FUYO LEASE GROUP

Fuyo Lease Group Integrated Report

2020

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.

CONTENTS

Editorial Policy

Purpose of this Report	Since fiscal year 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 2019 (April 2019 - March 2020) *The report also includes some information pertaining to fiscal year 2020.
Scope of Reporting	Fuyo General Lease Co., Ltd., its 52 consolidated subsidiaries and 8 affiliate companies
Reference Guidelines	International Integrated Reporting Framework Ver. 1.0 released by the International Integrated Reporting Council (IIRC)
Date of Issuance	September, 2020
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 will achieve sustainable growth as a company while addressing social issues by expanding into new business areas beyond the framework of leasing

President & Chief Executive Officer
Yasunori Tsujita

Concentrated Investment in Strategic Areas and Frontiers for Further Growth

Fuyo Lease Group's five-year Medium-term Management Plan, Frontier Expansion 2021, is now in its fourth year. The name Frontier Expansion comes from the idea that we are taking a courageous step forward into new fields while valuing both the Group's accumulated know-how in the leasing business and the trust that customers place in us. This approach is in line with our company's corporate slogan, "Go where no one has gone before."

The results of these efforts are reflected in the fact that our operating results for fiscal 2019 far exceeded the initial values that were set for our interim goal. There are two main factors behind our steady growth. One was the steady increase in operating assets in strategic areas, which was a strong driver of growth for the Group as a whole. The other was the success of measures aimed at expanding frontiers, such as M&A, capital alliances, and business alliances.

The needs of society and customers are more diverse than ever before, and we cannot achieve sustainable growth if we continue to do business as usual. We will continue to actively invest management resources in strategic areas and frontiers by always considering the optimal way to utilize our strengths in each business from a medium- to long-term perspective.

Fiscal Year 2019 Review

Looking back on fiscal 2019, the Japanese economy was on a slow recovery trend against the backdrop of improvements to the employment and income environment. However, in addition to U.S.–China trade friction, the impact of the global spread of the COVID-19 in the latter half of the fiscal year has created an unavoidably uncertain situation going forward.

In this environment, the Group continued to achieve record earnings, following the trend of fiscal 2018, with sales of ¥712.3 billion (up 15.2% year on year) and ordinary profit of ¥44.0 billion (up 12.6% year on year). This was due to the steady accumulation of assets, especially in strategic areas, as well as the full-year performance of INVOICE, which joined the Group in fiscal 2018 as a provider of BPO (business process outsourcing) services*1.

Strategic Area and Frontier Growth

In order to select and concentrate on strategic areas, our Medium-term Management Plan, Frontier Expansion 2021, promotes business portfolio management based on the concept of zone management, which divides business areas into four zones (see the figure on P06).

Conventional lease and finance businesses are positioned as core areas in the Performance Zone, and they are generating continuous and stable earnings. Real Estate, Medical & Welfare, Energy & Environment, Aircraft, as well as other fields are positioned as strategic areas in the Transformation Zone, and we have concentrated our management resources to achieve speedy management and promote business expansion. Furthermore, New Domains are positioned as a frontier within the Incubation Zone, and we have actively invested in new businesses to secure businesses that will grow into strategic and core areas in the future.

In this way, we have clearly defined the position of each business area and improved the performance of each business without compromising our policies. We believe this has led to stable growth. The share of ordinary profit accounted for by strategic areas and frontiers rose from approximately 30% in fiscal 2016, before the start of the Medium-term Management Plan, to 56% in fiscal 2019. In fiscal 2021, the final year of the plan, the ratio of strategic and frontier areas is expected to nearly double to 59% compared to 31% for the core areas.

BPO and Mobility Business as Up-and-Coming Growth Drivers

A closer look at the results of fiscal 2019 reveals two major changes.

First of all, BPO services, which were positioned in the Transformation Zone, has grown to become the driving force behind the Group's performance. In recent years, Japanese companies have faced the challenge of improving employee productivity in response to a decline in the labor force and the government's promotion of work-style reforms. As an effective means to resolve this challenge, we have endeavored to expand our BPO service business in the belief that there will be an increase in the demand for BPO, which involves the partial outsourcing of business processes. In August 2019, NOC Outsourcing & Consulting became a consolidated subsidiary. This has added a wide range of business outsourcing services and consulting capabilities, including human resources, general affairs, and sales administration to the Group, establishing a full range of service provision systems in conjunction with the business domains of Accretive, INVOICE, and others. By combining unique services, the Group is able to provide optimal solutions to its customers. This is a major strength of the company, and we are making steady progress in establishing a position in this area.

Second, we positioned the Mobility Business as seeds for future growth in the Transformation Zone. Currently, the automobile industry is in a period of major change as described by keywords such as CASE*[2] as well as MaaS*[3], and the way people and goods are transported in the future is about to undergo major changes. The logistics industry is also facing a number of challenges, including an increase in the volume of distributed goods and a deteriorating labor shortage. At the Group, we see the resolution of these challenges as major business opportunities, and we will expand our business scope beyond the traditional framework of automobile leases to include businesses related to vehicles, logistics, and warehouses. In April 2020, we made YAMATO LEASE a consolidated subsidiary, and with the addition of the company's distribution-truck business assets as well as a new customer network, we took a step toward expanding our future business scope. Furthermore, by providing BPO services and utilizing the know-how of overseas group companies such as TDF*[4] and PRC*[5], we hope to contribute to solving the social issues that face the logistics industry.

New Domains that Expand Business Around Creating Shared Value (CSV) between society and companies

In considering new business domains in a global economy with increasing uncertainty, I place great importance on the concept of CSV*[6], which aims to achieve the sustainable growth of corporation by solving social issues. The world is facing various global issues such as those represented by the SDGs, and in line with the COVID-19 pandemic, new social changes under the monikers of the "new normal" and "after corona" are also expected. We believe that if we can address these issues head-on in our business domains, it will lead to the acquisition of new blue ocean markets and the expansion of existing markets.

At present, the Group is focusing its management resources on projects that address social issues such as climate change, the enhancement of Medical & Welfare services, and the improvement of corporate productivity.

In the area of climate change, we are providing various services to support the introduction of renewable energy after the end of the FIT*[7] system. One such service, the green electricity supply services (PPA services)*[8], has already received a number of preliminary orders since the start of full-scale sales in the second half of 2019, making us aware of the high demand for this service. Additionally, in October 2019, we began the Fuyo 100% Renewable Electricity Declaration Support Program (P20), a preferential financing program for businesses and organizations that have joined RE100*[9] and the 100% Renewable Electricity Declaration RE Action*[10]. This program has been recognized for its social significance to support the promotion of renewable energy by a wide range of entities from companies to local governments to medical and educational institutions. In February 2020, the program was awarded the Gold Prize (Minister's Prize, the Ministry of Environment) in the Bond category of the ESG Finance Awards Japan.

Furthermore, looking toward the next Medium-term Management Plan, which will begin in 2022, we would like to address new social issues and prepare even more growth drivers by working with venture companies that have already formed capital and business alliances, such as Synspective, which provides solutions using satellite data, and HiBot, which develops and manufactures robots that can be used in special environments that are difficult for people to access.

