

FUYO LEASE

**Financial Results Briefing for the
1st half of FY2017
IR Presentation**

**November 9, 2017
FUYO GENERAL LEASE CO., LTD.**

Agenda

1. Overview of consolidated operating results
2. Overview of business activities
3. Progress on “Frontier Expansion 2021” Medium-term Management Plan
4. Operating results forecast and dividend policy
5. Appendix

Earnings forecasts and other forward-looking statements provided in this material are based on the information currently available to the Company and are subject to risks and uncertainties. Actual results may differ materially from the forecasts presented herein.

1. Overview of consolidated operating results

(1) 1H FY2017 results

(¥100 million)

	FY2016 1H results	FY2017 1H results	YoY change (amount)	YoY change (%)
Total revenues	2,449	3,026	+577	+23.6%
Profit before interest expenses (*1)	306	348	+42	+13.7%
Gross profit	270	312	+42	+15.6%
Operating profit	142	175	+33	+23.3%
Ordinary profit	157	188	+32	+20.3%
Profit attributable to owners of parent	103	117	+14	+14.0%
Basic earnings per share	¥340.28	¥387.59	+47.31	+13.9%

Interest expenses	36	36	-0	-0.3%
SG&A expenses	128	137	+9	+7.1%
Credit-related profits/losses (net) (*2)	5	3	-2	-42.4%

(*1) Gross profit before deducting interest expenses

(*2) The total of bad debts expenses, loss on transfer of receivables, provision of allowance for doubtful accounts, provision of allowance for loss on guarantees, bad debt recovered, gain on transfer of receivables, reversal of allowance for doubtful receivables, and reversal of provision for loss on guarantees

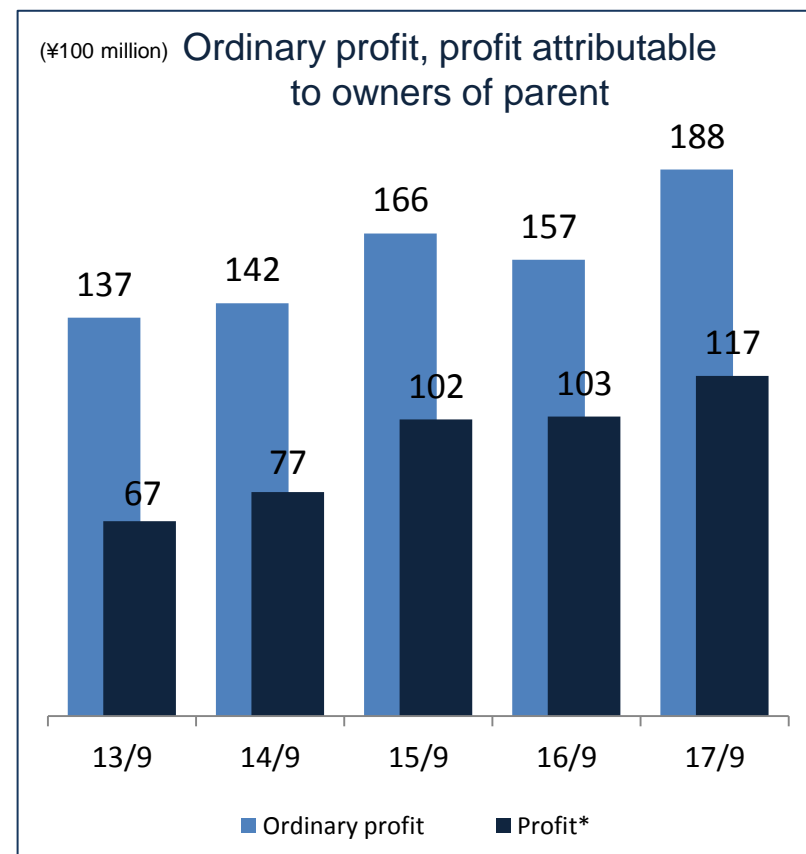
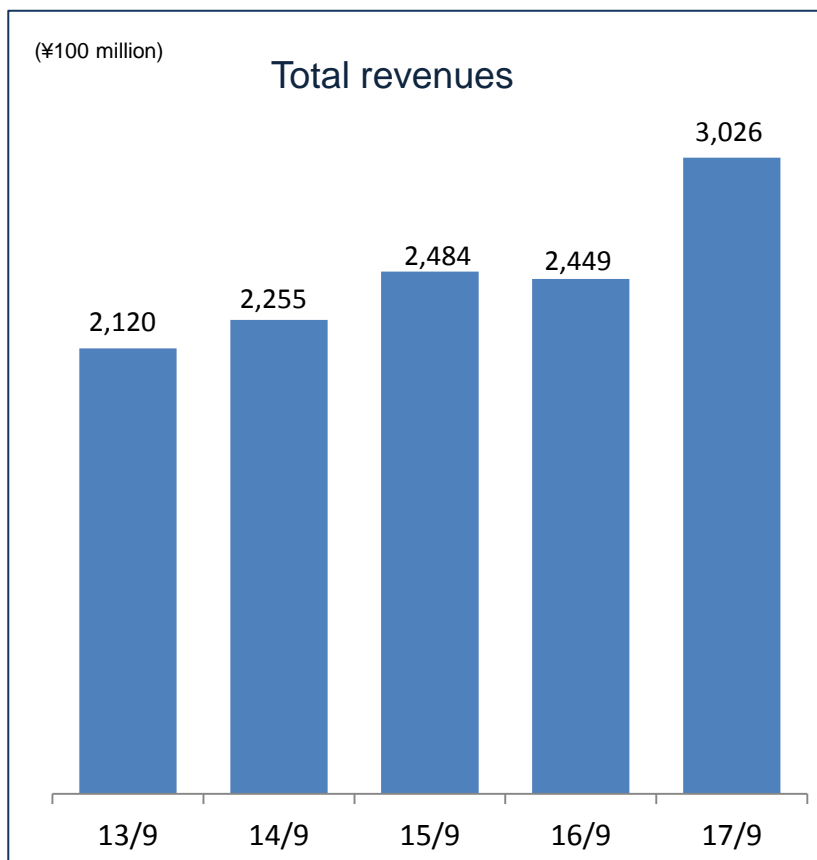
1. Overview of consolidated operating results

(2) Total revenues

- Total revenues continued to grow driven by an increase in lease assets
- Revenues recorded as a lump sum increased in conjunction with real estate leases expiring and the exit from a bridge-type project

Ordinary profit and profit attributable to owners of parent

Profits reached record highs for 1H supported by an increase in profit before interest expenses, which reflects basic earnings

