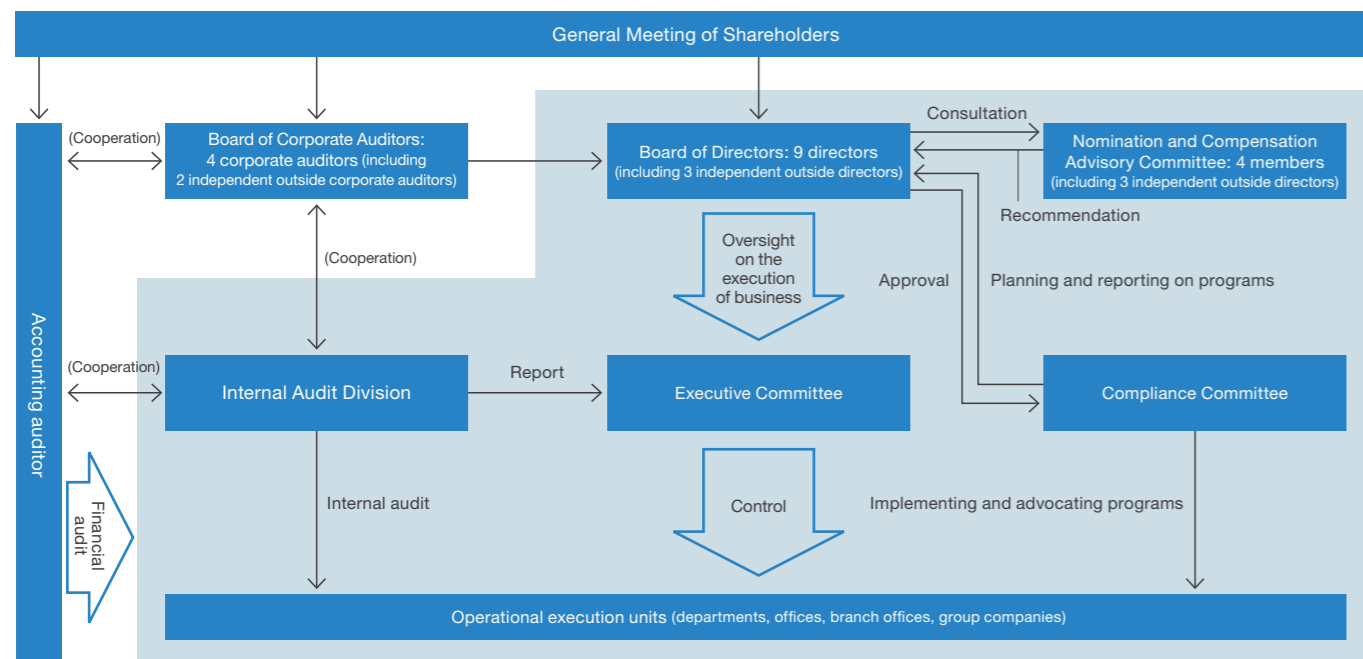
As a general rule, the Executive Committee meets at least once a month to make decisions on operating activities and implementation of measures delegated to the President & CEO, and to discuss important issues concerning internal controls. Its aim is to improve the quality of management decisions and to speed up decision-making.

In FY 2018, the Executive Committee met 20 times.

Compliance Committee

Fuyo Lease has set up a Compliance Committee chaired by the Chief Compliance Officer. The heads of relevant planning and administrative departments, representative directors of subsidiaries in Japan, and heads of overseas subsidiaries' relevant departments serve as full-time committee members. The administrative functions of the committee are carried out by the Legal & Compliance

Corporate Governance Structure



Attendance at Board and Committee meetings (attendance in FY 2018 by board members, as of June 21, 2019)

Name	Position	Attendance at Board meetings
Takashi Sato	Director and Chairman (Representative Director)	Board of Directors : 12/12
Yasunori Tsujita	President and Chief Executive Officer (Representative Director), Chairman of the Nomination and Compensation Advisory Committee	Board of Directors : 12/12 Nomination and Compensation Advisory Committee : 5/5
Shozo Kazama	Director and Deputy President (Representative Director)	Board of Directors : 12/12
Shinya Aizawa	Senior Managing Director	Board of Directors : 12/12
Yoriaki Takebe	Senior Managing Director	Board of Directors : 10/10 (Elected in June 22, 2018)
Soichi Hosoi	Managing Director	Board of Directors : 12/12
Seichi Isshiki	Director, Member of the Nomination and Compensation Advisory Committee	Board of Directors : 12/12 Nomination and Compensation Advisory Committee : 5/5
Hideo Ichikawa	Director, Member of the Nomination and Compensation Advisory Committee	Board of Directors : 10/10 Nomination and Compensation Advisory Committee : 3/3 (Elected in June 22, 2018)
Masayuki Yamamura	Director, Member of the Nomination and Compensation Advisory Committee	- (Elected in June 21, 2019)
Kiyoyuki Takashima	Full-Time Corporate Auditor	Board of Directors : 12/12 Board of Corporate Auditors : 11/11
Shigeru Suda	Full-Time Corporate Auditor	Board of Directors : 12/12 Board of Corporate Auditors : 11/11
Teruhiko Numano	Outside Corporate Auditor	Board of Directors : 8/12 Board of Corporate Auditors : 7/11
Yoshihiro Jinnai	Outside Corporate Auditor	Board of Directors : 12/12 Board of Corporate Auditors : 11/11

Division. The Compliance Committee meets quarterly to discuss issues related to compliance systems and implementing annual compliance plans. Based on its discussions the Committee submits reports to the Board of Directors and the Executive Committee, and takes measures to develop and enhance compliance systems.

Internal Audit

The internal audit function is administered by the Internal Audit Division (staffed by six employees). The Internal Audit Division conducts operational audits of all departments, offices, branch offices, and major subsidiaries, and plays a part in ensuring that internal controls are functioning in addition to examining their effectiveness. The results of these audits of operations are reported to the President & CEO and corporate auditors every time they are conducted and periodically to the Board of Directors and the Executive Committee.

Analysis and Evaluation of the Effectiveness of the Board of Directors

At Fuyo Lease, we analyze and evaluate the overall effectiveness of the Board of Directors every year. The Board of Directors makes further efforts to enhance its functions in the light of the results of the analysis and evaluation with the aim of continually improving its effectiveness.

The results of the analysis and evaluation for FY 2018 are as follows.

■ Evaluation method

We conducted a questionnaire survey among all Directors and corporate auditors, as well as interviews with them on an as needed basis. Following the discussions and recommendations by the Nomination and Compensation Advisory Committee, which consists mainly of independent outside directors and assisted by the corporate lawyer, the Board of Directors carried out the analysis and evaluation of the results.

■ Results

While the Board of Directors met all evaluation criteria, including size, composition, functions and roles, as well as operation, and was found to be effective, we concluded

that we must still steadily implement measures to improve the functions of the Board of Directors, make those activities part of our daily operations, and continually review the Board's functions.

■ Progress on issue identified last fiscal year

To address the issue identified in the last fiscal year – a need to increase and diversify outside directors – we appointed an additional independent outside director by a resolution of the Annual General Meeting held in June 2018. To address the need to bring more perspectives to the Boardroom, narrow down discussion points, and enhance reporting on risk management and corporate governance trends, we discussed and approved the proposed resolutions for reporting progress and risks in each business sector in the strategic areas of the Medium-term Management Plan and for ensuring compliance with the revised Corporate Governance Code. We then confirmed that the effectiveness of the Board had been improved.

■ Newly identified issues

We recognized the need to continuously bring more perspectives to the Boardroom and narrow down discussion points as well as the need to provide more information to outside directors.

Director Qualifications and Nomination Procedures

1 Policy and procedures for nominating director and corporate auditor candidates and removing directors

Our Corporate Governance Guidelines set forth procedures for nominating and removing directors in addition to the qualifications of corporate auditors and procedures for nominating corporate auditor candidates. Under these guidelines, a director or corporate auditor candidate must possess an outstanding personality, a wide breadth of knowledge, abilities, experience, and high ethical standards. The guidelines also specifies that candidates be nominated regardless of factors such as sex, age, and nationality, with the aim of achieving greater diversity. In order to ensure fairness and transparency in the nomination

process, the selection of candidates for directors and corporate auditors is finalized by the Board of Directors following a discussion by the Nomination and Compensation Advisory Committee, which is comprised of majority independent outside directors. Selection of corporate auditor candidates is finalized by the Board of Directors upon consent of the Board of Corporate Auditors.

2 Independence standards for outside directors and outside corporate auditors

Independence standards for outside directors and outside corporate auditors are stipulated in the Corporate Governance Guidelines in line with the independence standards prescribed in the Guidelines Concerning Listing Management, etc. established by the Tokyo Stock Exchange.

Board Remuneration

Fuyo Lease believes that enhancing the link between shareholder value and remuneration of Board of Directors will boost their morale and motivate them to improve our financial performance and share price, leading us towards our goals of ensuring stable performance and growth, while enhancing our corporate value. That is why we have introduced variable pay programs such as performance-based compensation and stock compensation in addition to a base salary, which is provided as fixed compensation.

We determine base salaries in the light of our employees' salaries, average market salaries for directors, our financial standing, and other relevant factors. The actual amount of performance-based compensation is based on our consolidated performance as well as an individual director's contribution to our financial performance among other factors. The indicators for performance-based compensation are operating assets, ordinary profit, and ROA on a consolidated basis, which are key performance indicators for the Medium-term Management Plan. The stock compensation plan (Board Benefit Trust, BBT) is designed to motivate Board members to help boost our company's performance and corporate value over the medium- to long-term by making the link between their compensation and our equity value clearer. Under this compensation plan, the Company's

shares are acquired by a trust using funds contributed by the Company, and the directors will be provided, on their retirement, with the Company's shares and cash-equivalents to the market price of the Company's shares at the time of retirement, in accordance with the Regulations for Provision of Shares to Officers approved by the Board of Directors.

The ratio between the base salary and the variable pay plan is set at 1 to 0.6 based on the average compensation ratio used by listed companies. The variable pay plan consists of performance-based compensation and stock compensation, and the ratio between the two is set at 5 to 7 in the light of the characteristics of the revenue structure of the leasing business to provide higher incentives on a medium- to long-term basis.

Directors' compensation is discussed by the Nomination and Compensation Advisory Committee in order to ensure transparency and objectivity in determining the amounts. Compensation for outside directors and corporate auditors consists only of fixed compensation because short-term incentives and equity compensation are not really applicable.

The company prescribes malus provision providing that if a director causes significant damage to the Company or engages in inappropriate conduct, the director's base salary or performance-based compensation will be reduced or the director will not be paid and the director will no longer be eligible to receive stock compensation.

Internal Control System

Fuyo Lease has instituted an internal control system across our corporate group to ensure compliance with all relevant laws and the articles of incorporation, capability to respond to various risks in a timely and appropriate manner, and to ensure transparency and efficiency of operations, in addition to ensuring the reliability of financial reports, etc. Our Internal Audit Department, corporate auditors, and independent auditor share information about audit findings to monitor the status and operation of the internal control system. The status of the internal control system operation is reported to the Board of Directors during a meeting held at the end of each fiscal year, and continuous improvements are made in the light of the audit findings.

Roles expected of outside directors and outside corporate auditors and reasons for appointment

Name	Reason for appointment
Seiichi Isshiki	Seiichi Isshiki has served as representative director and president of JX Nippon Oil & Energy Corporation, director of JX Holdings, Inc., and president of ENEOS Celltech Co., Ltd. We believe that he will help enhance the effectiveness of the decision-making and oversight functions of the Board of Directors from a position that is independent from our company's management by drawing upon his extensive experience and wealth of knowledge.
Hideo Ichikawa	Currently serving as representative director and chairman of the board and formerly representative director and president at Showa Denko K.K., Hideo Ichikawa has years of experience in corporate management. We believe that he will help enhance the effectiveness of the decision-making and oversight functions of the Board of Directors from a position that is independent from our company's management by drawing upon his extensive experience and wealth of knowledge.
Masayuki Yamamura	Masayuki Yamamura has served as president of Nippon Telegraph and Telephone East Corporation, and we believe that he will help enhance the effectiveness of the decision-making and oversight functions of the Board of Directors from a position that is independent from our company's management by drawing upon his extensive experience and wealth of knowledge.
Teruhiko Numano	We believe that Teruhiko Numano will conduct audits appropriately from an objective standpoint based on the expertise he has gained as a jurist and a lawyer and provide us with highly professional legal advice. He is also well versed in business litigation cases as a lawyer and has considerable financial and accounting knowledge.
Yoshihiro Jinnai	Having served as senior managing executive director at Sampo Japan Insurance Inc. and president of Audatex Japan (now Cognivision, Inc.), Yoshihiro Jinnai should be able to conduct audits appropriately from an objective standpoint by drawing upon his extensive experience and wealth of knowledge.

Board Remunerations

Officer classification	Total amount (millions of yen)	Remuneration amount (millions of yen)			Number of directors
		Basic remuneration	Stock-based remuneration (Board Benefit Trust, BBT)	Performance-linked remuneration (Annual bonuses)	
Directors (excl. Outside Directors)	301	195	56	49	6
Board of Corporate Auditors members (excl. Outside Auditors)	44	44	-	-	2
Outside Directors	53	53	-	-	5

Note: 1. The above remuneration amount and number of directors include those who resigned by the end of FY 2018.
 2. The above performance-linked remuneration comprises the amount, which shall be recorded in the fiscal year.
 3. The amount of the Board Benefit Trust (BBT) comprises the amount recorded in the fiscal year based on the number of points granted or expected to be granted during the fiscal year.
 4. At the 39th Annual General Meeting of Shareholders held on June 25, 2008, Fuyo Lease approved the resolution to pay accrued retirement benefits associated with the abolishment of the retirement benefits system for directors. The estimated amount as of the end of the fiscal year is 9 million yen (outside directors). The payment is made at the time of their retirement.

Risk Management

Our Approach to Risk Management and Risk Management System

As stipulated in the Fuyo Lease Group risk management regulations, we have established a risk management system at our locations across the globe in order to manage risks based on their particular risk characteristics and importance. Risks to be managed are categorized into credit, market (such as interest rate fluctuation risk), liquidity (such as cash flow risk), administrative, system, legal, human, reputation, and other risks. Each type of risk is managed by a designated department.

The Board of Directors and the Executive Committee receives updates on risk management, discusses risk

management policies according to the characteristics and importance of each risk, and evaluates the effectiveness of risk management. The Asset and Liability Management (ALM) Committee meets on a regular basis to appropriately manage and control market and liquidity risks. These efforts enable us to continually improve our risk management system.

In addition, we have a system in place for responding to emergencies. In the event of a large-scale disaster or emergency, the emergency response headquarters under the direction of the president will take measures necessary for ensuring safety and continuity of our operations in accordance with the Emergency Preparedness Regulations.

Risk Factors in Business Operations

Listed below are the main factors that could pose a risk to the development of the Group's business and have a significant impact on the decisions of investors.

The forward-looking statements here represent the judgment of the Group's management as of the date that its annual securities report was submitted (June 25, 2019). The following is not an exhaustive list of all the risks that could affect investment in the Company's shares.

1

Impact of Capital Expenditure Trends and Other Changes on Business Results

The lease transactions and installment sales handled by the Fuyo Lease Group are two means by which customers finance capital expenditures, and there is generally a positive correlation between the amount of private sector capital expenditure and lease capital expenditure.

The Fuyo Lease Group is focusing on expanding its customer base and increasing contracts by making various proposals that satisfy customers' diverse and latent needs. Nevertheless, the Group's business results could be affected by trends in corporate capital expenditure.

2

Impact of Credit Risk on Business Results

The business of the Fuyo Lease Group involves extending credit to counterparties over the medium to long term, with lease agreements averaging around five years. Consequently, there is a risk that difficulty will arise in collecting lease payments from a counterparty that files for bankruptcy or experiences other serious issues during the leasing period.

To minimize potential losses associated with credit risk, the Fuyo Lease Group quantitatively assesses and monitors credit risk in its portfolio while working to maintain and improve the soundness of assets in addition to

screening and monitoring the creditworthiness of individual counterparties. The Group also conducts self-assessments of its assets in accordance with standards applied by banks and other financial institutions based on Industry Audit Committee Report No. 19, "Temporary Treatment for Accounting and Auditing of Application of the Accounting Standards for Financial Instruments in the Leasing Industry," issued by the Japanese Institute of Certified Public Accountants (JICPA). Accordingly, Fuyo Lease sets aside an allowance for doubtful receivables in its balance sheets, for which it calculates an amount of estimated losses based on bad debts recorded in previous financial years under a general allowance as well as an amount of estimated uncollectable payments of individual counterparties under specific allowances for doubtful receivables and borrowers in bankruptcy or reorganization. The Group also monitors the creditworthiness of a specified group of large-lot borrowers and reports the results periodically to management.

Nevertheless, depending on future economic trends, newly arising bad debts caused by worsening creditworthiness of counterparties could adversely impact the Group's business results.

3

Impact of Changes in Factors Such as Interest Rates, Exchange Rates and Share Prices, and Financing on Business Results

The Fuyo Lease Group procures funds to purchase properties for leasing or for installment sales to customers and to purchase the business assets owned by the Group mainly from financial institutions and markets. Moreover, in addition to owning foreign currency-denominated assets such as aircraft, the Group carries out investment through securities investments and funds.

The Fuyo Lease Group not only monitors the market conditions, but also strives to manage risks appropriately by constantly monitoring the gap between asset

management and financing, managing risks associated with interest rate fluctuations (market risk), and holding Asset-Liability Management Committee meetings, where policies on future funding and other activities are discussed and deliberated. Because of its sound financial standing, the Company has obtained good ratings from multiple credit rating agencies.