The Ideas of Each and Every Employee Improve the Overall Strength of the Group

As I have been relaying the concept and practice of CSV within the company from time to time, more and more businesses have emerged from the viewpoint of solving the problems facing society and customers. In the future, we hope to deepen each employee's understanding and practice of CSV through training and workshops. I hope that by discussing what social value we provide to our customers and society through our daily work, and by gaining self-awareness of this, each and every one of us will work from a CSV viewpoint.

People are the Group's greatest asset. I believe that we can continue to grow only when all employees are able to realize their full potential. In June 2020, we consolidated the functions of the group companies, including our head office, in Kojimachi, Chiyoda-ku, Tokyo.

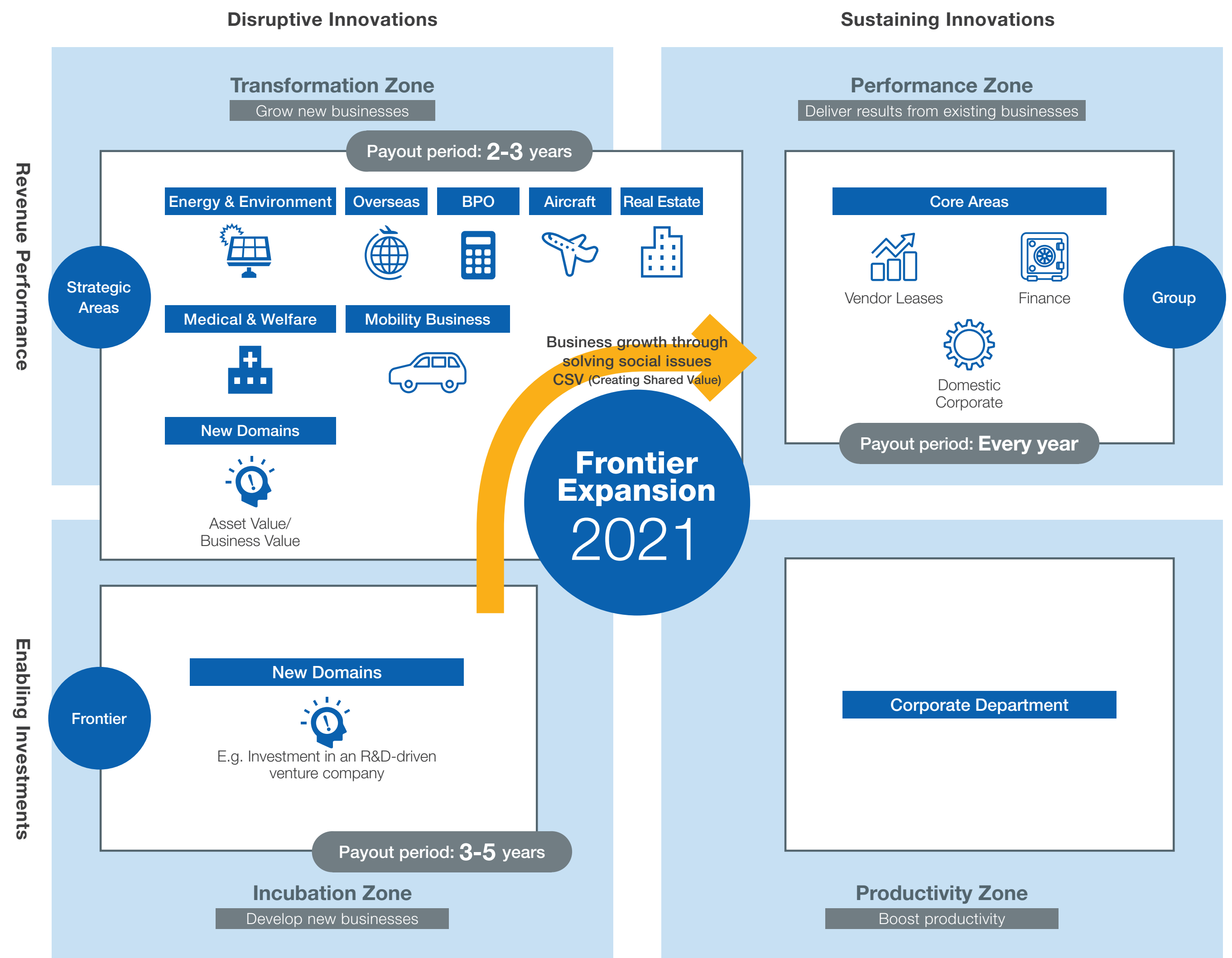
The new office provides a variety of ways for employees to work comfortably and efficiently, and it is a place where communication across company boundaries can be invigorated. In the future, we hope that this office will further deepen personnel exchanges within the Group as well as cooperation in business operations, leading to improvements in our overall capabilities.

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

We paid a cash dividend of ¥205 per share for the fiscal year ended March 2020, which is an increase of ¥17 year-on-year with a payout ratio of 23.5%. For the fiscal year ending March 2021, we forecast a cash dividend of ¥220 per share, an increase of ¥15, with a payout ratio of 24.4%. As for COVID-19, there are concerns about its impact on the Real Estate and Aircraft businesses, but in order to expand our strategic areas as well as frontiers, and achieve further growth, we will strive to strengthen our management base and financial structure through the enhancement of shareholders' equity, and we will return profits to shareholders through the continuation of stable, long-term dividends.

The Group's goal is not to generate large profits in one specific business area, but to maintain a balance of multiple business domains that generate revenue of a certain size. If I were to liken it to a mountain, our goal is not to become an independent mountain like Mt. Fuji, but to form a mountain-range-like revenue structure that is like Yatsugatake and its multiple peaks. We will realize sustainable growth as we constantly invest management resources in growth markets, regardless of the conventional leasing business framework.

We at the Fuyo Lease Group are not afraid of changes in the world. Instead, we see these changes in a positive light as seeds for future growth, and we boldly take on challenges in new domains. The corporate slogan of the Fuyo Lease Group is "Go where no one has gone before," and as a company that pursues this with the frontier spirit of each and every member of the Group, we ask that you continue to have hope in us.



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

*1 BPO (Business Process Outsourcing) Service: A service that processes some or all of business operations on behalf of other companies by using specialized skills and know-how.
*2 CASE: A term that has been coined from the initial letters of four automotive trends: Connected (connected cars), Autonomous (autonomous driving), Shared & Service (shared cars and driving as a service), and Electric (electrification of vehicles).
*3 MaaS: An acronym for Mobility as a Service, which indicates the creation of services based on means of transportation (mobility).
*4 TDF: TDF Group Inc., a company that engages in rental, leasing, and sales of pickup trucks in North America.
*5 PRC: Pacific Rim Capital, Inc., a company that handles operating leases for material handling equipment mainly in the United States.
*6 CSV: Creating Shared Value, a concept that aims to capture and balance both economic and social value.
*7 FIT: Feed-in-Tariff, a system for purchasing renewable energy at a fixed price for a certain period of time.
*8 Green electricity supply services (PPA services): A business installing solar power systems on customers' facility rooftops and other areas, then directly supplying customers with energy.
*9 RE100: An international initiative aimed at sourcing 100% renewable energy for all business activities.
*10 100% Renewable Electricity Declaration RE Action: Established in October 2019. An initiative for small- and medium-sized companies, organizations, and municipalities not covered by RE100 to declare that they will convert the electricity consumed in their business activities to 100% renewable energy.

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.