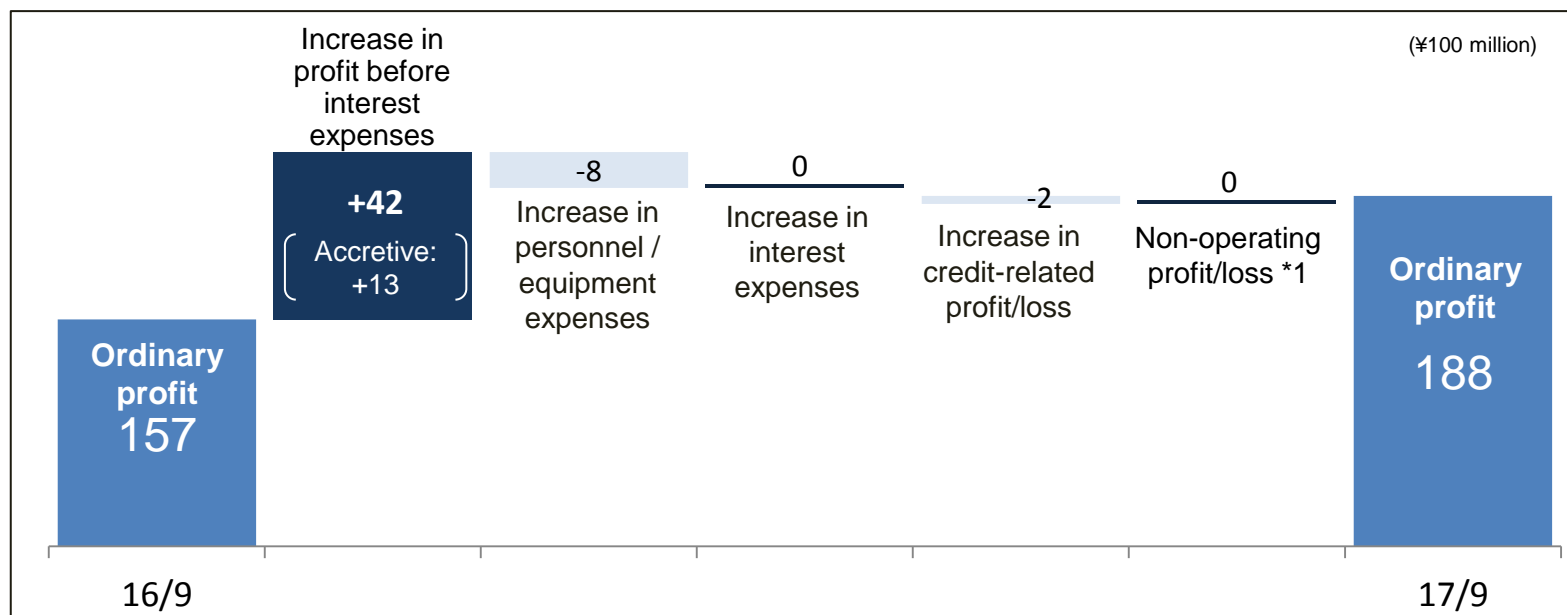


*Profit denotes profit attributable to owners of parent.

1. Overview of consolidated operating results

(3) Factors affecting ordinary profit

- The sharp growth in profit before interest expenses (+¥4.2 billion) was mainly attributable to an increase in lease earnings and the consolidation of Accretive Co., Ltd.



	1H FY2016	1H FY2017	Change
Profit before interest expenses	306	348	+42

Personnel expenses	79	83	+4
Equipment expenses	48	53	+5
Interest expenses	36	36	0
Credit-related profit/loss	5	3	-2

	1H FY2016	1H FY2017	Change
Non-operating profit/loss *1	9	9	0

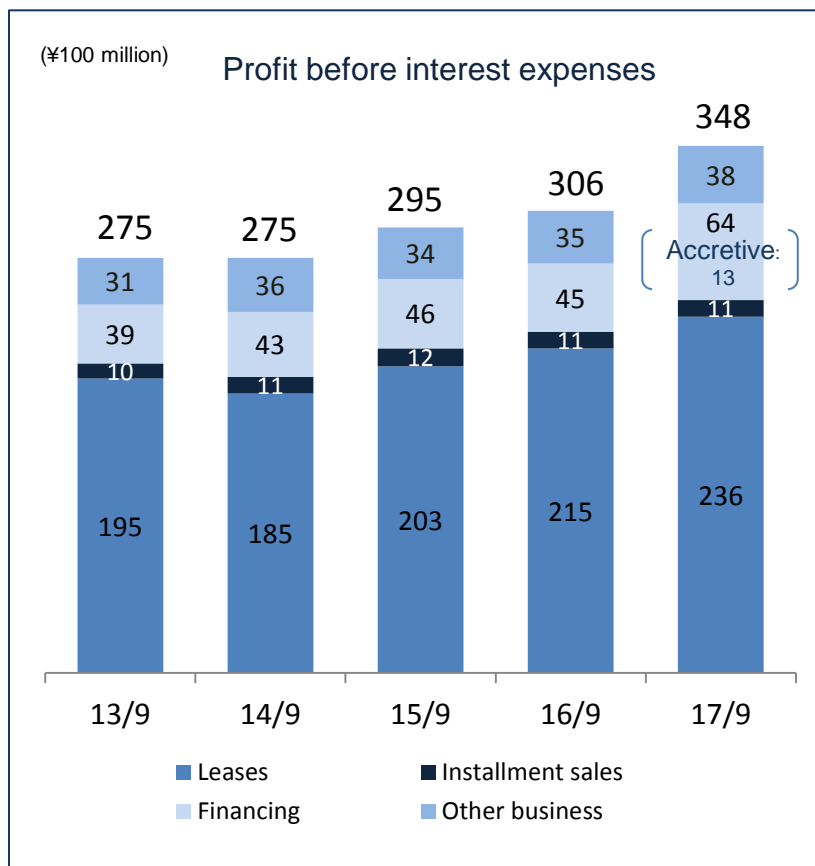
	1H FY2016	1H FY2017	Change
Ordinary profit	157	188	+32

*1 Excluding credit-related costs

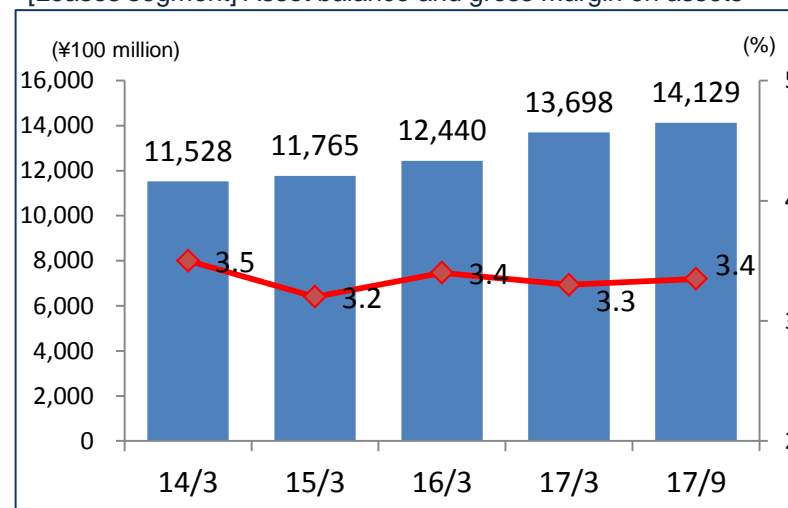
1. Overview of consolidated operating results

(4) Profit before interest expenses

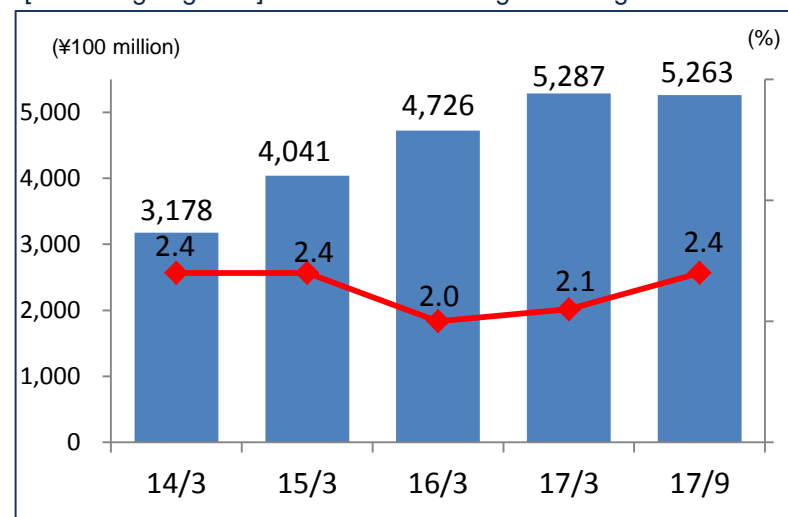
- In the Leases segment, profit continued to grow supported by an increase in operating assets
- In the Financing segment, the consolidation of Accretive contributed, and the gross margin on assets improved