Nevertheless, future interest rate, exchange rate, share price and financing trends could adversely impact the Group's business results. Moreover, if a rating agency were to lower the Company's rating, it would be difficult for the Company to procure necessary funds in appropriate ways, as access to commercial paper and other preferred financing methods would be limited. In such an event, the Company may have to borrow from banks at higher interest rates that would normally apply, which could adversely affect the Fuyo Lease Group's business results.

4

Competitive Environment in the Leasing Industry

The various businesses in which the Fuyo Lease Group is engaged, and the leasing business in particular, are exposed to intense competition that includes financial institutions in addition to the leasing industry.

The Fuyo Lease Group endeavors to differentiate itself from the competition and enhance its competitiveness by strengthening its ability to deliver value-added services that contribute to greater convenience for customers. However, intensification in competition could have an adverse effect on the Group's business results.

5

Impact of Changes in Regulatory Systems on Business Results

The Fuyo Lease Group operates its business activities based on current laws, tax regulations, accounting standards, and other regulatory systems. In regards to the accounting system, in March 2019, the Accounting Standards Board of Japan decided to start developing lease accounting standards. The Group's business results could therefore be affected by any significant future changes in these systems.

6

Risks Related to Strategic Partnerships and Corporate Acquisitions

The Fuyo Lease Group may form strategic partnerships with other companies, acquire other companies, or undertake related actions to expand operations and achieve business growth. While management exhaustively examines the implications of forming a strategic partnership or acquiring another company, if business activities do not proceed as originally expected following the partnership or acquisition due to changes in the operating environment or other factors, the Group's business results could be adversely affected.

7

Risks from Natural Disasters or Other Causes

The Fuyo Lease Group has established various measures to ensure business continuity as well as life and safety in times of emergency, such as disasters, accidents, and infectious disease epidemics. However, unforeseen circumstances, such as damage to key social infrastructure could restrict the Group's business activities and affect its business results.

8

Other Business Risks

The Fuyo Lease Group faces a number of business risks other than those listed above. The risks include administrative risk resulting from inadequate administrative processing, systems risk caused by breakdowns, malfunction, or other issues involving computer systems due to cyberattacks, and human risk that includes difficulties in securing and developing the necessary human resources. They also include asset and residual value risk, meaning the risk of a decline in the value of owned assets such as real estate or the residual value of leased assets becoming lower than initial assessments. Moreover, compliance risk could materialize if failure to comply with laws and regulations or social norms leads to a loss of social credibility. There is also country risk related to the political and economic environment in the overseas countries where the Fuyo Lease Group has expanded its business operations. In addition, revenues from electricity sales in the Group's mega solar business could fall below projections due to unfavorable weather conditions.

Compliance System

Our Approach to Compliance and Compliance System

At the Fuyo Lease Group, ensuring compliance is a fundamental principle of management. We work to strengthen and enhance our compliance system, which enables us to operate with integrity and fairness by conforming to relevant social norms, while strictly complying with all laws and regulations.

We promote compliance throughout the Group by

stipulating various regulations, procedures, and manuals, conducting compliance education, and enhancing the whistleblower system on the basis of the Fuyo General Lease Group's Code of Corporate Conduct. In order to maintain and further improve our compliance systems, we implement and carry out compliance programs every fiscal year. Issues associated with the compliance programs are discussed at the Compliance Committee and the Executive Committee before being submitted to the Board of Directors for approval. Findings and progress of the programs are

reported to the Board of Directors on a semi-annual basis.

We will continue our group-wide activities including management and implementation of compliance measures and compliance education, and streamlining our compliance systems across the Group to improve their effectiveness.

Fuyo General Lease Group Code of Corporate Conduct

The Fuyo Lease Group has formulated the Fuyo General Lease Group Code of Corporate Conduct, which specifies the basic policies and position of the entire group as well as behavioral guidelines for the employees of the Group. We conduct various training activities including e-learning programs to increase the effectiveness of the Code and instill the Code among our employees.

Furthermore, the Code strictly prohibits the forging of collusive ties with political and administrative authorities and business partners, and the private use of the company's assets. In FY 2018, no infringements related to corruption were found in the Group. Additionally, no employees were dismissed or subjected to disciplinary action due to corruption.

Fuyo General Lease Group Code of Corporate Conduct

Chapter 1

Basic Policy of Fuyo General Lease Group

1. Social Responsibilities and Public Missions
2. Implementation of Customer First Principles
3. Compliance with Laws and Rules
4. Respect for Human Rights
5. Blocking Relationships with Anti-social Forces

Chapter 2

Basic Attitude of Fuyo General Lease Group

1. Basic Attitude Toward Customers
2. Basic Attitude Toward Shareholders
3. Basic Attitude Toward Local Communities
4. Basic Attitude Toward Employees
5. Basic Attitude Toward Suppliers and Competitors
6. Basic Attitude Toward Politics and Government

Chapter 3

Action Guidelines for All Members of the Fuyo Lease Group

1. Maintaining Order in the Workplace
2. No Personal Use of Company Assets
3. Appropriate Information Management
4. No Conflicts of Interest
5. Appropriate Personal Conduct
6. Social Media Policy (Appropriate Personal Conduct 2)

*Please refer to our website for detailed contents.

Whistleblower Hotline

The Fuyo Lease Group operates a whistleblower hotline. In addition to the in-house compliance hotline, we provide a consultation service desk through a cooperating law firm. Employees are informed of these services via posters placed inside the company, and portable information cards distributed to all group directors and employees. Concerned individuals can immediately seek consultation or report whenever they detect any violations of the law, the Code of Corporate Conduct and other corporate regulations, harassment cases, misconduct in information management or other potential infringements. The whistleblower systems

Compliance Training

The Fuyo Lease Group emphasizes employee training programs that are designed to ensure compliance. Our training programs include workplace compliance training and e-learning on insider trading regulations for all Group employees, as well as group training conducted by external instructors for directors, heads of departments, offices and branch offices, presidents of Group companies, and departmental compliance officers.*

* A compliance officer is appointed for each department or company to raise compliance awareness and ensure compliance.

Compliance Training (FY 2018)

Group training and workplace training

Participant	Subject	# of session
Entry level	Introduction to compliance, Fuyo General Lease Group Code of Corporate Conduct, Unreasonable demand	1
2nd year employee (Generalist track)	Confidential information management, Personal information protection, Prevention of harassment, Insider trading regulations	1
5th year employee (Generalist track)	Response to accidents and troubles	1
Newly appointed head of department/branch office	Issues to be understood as responsible officers to ensure compliance	1
Newly appointed assistant manager/section chief	Prevention of power harassment, sexual and maternity harassment	2
All employees	Compliance manual	1
Directors and head of department/office/branch office	Prevention of harassment	1

E-learning

Participant	Subject	# of session
Directors, head of department/office/branch office, compliance officer, entry level	Regulation for Insider Trading (e-learning material of the Japan Exchange Group)	2
All employees	General issues on compliance	1

accept anonymous reports to protect whistleblowers.

At the Fuyo Lease, full-time corporate auditors are appointed to accept reports from the Group companies, and the cooperating law firm is available for reports from the overseas affiliated companies.

In FY 2018, two reports were received through the hotline. In each case, we contacted the related parties to confirm the facts and conducted investigations promptly with due care to protect whistleblowers against detrimental treatment. For the cases confirmed to be misconducts, measures were taken according to corporate regulations, and all cases have been resolved. We will reinforce our compliance training of FY 2019 to prevent any recurrences.

Independent Assurance Report



Independent Assurance Report

To the President and CEO of Fuyo General Lease Co., Ltd.

We were engaged by Fuyo General Lease Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with (the "Indicators") for the period from April 1, 2018 to March 31, 2019 included in its Fuyo Lease Group Integrated Report 2019 (the "Report") for the fiscal year ended March 31, 2019.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting Fuyo Lease Sales Co., Ltd. selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 18, 2019

Financial Section

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Financial Information

Financial Position and Management Goals

Financial Position and Results of Operations

In FY 2018, the Japanese economy continued to show a gradual recovery as personal spending rose as a result of improved employment conditions and increased income. The economic recovery was also driven by increased capital investments to streamlining and/or labor-saving business operations following labor shortages. However, economic uncertainty continued amid the intensifying US-China trade dispute and the UK's withdrawal process from the EU.

According to the Japan Leasing Association, the total volume of lease transactions in Japan's leasing industry in FY 2018 came to ¥5,012.9 billion, an increase of 2.8% compared to the previous fiscal year.

In this environment, the Fuyo Lease Group started to implement Frontier Expansion 2021, its Medium-term Management Plan for FY 2017 to FY 2021. In FY 2018, the second fiscal year of the plan, the Group steadily implemented the business and management strategies outlined in the plan, aiming to be a corporate group that continually expands the frontiers of its business portfolio and clears the way to new business fields by fulfilling its corporate slogan of "Go where no one has gone before."

As a result of these efforts, newly executed contract volume in FY 2018 totaled ¥1,187,217 million, up 7.4% year on year. Consolidated operating assets (after subtracting the deferred profit on installment sales) as of March 31, 2019, totaled ¥2,262,824 million, up ¥90,235 million, or 4.2%, from the end of the previous fiscal year. The total assets amounted to ¥2,592.206 million, up ¥161,670 million, or 6.7%, from the end of FY 2017. This increase is due to a steady increase in operating assets, which increased by ¥90,235 million from the end of the previous fiscal year to ¥2,262,824 million, an increase of 4.2% year over year.

The funding balance stood at ¥2,096,958 million, an increase of 6.7% year on year, mainly due to the issuance of unsecured straight bonds amounting to ¥35,000 million during the fiscal year under review.

On the profit front, the Company reported total revenues of ¥618,119 million, up 4.7% year on year, operating profit of ¥35,746 million, up 9.3% year on year, ordinary profit of ¥39,166 million, up 11.3% year on year, and net profit attributable to owners of parent of ¥25,689 million, up 17.1% year on year. Revenues, operating profit, ordinary profit, and profit attributable to owners of parent all exceeded the previous fiscal year's levels and reached new record highs for a fiscal year.

Financial Position and Results of Operations by Segment

Revenues, Cost of Sales and Gross Profit

Lease and Installment Sales

In FY 2018, Lease and Installment Sales segment revenues

declined by ¥42,572 million, or 7.6% year on year, to ¥517,726 million. Cost of sales declined by ¥42,950 million, or 8.4% year on year, to ¥469,206 million, and gross profit in the Lease and Installment Sales segment increased by ¥378 million, or 0.8%, year on year, to ¥48,520 million. This result was mainly due to the steady increase in profit achieved through the accumulation of operating assets, which consist mainly of real estate leases and aircraft leases, despite the fact that no significant gains were generated from the sale of assets following the termination or expiration of contracts recorded in the previous year.

Financing

Financing segment revenues totaled ¥14,980 million in FY 2018, an increase of ¥1,800 million, or 13.7%, year on year. Cost of sales increased by ¥6 million, or 4.1%, to ¥167 million, and gross profit in the Financing segment rose ¥1,793 million, or 13.8%, to ¥14,813 million. This result was mainly due to the steady accumulation of operating assets in the Financing segment.

Other

The Other segment's revenues jumped by ¥68,573 million, or 407.2% year on year, to ¥85,412 million in FY 2018. Cost of sales increased by ¥63,280 million, or 624.6% year on year, to ¥73,411 million, and gross profit in the other segment increased by ¥5,293 million, or 78.9% year on year, to ¥12,001 million. This result was mainly founded on the contribution of consolidated billing services for businesses provided by INVOICE Inc., which became a consolidated subsidiary in October 2018.

Operating Profit, Ordinary Profit and Profit Attributable to Owners of Parent

In Leases, the Company steadily expanded the profits through the accumulation of operating assets focused on real estate leases and aircraft leases. In regards to Financing, the Company successfully accumulated assets with a focus on profitability, thus increasing both the balance of operating assets and profits. The other segment's revenues and profit increased significantly because of the addition of the good non-asset business following the consolidation of INVOICE Inc. As a result, operating profit totaled ¥35,746 million, a year on year increase of 9.3%, ordinary profit totaled ¥39,166 million, a year-on-year increase of 11.3%, and profit attributable to owners of parent stood at ¥25,689 million, up 17.1% year on year, all reaching new record highs.

Net Assets and Equity Ratio

Total shareholders' equity was ¥227,208 million, up 9.0% year on year, mainly owing to an increase in retained earnings. As a result, total net assets came to ¥295,067 million at the end of the fiscal year under review, up ¥12,493 million, or 4.4%, compared to the end of the previous fiscal year. The equity ratio fell 0.1 percentage points from the end of the previous fiscal year to 10.1% due to the acquisition of additional shares of the consolidated subsidiary. The equity ratio was maintained at the 10% level while operating assets were increased.

Cash Flows

The analysis of cash flows for FY 2018 is as follows.

Cash Flows from Operating Activities

Operating activities in FY 2018 used net cash of ¥79,975 million, a decrease compared to the net cash used of ¥104,417 million in the previous fiscal year. The major changes included decreases in loss on retirement of property for lease, cost of property for lease sales, lease receivables, investment assets, loans, and operational investment securities and increases in cash outflows for loans and purchase of lease assets.

Cash Flows from Investing Activities

Investing activities in FY 2018 used net cash of ¥9,393 million, compared to the net cash of ¥5,679 million used in the previous fiscal year. The main changes included an increase in cash outflows for the purchase of investment securities and the acquisition of the subsidiary's shares due to the change in the scope of consolidation, and an increase in income resulting from the sales and redemption of investment securities.

Cash Flows from Financing Activities

Financing activities in FY 2018 provided net cash of ¥105,502 million, compared to the net cash of ¥113,549 million in the previous fiscal year. The main changes in indirect financing included an increase in the net amounts of short-term loans from banks and other financial institutions and proceeds from long-term loans from banks and other financial institutions, and an increase in cash outflows due to repayments of long-term loans to banks and other financial institutions. In direct funding, the main changes included a decrease in the net amounts of commercial paper, an increase in cash inflows due to the issuance of bonds and the redemption of bonds, an increase in proceeds from securitized lease receivables and a decrease in cash outflows from repayments for securitized lease receivables.

Financial Policy

The Fuyo Lease Group has set a basic policy of ensuring the liquidity required for business operations and stable funding sources.

The Group raises funds through indirect financing using borrowings from financial institutions and direct financing from the markets for its working capital and equipment funding.

At the end of the fiscal year under review, indirect financing amounted to ¥1,382,053 million, up 6.7% from the end of the

previous fiscal year, mainly due to increases in short-term loans and long-term loans from banks and other financial institutions. Direct financing increased 6.8% from the end of the previous fiscal year to ¥714,904 million, mainly due to the issuance of commercial paper and bonds. As a result, the funding balance at the end of the fiscal year under review increased 6.7% from the end of the previous fiscal year to ¥2,096.958 million. The percentage of direct financing stood at 34.1%, compared to the end of the previous fiscal year.

The main demand for working capital at the Group include the purchase of lease assets and properties for installment sales to customers, the purchase of operational investment securities, and capital investment in solar power generation facilities, in addition to operating expenses and selling, general and administrative expenses.

As of March 31, 2019, the balance of interest-bearing debt, including borrowings and lease obligations, stood at ¥2,122,654 million, up 6.1% from the end of fiscal year. Moreover, cash and cash equivalents at the end of the fiscal year under review totaled ¥69,918 million.

At the end of the fiscal year under review, the Company had concluded overdraft agreements and loan commitment agreements with 72 correspondent financial institutions. The balance of executed loans amounted to ¥438,865 million, and the balance of unexecuted loans stood at ¥470,643 million.

Management Policy, Management Strategy and Objective Indicators Used for Evaluating Progress towards Management Goals

The Medium-term Management Plan, Frontier Expansion 2021, aims to expand the frontiers of our business portfolio through robust and sustainable growth by constantly challenging new business areas and business models.

To this end, it is important to steadily build operating assets and enhance profitability in order to achieve better performance. From this point of view, we have defined operating assets, ordinary profit, and return on assets (ROA) as our three management goals.

Founded on the basis of steadily accumulating operating assets, both sales and profit showed favorable performance and exceeded the previous year's results. Revenue, operating profit, ordinary profit, and profit attributable to owners of parent all reached new record highs.

Regarding stock, we were able to steadily increase operating assets by 4.2% from the end of the previous consolidated fiscal year while improving return on assets (ROA) by 0.1 points from the end of the previous consolidated fiscal year.

Consolidated Balance Sheets

Fuyo General Lease Co., Ltd. and Consolidated Subsidiaries
March 31, 2019 and 2018

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current assets:			
Cash and deposits (Notes 2 and 8)	¥ 71,173	¥ 54,822	\$ 641,206
Marketable securities (Notes 2, 3 and 5)	179,529	177,896	1,617,387
Trade receivables (Notes 2 and 5):			
Installment sales	97,452	116,697	877,953
Financing	385,951	380,555	3,477,038
Lease	1,100,515	1,113,085	9,914,551
Other	2,671	2,396	24,069
Allowance for doubtful receivables	(2,725)	(2,806)	(24,554)
Other	63,610	35,200	573,066
Total current assets	1,898,179	1,877,848	17,100,716
Investments and other assets:			
Investment in securities (Notes 2, 3 and 5)			
Unconsolidated subsidiaries and affiliates	23,921	14,976	215,510
Other investment in securities	68,899	75,477	620,717
Claims provable in bankruptcy, claims provable in rehabilitation and other	571	1,022	5,152
Other investments	47,541	46,505	428,297
Deferred tax assets (Note 11)	4,155	3,149	37,439
Allowance for doubtful receivables	(375)	(445)	(3,387)
Total investments and other assets	144,713	140,686	1,303,727
Property and equipment, at cost less accumulated depreciation:			
Leased assets (Note 4)	480,930	375,312	4,332,705
Advances on purchases of property and equipment for lease	15,073	3,504	135,793
Other operating assets (Note 4)	28,265	19,671	254,644
Own-used assets (Note 4)	1,790	1,885	16,133
Total property and equipment	526,059	400,373	4,739,274
Intangible fixed assets:			
Software leased to customers	330	373	2,976
Goodwill	17,482	6,226	157,498
Other	4,268	4,201	38,459
Total intangible fixed assets	22,081	10,801	198,933
Deferred assets:			
Deferred organization expenses	0	0	1
Business commencement expenses	1,171	825	10,558
Total deferred assets	1,172	826	10,559
Total assets:	¥ 2,592,206	¥ 2,430,536	\$ 23,353,209

See accompanying notes to the consolidated financial statements.