Before 2005

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).

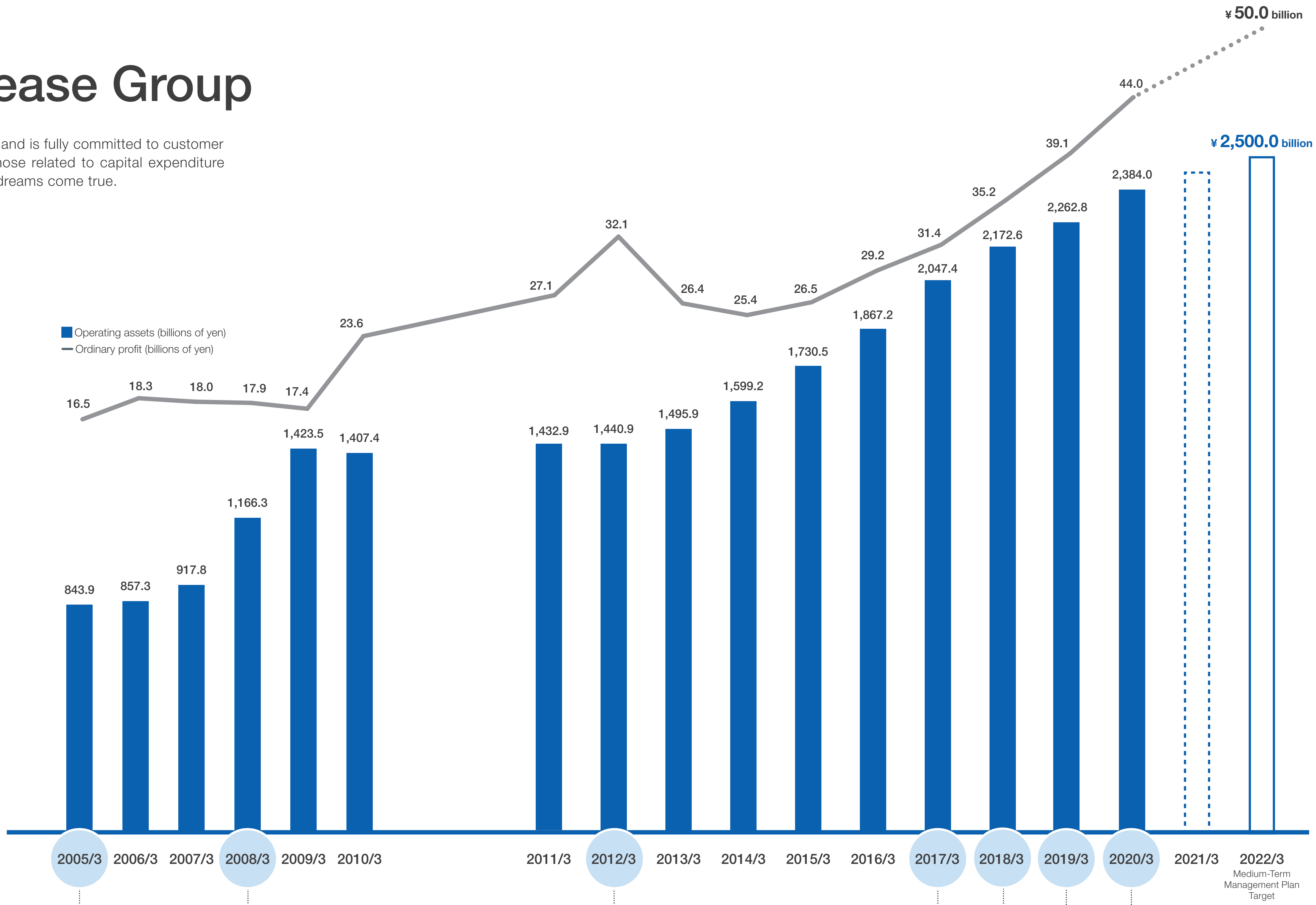
1978 **Launched aircraft leases**
In 1978, the Company participated in the first aircraft lease in Japan. Since then it has provided over 300 aircraft leases.

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 8 overseas bases, including those of group companies, in 12 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.



Dec. 2004 Listed on the First Section of the Tokyo Stock Exchange

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.

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 fiscal 2019, the Company supplied enough renewable energy to power approximately 57,000 households from its 34 power plants located throughout Japan.

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.

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.

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.

Made YAMATO LEASE CO., LTD. a consolidated subsidiary
YAMATO LEASE provides support services for the management issues of transportation companies, such as succession problems and driver shortages in addition to providing support for the leasing, procurement, and sales of new and used trucks.

Overview of Fuyo Lease Group

Overview of Fuyo General Lease Co., Ltd.

Company name	Fuyo General Lease Co., Ltd.
Headquarters	Kojimachi Garden Tower, 5-1-1, Kojimachi, Chiyoda-ku, Tokyo 102-0083, 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 : 2,416 / Non-consolidated : 715 (as of March 31, 2020)
Operation	Domestic : Head office sales department and 16 regional sales offices (non-consolidated) 21 domestic group companies and 11 overseas group companies
Line of business	● 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.

In June 2020, the Fuyo Lease Group consolidated the functions of its head office in Kojimachi, Chiyoda-ku. Going forward, we aim to further strengthen cooperation among Group companies and provide solutions, products, and services that respond to diversifying customer needs in a timely manner.
At the new head office, we have promoted a variety of work styles for individual employees and enhanced equipment for improved productivity. (For details, please see "Foundation for Value Creation" on P43.)

Domestic Group Companies

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

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

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

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

NOC Outsourcing & Consulting Inc.
NOC Outsourcing & Consulting 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.

YAMATO LEASE CO., LTD.
YAMATO LEASE provides support services for the management issues of transportation companies, such as succession problems and driver shortages in addition to providing support for the leasing, procurement, and sales of new and used trucks.

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.

Fuyo Network Service Co., Ltd.
Fuyo Network Service sells ICT equipment and software, offers technical services, including PC installation and setup of various applications, builds network servers, and erases data, as well as reselling second-hand PCs.

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.

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.

FGL Group Business Service Co., Ltd.
FGL Group Business Service handles shared services related to the sales administration of each Fuyo Lease Group and non-life insurance agency business.

FGL Group Management Service Co., Ltd.
FGL Group Management Service handles shared services related to human resources and administrative work for each Fuyo Lease Group.

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.

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

MerryBiz Inc.
MerryBiz offers professional accountants from across Japan who handle accounting tasks remotely and online as "virtual accounting assistants."

Overseas Group Companies

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

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

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

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

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

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

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

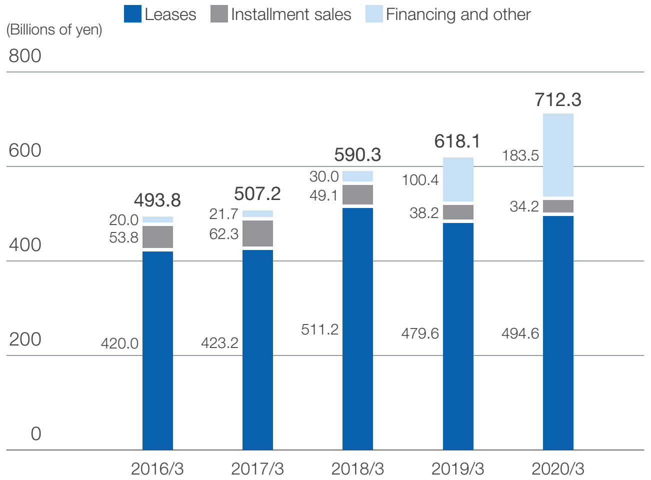
Pacific Rim Capital, Inc.
Pacific Rim Capital handles operating leases for material handling equipment in the US, Canada, Mexico, and Europe.