[Leases segment] Asset balance and gross margin on assets



[Financing segment] Asset balance and gross margin on assets

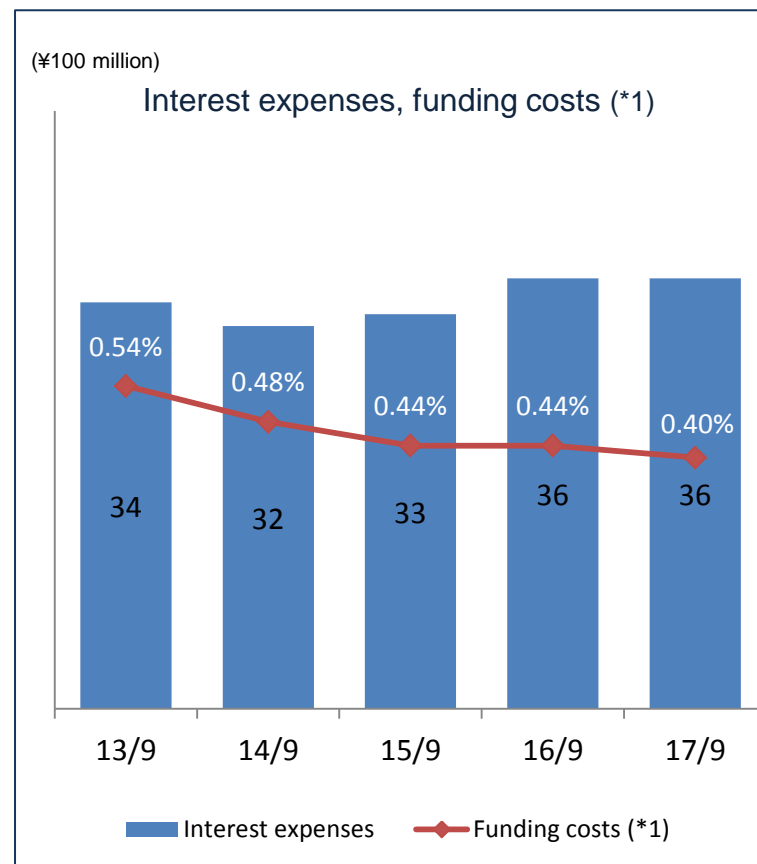
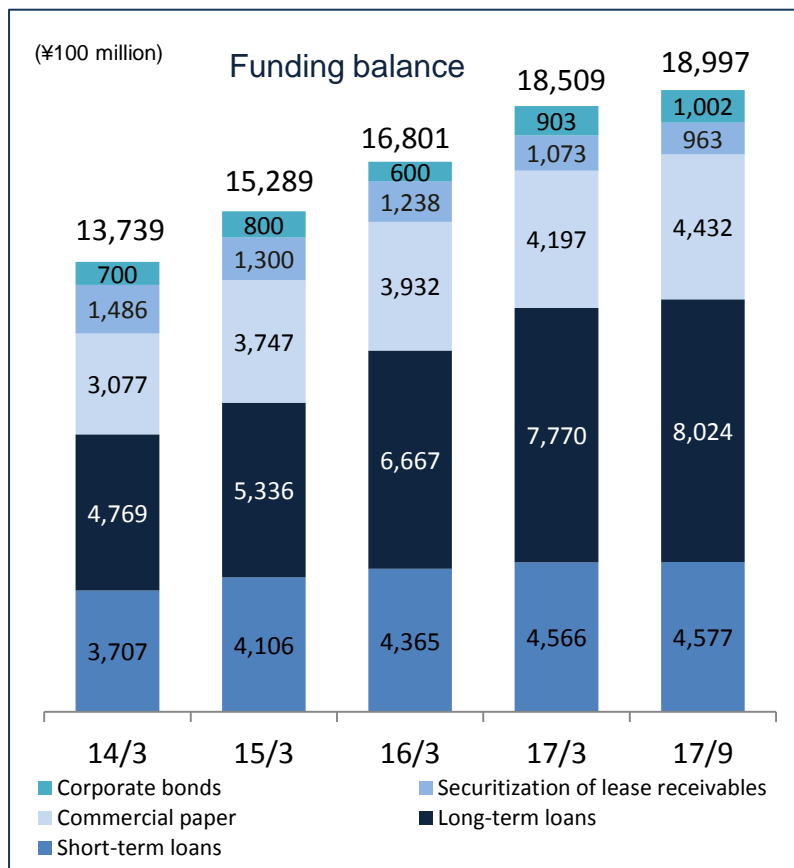


*Gross margin figures for FY2013 to FY2014 are calculated based on operating loans only.

1. Overview of consolidated operating results

(5) Changes in funding

- The funding balance increased in conjunction with growth in operating assets
- Funding costs continued to decline, and interest expenses were kept in check



(*1) Formula for calculating funding costs:

$$\frac{\text{Interest expenses} - \text{non-operating interest received} + \text{non-operating interest paid} + \text{bond issuance cost}}{\text{Average funding balance}} \times 100\%$$

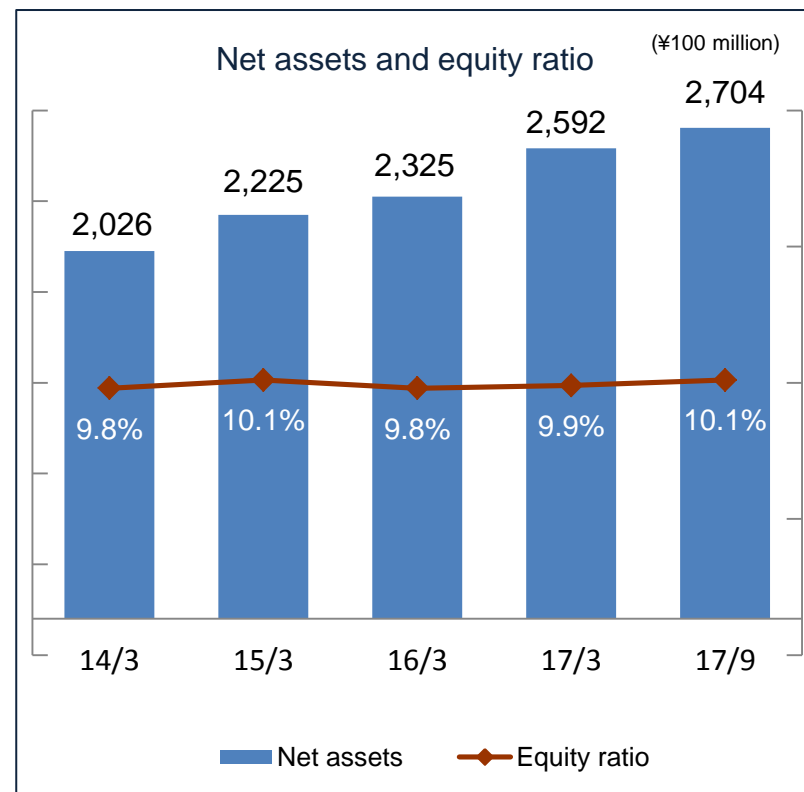
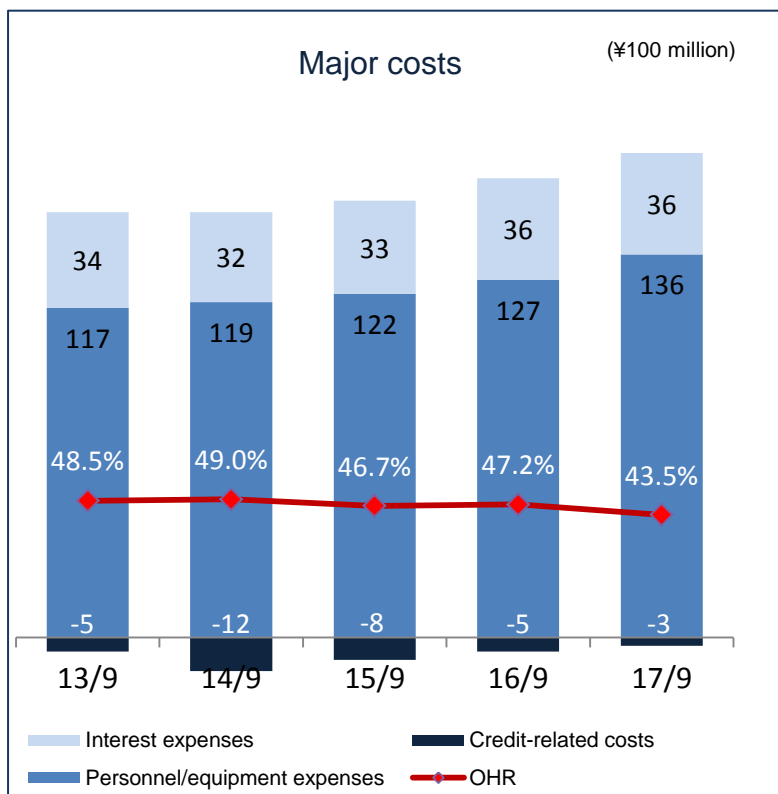
1. Overview of consolidated operating results

(6) Changes in costs

Amid growth in newly executed contract volume and operating assets, costs were kept within a certain level and OHR continued to decline. There was a reversal of allowance for credit-related costs.