Management Goals (Consolidated)	FY 2017 Result	FY 2018 Result	Interim Target (FY 2019)	Target (FY 2021)
Operating Assets	¥2,172.6 bn	¥2,262.8 bn	¥2,300-¥2,400 bn	¥2,500 bn
Ordinary Profit	¥35.2 bn	¥39.2 bn	¥42 bn	¥50 bn
Return on assets (ROA)	1.67%	1.77%	1.7-1.8%	2.0%

Liabilities and net assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Current liabilities:			
Short-term borrowings (Notes 2 and 5)	¥ 1,015,259	¥ 959,940	\$ 9,146,482
Current portion of long-term debt (Notes 2 and 5)	291,825	271,719	2,629,063
Lease obligations (Notes 2 and 5)	25,103	34,873	226,153
Notes and accounts payable – trade	44,531	26,464	401,184
Income taxes payable	5,555	5,880	50,050
Advances received from customers	8,261	7,772	74,427
Deferred profit on installment sales	1,421	1,625	12,806
Other	27,872	22,770	251,108
Total current liabilities	1,419,831	1,331,046	12,791,273
Long-term liabilities:			
Long-term debt (Notes 2 and 5)	789,872	733,293	7,115,973
Deferred tax liabilities (Note 11)	14,802	16,618	133,356
Net defined benefit liability (Note 12)	1,996	1,703	17,983
Guarantee deposits from customers	64,093	60,461	577,423
Other	6,541	4,837	58,932
Total long-term liabilities	877,307	816,915	7,903,667
Total liabilities	2,297,138	2,147,962	20,694,940
Contingent liabilities (Note 6)			
Net assets:			
Shareholders' equity (Notes 16, 20 and 21):			
Common stock, without par value			
Authorized: 100,000,000 shares			
Issued: 30,287,810 shares in 2019 and 2018	10,532	10,532	94,884
Capital surplus	8,873	10,416	79,943
Retained earnings	208,628	187,673	1,879,539
Less, treasury stock, at cost – 142,465 shares in 2019 and 64,939 shares in 2018	(826)	(224)	(7,443)
Total shareholders' equity	227,208	208,397	2,046,923
Accumulated other comprehensive income			
Net unrealized gains (losses) on available-for-sale securities	34,713	39,265	312,732
Deferred gains (losses) on hedges	(577)	(92)	(5,198)
Foreign currency translation adjustments	496	1,551	4,473
Remeasurements of defined benefit plans	3	(10)	35
Total accumulated other comprehensive income	34,636	40,714	312,042
Share acquisition rights	842	924	7,593
Non-controlling interests	32,379	32,537	291,711
Total net assets	295,067	282,574	2,658,269
Total liabilities and net assets	¥ 2,592,206	¥ 2,430,536	\$ 23,353,209

Consolidated Statements of Income

Fuyo General Lease Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Revenues:			
Lease and installment sales	¥ 517,726	¥ 560,298	\$ 4,664,200
Financing	14,980	13,180	134,961
Other	85,412	16,839	769,485
Total revenues	618,119	590,318	5,568,646
Costs:			
Lease and installment sales	469,206	512,156	4,227,083
Financing	167	160	1,509
Other	73,411	10,130	661,361
Interest expenses	8,648	7,349	77,914
Total costs	551,433	529,798	4,967,867
Gross profit	66,686	60,519	600,779
Selling, general and administrative expenses	30,939	27,802	278,737
Operating profit	35,746	32,717	322,042
Other income (expenses)			
Interest and dividend income	1,792	1,439	16,146
Interest expenses	(530)	(354)	(4,780)
Equity in earnings of affiliates	1,259	753	11,347
Bad debt recovered	86	118	784
Reversal of allowance for doubtful receivables	95	103	864
Reversal of provision for loss on guarantees	91	127	823
Gain on sale of marketable and investment securities	941	0	8,485
Other, net	601	224	5,421
Profit before income taxes	40,085	35,130	361,132
Income taxes (Note 11)			
Current	11,182	10,965	100,746
Deferred	825	(92)	7,436
Total	12,007	10,873	108,182
Profit	28,077	24,257	252,950
Profit attributable to non-controlling interests	2,388	2,312	21,515
Profit attributable to owners of parent	¥ 25,689	¥ 21,944	\$ 231,435

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

Fuyo General Lease Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Profit	¥ 28,077	¥ 24,257	\$ 252,950
Other comprehensive income			
Net unrealized gains (losses) on available-for-sale securities	(4,553)	3,957	(41,021)
Deferred gains (losses) on hedges	(478)	9	(4,312)
Foreign currency translation adjustment	(1,066)	(586)	(9,611)
Remeasurements of defined benefit plans	(10)	80	(92)
Share of other comprehensive income of entities accounted for using equity method	24	(14)	223
Total other comprehensive income	(6,084)	3,445	(54,813)
Comprehensive income	¥ 21,993	¥ 27,702	\$ 198,137
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	¥ 19,611	¥ 25,364	\$ 176,678
Comprehensive income attributable to non-controlling interests	2,381	2,338	21,459

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Fuyo General Lease Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2019 and 2018

	Number of shares of common stock	Year ended March 31, 2019				Total shareholders' equity
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
Millions of yen						
Balance at beginning of year	30,287,810	¥ 10,532	¥ 10,416	¥ 187,673	¥ (224)	¥ 208,397
Cash dividends				(4,716)		(4,716)
Profit attributable to owners of parent				25,689		25,689
Purchase of treasury stock					(695)	(695)
Disposal of treasury stock				(17)	94	76
Change in ownership interest of parent due to transactions with non-controlling interests			(1,542)			(1,542)
Net changes of items other than shareholders' equity						
Balance at end of year	30,287,810	¥ 10,532	¥ 8,873	¥ 208,628	¥ (826)	¥ 227,208

	Year ended March 31, 2019				
	Accumulated other comprehensive income				
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
Millions of yen					
Balance at beginning of year	¥ 39,265	¥ (92)	¥ 1,551	¥ (10)	¥ 40,714
Cash dividends					
Profit attributable to owners of parent					
Purchase of treasury stock					
Disposal of treasury stock					
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity	(4,552)	(484)	(1,055)	14	(6,078)
Balance at end of year	¥ 34,713	¥ (577)	¥ 496	¥ 3	¥ 34,636

	Year ended March 31, 2019		
	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of year	¥ 924	¥ 32,537	¥ 282,574
Cash dividends			(4,716)
Profit attributable to owners of parent			25,689
Purchase of treasury stock			(695)
Disposal of treasury stock			76
Change in ownership interest of parent due to transactions with non-controlling interests			(1,542)
Net changes of items other than shareholders' equity	(81)	(158)	(6,317)
Balance at end of year	¥ 842	¥ 32,379	¥ 295,067

See accompanying notes to the consolidated financial statements.

	Year ended March 31, 2019				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
	Thousands of U.S. dollars (Note 1)				
Balance at beginning of year	\$ 94,884	\$ 93,842	\$ 1,690,751	\$ (2,024)	\$ 1,877,453
Cash dividends			(42,489)		(42,489)
Profit attributable to owners of parent			231,435		231,435
Purchase of treasury stock				(6,268)	(6,268)
Disposal of treasury stock			(158)	849	691
Change in ownership interest of parent due to transactions with non-controlling interests		(13,899)			(13,899)
Net changes of items other than shareholders' equity					
Balance at end of year	\$ 94,884	\$ 79,943	\$ 1,879,539	\$ (7,443)	\$ 2,046,923

	Year ended March 31, 2019				
	Accumulated other comprehensive income				
	Net unrealized gains on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income
	Thousands of U.S. dollars (Note 1)				
Balance at beginning of year	\$ 353,746	\$ (833)	\$ 13,978	\$ (92)	\$ 366,799
Cash dividends					
Profit attributable to owners of parent					
Purchase of treasury stock					
Disposal of treasury stock					
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity	(41,014)	(4,365)	(9,505)	127	(54,757)
Balance at end of year	\$ 312,732	\$ (5,198)	\$ 4,473	\$ 35	\$ 312,042

	Year ended March 31, 2019		
	Share acquisition rights	Non-controlling interests	Total net assets
	Balance at beginning of year	\$ 8,326	\$ 293,134
Cash dividends			(42,489)
Profit attributable to owners of parent			231,435
Purchase of treasury stock			(6,268)
Disposal of treasury stock			691
Change in ownership interest of parent due to transactions with non-controlling interests			(13,899)
Net changes of items other than shareholders' equity	(733)	(1,423)	(56,913)
Balance at end of year	\$ 7,593	\$ 291,711	\$ 2,658,269

See accompanying notes to the consolidated financial statements.

	Number of shares of common stock	Year ended March 31, 2018				Total shareholders' equity
		Shareholders' equity				
		Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	
		Millions of yen				
Balance at beginning of year	30,287,810	¥ 10,532	¥ 10,416	¥ 169,942	¥ (342)	¥ 190,548
Cash dividends				(4,167)		(4,167)
Profit attributable to owners of parent				21,944		21,944
Purchase of treasury stock					(0)	(0)
Disposal of treasury stock				(45)	118	73
Change in ownership interest of parent due to transactions with non-controlling interests						-
Net changes of items other than shareholders' equity						
Balance at end of year	30,287,810	¥ 10,532	¥ 10,416	¥ 187,673	¥ (224)	¥ 208,397

	Number of shares of common stock	Year ended March 31, 2018				Total accumulated other comprehensive income
		Accumulated other comprehensive income				
		Net unrealized gains on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	
		Millions of yen				
Balance at beginning of year		¥ 35,314	¥ (109)	¥ 2,137	¥ (47)	¥ 37,294
Cash dividends						
Profit attributable to owners of parent						
Purchase of treasury stock						
Disposal of treasury stock						
Change in ownership interest of parent due to transactions with non-controlling interests						
Net changes of items other than shareholders' equity		3,951	17	(586)	37	3,419
Balance at end of year		¥ 39,265	¥ (92)	¥ 1,551	¥ (10)	¥ 40,714

	Number of shares of common stock	Year ended March 31, 2018		
		Share acquisition rights	Non-controlling interests	Total net assets
		Balance at beginning of year	¥ 842	¥ 30,506
Cash dividends			(4,167)	
Profit attributable to owners of parent			21,944	
Purchase of treasury stock			(0)	
Disposal of treasury stock			73	
Change in ownership interest of parent due to transactions with non-controlling interests			-	
Net changes of items other than shareholders' equity	81	2,031	5,532	
Balance at end of year	¥ 924	¥ 32,537	¥ 282,574	

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

Fuyo General Lease Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2019	2018	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 40,085	¥ 35,130	\$ 361,132
Adjustments for:			
Depreciation and amortization	33,303	33,535	300,032
Loss on retirement of leased assets and cost of leased assets sales	19,898	70,364	179,269
Decrease in allowance for doubtful receivables	(164)	(622)	(1,480)
Interest and dividend income	(1,792)	(1,439)	(16,146)
Interest expenses	9,179	7,704	82,695
Gain on sales of marketable and investment securities, net	(941)	(0)	(8,485)
Equity in earnings of affiliates	(1,259)	(753)	(11,347)
Amortization of goodwill and negative goodwill	812	1,571	7,319
Increase (decrease) in trade receivables	26,197	(65,554)	236,012
Purchase of leased and other operating assets	(180,998)	(153,097)	(1,630,615)
Decrease in trade payables	(10,060)	(18,077)	(90,638)
Other, net	1,684	3,660	15,175
Subtotal	(64,055)	(87,578)	(577,077)
Interest and dividend income received	1,722	1,245	15,516
Interest expenses paid	(8,913)	(7,857)	(80,298)
Income taxes paid	(11,414)	(10,226)	(102,829)
Subsidies received	2,684	-	24,184
Net cash used in operating activities	(79,975)	(104,417)	(720,504)
Cash flows from investing activities:			
Proceeds from sales and redemption of marketable and investment securities	4,248	2,604	38,273
Payments for purchase of marketable and investment securities	(9,297)	(7,400)	(83,765)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,352)	-	(21,192)
Payments for purchase of property and equipment for own use	(1,275)	(2,213)	(11,489)
Other, net	(716)	1,330	(6,454)
Net cash used in investing activities	(9,393)	(5,679)	(84,627)
Cash flows from financing activities:			
Increase in short-term borrowings, net	55,813	62,662	502,827
Proceeds from long-term debt	339,827	318,241	3,061,510
Repayments of long-term debt	(295,277)	(282,268)	(2,660,157)
Proceeds from issuance of bonds	35,000	20,000	315,315
Redemption of bonds	(20,000)	(300)	(180,180)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(4,064)	-	(36,617)
Cash dividends paid	(4,716)	(4,168)	(42,489)
Other, net	(1,081)	(617)	(9,739)
Net cash provided by financing activities	105,502	113,549	950,470
Effect of exchange rate changes on cash and cash equivalents	(276)	47	(2,495)
Net increase in cash and cash equivalents	15,855	3,500	142,844
Cash and cash equivalents at beginning of year	54,062	50,561	487,049
Cash and cash equivalents at end of year	¥ 69,918	¥ 54,062	\$ 629,893

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of Presentation

Fuyo General Lease Co., Ltd. (the "Company") and its domestic consolidated subsidiaries maintain their books of account in conformity with generally accepted accounting principles in Japan, and its foreign consolidated subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan and have been prepared in accordance with generally accepted accounting principles in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The amounts in US dollars presented in the financial statements are translated from the amounts in Japanese yen at the exchange rate of ¥111 to US\$1.00, in effect at March 31, 2019, solely for the convenience of overseas readers. Therefore, this does not imply that those amounts in yen can be converted into equivalent amounts in US dollars at this or any other exchange rate. The amounts, which are indicated in millions of yen, are rounded down by truncating the figures below one million. As a result, the totals may not add up exactly.

(2) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and all companies controlled directly or indirectly by the Company. Companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis. All significant intercompany balances and transactions have been eliminated in consolidation.

For fiscal years ended March 31, 2019 and 2018, consolidated accounting covered the parent company and 49 and 46 subsidiaries, respectively. A total of 6 and 4 affiliated companies are accounted for under the equity method and incorporated into the consolidated financial statements for fiscal years ended March 31, 2019 and 2018, respectively.

Investments in the non-consolidated subsidiaries or affiliates for which the equity method has not been applied are evaluated using the cost method.

With regard to the equity method affiliates whose closing dates differ from the consolidated closing date, the financial statements of these companies for their respective fiscal years have been applied.

Regarding the closing dates of the consolidated subsidiaries, the closing date of 20 companies is December 31, that of 17 companies is March 31, and that of 12 companies is January 31 for the current year.

Financial statements of the respective subsidiaries for the respective fiscal years, with necessary adjustments in material activities transacted during the periods up to the consolidated closing date, have been reflected in the consolidation.

Of the acquisition costs of newly consolidated subsidiaries, portions exceeding their net assets as of the dates when the Company acquired control are recorded as goodwill and will be amortized using the straight-line method over 20 years or less, except for immaterial amounts.

(3) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates prevailing at the balance sheet dates, except for assets and liabilities hedged by forward foreign exchange contracts.

All revenues and expenses associated with foreign currencies are translated at the exchange rates prevailing when such transactions were made. The resulting exchange gains and losses are credited or charged to income.

The accounts of the foreign subsidiaries are translated at the exchange rates prevailing at the balance sheet dates, except for the components of net assets. The components of net assets are translated at their historical exchange rates. The resulting exchange differences are included in the foreign currency translation adjustments account in net assets.

(4) Cash and Cash Equivalents

The Company and its subsidiaries consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(5) Lease Accounting

Revenue and cost of finance leases are recognized when each lease payment becomes due.

Revenue from operating leases is based on the monthly amounts of lease payments due under lease agreements over the lease agreement periods. The monthly lease payments corresponding to each period are allocated to revenue from operating leases for that period.

(6) Installment Sales

Revenue and cost of installment sales are recognized when each installment payment becomes due.

(7) Interest Expenses

Interest expense is allocated to cost of sales and other expenses based on the balances of the respective operating assets, which consist principally of accounts receivable and leased assets, and other assets.

Interest expense classified as cost of sales is stated net of interest income.

(8) Securities

All securities are classified as available-for-sale securities.

Marketable available-for-sale securities are carried at fair market value and unrealized gains or losses are reported as a separate component of net assets, net of the related deferred income taxes.

Other securities without available fair market values are stated at values determined using the moving-average cost method.

The cost of securities sold is determined based on the moving-average method.

When a significant decline in fair value below cost of an individual security is deemed to be other than temporary, the carrying value of the individual security is written down to fair value.

(9) Depreciation and Amortization

Depreciation of leased assets is computed primarily by the straight-line method based on the lease term of the respective assets.

Depreciation of assets leased under finance leases not involving title transfer is computed by the straight-line method based on the lease term of the respective assets and assuming a residual value of zero.

Depreciation of other operating assets is computed by the straight-line method.

Depreciation of own-used assets is computed by the declining balance method. However, some domestic and overseas consolidated subsidiaries apply the straight-line method for depreciation of buildings (excluding facilities attached to buildings) acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016.

The estimated useful lives of own-used assets are principally as follows:

Buildings	3 to 50 years
Furniture and equipment	3 to 20 years

Computer software intended for internal use is amortized by the straight-line method over the estimated useful lives (5 to 10 years).