Financial Highlights

Total Revenue

712.3 billion yen

(+15.2% year on year)



Total revenue was 712.3 billion yen (up 15.2% year on year) and reached a record high. Continuing from the previous fiscal year, the BPO service performed well, which contributed significantly to revenue growth.

Ordinary Profit/Profit Attributable to Owners of Parent

Ordinary profit

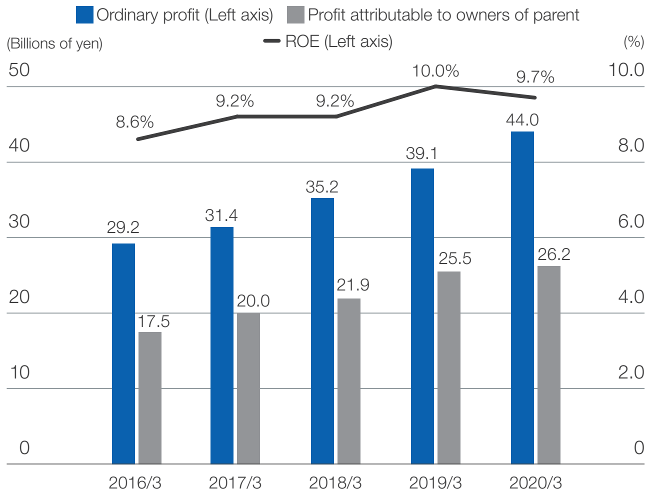
44.0 billion yen

(+12.6% year on year)

Profit attributable to Owners of Parent

26.2 billion yen

(+2.6% year on year)



Ordinary profit was 44.0 billion yen (up 12.6% year on year), profit attributable to owners of parent was 26.2 billion yen (up 2.6% year on year), and ordinary profit and profit attributable to owners of parent reached record highs for the third and fifth consecutive years respectively. In addition to accumulating operating assets centering on strategic areas, the New Domains such as BPO services contributed significantly to the growth of ordinary profit and profit attributable to owners of parent.

Operating assets/ROA

Operating assets

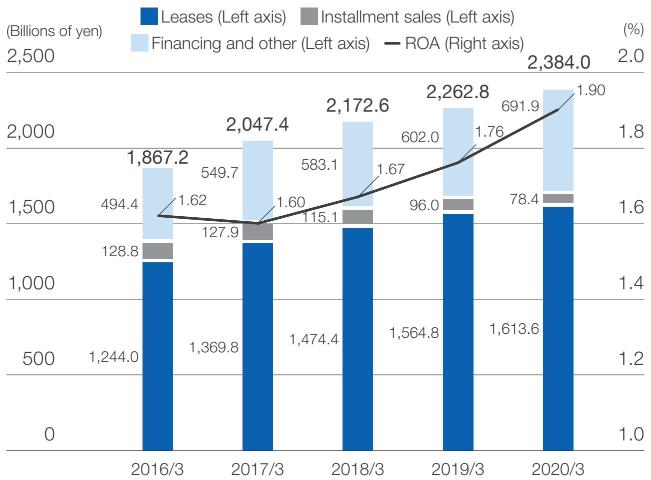
2,384.0 billion yen

(+ 5.4% from the end of previous FY)

ROA

1.90%

(+ 0.14 points from the end of previous FY)



Operating assets was 2,384.0 billion yen (up 5.4% from the end of previous fiscal year) and has increased for ten consecutive years. The accumulation of assets for operating leases in the strategic area, strong real estate finance, and growth of Accretive's factoring contributed to the growth. In addition, ROA has increased for three consecutive years, and hit a record high of 1.90% (up 0.14 points from the end of previous fiscal year).

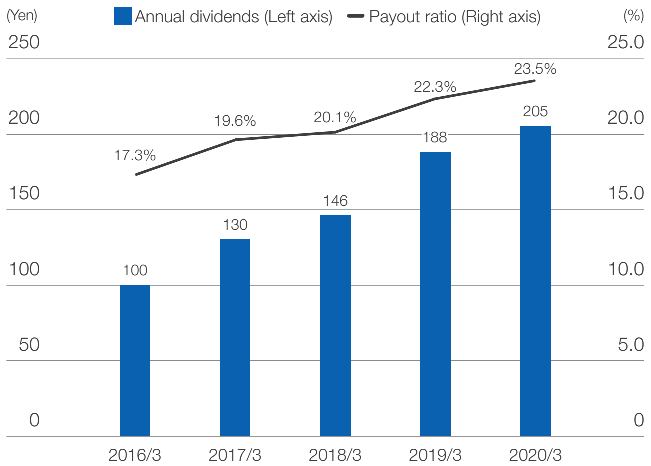
Annual Dividends/Payout Ratio

Annual dividends

205 yen

Payout ratio

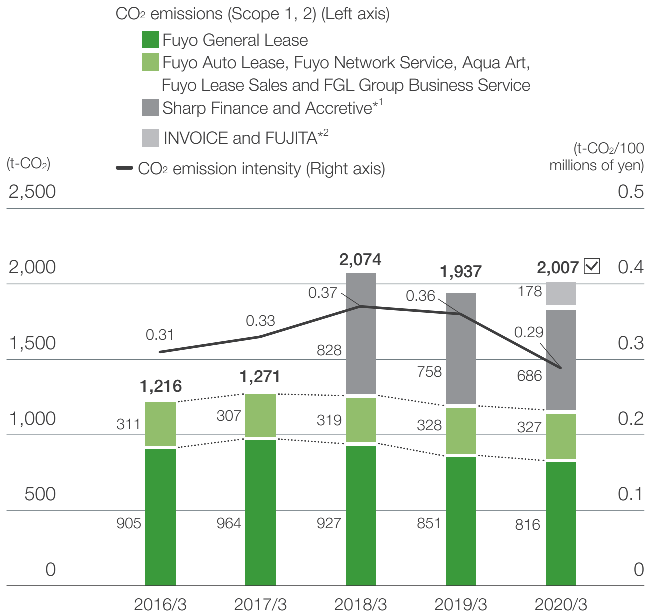
23.5%



The Fuyo Lease Group has a basic policy of working to distribute profits to shareholders by continuing to pay stable dividends over the long term. The annual dividends for the fiscal year ended March 2020 was 205 yen, the consecutive dividend increase since the company went public in 2004. As for the payout ratio, it has also increased for five consecutive years, achieving a record high of 23.5%.

Non-Financial Highlights

CO_2 Emissions (Scope 1, 2) /CO_2 Emission Intensity



Since the fiscal year ended March 2018, CO_2 emissions have tended to increase due to the increase in the group companies. However, in the fiscal years ended March 2019 and 2020, CO_2 emission intensity was reduced as a result of thorough energy conservation activities throughout the Group.

*1 Added after the fiscal year ended March 2018.
*2 Added after the fiscal year ended March 2020.