(7) Changes in net assets and equity ratio

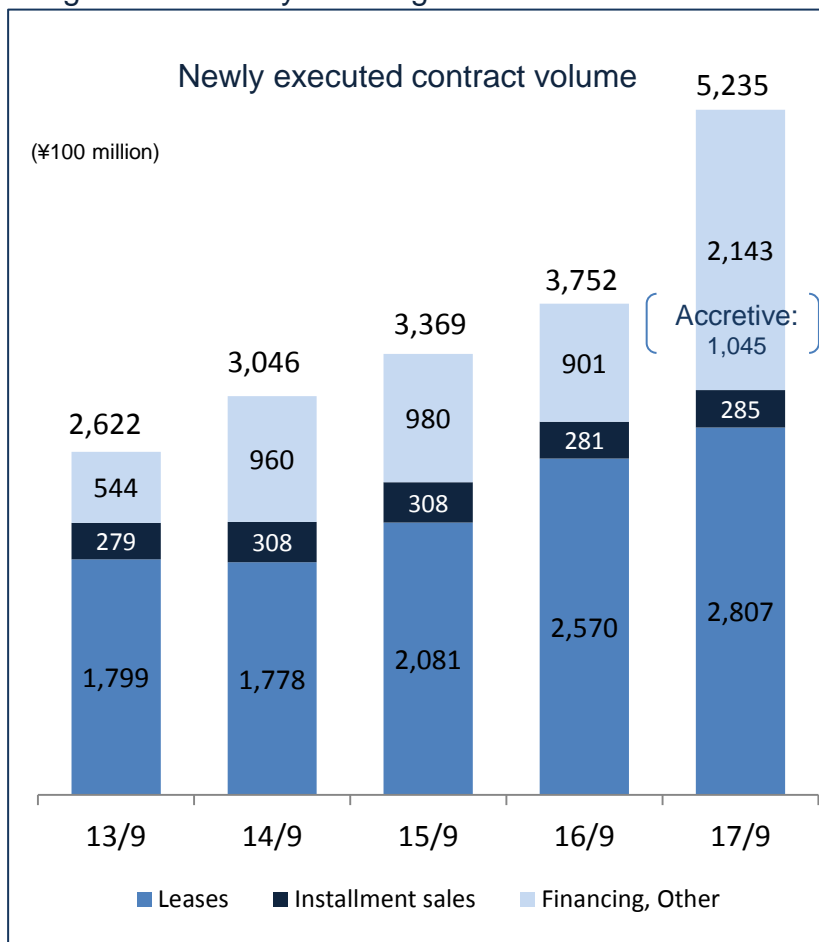
Net assets increased in a stable fashion, and the equity ratio held at the 10% level amid growth in operating assets.



2. Overview of business activities

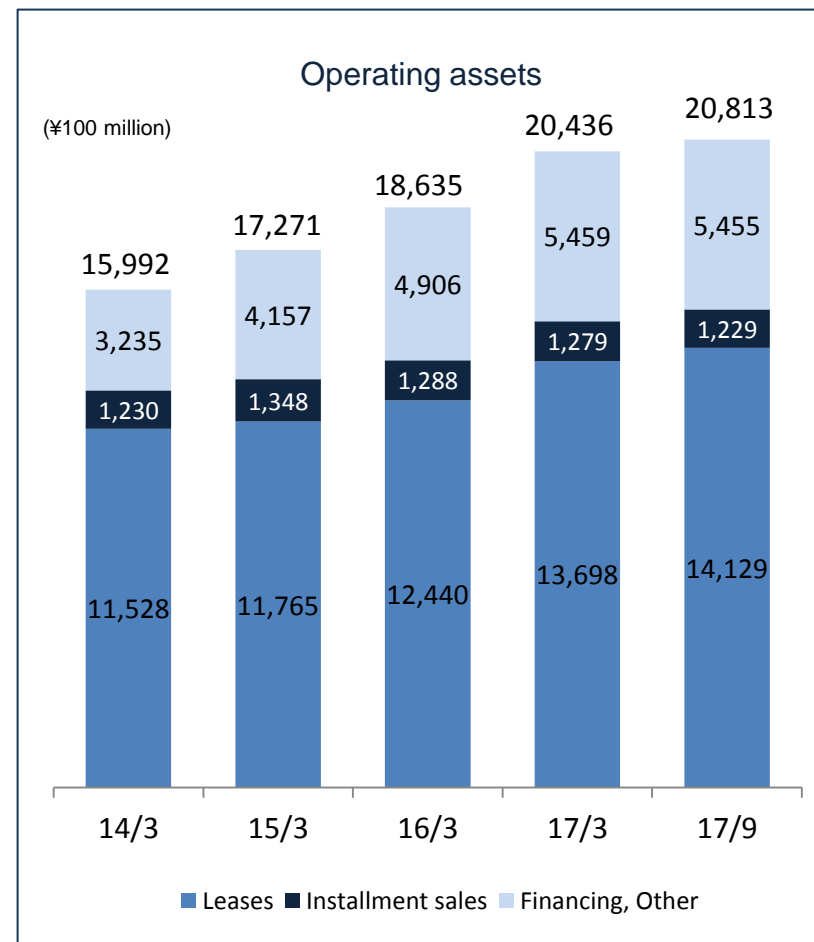
(1) Newly executed contract volume

- In the Leases segment, building and aircraft leasing operations were strong, rising 9.2%
- The “Financing, Other” segment enjoyed sharp growth driven by factoring services at Accretive



(2) Operating assets

Lease assets continued to expand.
The policy for the “Financing, Other” segment is to maintain operating assets at present levels

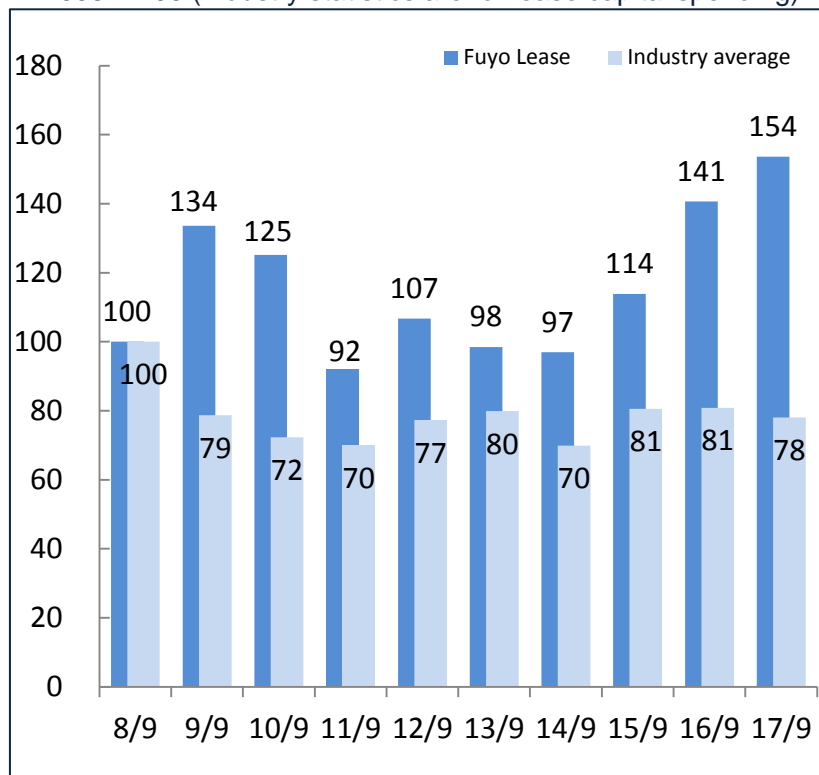


2. Overview of business activities

(3) Changes in newly executed contract volume

Volume has consistently tracked highly above the industry average (Japan Leasing Association data) regardless of the lease industry business cycle

Indexed volume of newly executed lease contracts with 1H FY2008 = 100 (Industry statistics are for lease capital spending)



(4) Newly executed lease contracts volume (by type of equipment)

Growth was driven by transportation equipment (aircraft, vehicles, etc.) and buildings (real estate leasing), etc.