(10) Allowance**Allowance for doubtful receivables**

To cover possible losses from bad debts, the Company sets aside an allowance for the estimated amount of doubtful receivables deemed uncollectible. This allowance is based on historical default rates for normal claims and the individual analysis of debtors' financial positions for classified loans and claims in bankruptcy. With respect to the bankruptcy claims, an estimated uncollectible amount is directly deducted from the amount of claims. The direct deduction totaled ¥2,072 million in the fiscal year ended March 31, 2018 and ¥1,819 million (\$16,395 thousand) in the fiscal year ended March 31, 2019.

Provision for future lease payments

To cover possible losses from future lease payment receivables for operating leases (subleases), a provision for the amount deemed uncollectible is recorded. This provision is based on the historical default rates for normal claims, the analysis of individual receivables with respect to classified loans in addition to bankruptcy claims.

Provision for loss on guarantees

To cover possible losses on guarantees, the Company provides an allowance for estimated loss, taking into consideration the financial condition of the providers of the financial guarantees as well as other factors.

Provision for automobile maintenance costs

To cover future payments for automobile maintenance costs that are required in specific lease transactions and maintenance services, a provision for estimated cost is recorded by the Company.

Provision for share-based remuneration for directors (and other officers)

To prepare for the provision of the Company's shares, etc. to directors and other officers of the Company based on the Regulations for Provision of Shares to Officers, the Company posts the estimated amount of stock-based benefit obligation as of the end of the fiscal year.

(11) Deferred Assets**Deferred organization expenses**

Organization expenses are amortized by the straight-line method within five years after the date of founding.

Business commencement expenses

Business commencement expenses are amortized by the straight-line method within five years after the business commencement date.

Bond issuance cost

Bond issuance cost is expensed upon payment.

(12) Income Taxes

The temporary differences between the book value of assets and liabilities recognized for accounting and those for tax purposes are recorded as deferred tax assets (liabilities) to account for future income taxes.

(13) Other important matters for preparation of consolidated financial statements**Consumption Taxes**

Transactions are recorded exclusive of consumption taxes and local consumption taxes.

Adoption of consolidated taxation system

Some of the consolidated subsidiaries have adopted the consolidated taxation system.

(14) Retirement Benefits**The method for attributing estimated retirement benefits for periods of employee service**

For the calculation of retirement benefit obligations, the benefit formula method is used to attribute estimated retirement benefits for the period up to the end of the fiscal year.

Actuarial differences and prior service cost

With respect to prior service cost, the Company expenses the entire amount of it in the fiscal year of occurrence, but one of the Company's domestic consolidated subsidiaries amortizes it by the straight-line method over a period within the average remaining service years for employees at the time of recognition (10 years), starting from the fiscal year of occurrence.

With respect to actuarial differences, the Company expenses the entire amount of them in the fiscal year of occurrence, but one of the Company's domestic consolidated subsidiaries amortizes them by the straight-line method over a period within the average remaining service years for employees at the time of recognition (10 years), starting from the fiscal year following the fiscal year of occurrence.

Unrecognized actuarial differences and unrecognized prior service cost

Unrecognized actuarial differences and unrecognized prior service cost after tax effect adjustments are recorded as remeasurements of defined benefit plans classified in accumulated other comprehensive income of net assets.

Simplified accounting method

Certain domestic consolidated subsidiaries use simplified accounting methods in relation to the calculation of the net defined benefit liability and the net periodic pension cost. In the case of the termination allowance plan, retirement benefit obligations are recorded as the amount to be paid under voluntary retirement as of the fiscal year-end. In the case of the corporate pension plan, retirement benefit obligations are recorded as the amount of actuarial liability calculated under the latest pension funding program.

Directors' and audit & supervisory board members' retirement benefits

The Company records the entire amount of retirement benefits to directors and audit & supervisory board members, which are required by the internal corporate policy at the end of the consolidated fiscal year.

(15) Derivatives and Hedging Activities

With regard to foreign currency-related derivative financial instruments, the Company uses forward foreign exchange contracts. With regard to interest rate-related instruments, the Company uses interest rate swap contracts and interest rate cap contracts.

The Company uses currency-related derivatives and interest rate-related derivatives for risk management purposes, not for speculative investment purposes.

The Company uses currency-related derivatives for the purpose of hedging risks associated with foreign currency fluctuations that affect its foreign currency-denominated receivables and payables. The Company uses interest rate-related derivatives for the purpose of hedging risks associated with interest rate fluctuations that affect its borrowings.

The Company uses derivatives, in accordance with its internal "Basic Policy for Managing Market and Liquidity Risks," for the purpose of hedging risks associated with interest-rate and foreign currency fluctuations arising from its sales and financial operations.

Derivative financial instruments are stated at fair value.

Under the exceptional treatment of hedge accounting, the interest rate swaps that qualify as hedge transactions and meet specific matching criteria are not remeasured at market value, but the differentials paid or received under the swap agreements are recognized and included in interest expense or income.

(16) Per Share Information

Basic earnings per share is computed by dividing earnings attributable to common stock by the weighted average number of common stock outstanding during the fiscal year.

(17) Recently Issued Accounting Standards Not Yet Adopted

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 30, 2018, ASBJ)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 30, 2018, ASBJ)

(1) Outline

International Accounting Standard Board (IASB) and Financial Accounting Standard Board (FASB) have jointly developed comprehensive accounting standards for revenue recognition and announced Revenue from Contracts with Customers (IFRS 15 for IASB and Topic 606 for FASB). As IFRS 15 is effective from the fiscal year commencing on or after January 1, 2018 and Topic 606 is effective from the fiscal year commencing after December 15, 2017, ASBJ has developed comprehensive accounting standard together with its implementation guidance.

The fundamental policy of ASBJ in developing accounting standards for revenue recognition is the new accounting standard that would be consistent with IFRS 15. Alternative accounting treatment considering practices in Japan would be added to the extent not to cause inconsistency with IFRS 15.

(2) Scheduled date of adoption

The changes will be applied from the beginning of the fiscal year ending in March 31, 2022.

(3) Impact of adoption of such accounting standards

The impact of the adoption of the Accounting Standard for Revenue Recognition and its implementation guidance on the consolidated financial statements is currently under evaluation.

(18) Changes in Presentation**Changes Due to Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting**

The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan

Statement No. 28, February 16, 2018) from the beginning of the fiscal ended March 31, 2019, and has the classification of deferred tax assets into the category of investments and other assets and deferred tax liabilities into the category of long-term liabilities.

As a result the reclassification, in the consolidated balance sheets as of March 31, 2018, Deferred tax assets under Current assets decreased by ¥2,771 million (\$24,970 thousand) and Deferred tax assets under Investments and other assets increased by ¥2,469 million (\$22,247 thousand). In addition, Deferred tax liabilities under Current liabilities decreased by ¥130 million (\$1,177 thousand) and Deferred tax liabilities under Long-term liabilities decreased by ¥171 million (\$1,545 thousand).

Deferred tax assets and deferred tax liabilities of the same taxable entity are set off in the presentation, and total assets decreased by ¥302 million (\$2,722 thousand) compared with the amount before the change.

Consolidated Balance Sheets

For investment in real estate investment trust, which was included in Investment in securities in Investments and other assets until the fiscal year ended March 31, 2018, the Company changed the management accounting policy as the investment amount was expanding. Accordingly, the Company has changed the classification of investment in real estate investment trust into Marketable investment securities in Current assets from the fiscal year ended March 31, 2019 in order to reflect the actual condition of the Company's business more appropriately. To be consistent with the current year presentation, the figures in the consolidated financial statements for the fiscal year ended March 31, 2018 were reclassified.

As a result, in the consolidated balance sheets as of March 31, 2018, ¥3,859 million (\$34,771 thousand), which was presented in Investment in securities under Investments and other assets, was reclassified as Marketable securities in Current assets.

Assets for the solar power generation business in the Energy/Environment areas were included in Own-used assets under Tangible fixed assets until the fiscal year ended March 31, 2018. However, due to the increasing significance, the Company has determined to separately present these assets as Other operating assets in Tangible fixed assets from the fiscal year ended March 31, 2019 to reflect the actual condition of the Company's business more appropriately. To be consistent with the current year presentation, the figures in the consolidated financial statements for the fiscal year ended March 31, 2018 were reclassified.

Consequently, in the consolidated balance sheets as of March 31, 2018, ¥19,671 million (\$177,219 thousand), which was presented in Own-used assets in Tangible fixed assets, was reclassified as Other operating assets in Tangible fixed assets.

Consolidated Statements of Income

For income from real estate investment trust, which was included in Dividend income in Other income until the fiscal year ended March 31, 2018, the Company has changed the presentation to Revenues from the fiscal year ended March 31, 2019 as a result of the change of the management accounting policy. To be consistent with the current year presentation, the figures in the consolidated financial statements for the fiscal year ended March 31, 2018 were reclassified.

Consequently, in the consolidated statements of income for the fiscal year ended March 31, 2018, ¥116 million (\$1,050 thousand), which was presented in Dividend income in Other income, was reclassified to Revenues.

Consolidated Statements of Cash Flows

As a result of the change in the presentation in the consolidated statements of income with regard to income from real estate investment trust mentioned above, the related items in the consolidated statements of cash flows were reclassified for the fiscal year ended March 31, 2018. This reclassification resulted in no impact on the amount of Net cash used in operating activities in total.

Purchase and depreciation of assets for the solar power generation business in the Energy/Environment areas were included in Purchases of property and equipment for own use in Cash flows from investing activities and Other, net under Cash flows from operating activities until the fiscal year ended March 31, 2018. However, due to the increasing its significance, the Company has determined to separately present it as Purchase of other operating assets and Depreciation of other operating assets in Cash flows from operating activities from the fiscal year ended March 31, 2019 to reflect the actual condition of the Company's business more appropriately. To be consistent with the current year presentation, the figures in the consolidated statements of cash flows for the fiscal year ended March 31, 2018 were reclassified.

Consequently, in the consolidated statements of cash flows for the fiscal year ended March 31, 2018, ¥(3,648) million (\$32,871 thousand), which was presented as Purchases of property and equipment for own use in Cash flows from investing activities, and ¥1,157 million (\$10,430 thousand), which was presented in Other, net under Cash flows from operating activities, were reclassified as Purchase of other operating assets under Cash flows from operating activities and Depreciation of other operating assets, respectively.

(19) Additional information

Board Benefit Trust (BBT) Plan

Based on the resolution reached at the 49th Annual General Meeting of Shareholders held on June 22, 2018, the Company has introduced a new stock-based remuneration plan or Board Benefit Trust (BBT) (the "Plan") for the Company's directors, excluding outside directors, (the "Eligible Directors") and executive officers who currently do not serve as directors (the "Executive Officers". The Eligible Directors and Executive Officers are hereinafter collectively referred to as the "Directors, etc.").

(1) Overview of the Transaction

The Plan is a stock-based remuneration plan, under which the Company's shares will be acquired by a trust (the trust to be established under the Plan is referred to hereinafter as the "Trust") using funds that the Company will contribute, and the Company's shares and cash equivalent to the market price of the Company's shares (the "Company's share, etc.") will be provided to the Directors, etc. from the Trust in accordance with the Regulations for Provision of Shares to Officers established by the Company. In principle, the Company's shares, etc. will be provided to the Company's Directors, etc. on their retirement.

(2) Treasury stock remaining in trust

The shares of the Company remaining in trust are recorded as treasury stock under net assets based on the book value in trust (excluding the amount of incidental costs). The book value and the number of shares of treasury stock under the plan are: – nil and no shares as of March 31, 2018 and ¥694 million (\$6,260 thousand) and 104,600 shares as of March 31, 2019, respectively.

(3) Book value of loans recorded based on the gross method

Not applicable.

2. FINANCIAL INSTRUMENTS

The position in respect of financial instruments for the fiscal year ended March 31, 2019, was as follows.

(1) Policy on financial instruments

The Fuyo Lease Group is engaged in leasing and installment transactions for machinery and equipment and financial transactions such as the provision of operating loans. The Group uses direct and indirect financing to procure funds for purchasing assets to lease or to sell through installment sales and for providing operating loans to customers. The Group's indirect financing mainly consists of loans from financial institutions, and its direct financing includes issuing bonds payable, commercial, paper and securitization of receivables. As the Group holds financial assets and financial liabilities that are subject to interest rate fluctuation, assets and liabilities are comprehensively managed through asset-liability management (ALM) to mitigate the negative impact of interest rate fluctuations.

Derivative transactions are only used for mitigating currency and interest rate risks and are not used for speculative purposes.

(2) Financial instruments and their risks

Lease receivables, investment assets, and operating loans are trade receivables due from customers and subject to credit risks associated with customer default. Foreign currency-denominated receivables and payables arising from overseas business are subject to risks associated with foreign currency fluctuations.

Marketable securities and investment securities include business partners' shares, bonds, and investments in limited partnership. Those investments are subject to credit risks associated with the issuers and market risks.

Bonds payable, commercial paper, lease obligations, long-term loans, and payables under fluidity long-term lease receivables and installment sales trade receivables are used to procure funds for purchasing assets to lease or sell through installment sales to customers. These payables are subject to risks that may compel the Company to procure funds with exceptionally high interest rates and to liquidity risks (funding risks) that may negatively affect the Company's ability to obtain funding and result in losses. A portion of long-term loans have floating interest rates and are therefore subject to interest rate risks.

The Company uses foreign currency-related derivative contracts to reduce risks associated with foreign currency fluctuations that affect foreign currency-denominated receivables and payables. The Company uses interest rate-related derivatives to reduce risks associated with interest rate fluctuations that affect borrowings.

(3) Risk management system for financial instruments

i) Management of credit risks (default risks)

The Company's management system and rules for credit risks are prescribed in its internal "Basic Policy for Managing Credit Risks." For all transactions that involve credit risks, the Company uses a credit risk measurement method, identifies on a timely basis the location and size of credit risks, and responds adequately as necessary.

The Company's credit risk department is engaged in the following duties: 1) daily monitoring of the effectiveness of the credit risk management system, 2) screening and management of credit transactions involving customers, 3) maintenance and enhancement of risk asset soundness, 4) enhancement of protection against doubtful receivables and implementation of measures related to collection of those receivables, and 5) guidance and support for the Company's offices and affiliated companies. The department also rates debtors based on their financial status and degree of credit risk (i.e., their ability to pay debts). The credit ratings are used for credit risk management, portfolio investment and management, credit risk measurement, guidelines on pricing of individual credits, and self-assessment and recognition of adequate credit allowances based on the self-assessments. Further, the department regularly monitors the status of the Company's main customers, manages payment-due dates and credit balances on a customer-by-customer basis, and closely monitors customers to identify potential impediments to the collectability of receivables (e.g., due to worsening financial condition) and takes steps to mitigate such impediments.

The effectiveness and appropriateness of credit risk management are examined through internal audits.

ii) Management of market risks (risks associated with foreign exchange rates and interest rates)

The Company's market risk management rules and procedures are prescribed in its internal "Basic Policy for Managing Market and Liquidity Risks."

Market risks are controlled by comprehensively examining various factors such as financial position (revenues and shareholders' equity), balance between target revenues and risk levels, interest rate prospects, market environments, past results, and the level of risk management for various risks. The Company manages its exposure to risks when deemed necessary for the purpose of reducing risks and expanding revenues.

The Company's ALM Committee meets once a month as a general rule, and on an ad-hoc basis as needed, to review and examine practical measures related to market risk management and to monitor performance. At the monthly meeting, the finance division reports on matters related to market risk management, including the status of market risk control, interest rate prospects, market environment developments, and hedge transactions.

The Company's consolidated subsidiaries are subject to the Company's "Basic Policy for Managing Market and Liquidity Risks."

(i) Interest rate risk management

The Company comprehensively manages interest rate risk using ALM. The ALM Committee ascertains and monitors the status of ALM operations and discusses future direction and strategy based on the Company's ALM policies.

(ii) Foreign exchange risk management

The Company manages foreign exchange risk on a case-by-case basis, using foreign exchange forward contracts as a general rule.

(iii) Price fluctuation risk management

With regard to marketable securities and investment securities, the Company regularly monitors the market values of these securities as well as the financial status of issuers and continuously reviews its outstanding position considering market conditions and its relationship with the issuers.

(iv) Derivatives contracts

With regard to derivatives, the Company uses forward foreign exchange transactions for the purpose of hedging risks associated with foreign currency fluctuations that affect its foreign currency-denominated receivables and payables. The Company uses interest rate swap transactions for the purpose of hedging risks associated with interest rate fluctuations that affect its borrowings.

The Company's finance division is authorized to engage in and manage derivative contracts, in accordance with internal regulations and individuals authorized on job responsibilities and pursuant to the approval of the Company's president (CEO) or officer in charge of the finance division.

The Company's consolidated subsidiaries' derivative-related transactions are subject to the Company's internal regulations "Basic Policy for Managing Market and Liquidity Risks." In accordance with the Company's "Regulations on Managing Associated Companies," the Company's consolidated subsidiaries report to the Company on derivative-related transactions. These reports explain the subsidiary's policy on engaging in the transaction, provide a validation of the transaction's objective, and detail the derivative transaction's status, counterparties, outstanding positions, and unrealized gains/losses.

(v) Quantitative information on market risk

The major types of financial instruments affected by interest rate risk, the Group's main risk factors, are "Installment sales trade receivables," "Lease receivables and investment assets," "Accounts receivable - operating loans," other marketable securities recorded under "Marketable securities and investment in securities," "Bonds payable," "Long-term loans from banks and other financial institutions," "Payables under fluidity long-term lease receivables and installment sales trade receivables," and interest rate swaps included in "Derivative contracts." The Group performs quantitative analysis in managing the risk of interest rate fluctuations.