Solar Power Generated (output) / Power Supplied / CO_2 Reduction (estimation)

Solar power generated (output)

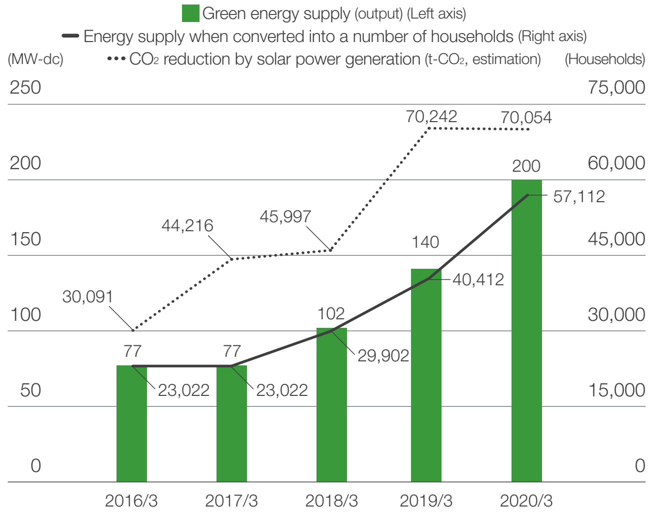
200 MW-dc

Power supplied equivalent to approximately

57,000 households*

CO_2 reduction (estimation)

70,054 t-CO_2

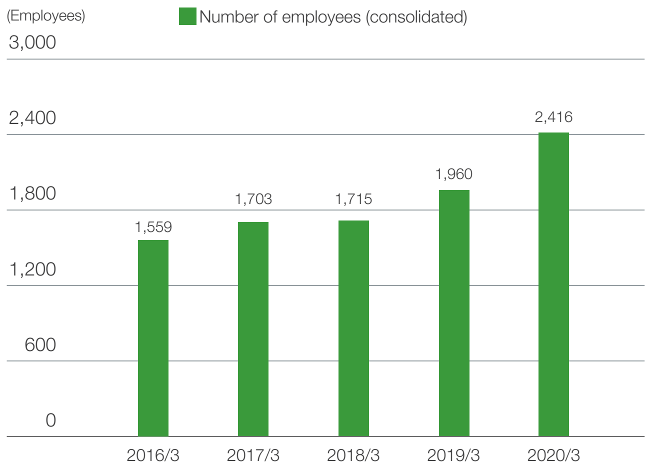


The solar power generation business made steady progress. In fiscal 2019, two mega-solar plants became operational, and the total output reached 200 MW-dc.

* Calculated at 3,600 kWh per household.

Number of Employees (consolidated)

2,416 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.

Percentage of Female Managers (non-consolidated)

Percentage of female employees holding managerial positions

19.6%

Employee Satisfaction Survey (consolidated)

Job satisfaction*

85.8%

* 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 Satisfaction Survey

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

41.7%

(Five out of 12 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.

Changes and Issues in Society

Social environment
- Diversification in values
- Adapting to technological innovations
- Development of an information society
- Declining birthrate and aging population

Natural environment
- Intensification of climate change
- More frequent natural disasters
- Acceleration of resource depletion

Economic environment
- Fluidization and multi-polarization of the world economy
- Changes in the interest rate environment
- Progression of corporate globalization
- Changes in accounting standards
- Responding to demand from inbound travelers

Resources and Strengths

Financial

Operating assets that form the foundations for creating added value
Operating assets: ¥ 2,384.0 billion

Stable financial base and core capital
Net assets: ¥ 311.8 billion

Non-financial

Extensive domestic and overseas network
21 domestic companies and 143 business locations
11 overseas companies and 12 business locations in 8 countries

Relationships with customers in a variety of industries

Human resources that possess highly specialized expertise and extensive know-how
2,416 Group employees

Inter-Group collaboration that produces new solutions
Ratio of Group companies in consolidated net sales
34.2% (FY ended Mar. 2017)
→ 49.7% (FY ended Mar. 2020)

Active investment and support for venture companies
Number of M&A and capital alliances since Apr. 2017: 17 P35

Fuyo Lease Group's Core Businesses

Strategic Areas

- Real Estate P29
- Medical & Welfare P30
- Energy & Environment P31
- Aircraft P32
- Overseas P33

New Domains
- BPO P34
- Mobility Business P34
- New Domains P35

Core Areas

- Domestic Corporate P36
- Vender Leases P36
- Finance P36

Business Achievements

Real Estate — Operating assets for building leasing: ¥ 444.7 billion

Medical & Welfare — Operating assets for Medical & Welfare: ¥ 81.0 billion

Energy & Environment — Solar power generation: 34 locations nationwide | Output: 200 MW-dc

Aircraft — Operating assets for Aircraft leasing: ¥ 164.9 billion

Overseas — Overseas operating assets: ¥ 99.2 billion*1

BPO — Number of companies providing BPO services through five BPO companies*2: 18,571 companies

New Domains
- Acquired NOC Outsourcing & Consulting Inc. and YAMATO LEASE CO., LTD. as a subsidiary
- Invested in Japanese Organization for Medical Device Development, Inc., Synspective Inc., and Girasol Energy Inc.

Domestic Corporate / Vendor Leases — Operating assets for leasing: ¥ 1,613.6 billion*3

Finance — Operating assets for financing: ¥ 665.6 billion*3

Contribution to Solutions

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

- 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

*1 Operating assets of overseas subsidiaries (excluding aircraft leases) plus investments in overseas affiliate businesses
*2 Sharp Finance Co., Ltd., Accretive Co., Ltd., INVOICE Inc., NOC Outsourcing & Consulting Inc., and Merry Biz Inc.
*3 Operating assets of the entire Fuyo Lease Group

Systems that support value creation

- Corporate governance P47
- Risk management P51
- Human resources development P42

Consolidated Management Goals

Consolidated Management Goals	FY 2019 Interim Target (FY ending Mar. 2020)	FY 2019 Actual (FY ended Mar. 2020)	FY 2021 Target (FY ending Mar. 2022)
Operating assets	¥2,300.0~2,400.0 bn	¥2,384.0 bn	¥2,500.0 bn
Ordinary profit	¥38.0~42.0 bn	¥44.0 bn	¥50.0 bn
ROA (Ordinary profit on operating assets)	1.7~1.8%	1.90%	2.0%

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.

STEP 1 Identifying Issues
Based on the SDGs and ESG indexes, we identify issues which could influence our Group.