(¥100 million)

Segment	1H FY2015	1H FY2016	1H FY2017	YoY change
IT & office equipment	1,003	1,071	976	-95
Industrial machinery	184	236	122	-114
Civil engineering and construction machinery	26	27	47	+20
Transportation equipment	149	241	359	+118
Medical devices	122	119	120	+1
Commercial / services equipment	231	207	223	+17
Buildings, etc.	261	562	819	+257
Other	105	109	141	+32
Total	2,081	2,570	2,807	+237

Medium-term Management Plan

Frontier Expansion 2021

“Going Where No One Has Gone Before”

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

3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

(1) Goals (Target Performance Indicators)

Indicator	Target Value FY2021	Interim Goal FY2019	1H FY2017 results
Operating assets	¥2,500 billion	¥2,300-¥2,400 billion	¥2,081.3 billion
ROA	2.0%	1.7-1.8%	1.83%
Ordinary profit	¥50 billion	¥38-¥42 billion	¥18.8 billion (1H)

ROA = Ordinary profit (annualized) / Operating assets (average balance)

(2) The 3 core strategies

**1) Selection and Concentration
in Strategic Areas**

Strategic
Areas

2) Challenge the Frontier

Frontier

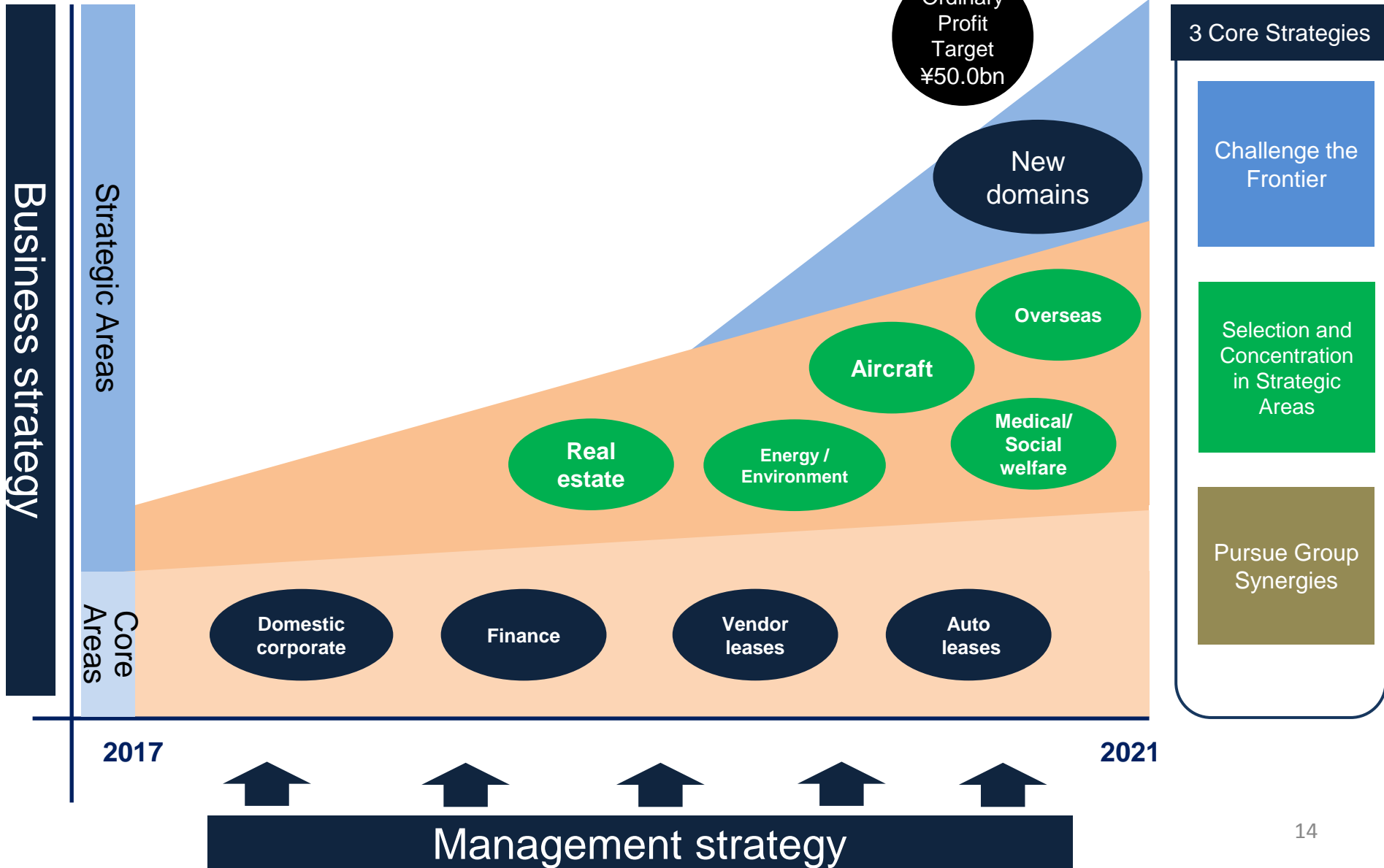
3) Pursue Group Synergies

Group

3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

Frontier Expansion 2021

(3) Schematic representation of strategies

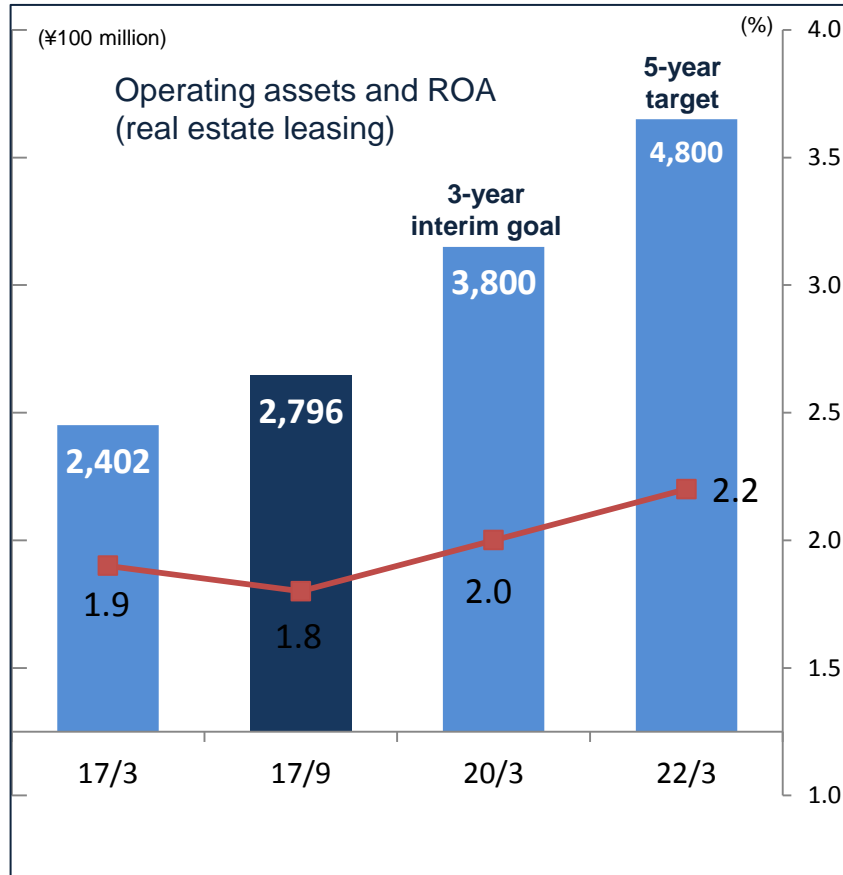


3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

Frontier Expansion 2021

(4) 1. Real Estate

Strategic
Areas



ROA figures are approximate values used in management accounting.
Calculation formula: Ordinary profit (annualized) / Operating assets (average balance)

Operating assets expanded steadily toward our target supported in part by contracts for large projects

Large projects (implemented or scheduled to be implemented)



Building complexes with a focus on the commercial facility Colette Mare

TOC Minato Mirai (Naka Ward, Yokohama City)
Implemented in May 2017



Large shopping mall operated by Seven & i Group

Primetree Akaike (Nisshin City, Aichi Prefecture)

Schedule to be implemented in November 2017

3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

Frontier Expansion 2021

(4) 2. Real Estate

Strategic
Areas

Scheme Expansion

Market Expansion

Increase in bridge-type transactions through collaboration with Hulic

- TOC Minato Mirai, etc.

Bridge-type transactions

Expansion of tie-ups with developers

Developing financing for hotel and healthcare sectors

- AIP Kachidoki Ekimae Building, etc.