This quantitative analysis incorporates the potential change in value of these financial assets and liabilities based on a reasonable range of potential interest rate movements. To calculate the potential change in value, the financial assets and liabilities are split into fixed-rate and variable-rate categories. For the fixed-rate category, the Company allocates the book value of the instruments into appropriate categories based on their interest-payment dates and applies an appropriate potential range of interest rate movements to each category. Assuming all risk factors other than interest rates remain constant, as of March 31, 2019, a 10 basis point (0.1%) change in interest rates would result in a ¥3,922 million (\$35,340 thousand) change in the fair value of these financial assets and liabilities. This potential change in value is based on the assumption that all risk factors other than interest rates remain constant and does not incorporate the effects of correlation between interest rates and the other risk factors. If interest rates fluctuate beyond the assumed reasonable range, the value of these financial assets and liabilities may be affected by more than the Group has estimated.

iii) Management of liquidity risks associated with funding (risks of failure to pay on due date)

The Company's management system and rules for liquidity risks are prescribed in its internal "Basic Policy for Managing Market and Liquidity Risks."

With regard to liquidity risks (funding risks), the Company's finance division rigorously controls funding for ordinary operations. The division prepares daily statements of cash receipts/disbursements and an outlook of weekly and monthly cash receipts/disbursements, analyzes investment and cash receipt/disbursement data, and summarizes information from each division to determine the impact on the Company's funding activities. The division also adequately controls liquidity, enhances capital efficiency, and optimizes liquidity risks and funding costs.

Funding is measured by adequately monitoring economic conditions and market environments. Liquidity risks are allocated to management categories by level of funding and managed based on predetermined response policies and implementation standards for each category.

The Company's finance division also monitors consolidated subsidiaries' funding status and takes appropriate action as necessary based on that status.

(4) Supplementary explanation of matters related to fair values of financial instruments

The fair value of a financial instrument represents its market value or a reasonably calculated value if a market value is not available. Because calculations involve variable inputs, the results of calculations may vary depending on what premises and assumptions are used. Contract amounts and other derivative transaction data presented in the notes on derivative transactions are nominal contract amounts or notional amounts used in calculations and do not indicate the amount of exposure.

Fair values of financial instruments as of March 31, 2019, are listed in the table below. Financial instruments for which estimation of fair value is impracticable are not included. Financial assets and liabilities not included in the table are omitted from disclosure as they are of less importance in terms of value.

The following table presents the carrying value and fair value of financial instruments at March 31, 2019 and 2018. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Year ended March 31, 2019		
	Carrying value (A)	Fair value (B)	(B) - (A)
	Millions of yen		
Cash and deposits ^{*1,2}	¥ 71,173	¥ 71,173	¥ -
Installment sales trade receivables ^{*2}	96,012	97,466	1,454
Lease receivables and investment assets ^{*2}	1,082,446	1,133,875	51,429
Accounts receivable - operating loans ^{*2}	297,729	303,510	5,781
Marketable securities and investment in securities			
Other marketable securities	200,516	200,516	-
Total assets	¥ 1,747,878	¥ 1,806,542	¥ 58,664
Short-term loans from banks and other financial institutions	¥ 491,659	¥ 491,659	¥ -
Commercial paper	500,700	500,700	-
Lease obligations (current liabilities and long-term liabilities)	25,696	25,696	-
Bonds payable (current portion included)	125,000	124,943	(56)
Long-term loans from banks and other financial institutions (current portion included)	890,394	903,580	13,186
Payables under fluidity long-term lease receivables and installment sales trade receivables (current portion included)	66,304	66,857	553
Total liabilities	¥ 2,099,754	¥ 2,113,437	¥ 13,682
Derivative contracts ^{*3}			
Derivative contracts not accounted for as hedges	¥ -	¥ -	¥ -
Derivative contracts accounted for as hedges	(479)	(655)	(176)
Total derivative contracts	¥ (479)	¥ (655)	¥ (176)

	Year ended March 31, 2019		
	Carrying value (A)	Fair value (B)	(B) - (A)
	Thousands of U.S. dollars		
Cash and deposits ^{*1,2}	\$ 641,206	\$ 641,206	\$ -
Installment sales trade receivables ^{*2}	864,974	878,075	13,101
Lease receivables and investment assets ^{*2}	9,751,767	10,215,093	463,326
Accounts receivable - operating loans ^{*2}	2,682,245	2,734,327	52,082
Marketable securities and investment in securities			
Other marketable securities	1,806,459	1,806,459	-
Total assets	\$ 15,746,651	\$ 16,275,160	\$ 528,509
Short-term loans from banks and other financial institutions	\$ 4,429,364	\$ 4,429,364	\$ -
Commercial paper	4,510,811	4,510,811	-
Lease obligations (current liabilities and long-term liabilities)	231,497	231,497	-
Bonds payable (current portion included)	1,126,126	1,125,618	(508)
Long-term loans from banks and other financial institutions (current portion included)	8,021,570	8,140,365	118,795
Payables under fluidity long-term lease receivables and installment sales trade receivables (current portion included)	597,339	602,321	4,982
Total liabilities	\$ 18,916,707	\$ 19,039,976	\$ 123,269
Derivative contracts ^{*3}			
Derivative contracts not accounted for as hedges	\$ -	\$ -	\$ -
Derivative contracts accounted for as hedges	(4,318)	(5,906)	(1,588)
Total derivative contracts	\$ (4,318)	\$ (5,906)	\$ (1,588)

	Year ended March 31, 2018		
	Carrying value (A)	Fair value (B)	(B) - (A)
	Millions of yen		
Cash and deposits ^{*1,2}	¥ 54,822	¥ 54,822	¥ -
Installment sales trade receivables ^{*2}	115,049	116,427	1,377
Lease receivables and investment assets ^{*2}	1,097,681	1,133,028	35,346
Accounts receivable - operating loans ^{*2}	295,579	299,753	4,173
Marketable securities and investment in securities			
Other marketable securities	226,948	226,948	-
Total assets	¥ 1,790,082	¥ 1,830,980	¥ 40,898
Short-term loans from banks and other financial institutions	¥ 467,340	¥ 467,340	¥ -
Commercial paper	473,700	473,700	-
Lease obligations (current liabilities and long-term liabilities)	35,335	35,335	-
Bonds payable (current portion included)	110,000	109,628	(371)
Long-term loans from banks and other financial institutions (current portion included)	828,047	833,397	5,349
Payables under fluidity long-term lease receivables and installment sales trade receivables (current portion included)	66,965	67,026	61
Total liabilities	¥ 1,981,389	¥ 1,986,429	¥ 5,039
Derivative contracts ^{*3}			
Derivative contracts not accounted for as hedges	¥ -	¥ -	¥ -
Derivative contracts accounted for as hedges	(0)	(202)	(202)
Total derivative contracts	¥ (0)	¥ (202)	¥ (202)

*1. Net of deferred profit on installment sales

*2. Net of specific and general allowances for doubtful accounts related to installment sales trade receivables, lease receivables and investment assets, and operating loans

*3. Net receivables/payables arising from derivative contracts are carried at net amounts. Those for which the net outstanding balance is a payable appear within parentheses.

Note: 1. Calculation method for fair value of financial instruments and matters related to derivative contracts

Assets

(1) Cash and deposits

The fair values of deposits that have no maturity are based on their book values, which closely approximate their fair values.

(2) Installment sales trade receivables

Fair values are calculated by discounting uncollected receivables at the rate applied to new contracts. The Company calculates the fair values of doubtful receivables by subtracting estimated losses on bad debts from their carrying values as of the balance sheet date. The resulting amount closely approximates the doubtful receivables' fair values. Estimated losses on bad debts are calculated based on estimated cash flows or estimated net realizable value covered by collateral or guaranty.

(3) Lease receivables and investment assets

Present values of lease receivables and investment assets are calculated by subtracting major administrative and maintenance expenses from the total of uncollected lease receivables and lease payment receivables. The Company calculates the fair values of doubtful receivables by subtracting estimated losses on bad debts from their carrying values as of the balance sheet date. The resulting amount closely approximates the doubtful receivables' fair values. Estimated losses on bad debts are calculated based on estimated cash flows or estimated net realizable value covered by collateral or guaranty.

Lease receivables and investment assets under sublease contracts are recorded on the consolidated balance sheets before interest deductions. The amount recorded as the fair value is the balance sheet carrying value. The difference between (a) the carrying value of lease receivables and investment assets under sublease contracts and (b) their fair valued calculated by discounting at the rate applied to new contracts is ¥363 million (\$3,273 thousand).

(4) Accounts receivable - operating loans

Fair values of floating-rate operating loans are based on their book values. Market rates are reflected in the rates on floating-rate operating loans with only a short time difference, so their book values closely approximate their fair values as long as the borrower credit status does not change materially after loan issuance. Fair values of fixed-rate operating loans are calculated by discounting total principal and interest for each borrower at the rate applied to new contracts. The Company calculates the fair values of doubtful receivables by subtracting estimated losses on bad debts from their carrying values as of the balance sheet date. The resulting amount closely approximates the doubtful receivables' fair values. Estimated losses on bad debt are calculated based on estimated cash flows or estimated net realizable value covered by collateral or guaranty.

(5) Marketable securities and investment in securities

Fair values are based on amounts obtained from relevant financial and other institutions.

Liabilities

(1) Short-term loans from banks and other financial institutions, (2) Commercial paper

Fair values of short-term loans from banks and other financial institutions and commercial paper are based on their book values because they are settled over the short-term, so their book values closely approximate their fair values.

(3) Lease obligations (current liabilities and long-term liabilities)

Lease obligations are stated on the consolidated balance sheets before interest deductions. The amount recorded as the fair value is their carrying value on the balance sheets. The difference between the carrying value of lease obligations and their fair value calculated by discounting at the rate applied to new contracts is ¥161 million (\$1,451 thousand).

(4) Bonds payable (current portion included), (5) Long-term loans from banks and other financial institutions (current portion included), (6) payables under fluidity long-term lease receivables and installment sales trade receivables (current portion included)

Fair values of floating-rate loans and payables in these categories are based on their book values. Market rates are reflected in the rates on these loans and payables with only a short time difference, and the Company's credit status has not changed materially since issuance, so their book values are deemed to closely approximate their fair values. To calculate the fair values of fixed-rate loans and payables in these categories, the instruments are first allocated to categories according to maturity terms. Total principal and interest for each category is discounted at a notional rate that is assumed would apply to borrowing in the same amount.

Note: 2. Financial instruments whose fair values are deemed extremely difficult to determine

	March 31, 2019	
	Millions of yen	Thousands of U.S. dollars
Other securities		
Unlisted shares ^{*1}	¥ 5,754	\$ 51,845
Subsidiary's shares / associated companies' shares ^{*1}	23,921	215,510
Preferred securities / beneficial interest in trusts ^{*1}	2,600	23,423
Investments in limited investment partnerships ^{*2}	39,557	356,376
	¥ 71,834	\$ 647,154

*1. We do not disclose the fair values of these shares because their market values are not available and it is deemed extremely difficult to determine their fair values.

*2. Within investments in limited investment partnerships, we do not disclose the fair values of partnership assets consisting of investments whose fair values are deemed extremely difficult to determine.

Note: 3. Redemption schedule by term for monetary claims and securities with maturity after March 31, 2019

	March 31, 2019			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
	Millions of yen			
Cash and deposits				
Installment sales trade receivables	¥ 71,173	¥ -	¥ -	¥ -
Lease receivables and investment assets	40,913	52,298	2,051	2,189
Accounts receivable - operating loans	293,371	623,455	127,286	39,416
Marketable securities and investment in securities	63,778	172,812	55,356	6,484
Available-for-sale securities with maturities				
Bonds (government)	-	-	-	-
Bonds (corporate)	4,701	16,280	11,056	-
Bonds (other)	-	-	-	-
Other	22,309	37,641	14,454	2,411
Total	¥ 496,248	¥ 902,489	¥ 210,206	¥ 50,501

	March 31, 2019			
	Within one year	Over one year and within five years	Over five years and within ten years	Over ten years
	Thousands of U.S. dollars			
Cash and deposits				
Installment sales trade receivables	\$ 641,206	\$ -	\$ -	\$ -
Lease receivables and investment assets	368,589	471,158	18,484	19,722
Accounts receivable - operating loans	2,642,986	5,616,720	1,146,725	355,105
Marketable securities and investment in securities	574,577	1,556,874	498,707	58,420
Available-for-sale securities with maturities				
Bonds (government)	-	-	-	-
Bonds (corporate)	42,359	146,671	99,611	-
Bonds (other)	-	-	-	-
Other	200,987	339,110	130,221	21,725
Total	\$ 4,470,704	\$ 8,130,533	\$ 1,893,748	\$ 454,972

Note: 4. Repayment schedule by term for bonds, long-term debt, and other interest-bearing debt after March 31, 2019.

	Year ended March 31, 2019					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
	Millions of yen					
Short-term loans from banks and other financial institutions	¥ 491,659	¥ -	¥ -	¥ -	¥ -	¥ -
Commercial paper	500,700	-	-	-	-	-
Lease obligations (current liabilities and long-term liabilities)	10,379	6,476	3,984	2,403	1,135	1,315
Bonds payable (current portion included)	20,000	20,000	30,000	10,000	25,000	20,000
Long-term loans from banks and other financial institutions (current portion included)	244,023	207,414	178,555	107,752	64,697	87,950
Payables under fluidity long-term lease receivables and installment sales trade receivables (current portion included)	27,802	18,348	10,107	4,046	574	5,425
Total	¥ 1,294,565	¥ 252,238	¥ 222,648	¥ 124,202	¥ 91,407	¥ 114,692

	Year ended March 31, 2019					
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years
	Thousands of U.S. dollars					
Short-term loans from banks and other financial institutions	\$ 4,429,364	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial paper	4,510,811	-	-	-	-	-
Lease obligations (current liabilities and long-term liabilities)	93,511	58,345	35,899	21,656	10,233	11,853
Bonds payable (current portion included)	180,180	180,180	270,270	90,090	225,225	180,180
Long-term loans from banks and other financial institutions (current portion included)	2,198,411	1,868,598	1,608,613	970,743	582,859	792,347
Payables under fluidity long-term lease receivables and installment sales trade receivables (current portion included)	250,472	165,298	91,062	36,452	5,174	48,883
Total	\$ 11,662,749	\$ 2,272,421	\$ 2,005,844	\$ 1,118,941	\$ 823,491	\$ 1,033,263

3. MARKETABLE SECURITIES AND INVESTMENT IN SECURITIES

Marketable securities and investment in securities as of March 31, 2019 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current:			
Bonds	¥ 82,286	¥ 110,536	\$ 741,316
Other	97,243	67,359	876,071
	¥ 179,529	¥ 177,896	\$ 1,617,387
Non-current:			
Shares	¥ 67,337	¥ 73,413	\$ 606,640
Other	1,562	2,063	14,077
	¥ 68,899	¥ 75,477	\$ 620,717

The carrying values and aggregate fair value of securities with determinable market values at March 31, 2019 and 2018, were as follows:

	March 31, 2019			
	Cost or book value	Unrealized gains	Unrealized losses	Fair value
	Millions of yen			
Available-for-sale securities:				
Shares	¥ 16,639	¥ 48,648	¥ 693	¥ 64,594
Bonds	81,400	885	-	82,286
Other	52,382	1,590	336	53,636

	March 31, 2018			
	Cost or book value	Unrealized gains	Unrealized losses	Fair value
	Millions of yen			
Available-for-sale securities:				
Shares	¥ 16,534	¥ 53,553	¥ 236	¥ 69,852
Bonds	108,020	2,531	14	110,536
Other	45,710	1,067	218	46,559

	March 31, 2019			
	Cost or book value	Unrealized gains	Unrealized losses	Fair value
	Thousands of U.S. dollars			
Available-for-sale securities:				
Shares	\$ 149,907	\$ 438,272	\$ 6,250	\$ 581,929
Bonds	733,338	7,978	-	741,316
Other	471,919	14,328	3,033	483,214

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2019 and 2018, were as follows:

	Carrying value	Millions of yen		Thousands of U.S. dollars
		2019	2018	2019
Available-for-sale securities:				
Shares		¥ 2,742	¥ 3,561	\$ 24,710
Other		45,169	22,864	406,934

Proceeds from sales of available-for-sale securities and resultant gross realized gains and losses for the years ended March 31, 2019 and 2018, were summarized as follows:

	Carrying value	Millions of yen		Thousands of U.S. dollars
		2019	2018	2019
Proceeds		¥ 2,488	¥ 2	\$ 22,422
Realized gain		941	0	8,485

Impairment loss on securities:

No impairment loss recorded on securities for the consolidated fiscal years ended March 31, 2018 and 2019.

The Company recognizes the impairment loss where the decline in the period-end price is greater than or equal to 50% of the acquisition cost. Where the decline in the period-end price is between 30% and less than 50% of the acquisition cost, the company may recognize impairment loss, taking into consideration the credit rating of the issuer, the materiality of the amount, and the likelihood of the securities recovering in price, as well as the analysis of the level of market price by looking at the gap between the book value and the highest/lowest price during the fiscal years ended March 31, 2018 and 2019.

4. ACCUMULATED DEPRECIATION FOR PROPERTY AND EQUIPMENT

Accumulated depreciation of property and equipment for the fiscal years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Leased assets	¥ 159,309	¥ 158,405	¥ 1,435,219
Other operating assets	6,426	3,562	57,892
Own-used assets	2,315	1,780	20,863

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT AND PLEDGED ASSETS

The breakdown of short-term borrowings as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rate
	2019	2018	2019	
Short-term loans from banks and other financial institutions	¥ 491,659	¥ 467,340	\$ 4,429,364	0.49%
Commercial paper	500,700	473,700	4,510,811	0.04%
Payables under securitized lease receivables	22,900	18,900	206,307	0.11%
Total	1,015,259	959,940	9,146,482	-
Lease obligations	25,103	34,873	226,153	-
	¥ 1,040,362	¥ 994,814	\$ 9,372,635	-

The breakdown of long-term debt as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rate
	2019	2018	2019	
Bonds payable	¥ 125,000	¥ 110,000	\$ 1,126,126	0.26%
Long-term loans from banks and other financial institutions	890,394	828,047	8,021,570	0.68%
Payables under fluidity long-term lease receivables and installment sales trade receivables	66,304	66,965	597,339	0.55%
Total	1,081,698	1,005,013	9,745,035	-
Less current portion	291,825	271,719	2,629,063	-
	789,872	733,293	7,115,973	-
Lease obligations	593	462	5,343	-
	¥ 790,466	¥ 733,755	\$ 7,121,316	-

The projected long-term debt servicing amount by fiscal year, as of March 31, 2019, was as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 291,825	\$ 2,629,063
2021	245,762	2,214,076
2022	218,663	1,969,944
2023	121,798	1,097,285
2024	90,271	813,258
2025 and thereafter	113,376	1,021,409
Lease obligations	¥ 1,081,698	\$ 9,745,035

As of March 31, 2019, the following assets were pledged as collateral for current and long-term obligations of ¥38,963 million (\$351,025 thousand).