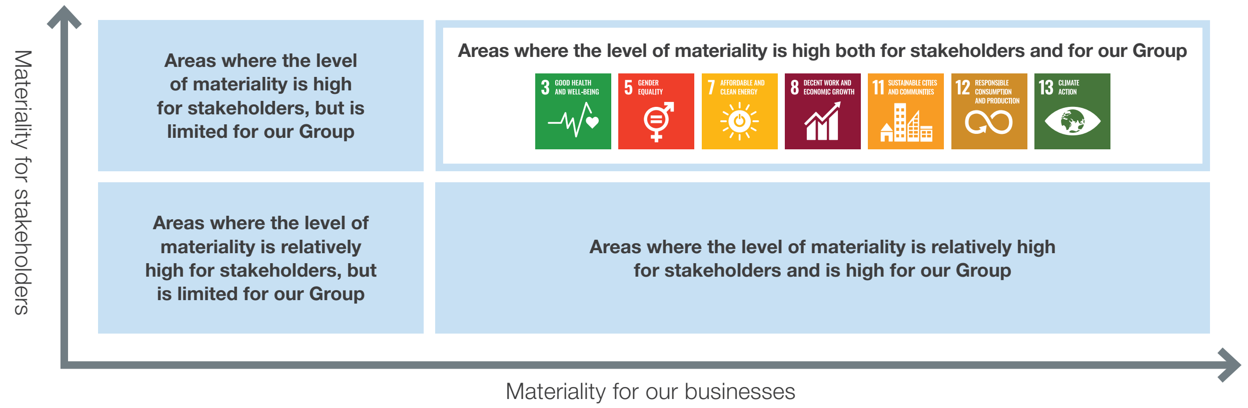
STEP 2 Assessing Materiality from the Stakeholders' Point of View
We assessed materiality of the issues identified in Step 1 from the viewpoint of investors and other stakeholders

STEP 3 Assessing Materiality for our Business Operations
We assessed materiality of the issues identified in Step 1 considering our business based on our Medium-term Management Plan, Code of Corporate Conduct and other guidelines.

STEP 4 Identifying Priority Issues
Following Steps 2 and 3, we identified priority issues, and following discussions among the Board of Directors, top management approved the identified priority issues.

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 Results and plan (output)	FY 2019 Results	Targets	Contributing to society and the environment (outcome)	Relevant Business	Relevant SDGs
Responding to climate change issues and renewable energy	Expand supply of renewable energy	Supplying green energy through the solar power generation business	200MW-dc	FY 2021 target: 200MW-dc	Estimated CO_2 reduction 70,054 t-CO_2 [FY 2019]	Energy & Environment (P19-20, 31)	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
	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 and communicating demand voices to the market		
	Provide support for the wider use of renewable energy through the provision of financial services	Providing financial services to companies and organizations participating in RE100 and the 100% Renewable Electricity Declaration RE Action through "the Fuyo 100% Renewable Electricity Declaration Support Program"	› Issued green bonds and began provision of program Number of organizations providing program: 15 organizations	Contributing to the promotion of the 100% Renewable Electricity Declaration RE Action and further expanding the provision of programs	Providing financial services to companies participating in the RE Action in support of their renewable energy initiatives <Major leasing results from programs> LED lighting, electric vehicle chargers, devices that are compliant with the Act on Promoting Green Procurement (PCs, printers, etc.)		
		Operating assets of Energy & Environment businesses (excluding solar power generation business)	¥33.2 billion	FY 2021 target: ¥41.0 billion	Promoting renewable energy and energy saving		
	Promote cutting-edge renewable energy-related technologies	Offering support to renewable energy-related technology venture companies	Invested in Girasol Energy	Offering support for selling and providing services for new technologies and products › FY 2020 results: Received first order for green electricity supply services (PPA services)	Disseminating advanced renewable energy-related technologies *See Special Feature 1. Energy & Environment (P19)		
Promoting health and wellbeing	Expand access of medical, elderly nursing-care, and welfare services	Operating assets of Medical & Welfare businesses	¥81.0 billion	FY 2021 target: ¥95.0 billion	Improving both the quantity and quality of medical, elderly nursing-care, and welfare services	Medical & Welfare (P21-22, 30)	3 GOOD HEALTH AND WELL-BEING
	Support medical institutions with their management	Balance of factoring for medical and nursing-care receivables (balance of FPS Medical by Accretive)	¥17.2 billion	FY 2021 target: ¥30.0 billion	Helping medical institutions to achieve financial stability by meeting their funding needs		
	Promote cutting-edge healthcare technologies	Offering support to medical venture companies	› Invested in Japanese Organization for Medical Device Development	› FY 2020 results: Invested in THINKCYTE	Disseminating advanced medical technologies *See Special Feature 2. Medical & Welfare (P21)		
Developing safe and livable cities and providing transportation	Promote environmentally-friendly urban scape and residential space	Operating assets of real estate leases (Commercial facilities, hotels, distribution facilities, nursing care facilities, residential facilities, etc.)	¥444.7 billion › Jointly acquired trust beneficiary rights of Nasu Garden Outlet	FY 2021 target: ¥530.0 billion	Supplying environmentally-friendly assets	Real Estate (P29) Aircraft (P32)	11 SUSTAINABLE CITIES AND COMMUNITIES
	Contribute to expanding the volume of safe, inexpensive, and fast Transportation	Number of aircraft owned by the Group	41	FY 2021 target: 70*1 › Investing in the venture fund formed by the Airbus Group	Transportation capacity: 10 million people*2 per year [FY 2019]		
Achieving economic growth and fulfilling work	Support corporate activities through leasing business, contribution to social development	Operating assets	¥2,384.0 billion	FY 2021 target: ¥2,500.0 billion	Providing right-to-use and/or possessory rights to customers through leases, and outsourcing of processes and procedures associated with ownership	BPO (P23-24, 34)	8 DECENT WORK AND ECONOMIC GROWTH
	Improve management efficiency, overcome labor shortage, and address work-style reform	Number of companies providing BPO services through five BPO companies*3	18,571 companies › Made NOC Outsourcing & Consulting a consolidated subsidiary › Made MerryBiz an equity-method affiliate	FY 2021 target: 20,000 companies	Contributing to the resolution of labor shortages and the promotion of work-style reform by providing BPO services *See Special Feature 3. BPO (P23)		
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 2020 target: 100%	Reducing waste and promoting a circular society	Domestic Corporate (P36)	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	Empower women in workplaces and develop human resources with diverse strengths	Percentage of Female Managers (non-consolidated)	19.6%	FY 2021 target: 30% or more	Ensuring that female employees can realize their full potential in the workplace	-	5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH
	Improve work-style to pursue efficiency and productivity	Rate of taking annual paid leave (non-consolidated)	66.3%*4	FY 2021 target: 80%	Improving work-style to pursue efficiency and productivity		
	Promote work-life balance	Telecommuting utilization rate*5 (non-consolidated)	5.9%	FY 2021 target: 40% or more	Promoting a balance between work and family		
	Improve job satisfaction	Rate of job satisfaction*6 (consolidated)	85.8%	Steady improvement	Increasing productivity and added value by enhancing job satisfaction		

*1 Due to the impact of the spread of COVID-19, we are considering revising our planned target.
*2 Calculated independently from the breakdown of aircraft possessed and figures published by aircraft manufacturers, etc.
*3 Sharp Finance, Accretive, INVOICE, NOC Outsourcing & Consulting, and MerryBiz.
*4 Due to restrictions on the number of employees coming to work in conjunction with the spread of COVID-19, actual data on paid leave for eight Fuyo General Lease (USA) Inc. employees is not included.
*5 Of all employees, the percentage who have been provided with home PCs to establish telecommuting environments and have telecommuted from home at least once.
*6 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.