Real estate financing

Non-recourse loans / REIT and fund investment

Start of commercial facility leasing business jointly operated with Kyushu Railway Company Group

- MJR Ropponmatsu commercial area

Real estate investment

Investment following assessment of land and partners

Expansion

Real estate leasing

Proposal-based selling involving provision of land information

ROA improvement in Fuyo Lease-driven projects

Expansion of transactions with developers and companies operating stores

Increase in contracts stemming from proposals involving provision of land information

- Shinagawa-shin Station Hotel (Kintetsu, Miyako Hotel)
- Via Inn Tokyo Nihonbashi (tentative name) (West Japan Railway Company Group)

Shopping center real estate leasing initiative geared toward Seven & i Group

- Primetree Akaike

Risk-Taking Expansion

3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

Frontier Expansion 2021

(5) Energy/Environment Strategic Areas

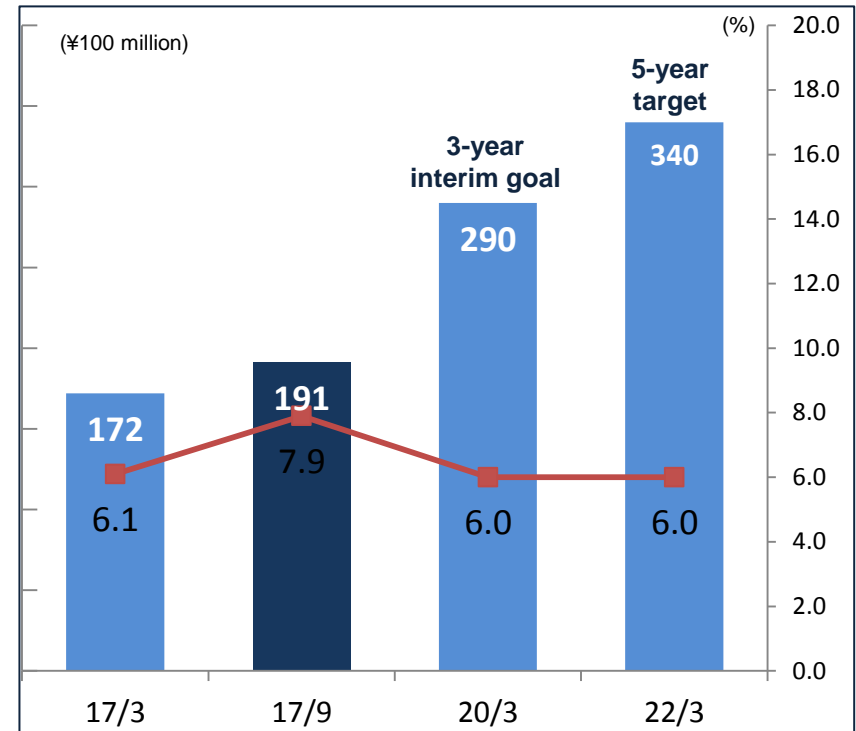
[Solar Power Generation Business]

- 1) Operating mega-solar plants in 29 locations across Japan, with total output of 77MW
- 2) Started construction of three mega-solar plants centered in the Fukushima district. Completion scheduled for FY2018.



Rendering of completed mega-solar project currently under construction in Shichikashuku Town, Miyagi Prefecture

Operating assets and ROA of the solar power generation business within Energy/Environment



Indicator	Current status	After 3 years	After 5 years
Output (MWdc)	77	135	165

Project	Output	Planned completion
Tomioka-Sugiuchi	22MW	18/3
Naraha-Otani	24MW	18/9
Shichikashuku	14MW	18/9

ROA figures are approximate values used in management accounting.
Calculation formula: Ordinary profit (annualized) / Operating assets (average balance)

3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

(6) Medical/Social Welfare

Strategic
Areas

Frontier Expansion 2021

Topics in 1H FY2017

Stepping up initiatives in the medical field

—Initiatives involving cooperation with partners focused on business tie-ups and investment—

1) Invested in R&D-type venture company

Invested in Riverfield Inc., which develops surgical robots. Riverfield plans to commercialize the first surgical robots in Japan by 2020. To help promote the launch, Fuyo Lease intends to provide further support in the form of leasing and other financing schemes



Prototype surgical robot developed by Riverfield

2) Provided building leasing for facilities for the elderly

Provided building leasing for a private nursing care home for the elderly operated by Nichii Carepalace Company, marking the first such initiative in the industry

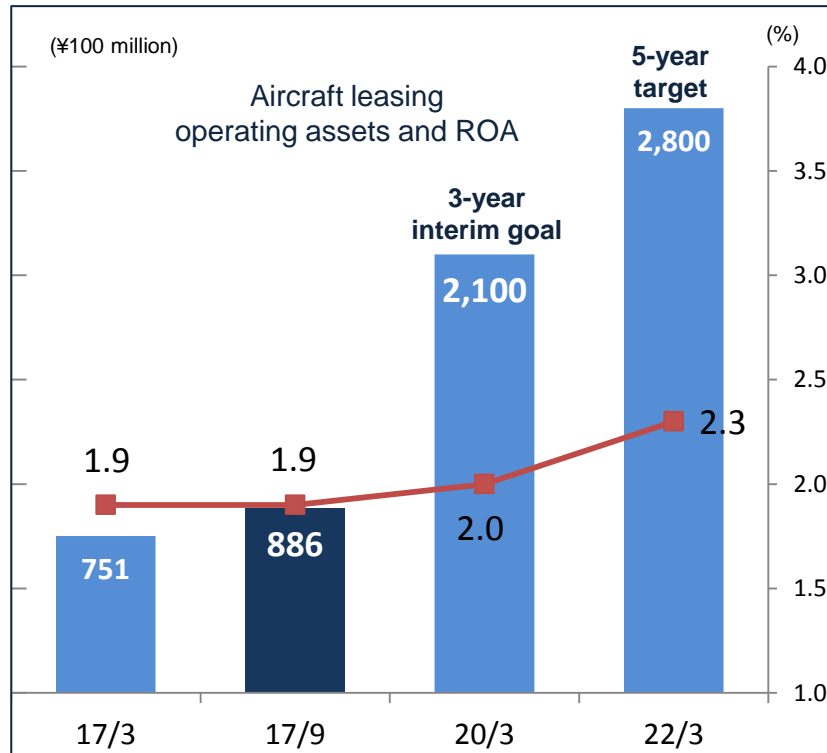


Himonya private nursing care home for the elderly operated by Nichii Carepalace

3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

(7) Aircraft

Strategic
Areas



Topics in 1H FY2017

- 1) Arranged leases for five self-owned aircraft, and increased total number of self-owned aircraft to 23.
- 2) Concluded lease contracts for four Airbus A321neo aircraft (equipped with a new engine), which are scheduled to be launched in Japan for the first time.
- 3) First initiative involving aircraft engine operating leasing.

Indicator	FY2016	1H FY2017	After 3 years	After 5 years
Self-owned aircraft	19	23	49	70



A321neo for ANA Holdings

ROA figures are approximate values used in management accounting.
Calculation formula: Ordinary profit (annualized) / Operating assets (average balance)

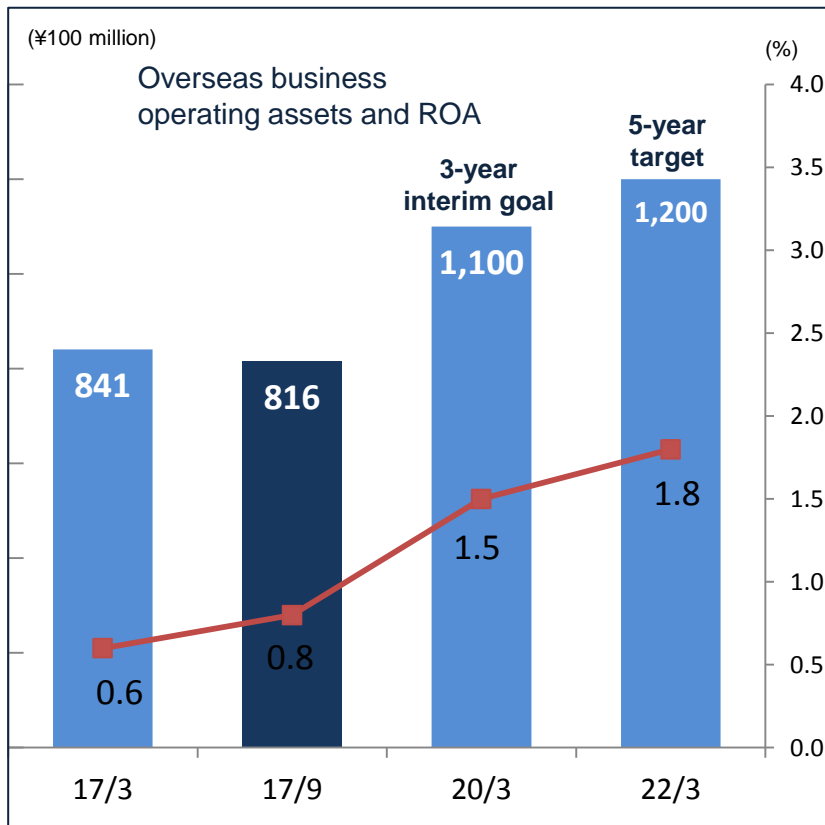
3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

(8) Overseas

Strategic
Areas

Overseas

= Business of overseas subsidiaries excluding aircraft leasing



ROA figures are approximate values used in management accounting.