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥ 2,859	\$ 25,759
Installment sales	853	7,693
Lease receivables and investment assets	23,671	213,253
Accounts receivable – other loans to customers	3,890	35,051
Lease and other contract receivables	3,574	32,202
Lease assets	14,613	131,655
Other operating assets	20,376	183,573
	¥ 69,839	\$ 629,186

Besides the above, as third-party security for bank loans taken out by customers, the Company maintains deposits of ¥26 million (\$241 thousand) in installment sale receivables and ¥612 million (\$5,515 thousand) in investment securities. The Company maintains deposits of ¥3 million (\$27 thousand) in investment securities for the purpose of sales transactions.

6. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2019 and 2018, were as follows:

(1) Guarantees provided on borrowings of business partners etc.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
As a guarantor of indebtedness of:			
Marubeni Fuyo Auto Investment (Canada) Inc.	¥ 2,066	¥ 2,059	\$ 18,616
Fuyo General Lease (Asia) Pte. Ltd. *1	1,891	-	17,040
Sumitomo Realty & Development Co., Ltd *1	1,272	-	11,462
AEON Mall Co., Ltd.	1,197	1,245	10,790
JAPAN SECURITIZATION CORPORATION *1	876	818	7,894
MONEY PARTNERS CO., LTD.	799	499	7,206
XYMAX ALPHA Corporation *1	702	229	6,328
AEON RETAIL CO., LTD.	676	769	6,094
Nippon Life Insurance Company and others two	671	153	6,049
IBM Japan Credit LLC *1	373	1,010	3,361
Sumitomo Mitsui Banking Corporation *1	372	365	3,356
JCAM AGRI. CO., LTD.	217	249	1,964
Employees	22	40	206
Others	24,213	21,106	218,138
	¥ 35,353	¥ 28,547	\$ 318,504

*1. The Company has guaranteed loans held by Fuyo General Lease (Asia) Pte. Ltd. and others.

(2) On both March 31, 2019 and 2018, one of the Company's domestic consolidated subsidiaries engaged in business guarantee operations which resulted in it becoming a credit guarantor of a total of ¥55,701 million (\$501,812 thousand) and ¥64,573 million in indebtedness with respect to general customers and other entities.

(3) The Company, as a lender, entered into loan commitment agreements as of March 31, 2019 and 2018 amounting to ¥4,715 million (\$42,477 thousand) and ¥900 million, respectively. The loans provided under these credit facilities as of March 31, 2019 and 2018 amounted to ¥560 million (\$5,045 thousand) and ¥106 million, respectively. Many of the facilities may expire without being utilized and the loans provided are subject to periodic reviews of the borrowers' credit standing.

7. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Major components of selling, general and administrative expenses for the fiscal years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Bad debts expenses	¥ 659	¥ 432	\$ 5,939
Employees' salaries, allowances and bonuses	11,416	10,652	102,847
Provision for bonuses	2,000	1,707	18,022
Provision for directors' bonuses	178	139	1,605
Retirement benefit expenses	858	688	7,738
Provision for directors' retirement benefits	46	32	418
Provision for share-based remuneration for directors (and other officers)	137	–	1,235
Welfare expenses	2,701	2,525	24,335
Rent expenses	1,436	1,328	12,942
Depreciation of own-use assets	1,570	1,251	14,145
Amortization of goodwill	812	1,571	7,319

8. CASH AND CASH EQUIVALENTS

The main components of cash and cash equivalents at March 31, 2019 and 2018, were as follows:

(1) Relationship between cash and cash equivalents at the end of year and cash and deposits stated on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥ 71,173	¥ 54,822	\$ 641,206
Time deposits with maturity of over three months	(1,255)	(760)	(11,313)
Cash and cash equivalents	¥ 69,918	¥ 54,062	\$ 629,893

(2) Major components of assets and liabilities of a newly consolidated subsidiary due to acquisition of shares

The following includes the breakdown of assets and liabilities at the time of acquisition and consolidation of G.I HOLDINGS INC. and INVOICE CO., LTD., and the relation between the purchase price and expenditure for the acquisition (net price).

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current assets	¥ 32,438		\$ 292,242
Non-current assets	2,346		21,139
Goodwill	11,970		107,841
Current liabilities	(35,612)		(320,833)
Non-current liabilities	(1,238)		(11,162)
Valuation difference	(668)		(6,022)
Acquisition cost of shares	9,235		83,205
Cash and cash equivalents	(6,911)		(62,268)
Difference: net consideration paid for acquisition	¥ 2,323		\$ 20,937

Note: The allocation of acquisition cost has not yet been finalized and, therefore, the above amounts are provisional estimates based on reasonable information available at the end of the current fiscal year.

9. COMPREHENSIVE INCOME

The components of other comprehensive income for the fiscal years ended March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized gains (losses) on available-for-sale securities			
Gains or losses arising during the year	¥ (5,953)	¥ 5,701	\$ (53,632)
Reclassification adjustments to profit or loss	(586)	(0)	(5,283)
Amount before income tax effect	(6,539)	5,701	(58,915)
Income tax effect	1,986	(1,744)	17,894
Total	¥ (4,553)	¥ 3,957	\$ (41,021)
Deferred gains (losses) on hedges			
Gains or losses arising during the year	(478)	7	(4,315)
Reclassification adjustments to profit or loss	0	6	5
Amount before income tax effect	(478)	13	(4,310)
Income tax effect	(0)	(4)	(2)
Total	¥ (478)	¥ 9	\$ (4,312)
Foreign currency translation adjustments			
Gains or losses arising during the year	(1,066)	(586)	(9,611)
Total	¥ (1,066)	¥ (586)	\$ (9,611)
Remeasurements of defined benefit plans			
Gains or losses arising during the year	(58)	204	(529)
Reclassification adjustments to profit or loss	44	(89)	397
Amount before income tax effect	(14)	115	(132)
Income tax effect	4	(35)	40
Total	¥ (10)	¥ 80	\$ (92)
Share of other comprehensive income of entities accounted for using equity method			
Gains or losses arising during the year	15	(17)	135
Reclassification adjustments to profit or loss	9	2	88
Total	¥ 24	¥ (14)	\$ 223
Total other comprehensive income	¥ (6,084)	¥ 3,445	\$ (54,813)

10. DERIVATIVES

Fair values, etc., of derivatives contracts as of March 31, 2019 and 2018, were as follows:

(1) Derivative contracts to which hedge accounting is not applied

Foreign exchange forward contracts

Not applicable.

Interest rate swap contracts

Not applicable.

(2) Derivative contracts to which hedge accounting is applied

	Millions of yen						Thousands of U.S. dollars		
	Contract amount	2019		2018		Contract amount	2019		
		(over one year)	Fair value	(over one year)	Fair value		(over one year)	Fair value	
Principle treatment									
Interest rate swap contracts:									
Fixed rate payment, floating rate receipt	¥ 9,553	¥ (9,553)	¥ (479)	¥ 1,200	¥ (–)	¥ (0)	\$ 86,065	\$ (86,065)	\$ (4,318)
Exceptional treatment of interest rate swaps									
Interest rate swap contracts:									
Fixed rate payment, floating rate receipt	29,815	(26,176)	(176)	33,389	(28,865)	(202)	268,604	(235,821)	(1,588)
	¥ 39,368	¥ (35,729)	¥ (655)	¥ 34,589	¥ (28,865)	¥ (202)	\$ 354,669	\$ (321,886)	\$ (5,906)

The fair values are based on the amounts presented by relevant financial and other institutions.

11. INCOME TAXES

Earnings of the Company and its domestic consolidated subsidiaries are subject to various taxes. The statutory tax rate for both years ended March 31, 2019 and 2018, were 30.6% and 30.9%.

The respective breakdowns of total deferred tax assets and deferred tax liabilities by major item, as of March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Allowance for doubtful receivables	¥ 1,488	¥ 1,713	\$ 13,411
Tax loss carried forward	1,478	869	13,315
Guarantee deposits from customers	837	754	7,541
Accrued expenses	706	648	6,362
Net defined benefit liability	617	473	5,564
Reserve for bonus payments	601	526	5,423
Enterprise taxes	392	326	3,537
Asset retirement obligations	356	261	3,215
Loss on devaluation of investment securities and other items	356	364	3,210
Prepaid expenses	306	293	2,765
Other	1,732	1,391	15,609
Subtotal deferred tax assets	8,874	7,623	79,952
Valuation allowance related to tax loss carried forward (Note 2)	(6)	–	(60)
Valuation allowance related to total deductible temporary differences	(47)	–	(429)
Subtotal valuation allowance (Note 1)	(54)	(474)	(489)
Total deferred tax assets	8,820	7,148	79,463
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥ (15,348)	¥ (17,354)	\$ (138,274)
Gain on revaluation of investment securities and others	(1,268)	(1,267)	(11,429)
Depreciation	(998)	(661)	(8,996)
Foreign subsidiary's unitary tax	(675)	(327)	(6,085)
Gain on transfer of receivables	(541)	(506)	(4,881)
Other	(634)	(502)	(5,715)
Total deferred tax liabilities	(19,467)	(20,618)	(175,380)
Net deferred tax liabilities	¥ (10,646)	¥ (13,469)	\$ (95,917)

Notes:
 1. The amount of valuation allowance decreased by ¥420 million (\$3,785 thousand) from the previous fiscal year. The decrease is mainly associated with the non-recognition of valuation allowance of ¥421 million (\$3,801 thousand) related to tax loss carried forward, which was posted in the previous fiscal year by a consolidated subsidiary.
 2. Tax loss carried forward and the amount of respective deferred tax assets carried forward by carry-over deadline

	March 31, 2019						Total
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	
Millions of yen							
Tax loss carried forward ^(*)	¥ 1,478	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 1,478
Valuation allowance	(6)	–	–	–	–	–	(6)
Deferred tax assets	1,471	–	–	–	–	–	^(**) 1,471

	March 31, 2019						Total
	Within one year	Over one year and within two years	Over two years and within three years	Over three years and within four years	Over four years and within five years	Over five years	
Thousands of U.S. dollars							
Tax loss carried forward ^(*)	\$ 13,315	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 13,315
Valuation allowance	(60)	–	–	–	–	–	(60)
Deferred tax assets	13,255	–	–	–	–	–	^(**) 13,255

(*) Tax loss carried forward is derived by multiplying the statutory effective tax rate.

(**) With respect to the tax loss carried forward of ¥1,478 million (\$13,315 thousand) (amount derived by multiplying the statutory effective tax rate), the Company records deferred tax assets of ¥1,471 million (\$13,255 thousand). The deferred tax assets of ¥1,471 million (\$13,255 thousand) represent deferred tax assets carried forward associated with the tax loss carried forward at a consolidated subsidiary. The Company recognizes no valuation allowance for this tax loss carried forward since it has been judged to be recoverable due to the sufficient taxable income expected for next fiscal year.

The respective breakdowns of major items that constituted the material difference between the statutory tax rate and the effective tax rate for the fiscal years ended March 31, 2019 and 2018, were as follows:

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying Consolidated Statements of Income for the years ended March 31, 2019 and 2018, were not presented as the difference is less than 5% of the effective statutory tax rate.

12. RETIREMENT BENEFITS

(1) Overview of the Company Group's retirement benefits plan

The Company has a defined-benefit corporate pension fund plan (established by the Company Group) and a defined-benefit corporate pension plan as its defined-benefit system, and it also has a defined-contribution pension plan as its defined-contribution system.

The defined-benefit corporate pension plan is the only fund type and provides a lump-sum payment or pension based on the employees' final salary points and lengths of service. Furthermore, certain defined-benefit corporate pension plans have retirement benefit trusts.

The defined-benefit corporate pension fund plan (established by the Company Group) which is a multi-employer type of pension plan is accounted for in the same manner as a defined-contribution pension plan because it is not possible to reasonably estimate the value of plan assets corresponding to the contribution of each company.

The defined-contribution pension plan was transferred from a termination allowance plan on November 1, 2009. The defined-contribution pension plan, under which employees are participants, is funded by the contributions based on the participant's plan course and eligibility.

Some of the domestic consolidated subsidiaries have a defined-benefit corporate pension plan and a termination allowance plan as its defined-benefit pension system.

Some of the domestic consolidated subsidiaries, which have a defined-benefit corporate pension plan and a termination allowance plan, use simplified accounting methods for calculation of net defined benefit liability and net periodic pension cost. In the termination allowance plan, retirement benefit obligations are recorded in the amount to be paid for voluntary retirement as of fiscal year-end. In the corporate pension plan, retirement benefit obligations are recorded in the amount of actuarial liability calculated under the latest pension funding programs.

The Company and some of its domestic consolidated subsidiaries may make lump-sum payments of premium retirement benefits to some employees at their retirement.

(2) Defined-benefit pension plan (excluding pension plans using the simplified accounting methods)

i) Reconciliation of retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligations at beginning of year	¥ 11,244	¥ 10,890	\$ 101,300
Service cost	593	572	5,348
Interest cost	57	55	515
Actuarial gains/losses incurred	(6)	45	(61)
Retirement benefits paid	(307)	(321)	(2,768)
Other	–	1	–
Retirement benefit obligations at end of year	¥ 11,581	¥ 11,244	\$ 104,334

ii) Reconciliation of plan assets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Plan assets at beginning of year	¥ 10,165	¥ 9,637	\$ 91,583
Expected return on plan assets	260	268	2,344
Actuarial gains/losses incurred	(196)	93	(1,768)
Contribution from employer	467	470	4,210
Retirement benefits paid	(304)	(303)	(2,742)
Plan assets at end of year	¥ 10,392	¥ 10,165	\$ 93,627

iii) Reconciliation of retirement benefit obligations and plan assets at end of fiscal year and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligations for funded pension plans	¥ 11,581	¥ 11,244	\$ 104,334
Plan assets	(10,392)	(10,165)	(93,627)
	1,188	1,078	10,707
Retirement benefit obligations for unfunded pension plans	–	–	–
Net assets/liabilities recorded in the consolidated balance sheets	1,188	1,078	10,707
Net defined benefit liability	1,188	1,132	10,707
Net defined benefit asset	–	(53)	–
Net assets/liabilities recorded in the consolidated balance sheets	¥ 1,188	¥ 1,078	\$ 10,707

iv) Breakdown of net periodic pension cost

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 593	¥ 572	\$ 5,348
Interest cost	57	55	515
Expected return on plan assets	(260)	(268)	(2,345)
Amortization of actuarial loss	174	67	1,575
Amortization of prior service cost	–	0	–
Other	(44)	(42)	(403)
Net periodic pension cost for defined-benefit pension plan	¥ 520	¥ 385	\$ 4,690

v) Remeasurements of defined benefit plans

The breakdown of remeasurements of defined benefit plans was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service cost	¥ –	¥ 0	\$ –
Actuarial differences	(14)	115	(132)
Total	¥ (14)	¥ 115	\$ (132)

vi) Remeasurements of defined benefit plans

The breakdown of remeasurements of accumulated defined benefit plans was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost	¥ –	¥ –	\$ –
Unrecognized actuarial differences	97	83	881
Total	¥ 97	¥ 83	\$ 881

vii) Plan assets

(i) Breakdown of plan assets

Major components of total plan assets and their proportion were as follows:

	2019	2018
Bonds	38 %	37 %
Shares	19	18
Cash and time deposits	3	4
General account	30	30
Other	10	11
Total	100	100

Note: The total includes retirement benefits trust established for corporate pension plan at 5% in the fiscal year ended March 31, 2019 and 5% in the fiscal year ended March 31, 2018.

(ii) Estimation of expected long-term rate of return on plan assets

Expected long-term rate of return on plan assets is estimated based on current and expected future distribution of plan assets as well as current and expected future long-term rate of return on various components of plan assets.

viii) Basis for actuarial calculation

Major basis for actuarial calculation

	2019	2018
Discount rate	0.37-0.98 %	0.37-0.98 %
Expected long-term rate of return	2.50-2.58	2.50-2.88
Expected salary increase rate	1.37-3.75	1.37-3.82

(3) Defined-benefit pension plans using the simplified accounting methods

i) Reconciliation of net defined benefit liability for the pension plans using the simplified accounting methods

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net defined benefit liability at beginning of year	¥ 401	¥ 352	\$ 3,614
Net periodic pension cost	84	54	766
Retirement benefits paid	(12)	(5)	(110)
Increase by the new consolidated subsidiary	207	–	1,867
Net defined benefit liability at end of year	¥ 681	¥ 401	\$ 6,137

ii) Reconciliation of retirement benefit obligations and plan assets at end of fiscal year and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligations for funded pension plans	¥ 474	¥ 427	\$ 4,277
Fair value of plan assets	(141)	(130)	(1,279)
	332	296	2,998
Retirement benefit obligations for unfunded pension plans	348	104	3,139
Net assets/liabilities recorded in the consolidated balance sheets	681	401	6,137
Net defined benefit liability	681	401	6,137
Net defined benefit asset	–	–	–
Net assets/liabilities recorded in the consolidated balance sheets	¥ 681	¥ 401	\$ 6,137

iii) Net periodic pension cost

In the fiscal year ended March 31, 2019 and 2018 net periodic pension cost calculated with the simplified accounting methods amounted to ¥84 million (\$766 thousand) and ¥54 million, respectively.