Medium-term Management Plan (FY2017-FY2021)

Vision

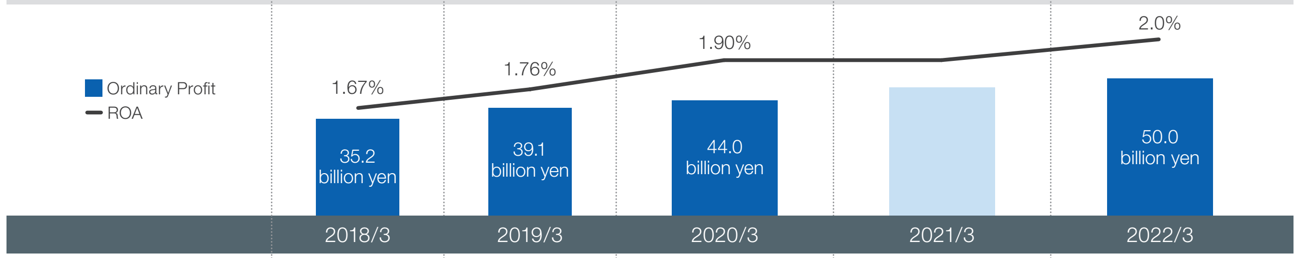
Frontier Expansion 2021: "Go where no one has gone before"

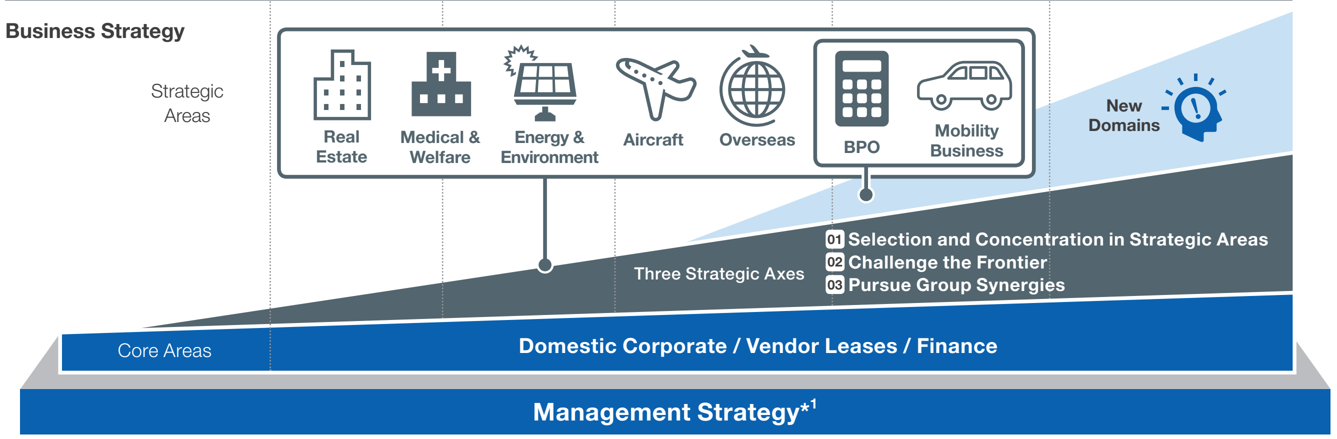
Aiming to be a corporate group that moves into uncharted business and continues to expand the frontier

Overview of Strategies and Goals

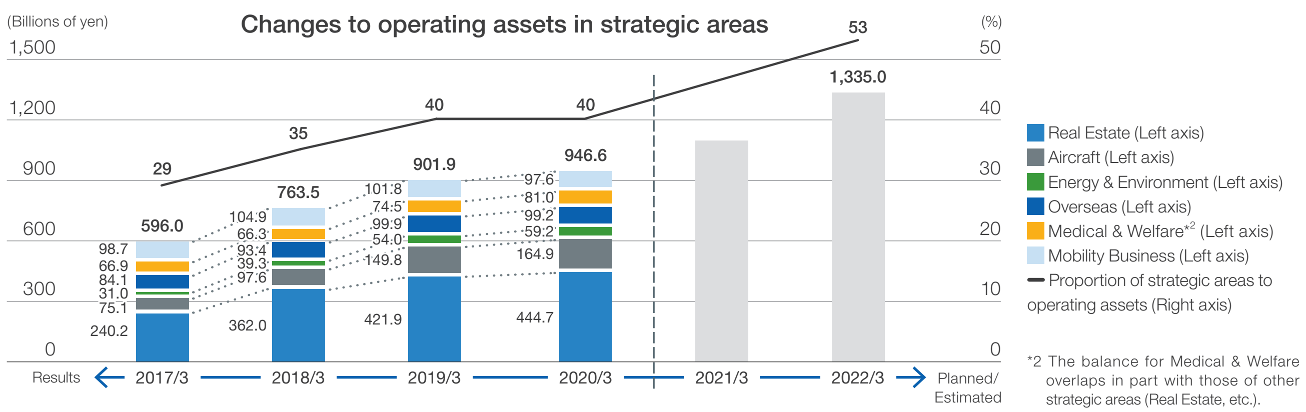
The Fuyo Lease Group aims to achieve strong sustainable growth amid the significantly changing business environment surrounding the domestic leasing business by fulfilling the corporate slogan of "Go where no one has gone before," and by untiring challenges of new business fields and business models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

Target Performance Indicators					Target Value
Operating Assets	2,172.6 billion yen	2,262.8 billion yen	**2,384.0 billion yen**		**2,500.0 billion yen**





*1 Strategies to strengthen the management foundation which supports the execution of business strategies.



*2 The balance for Medical & Welfare overlaps in part with those of other strategic areas (Real Estate, etc.).

Key Performance Indicators and Progress

At Fuyo Lease Group, our three management indicators are operating assets, ROA (ordinary profit on operating assets) and ordinary profit, and we have set targets for the fiscal year ending March 2022, which is the final year of this five-year Medium-term Management Plan, as well as interim goal values for the fiscal year ending March 2020, which is the third year of the plan. As for the interim goal values for the fiscal year ending March 2020, operating assets accumulated well, and ROA and ordinary profit were achieved in a way that greatly exceeded goal values. In these results, in addition to accumulation of operating assets in strategic areas centered on Real Estate and Aircraft businesses, the expansion of "New Domains" business centered on BPO services contributed. Also, with regard to revenues and profits, record highs were set for the Group continuing from the previous year. As for the remaining two years of the Medium-term Management Plan period, we will continue to promote business activities to achieve management targets.

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 three core areas of focus, we have formulated individual strategies and policies in the focus areas.

Strategic Areas: Real Estate | Medical & Welfare | Energy & Environment | Aircraft | Overseas | New Domains

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

Core Areas: Domestic Corporate | Vendor Leases | Finance

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.

01 Selection and Concentration in Strategic Areas

We have positioned six strategic areas expected to be the biggest drivers of profit growth, and are focusing management resources on these areas. In addition, we have changed the positioning of Auto Leases, which was one of our core areas, to the Mobility Business as a frontier (New Domains) where new growth is expected. While accumulating high-quality operating assets in Real Estate and Aircraft businesses, we will strive to improve ROA by expanding new profitable business areas beginning with the BPO and the Mobility Business.

Results in FY 2019

In Real Estate operations, we expanded partnerships with leading developers, including collaboration with new alliance partners for large commercial facilities, and accumulated operating assets which is greatly exceeding the interim goal values.

In Medical & Welfare operations, the transaction volume in "FPS Medical," a factoring service for medical and nursing-care receivables, increased. Furthermore, to further strengthen relationships with medical professionals, the quarterly magazine "Fuyo Medical Info" was published, providing information that contributes to hospital management.