Calculation formula: Ordinary profit (annualized) / Operating assets (average balance)

Expansion including inorganic growth, mainly in North America and Asia

Topics in 1H FY2017

Dispatched personnel to Singapore subsidiary (originally unstaffed)

(With a view to develop business in Singapore and neighboring countries; strengthen information collection)



3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

(9) New Domains - 1) Accretive Business

Frontier

Topics in 1H FY2017

Accretive

Flex Payment Service (FPS)
(early payment of accounts
receivable)

Customer expansion

Proposed FPS to Trial Company Inc.
(No. 2 discount store operator), a
valued customer of Fuyo Lease.
Proposal was adopted.

Trial Company Inc.

Operator of discount stores centered in the
Kyushu and Kanto areas, sales of ¥361.2 billion
Number of stores: 199 (as of March 2017)

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TRIAL

**Flex Payment Service
(FPS) Medical**

(early payment of medical and
nursing care fees receivable)

Partner expansion

Proposed “FPS Medical” to close
partners Minami Nippon Bank, Mie
Bank, Fukuho Bank, and
Nakamichi Leasing, and concluded
customer referral and other
business agreements with these
partners.



3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

(9) New Domains - 2)

Frontier

Frontier Expansion 2021

Topics in 1H FY2017

Collaborations and investment

Support for cutting-edge technology R&D

Invested in venture business investment fund Mirai Sozo No. 1

Invested in a fund that invests in and provides management support for venture companies that leverage cutting-edge technologies originating from the Tokyo Institute of Technology.

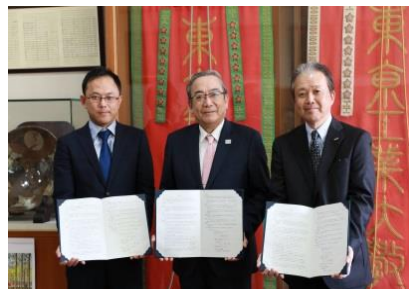
Supported commercialization of research results in artificial intelligence, IoT, robotics, big data analysis, and other areas of strength of the Tokyo Institute of Technology.

Riverfield Inc., developer and manufacturer of surgical robots

Entered into capital and business alliance with Riverfield Inc., the first company in Japan to develop surgical robots.

Established the first industry-academia cooperation-type GAP Fund in Japan

Established the first industry-academia cooperation-type GAP Fund in Japan, which will support the commercialization of the research results of the Tokyo Institute of Technology



Agreement signing ceremony on Oct 27

Used assets

Expanded Tokyo 3R Center, a core disposal site for used assets

Expanded area of Tokyo 3R Center, a used asset disposal yard situated in Hachioji City, Tokyo. Developed infrastructure to support an expansion of the used assets business.

Accounting services business

Started service for asset management and accounting system “Flow Cube+”

Started service for asset management and accounting system “Flow Cube+,” which is jointly developed with SAP Japan K.K.



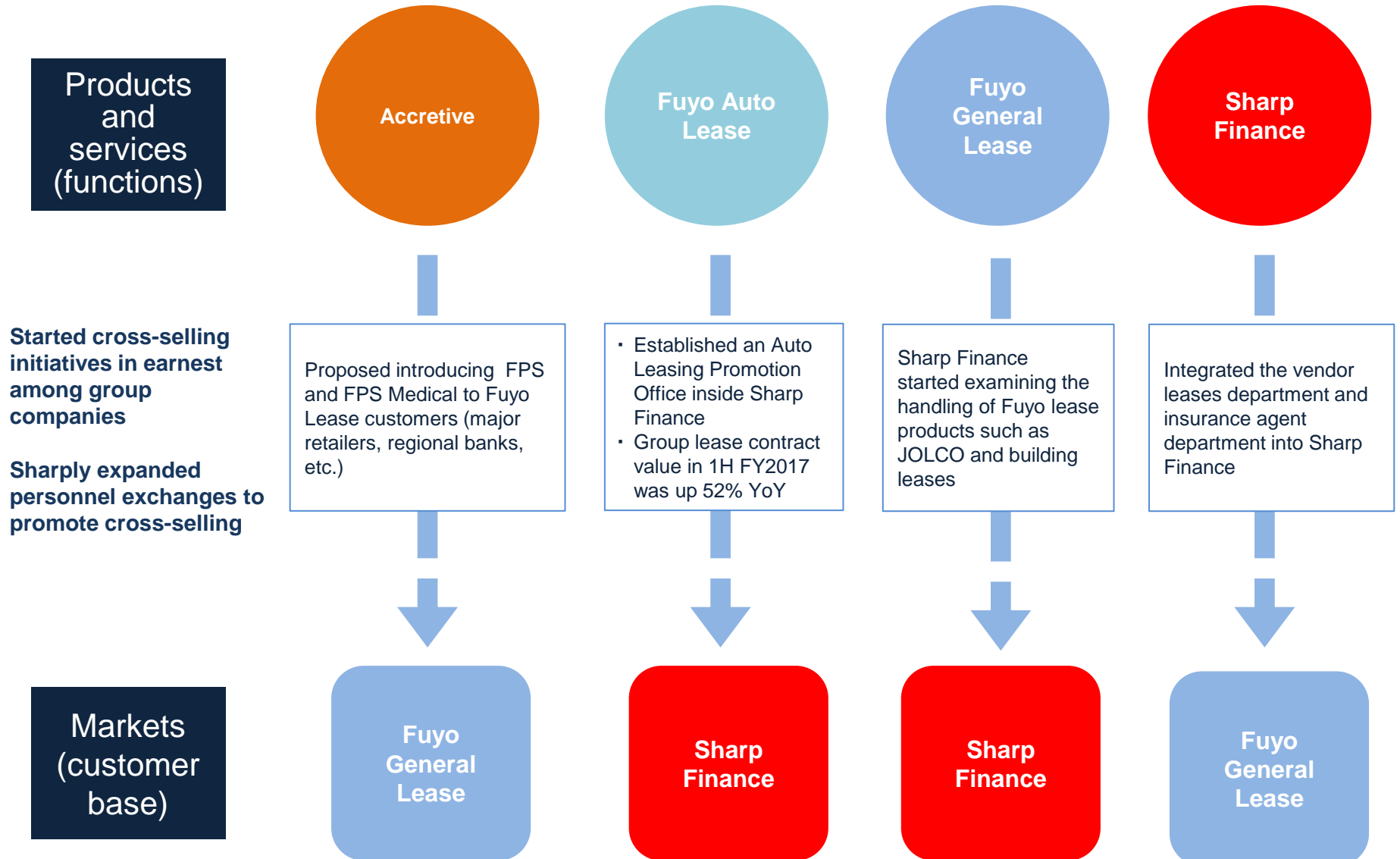
Exhibit at SAP Forum Tokyo on Aug 4

3. Progress on “Frontier Expansion 2021” Medium-term Management Plan

Frontier Expansion 2021

(10) Pursue Group Synergies

Group



4. Operating results forecast and dividend policy

(1) FY2017 consolidated operating results forecast

(¥100 million)