(4) Defined-contribution pension plan

In the fiscal year ended March 31, 2019 and 2018 the amount required to be contributed by the Company to the defined-contribution pension plan amounted to ¥81 million (\$734 thousand) and ¥80 million, respectively.

(5) Multi-employer type of pension plan

In the fiscal year ended March 31, 2019 and 2018 the amount required to be contributed to the defined-benefit corporate pension fund plan (established by the Company Group) of multi-employer type of pension plan amounted to ¥171 million (\$1,548 thousand) and ¥168 million, respectively. The contribution is accounted for in the same manner with a defined-contribution pension plan.

The following summarizes the most recent funded status of the multi-employer welfare pension plan at March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Amount of plan assets	¥ 12,260	¥ 10,710	\$ 110,458
Retirement benefits under pension funding programs	13,496	12,914	121,593
Difference	¥ (1,235)	¥ (2,203)	\$ (11,135)

At March 31, 2019 and 2018 the liability for retirement benefits for directors and corporate auditors amounted to ¥126 million (\$1,139 thousand) and ¥169 million, respectively.

13. LEASE TRANSACTIONS

Details of leases as lessee at March 31, 2019 and 2018, were as follows:

Operating leases

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Future lease payments	¥ 2,695	¥ 3,924	\$ 24,283
Amount of above due within one year	638	990	5,751

Details of leases as lesser at March 31, 2019 and 2018, were as follows:

(1) Breakdown of lease investment assets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Portion of lease receivables	¥ 971,704	¥ 1,021,163	\$ 8,754,091
Portion of estimated residual value	15,265	12,147	137,524
Rental revenues attributable to financing income	(110,547)	(115,582)	(995,921)
Lease investment assets	¥ 876,422	¥ 917,728	\$ 7,895,694

(2) Projected amounts of lease receivables to be collected after March 31, 2019 (consolidated)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 53,224	\$ 479,500
2021	47,289	426,028
2022	40,176	361,947
2023	32,385	291,765
2024	22,210	200,097
2025 and thereafter	28,257	254,574

(3) Projected amounts of lease payment receivables on lease investment assets to be collected after March 31, 2019 (consolidated)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 270,925	\$ 2,440,769
2021	204,629	1,843,508
2022	149,702	1,348,668
2023	120,816	1,088,438
2024	62,101	559,475
2025 and thereafter	163,528	1,473,233

(4) Operating leases

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Future lease payments	¥ 285,647	¥ 240,735	\$ 2,573,399
Amount of above due within one year	46,889	47,382	422,426

Details of sublease transactions for the fiscal years ended March 31, 2019 and 2018, were as follows.

Lease receivables, assets, and obligations under sublease transactions that are carried on the consolidated balance sheets before interest deductions

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Lease receivables and investment assets	¥ 23,233	¥ 31,736	\$ 209,311
Lease obligations (current liabilities)	24,900	34,782	224,332

14. STOCK OPTIONS

Stock option expenses and gains on expiration of unexercised stock options for the fiscal years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Selling, general and administrative expenses (stock-based compensation expenses)	¥ 3	¥ 154	\$ 33
Other Income (Gain on reversal of share acquisition rights)	8	–	76

Note: The submitting company abolished the stock-based remuneration-type stock options plan at the 49th Annual General Meeting of Shareholders held on June 22, 2018 and introduced the BBT (Board Benefit Trust) Plan.

Details of stock option for the fiscal year ended March 31, 2019, was as follows:

(1) The Company

Since the Company resolved at the 49th Annual General Meeting of Shareholders held on June 22, 2018 to introduce the stock-based remuneration plan or Board Benefit Trust (BBT) for the Directors, etc. of the submitting company and abolished the stock-based remuneration-type stock options plan, there has been no new granting of stock options.

	Stock options for 2008	Stock options for 2009	Stock options for 2010
Class and number of grantees (Note 1)	Directors of the Company: 8 Executive Officers of the Company: 16	Directors of the Company: 8 Executive Officers of the Company: 15	Directors of the Company: 7 Executive Officers of the Company: 17
Number and type of stock options (Note 2)	Common stock: 57,800 shares	Common stock: 84,600 shares	Common stock: 61,300 shares
Grant date	October 15, 2008	October 15, 2009	October 15, 2010
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 15, 2008 – October 14, 2038 (Note 5)	October 15, 2009 – October 14, 2039 (Note 5)	October 15, 2010 – October 14, 2040 (Note 5)

	Stock options for 2011	Stock options for 2012	Stock options for 2013
Class and number of grantees (Note 1)	Directors of the Company: 7 Executive Officers of the Company: 16	Directors of the Company: 8 Executive Officers of the Company: 16	Directors of the Company: 8 Executive Officers of the Company: 18
Number and type of stock options (Note 2)	Common stock: 54,800 shares	Common stock: 73,000 shares	Common stock: 42,000 shares
Grant date	October 14, 2011	October 16, 2012	October 15, 2013
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 14, 2011 – October 13, 2041 (Note 5)	October 16, 2012 – October 15, 2042 (Note 5)	October 15, 2013 – October 14, 2043 (Note 5)

	Stock options for 2014	Stock options for 2015	Stock options for 2016
Class and number of grantees (Note 1)	Directors of the Company: 7 Executive Officers of the Company: 18	Directors of the Company: 7 Executive Officers of the Company: 19	Directors of the Company: 7 Executive Officers of the Company: 21
Number and type of stock options (Note 2)	Common stock: 35,500 shares	Common stock: 28,600 shares	Common stock: 34,700 shares
Grant date	October 15, 2014	October 15, 2015	October 14, 2016
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	October 15, 2014 – October 14, 2044 (Note 5)	October 15, 2015 – October 14, 2045 (Note 5)	October 14, 2016 – October 13, 2046 (Note 5)

	Stock options for 2017
Class and number of grantees (Note 1)	Directors of the Company: 6 Executive Officers of the Company: 22
Number and type of stock options (Note 2)	Common stock: 22,200 shares
Grant date	October 16, 2017
Vesting conditions	(Note 3)
Requisite service period	(Note 4)
Exercise period	October 16, 2017 – October 15, 2047 (Note 5)

Notes:
1. Excluding outside directors and corporate auditor
2. Converted to number of shares
3. No vesting conditions attached
4. Requisite service period is undetermined
5. Notwithstanding the above, if a stock acquisition rights holder loses his/her position as director, auditor, or executive officer of the Company during the above term, he/she may exercise the rights within five years of the first anniversary of the day immediately after losing his/her position.

(2) Consolidated subsidiaries

	Stock options for 2016	Stock options for 2017	Stock options for 2018
Class and number of grantees (Note 1)	Directors of consolidated subsidiaries: 2	Directors of consolidated subsidiaries: 2	Directors of consolidated subsidiaries: 3
Number and type of stock options (Note 2)	Common stock: 7,400 shares	Common stock: 6,900 shares	Common stock: 18,200 shares
Grant date	July 28, 2016	July 5, 2017	August 9, 2018
Vesting conditions	(Note 3)	(Note 3)	(Note 3)
Requisite service period	(Note 4)	(Note 4)	(Note 4)
Exercise period	July 29, 2016 – July 28, 2046 (Note 5)	July 6, 2017 – July 5, 2047 (Note 5)	August 10, 2018 – August 9, 2048 (Note 5)

Notes:
1. Excluding directors who serve as audit committee members and outside directors
2. Converted to number of shares
3. No vesting conditions attached
4. Requisite service period is undetermined
5. Notwithstanding the above, if a stock acquisition rights holder loses his/her position as director of the Company during the above exercise period, he/she may exercise the rights in a lump sum within 10 days (or the preceding business day if the 10th day falls on a holiday) from the day following the day when he/she loses his/her position.

Volume and status of stock options for the fiscal year ended March 31, 2019, was as follows.

(1) Number of stock options

i) The Company

	Stock options for 2008	Stock options for 2009	Stock options for 2010
Pre-vesting (shares)			
Previous fiscal year-end	–	–	–
Granted	–	–	–
Expired	–	–	–
Vested	–	–	–
Balance unvested	–	–	–
Post-vesting (shares)			
Previous fiscal year-end	4,000	15,400	23,400
Vested	–	–	–
Exercised	1,300	3,000	2,200
Expired	–	–	–
Balance unexercised	2,700	12,400	21,200

	Stock options for 2011	Stock options for 2012	Stock options for 2013
Pre-vesting (shares)			
Previous fiscal year-end	–	–	–
Granted	–	–	–
Expired	–	–	–
Vested	–	–	–
Balance unvested	–	–	–
Post-vesting (shares)			
Previous fiscal year-end	28,600	46,300	31,100
Vested	–	–	–
Exercised	3,800	4,800	5,900
Expired	–	–	–
Balance unexercised	24,800	41,500	25,200

	Stock options for 2014	Stock options for 2015	Stock options for 2016
Pre-vesting (shares)			
Previous fiscal year-end	-	-	-
Granted	-	-	-
Expired	-	-	-
Vested	-	-	-
Balance unvested	-	-	-
Post-vesting (shares)			
Previous fiscal year-end	33,500	28,600	34,700
Vested	-	-	-
Exercised	3,500	1,300	1,400
Expired	-	-	-
Balance unexercised	30,000	27,300	33,300

Stock options for 2017	
Pre-vesting (shares)	
Previous fiscal year-end	-
Granted	-
Expired	-
Vested	-
Balance unvested	-
Post-vesting (shares)	
Previous fiscal year-end	22,200
Vested	-
Exercised	-
Expired	-
Balance unexercised	22,200

ii) Consolidated subsidiaries

	Stock options for 2016	Stock options for 2017	Stock options for 2018
Pre-vesting (shares)			
Previous fiscal year-end	-	-	-
Granted	-	-	18,200
Expired	-	-	-
Vested	-	-	18,200
Balance unvested	-	-	-
Post-vesting (shares)			
Previous fiscal year-end	7,400	6,900	-
Vested	-	-	18,200
Exercised	-	-	-
Expired	7,400	6,900	18,200
Balance unexercised	-	-	-

(2) Unit price

i) The Company

	Stock options for 2008	Stock options for 2009	Stock options for 2010
Exercise price (yen)	1	1	1
Average stock price at exercise (yen)	7,098	7,075	7,077
Fair value at grant date (yen)	1,610	1,668	2,218

	Stock options for 2011	Stock options for 2012	Stock options for 2013
Exercise price (yen)	1	1	1
Average stock price at exercise (yen)	7,219	7,149	6,961
Fair value at grant date (yen)	2,449	1,943	3,556

	Stock options for 2014	Stock options for 2015	Stock options for 2016
Exercise price (yen)	1	1	1
Average stock price at exercise (yen)	6,977	7,098	7,098
Fair value at grant date (yen)	3,584	4,653	4,606

Stock options for 2017	
Exercise price (yen)	1
Average stock price at exercise (yen)	-
Fair value at grant date (yen)	6,840

ii) Consolidated Subsidiaries

	Stock options for 2016	Stock options for 2017	Stock options for 2018
Exercise price (yen)	1	1	1
Average stock price at exercise (yen)	-	-	-
Fair value at grant date (yen)	319	348	199

Estimation method for fair value of stock options for the fiscal year ended March 31, 2019, was as follows.

(1) The Company

Not applicable.

(2) Consolidated subsidiaries

- i) Evaluation method: Black-Scholes model
- ii) Main base data and estimation methods

Stock options for 2018	
Expected volatility (Note 1)	73.54%
Expected remaining contractual life (Note 2)	15.00 years
Expected dividend (Note 3)	1.74%
Risk-free interest rate (Note 4)	0.382%

Notes:

1. Calculated based on actual stock prices (December 24, 2004 – August 9, 2018).
2. Calculated based on the assumption that stock options are exercised in the middle of the exercise period, because the Company does not have sufficient data to reasonably estimate otherwise.
3. Calculated based on the actual dividend paid in the most recent fiscal year.
4. Risk free interest rate is the yield on Japanese government bonds over a period equivalent to the expected remaining contractual life.
The Company used the actual number of expired options to estimate the number of vested options, because it is generally difficult to reasonably estimate how many options will expire in the future.

15. RELATED PARTY TRANSACTIONS

The Company's transactions with related parties during fiscal years ended March 31, 2019 and 2018, were as follows:

All the amounts below refer to Hulic Co., Ltd., our major shareholder.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Rental revenues	¥ 4,572	¥ -	\$ 41,193
Sales of the leased property	34,081	-	307,036
Purchase of operating assets	24,402	31,503	219,839

The ending balances of the Company's transactions with related parties at March 31, 2019 and 2018, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Lease receivables and investment assets	¥ 60,361	¥ -	\$ 543,796

16. SHAREHOLDERS' EQUITY

The Companies Act provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

17. REAL ESTATE LEASING BUSINESS

The Company and some of its consolidated subsidiaries own commercial facilities for lease and office buildings (including land) for lease in Tokyo and other regions. Net lease income from these assets amounted to ¥5,170 million (\$46,583 thousand) and ¥2,056 million (lease income and lease cost were generally recorded as net sales and cost of sales, respectively) for the fiscal years ended March 31, 2019 and 2018, respectively.

The carrying value on the consolidated balance sheets, net change, and fair value are as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Carrying value			
Beginning of year	¥ 176,765	¥ 132,049	\$ 1,592,484
Net change	54,367	44,716	489,795
End of year	231,132	176,765	2,082,279
Fair value			
End of year	¥ 245,287	¥ 186,482	\$ 2,209,796

Notes:
1. The carrying value on the consolidated balance sheet is the amount after deduction of accumulated depreciation from historical cost.
2. The increase of carrying value is mainly attributable to the purchase of real estate of ¥75,028 million (\$675,930 thousand) and ¥104,036 million, in the fiscal years ended March 31, 2019 and 2018, respectively.
3. The fair value of properties is mainly estimated based on income approach in accordance with Real Estate Appraisal standards as of March 31, 2019. For other properties, the Company reasonably estimated the fair value based on income approach or market approach while the Company used their carrying value as the fair value for certain properties.

18. MATTERS RELATED TO DISCLOSURES ABOUT SPECIAL PURPOSE ENTITIES

(1) Overview of special purpose entities subject to disclosure and of transactions using special purpose entities subject to disclosure

For the diversification of funding sources and the stable fundraising, the Company promotes securitization of lease receivables, etc. The Company use stock companies as special purpose entities.

When performing the securitization, the Company transfers the lease receivables, etc. to special purpose entities and receives the funds as proceeds from the transfer of the assets to the special purpose entity through a loan, etc..

As a result of the securitization, the Company has transactions outstanding with the following special purpose entities. The Company owns shares, etc. with voting rights of the special purpose entities and the employees of the Company concurrently are assigned as corporate officer positions by the entities.

	2019	2018
Number of special purpose entities	1	–

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total value of assets as of the latest financial closing date (without elimination of inter-company transactions)	¥ 1,135	¥ –	\$ 10,227
Total value of liabilities as of the latest financial closing date (without elimination of inter-company transactions)	1,132	–	10,203

(2) Amount of transactions with special purpose entities subject to disclosure

Fiscal Year Ended March 31, 2019

	Amount of major transactions or the balance as of the end of the fiscal year	Major gain/loss	
		Item	Amount
Millions of yen			
Transferred assets (Note 1)			
Trade receivables - Lease	¥ 597	Gain on transfer (Note 2)	¥ 33
Trade receivables - Installment sales	500		

	Amount of major transactions or the balance as of the end of the fiscal year	Major gain/loss	
		Item	Amount
Thousands of U.S. dollars			
Transferred assets (Note 1)			
Trade receivables - Lease	\$ 5,380	Gain on transfer (Note 2)	\$ 305
Trade receivables - Installment sales	4,505		

Notes:
1. The amount of transactions related to transferred assets is the book value as of the time of transfer.
2. Gain on transfer related to transferred assets is presented in Revenues.

Fiscal Year Ended March 31, 2018

Not applicable.

19. SEGMENT INFORMATION

(1) Overview of reportable segments

The Fuyo Lease Group's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's board of directors to decide how to allocate resources and assess performance.

The Fuyo Lease Group is primarily engaged in leasing and installment sales. Based on the major types of transactions handled, operations are divided into three reportable segments, namely the Lease and Installment Sales segment, the Financing segment, and the Other segment.

The Lease and Installment Sales segment conducts leasing of IT and office equipment, industrial machinery, and other assets (includes the sale of off-lease assets upon lease expiration or termination), and leasing of real estate, and sells commercial/service equipment, production facilities, medical devices, and other assets on an installment basis. The Financing segment is mainly engaged in commercial lending, investment in marketable securities for financial income and forming tokumei-kumiai (silent partnership) arrangements. The Other segment primarily engages in environmental-related businesses, fee handling, and other new business fields.

Changes in Presentation

The presentation has been changed from the fiscal year ended March 31, 2019, and figures in segment information for the fiscal year ended March 31, 2018 represent figures after the reclassification reflecting this change.