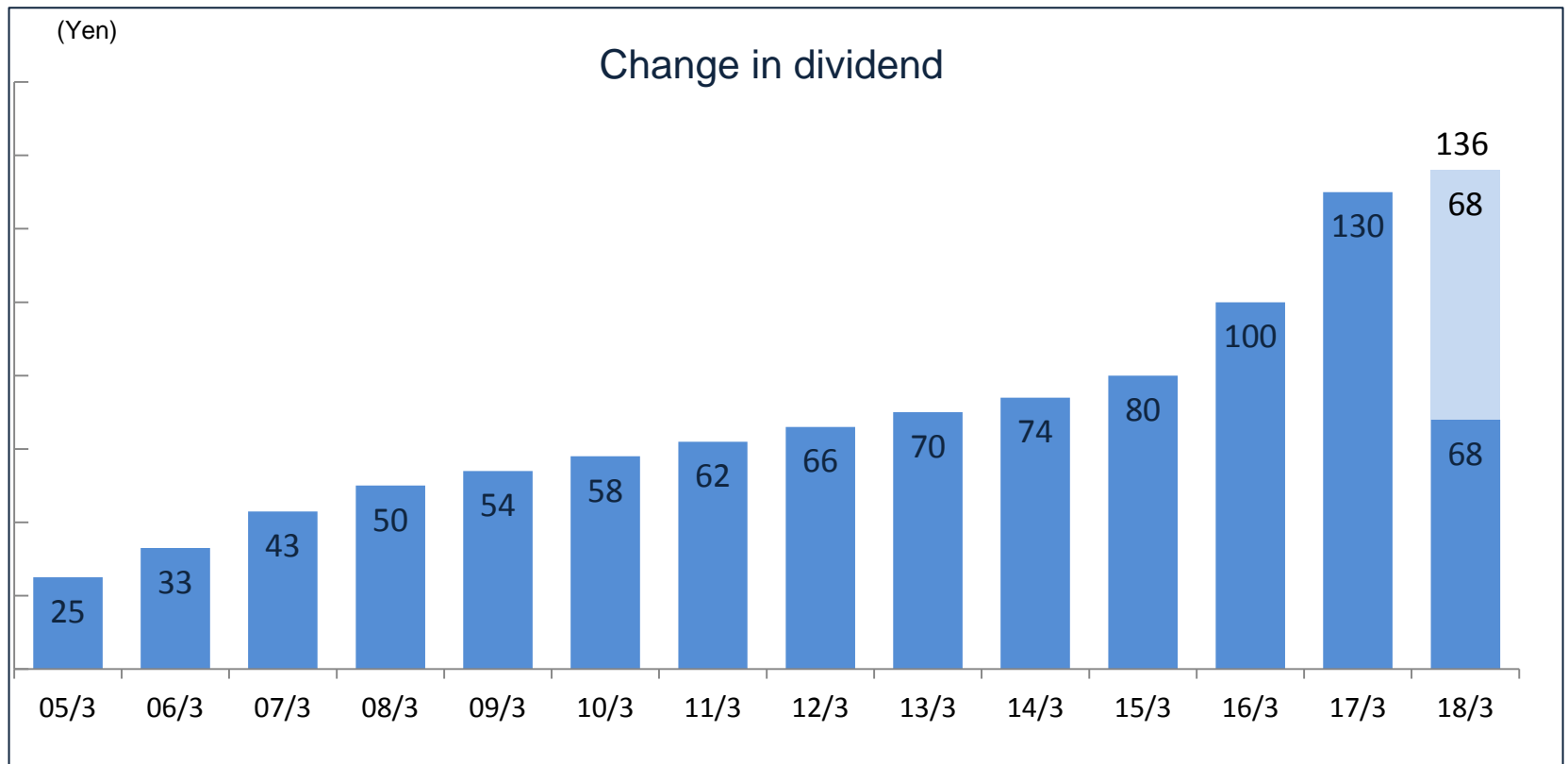
	1H FY2017	FY2017 forecast
Total revenues	3,026	5,300
Operating profit	175	310
Ordinary profit	188	330
Profit attributable to owners of parent	117	205
Basic earnings per share	¥387.59	¥679.06

4. Operating results forecast and dividend policy

(2) FY2017 dividend policy

Interim dividend was ¥68 (in line with initial forecast)

Forecast annual dividend of ¥136 (no change from initial forecast)



5. Appendix

(1) Summary of consolidated operating results

(¥100 million)

	1H FY2013	1H FY2014	1H FY2015	1H FY2016	1H FY2017	Year on year
Total revenues	2,120	2,255	2,484	2,449	3,026	+577
Total costs	1,879	2,012	2,223	2,179	2,714	+535
Interest expenses	34	32	33	36	36	-0
Gross profit	241	243	262	270	312	+42
SG&A	119	120	124	128	137	+9
Credit-related costs	2	1	2	1	1	+1
Operating profit	122	123	138	142	175	+33
Non-operating profit	15	19	28	15	14	-1
Reversal of credit-related profits/losses	7	13	10	6	4	-1
Ordinary profit	137	142	166	157	188	+32
Extraordinary gains/losses	-0	1	1	0	-0	-0
Profit attributable to owners of parent	67	77	102	103	117	+14
Basic earnings per share	¥223.25	¥254.58	¥339.02	¥340.28	¥387.59	

5. Appendix

(2) Newly executed contract volume

(¥100 million)

	1H FY2013	1H FY2014	1H FY2015	1H FY2016	1H FY2017	YoY change (amount) (1H FY2016 to 1H FY2017)	YoY change (%) (1H FY2016 to 1H FY2017)
Leases	1,799	1,778	2,081	2,570	2,807	+237	+9.2%
Finance leases	1,671	1,624	1,759	2,061	2,191	+130	+6.3%
Operating leases	127	154	321	509	616	+107	+21.0%
Installment sales	279	308	308	281	286	+4	+1.5%
Financing and Other	544	960	980	901	2,143	+1,242	+137.9%
Total	2,622	3,046	3,369	3,752	5,235	+1,483	+39.5%

5. Appendix

(3) Operating assets

(¥100 million)

	FY2013	FY2014	FY2015	FY2016	1H FY2017	YoY change (amount) (FY2016 to 1H FY2017)	YoY change (%) (FY2016 to 1H FY2017)
Leases	11,528	11,765	12,440	13,698	14,129	+431	+3.1%
Finance leases	9,680	9,649	10,060	10,486	10,817	+331	+3.2%
Operating leases	1,848	2,116	2,380	3,212	3,313	+101	+3.1%
Installment sales	1,230	1,348	1,288	1,279	1,229	-50	-3.9%
Financing and Other	3,235	4,157	4,906	5,459	5,455	-4	-0.1%
Total	15,992	17,271	18,635	20,436	20,813	+377	+1.8%

5. Appendix

(4) Overview of non-consolidated results and principal consolidated companies' results

(¥100 million)

	Fuyo General Lease Co., Ltd. (Non-consolidated)			Fuyo Auto Lease Co., Ltd. (Ownership ratio: 100%)			Sharp Finance Corporation (Ownership ratio: 65%)			Accretive Co., Ltd. (Ownership ratio: 51%)		
	1H FY2016	1H FY2017	YoY change	1H FY2016	1H FY2017	YoY change	1H FY2016	1H FY2017	YoY change	1H FY2016	1H FY2017	YoY change
Total revenues	1,770	2,145	+375	138	147	+8	449	489	+40	18	15	-3
Gross profit	153	179	+26	16	17	+1	80	77	-3	-	-	-
Operating profit	88	110	+22	6	7	+1	41	39	-2	9	7	-2
Ordinary profit	100	123	+23	7	7	+1	45	41	-4	10	7	-3
Profit attributable to owners of parent	74	84	+11	5	5	+1	31	28	-3	8	4	-4

	FY2016	1H FY2017	Change from FY2016 end	FY2016	1H FY2017	Change from FY2016 end	FY2016	1H FY2017	Change from FY2016 end	FY2016	1H FY2017	Change from FY2016 end
Operating assets	14,932	15,164	+232	600	638	+38	3,868	3,907	+39	140	149	+8
Total assets	17,575	18,032	+457	664	707	+43	4,841	4,111	-729	223	231	+9
Net assets	1,909	1,989	+80	82	87	+5	727	752	+25	103	105	+2

“Going Where No One Has Gone Before”

FUYO LEASE

FUYO GENERAL LEASE CO.,LTD.