(2) Revenues, income/loss, assets, liabilities, and other items by reportable segment

	Year ended March 31, 2019			
	Lease Installment Sales	Financing	Other	Total
Millions of yen				
Operating revenues				
Revenue from customers	¥ 517,726	¥ 14,980	¥ 85,412	¥ 618,119
Intersegment revenue and transfers	1,017	3,103	1,051	5,172
Total revenues	518,743	18,084	86,464	623,292
Operating profit	¥ 29,892	¥ 10,308	¥ 7,366	¥ 47,567
Segment assets	¥ 1,676,976	¥ 730,907	¥ 100,895	¥ 2,508,779
Other items				
Depreciation	¥ 30,066	¥ –	¥ 1,666	¥ 31,733
Amortization of goodwill	–	324	488	812
Amount invested in equity-method affiliates	–	–	–	–
Increase in tangible fixed assets and intangible fixed assets	156,941	–	12,488	169,429

	Year ended March 31, 2019			
	Lease Installment Sales	Financing	Other	Total
	Thousands of U.S. dollars			
Operating revenues				
Revenue from customers	\$ 4,664,200	\$ 134,961	\$ 769,485	\$ 5,568,646
Intersegment revenue and transfers	9,167	27,958	9,475	46,600
Total revenues	4,673,367	162,919	778,960	5,615,246
Operating profit	\$ 269,307	\$ 92,868	\$ 66,363	\$ 428,538
Segment assets	\$ 15,107,900	\$ 6,584,754	\$ 908,964	\$ 22,601,618
Other items				
Depreciation	\$ 270,872	\$ -	\$ 15,015	\$ 285,887
Amortization of goodwill	-	2,922	4,397	7,319
Amount invested in equity-method affiliates	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	1,413,885	-	112,510	1,526,395

	Year ended March 31, 2018			
	Lease Installment Sales	Financing	Other	Total
	Millions of yen			
Operating revenues				
Revenue from customers	¥ 560,298	¥ 13,180	¥ 16,839	¥ 590,318
Intersegment revenue and transfers	839	2,073	846	3,759
Total revenues	561,137	15,253	17,686	594,078
Operating profit	¥ 29,705	¥ 8,712	¥ 4,438	¥ 42,856
Segment assets	¥ 1,618,833	¥ 681,244	¥ 36,890	¥ 2,336,968
Other items				
Depreciation	¥ 31,126	¥ -	¥ 1,157	¥ 32,284
Amortization of goodwill	1,189	324	57	1,571
Amount invested in equity-method affiliates	-	-	-	-
Increase in tangible fixed assets and intangible fixed assets	157,674	-	3,648	161,323

(3) Difference and analysis between reportable segments' total income/loss and income/loss reported on the consolidated statements of income (adjustments)

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Operating revenues			
Reportable segments total	¥ 623,292	¥ 594,078	\$ 5,615,246
Eliminations	(5,172)	(3,759)	(46,600)
Operating revenues reported on the consolidated statements of income	¥ 618,119	¥ 590,318	\$ 5,568,646
Income			
Reportable segments total	¥ 47,567	¥ 42,856	\$ 428,538
Eliminations	(2,028)	(1,876)	(18,273)
Corporate	(9,792)	(8,263)	(88,223)
Operating profit reported on the consolidated statements of income	¥ 35,746	¥ 32,717	\$ 322,042
Assets			
Reportable segments total	¥ 2,508,779	¥ 2,336,968	\$ 22,601,618
Corporate	83,426	93,567	751,591
Total assets reported on the consolidated balance sheets	¥ 2,592,206	¥ 2,430,536	\$ 23,353,209
Other items			
Depreciation			
Reportable segments total	¥ 31,733	¥ 32,284	\$ 285,887
Adjustment	1,570	1,251	14,145
Amounts reported on the consolidated financial statements	¥ 33,303	¥ 33,535	\$ 300,032
Amortization of goodwill			
Reportable segments total	¥ 812	¥ 1,571	\$ 7,319
Adjustment	-	-	-
Amounts reported on the consolidated financial statements	¥ 812	¥ 1,571	\$ 7,319
Amount invested in equity-method affiliates			
Reportable segments total	¥ -	¥ -	\$ -
Adjustment	23,423	14,504	211,024
Amounts reported on the consolidated financial statements	¥ 23,423	¥ 14,504	\$ 211,024
Increase in tangible fixed assets and intangible fixed assets			
Reportable segments total	¥ 169,429	¥ 161,323	\$ 1,526,395
Adjustment	1,275	2,213	11,489
Amounts reported on the consolidated financial statements	¥ 170,705	¥ 163,536	\$ 1,537,884

Note:

1. Depreciation adjustments mainly represent depreciation on own-used assets.
2. Adjustments for amount invested in equity-method affiliates mainly represent the amount of funds invested in equity-method affiliates.
3. Adjustments on increases in tangible fixed assets and intangible fixed assets mainly represent capital investment in own-used assets.

(4) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	¥ 380,700	¥ 304,630	\$ 3,429,736
North America and Latin America	9,917	10,596	89,348
Europe			
Ireland	129,644	79,343	1,167,969
Other	1	1	17
Asia	5,794	5,801	52,204
Total	¥ 526,059	¥ 400,373	\$ 4,739,274

Note:

1. The figures shown are presented according to the respective geographic locations of the Company and its consolidated subsidiaries.
2. The following geographic categories primarily include the respective countries and regions shown below.
North America and Latin America: United States
Europe: United Kingdom, Ireland
Asia: China, Malaysia, Thailand

20. NET ASSETS PER SHARE

Net assets per share are computed based on the net assets available for distribution to the shareholders of common stock (i.e., net assets excluding minority interests) and the number of shares of common stock outstanding on each balance sheet date.

	yen		U.S. dollars
	2019	2018	2019
Net assets	¥ 8,686.09	¥ 8,242.50	\$ 78.25

Note: Treasury stock, which is deducted when calculating the number of shares of common stock as of the fiscal year-end, used in the computation of the net assets per share, includes the Company's shares owned by the Board Benefit Trust (BBT). The number of shares of treasury stock owned by the Board Benefit Trust (BBT) as of the fiscal year-end is - shares for the previous fiscal year and 104,600 shares for the fiscal year.

21. BASIC EARNINGS PER SHARE

The reconciliation of the differences between basic and diluted basic earnings per share ("EPS") for the year ended March 31, 2019 was as follows:

Year ended March 31, 2019	Millions of yen	Thousands of shares	Yen	U.S. dollars
	Basic earnings	Weighted average shares		EPS
Basic EPS				
Basic earnings available to common shareholders	¥ 25,689	30,206	¥ 850.45	\$ 7.66
Effect of dilutive securities warrants		249		
Diluted EPS				
Basic earnings for computation	¥ 25,689	30,456	¥ 843.49	\$ 7.60

Note: Treasury stock, which is deducted when calculating the average number of shares during the period used in the computation of the net earnings per share, includes the Company's shares owned by the Board Benefit Trust (BBT). The average number of the Company's shares owned during the period by the Board Benefit Trust (BBT) is - shares for the previous fiscal year and 100,198 shares for the fiscal year.

22. SUBSEQUENT EVENTS

Cash dividends

The following appropriations of retained earnings of the Company, which are not reflected in the accompanying consolidated financial statements for the year ended March 31, 2019, were approved at a shareholders' meeting held on June 21, 2019:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥110 (\$0.99) per share	¥ 3,327	\$ 29,977

Corporate bond issuance

The company issued straight bonds as follows:

- (1) Issue name: Fuyo General Lease Co., Ltd., No. 19 unsecured straight bond
- (2) Issuance amount: ¥20,000 million
- (3) Issuance date: April 17, 2019
- (4) Issue price: ¥100 per ¥100 of face value
- (5) Coupon rate: 0.230% per year
- (6) Redemption date: April 17, 2024
- (7) Purpose: To fund capital investments

23. BUSINESS COMBINATIONS

Business combination through acquisition

1. Overview of business combination

(1) Name of acquired company and its business

(i) Name of acquired company: G.I HOLDINGS INC.

Business description: Acquisition of stocks, capital investment or other equity, and bonds of business and other corporations, purchase and sale of trust beneficiary rights, purchasing of monetary claims, real estate investment, securities investment and management

(ii) Name of acquired company: INVOICE INC. (A subsidiary of G.I HOLDINGS INC.)

Business description: Convergent billing service for corporate clients, Internet services for condominiums and apartment housing, other (renewable energy, etc.)

(2) Reasons for the business combination

Making INVOICE INC. (hereinafter, "INVOICE") a consolidated subsidiary conforms with the Company's strategy to expand frontiers under its Medium-term Management Plan. In addition, significant business synergies can be expected between the Company and INVOICE. The Company until now has been offering not only financial solutions, such as fundraising and cost control through the lease business, but also solutions for outsourcing of operations such as proxy payment for property carrying charges (taxes, insurance fees, etc.) as well as property management and maintenance. By inviting INVOICE into the Fuyo Lease Group, we will be able to additionally provide the highly convenient services of INVOICE and high value-added BPO (Business Process Outsourcing) services to existing customers, therefore achieving synergistic effects regarding the customer base and our services. This will enable the Fuyo Lease Group to support increased productivity of corporate clients of the Group and stimulate the shift to a line of business with high added value.

(3) Date of business combination

October 31, 2018

(4) Legal form of business combination

Acquisition of shares by cash

(5) Name of company after combination

No change

(6) Percentage share of voting rights acquired

(i) G.I HOLDINGS INC.

Percentage share of voting rights owned before business combination: -%

Percentage share of voting rights acquired on the date of business combination: 60.00%

Percentage share of voting rights after acquisition: 60.00%

(ii) INVOICE INC.

Ratio of ownership of voting rights immediately before the date of business combination: -%

Ratio of ownership of voting rights acquired on the date of business combination: 60.00% (including indirect ownership of 60.00%)

Ratio of ownership of voting rights after acquisition: 60.00% (including indirect ownership of 60.00%)

(7) Primary basis for the determination of the acquiring company

It is because the Company acquired 60.00% of the issued shares of GI Holdings Inc.

2. Period of operating results of the acquired company included in the consolidated financial statements

From October 1, 2018 to March 31, 2019

3. Acquisition cost of the acquired company and breakdown by type of consideration

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	¥ 9,235	\$ 83,205
Acquisition cost	¥ 9,235	\$ 83,205

It is possible that certain adjustments may be made to the acquisition price.

4. Description and amount of major acquisition-related expenses

Fees to advisors, etc.: ¥496 million (\$4,470 thousand)

5. Amount, cause, amortization method and period of goodwill recognized

(1) Amount of goodwill recognized

¥11,970 million (\$107,840 thousand)

The amount of goodwill is a provisional calculation, since the purchase price allocation has not been completed as of the end of the fiscal year.

(2) Cause of goodwill

Goodwill was recognized due to the future excess earning power expected based on business expansion going forward.

(3) Amortization method and period

Goodwill is amortized by straight-line method over the period in which it will be in effect. The amortization period will be finalized by taking into account the results of purchase price allocation.

6. Amount of assets received and liabilities accepted on the date of the business combination and their major components

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 32,438	\$ 292,242
Non-current assets	2,346	21,139
Total assets	34,785	313,381
Current liabilities	35,612	320,833
Non-current liabilities	1,238	11,162
Total liabilities	¥ 36,851	\$ 331,995

7. Purchase price allocation

The purchase price allocation is not completed because the identifiable assets and liabilities have not been specified and their fair values have not been calculated as of the end of the fiscal year. Therefore, the Company applied provisional accounting treatment based on reasonable information available at the time.

8. Estimated amount of impact on the consolidated statements of income for the fiscal year assuming that the business combination was completed on the start date of the fiscal year, and the calculation method

	Millions of yen	Thousands of U.S. dollars
Revenues	¥ 68,971	\$ 621,369
Operating profit	1,996	17,987
Ordinary profit	1,835	16,537
Profit before income taxes	1,835	16,532
Profit attributable to owners of parent	834	7,519
Basic earnings available to common shareholders	27.63 Yen	0.25 \$

(Method of calculation of the estimated amount)

The estimated amount of impact is the difference between net sales and profit/loss calculated on the assumption that the business combination was completed on the start date of the fiscal year and net sales and the profit/loss on the consolidated statements of income of the acquiring company. In addition, the amount of amortization is calculated based on the assumption that the goodwill recognized at the time of the business combination took place on the start date of the fiscal year.

The information mentioned above has not been audited.

Transactions under common control

Additional acquisition of shares of a subsidiary

1. Overview of transaction

(1) Name of related party of combination and its business

Name of company: Accretive, Ltd.

Business description: Asset business, solutions business, other businesses

(2) Date of business combination

November 13, 2018

(3) Legal form of business combination

Acquisition of shares from a non-controlling shareholder

(4) Name of company after combination

No change.

(5) Other matters concerning the transaction

The Company is focusing on reinforcing BPO services in New Domains (non-asset business with favorable asset efficiency), which is one of the Company's strategic areas. It has become evident that increasing the equity stake in Accretive Co., Ltd. (hereinafter, "Accretive") would enable both firms to mutually make timely and smooth use of their management resources as well as lead to implementing necessary measures quickly implementing, thereby contributing to the further growth and development of the Fuyo Lease Group. Therefore, the Company acquired an additional 18.20% of shares owned by a non-controlling shareholder. As a result of this additional acquisition, the Company's percentage of voting rights of Accretive increased to 69.20% from 51.00%.

In addition, Accretive executed a share consolidation and consolidated 2,241,480 shares into 1 share effective February 6, 2019. As a result, the Company's percentage of voting rights of Accretive increased to 73.68% from 69.20%.

2. Overview of accounting treatment performed

In accordance with the Accounting Standard for Business Combinations and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures, the Company handles this business combination as a transaction with a non-controlling shareholder as part of transactions under common control.

3. Matters concerning additional acquisition of shares of a subsidiary

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	¥ 4,064	\$ 36,618
Cash and deposits		
Acquisition cost	¥ 4,064	\$ 36,618

4. Matters concerning change in initial equity related to the transaction with a non-controlling shareholder

(1) Key factor underlying the change in capital surplus

Additional acquisition of shares of a subsidiary

(2) Amount of decrease in capital surplus due to the transaction with a non-controlling shareholder

¥1,542 million (\$13,899 thousand)

Report of Independent Auditors



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Independent Auditor's Report

The Board of Directors
Fuyo General Lease Co., Ltd.

We have audited the accompanying consolidated financial statements of Fuyo General Lease Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Fuyo General Lease Co., Ltd. and its consolidated subsidiaries as at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

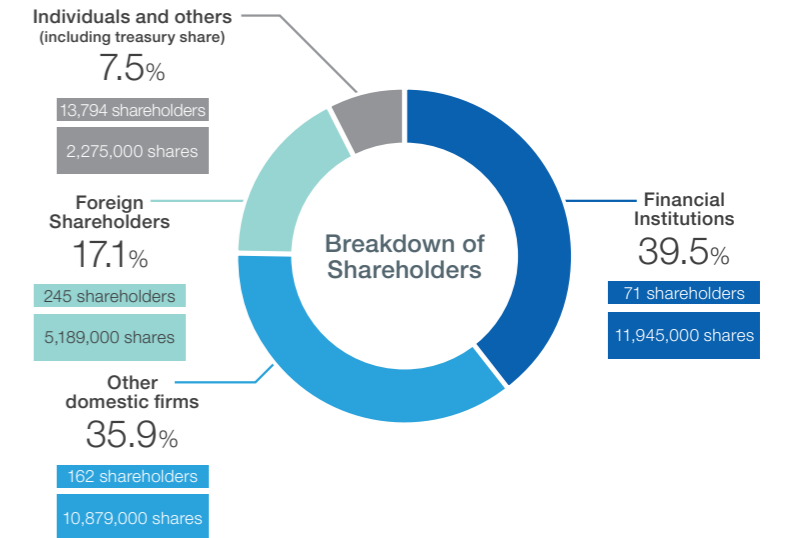
June 24, 2019
Tokyo, Japan

A member firm of Ernst & Young Global Limited

Stock Information (As of March 31, 2019)

Stock Overview

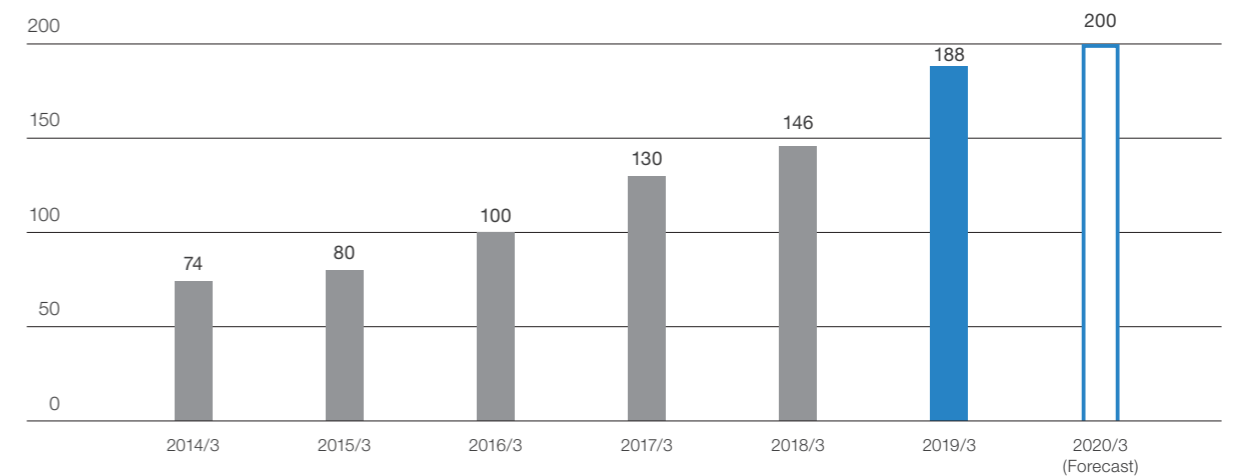
Total number of authorized shares	100,000,000 shares
Number of shares outstanding	30,288,000 shares
Share unit number	100 shares
Number of shareholders	14,272



Major Shareholders (Top 10)

Shareholders	Number of shares held (in thousands)	Shareholding ratio (%)
Hulic Co., Ltd.	4,218	13.92%
Meiji Yasuda Life Insurance Company	2,261	7.46%
Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account); Trust & Custody Services Bank, Ltd. as a Trustee of ReTrust	1,512	4.99%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,253	4.13%
Sompo Japan Nipponkoa Insurance Inc.	1,002	3.30%
Azbil Corporation	1,000	3.30%
Mizuho Bank, Ltd.	907	2.99%
Japan Trustee Services Bank, Ltd. (Trust Account)	833	2.75%
BBH FOR FIDELITY PURITAN TR : FIDELITY SR INTRINSIC OPPORTUNITIES FUND	550	1.81%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	441	1.45%

Annual dividend per share (Yen)



FUYO LEASE

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