In Energy & Environment operations, two new Group's largest solar power plants became operational. Also, "Fuyo 100% Renewable Electricity Declaration Support Program" (P20) began.

In Aircraft operations, we started a parts-out business that sells parts from retired aircraft.

In Overseas operations, we are promoting collaboration with TDF and PRC, which develop leasing businesses for pickup trucks and logistics equipment in North America.

02 Challenge the Frontier

As for BPO, which is the core of the New Domains, by strengthening cooperation among group companies, we will understand customer needs for the entire group, provide services corresponding to those needs, and support client companies with regards to "work-style reforms" and "manpower shortage" issues. Furthermore, in the Mobility Business where new growth is expected, in addition to automobile leasing, we will expand the domain into logistics mobility related to vehicles, logistics, and warehouses, and accelerate the development of new businesses by creating synergies with YAMATO LEASE.

Results in FY 2019

NOC Outsourcing & Consulting has become a consolidated subsidiary and we have begun providing BPO services for general affairs and information systems, human resources, and sales office in addition to the existing BPO services for accounting and settlement operations.

YAMATO LEASE, which provides finance services centered on truck leasing, became a consolidated subsidiary in April 2020, and expanded the service provision system for logistics and mobility related services.

We have concluded capital and business agreements with the following: in Medical & Welfare operations, with the Japanese Organization for Medical Device Development, which is a medical incubator; in Energy & Environment operations, with Girasol Energy, which develops maintenance management IoT platforms for photovoltaic power generation equipment; and in New Domains operations, with Synspective, which conducts business using satellite observation data, and HiBot, which develops and manufactures robots that play an active role in special environments that are difficult for people to enter. We are promoting investment to further expand business areas.

03 Pursue Group Synergies

With the relocation of the Group head office in June 2020, we will create closer collaboration between group companies, and strengthen our systems to flexibly and swiftly provide solutions that meet the diverse needs of our customers on a group-wide basis. By consolidating head office functions, we will further improve productivity and maximize group synergies.

Results in FY 2019

In BPO operations, we expanded sales of the integrated billing service for telecommunications and utility charges provided by INVOICE, a consolidated subsidiary.

In Domestic Corporate operations, we promoted cross-selling of products and services that transcend business boundaries through collaboration among strategic areas as well as among group companies.

A subsidiary that consolidates human resources and general affairs operations, which had been distributed among group companies, has been newly established, and the operations have been streamlined by promoting "common office work" and "effective use of group resources."

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

Energy & Environment

Responding to Climate Change Issues and Renewable Energy

Senior Managing Director
Soichi Hosoi

The Fuyo Lease Group's Awareness of Climate Change Issues

In recent years, the physical effects of climate change including extreme weather, rising sea levels, and forest fires have become increasingly apparent. Since the adoption of the Paris Agreement, which was concluded in 2015 to mitigate climate change, not only have both developed and developing countries been required to take countermeasures, but companies have also been required to actively engage in efforts to reduce greenhouse gas emissions.

The Fuyo Lease Group also recognizes the importance of responding to the risks and opportunities posed by climate change. As a medium to long-term risk, there is a possibility that restrictions on business activities due to an increase in natural disasters and changes in regulations and systems such as carbon taxes may affect our performance. On the other hand, demand for leasing renewable energy facilities and energy-saving equipment is seen as a medium- to long-term opportunity. In order to respond to such risks and opportunities, the Group has identified "Responding to Climate Change Issues and Renewable Energy" as one of its material issues (materiality) for addressing social issues.

The Fuyo Lease Group's Initiatives to Promote the Spread of Renewable Energy

Recognizing the need to make major efforts to reduce greenhouse gases in response to climate change, in 2018, the Group became the first comprehensive leasing company in Japan to participate in RE100. RE100 is the global corporate leadership initiative, which aims to source 100% renewable energy to power business activities.

Furthermore, with the aim of contributing to the promotion of a decarbonized society, we are actively implementing initiatives based on three pillars: renewable energy generation business, promotion of renewable energy-related infrastructure, and investment in and commercialization support for renewable energy-related technologies.

Overview of Efforts to Convert to Renewable Energy

RE 100 | °C CDP — Participation in RE100 and promotion of conversion to renewable energy

1 Use of renewable electric power — Use of 100% renewable energy for electric power consumed by the Group — 2030 target: 50%, 2050 target: 100%

2 Renewable energy business — Contributing to the promotion of a decarbonized society through business (three pillars)

Renewable energy generation business	Promotion of renewable energy-related infrastructure	Investment in and commercialization support for renewable energy-related technologies
Contributing to local communities through the development of renewable energy power plants	Promotion of renewable energy-related infrastructure through a broad customer base	Seeking investments and business alliance approaches to create new business opportunities

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 34 locations throughout Japan, supplying enough electricity to power approximately 57,000 households in local communities. In fiscal 2019, as the first project in the difficult-to-return zone that was affected by the Great East Japan Earthquake, we started operating a solar power plant with an output of approximately 60 MW-dc, one of the largest in the Tohoku region, in Namie town, Fukushima Prefecture, Japan.

Namie Sakai Solar Power Plant 1 and 2 in Namie Town, Fukushima Prefecture, Japan

Promoting Renewable Energy-Related Infrastructure

Recently, more and more Japanese companies have been joining RE100. Furthermore, the 100% Renewable Electricity Declaration RE Action was established in October 2019 as a new framework for small and medium-sized enterprises, administrative agencies, hospitals, and educational institutions to declare that they will use 100% renewable energy.

One of the factors hindering the spread of renewable energy is that the cost of capital investment is a significant burden, especially for small and medium-sized enterprises. We established the Fuyo 100% Renewable Electricity Declaration Support Program to provide financial support to the businesses and organizations that have signed up for the 100% Renewable Electricity Declaration RE Action by utilizing the financing know-how that we have cultivated over many years. More specifically, we issue green bonds and raise funds from investors 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. In fiscal 2019, we decided to support a total of 15 organizations.

This program has been selected as a Model Case for the fiscal 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. Furthermore, we were the only company to receive the Gold Prize (Minister's Prize, the Ministry of Environment) in the Bond category of the ESG Finance Awards Japan, which recognizes financial institutions that are actively involved in ESG finance and companies that are engaged in sustainable environmental management. Now and in the future, we at the Group are committed to providing active support to our clients in response to their financing needs for renewable energy.

In addition, we have been promoting our green electricity supply services (PPA services) since fiscal 2019 as a business to supply infrastructure for renewable energy power generation. Under this service, we install solar power generation systems on the sites or roofs of our customers and directly supply electricity to them. We will accelerate our efforts in this service in order to contribute to the further spread of renewable energy by supplying many customers with power generation systems that produce CO_2-free electricity with environmental value.

2020 ESG FINANCE AWARDS JAPAN GOLD

再エネ100宣言 RE Action

VOICE

Executive Officer and General Manager, Energy & Environment Business Division
Miki Sasaki

We are making efforts to further expand the power supply of our solar power generation business and are also working with strategic partners to participate in hydropower, wind power, biomass, and geothermal power generation businesses. At the same time, we aim to expand the supply of renewable energy in Japan and overseas by developing electric power infrastructure and power sources overseas, which are ahead of us in the renewable energy field.

In fiscal 2019, we also started a green electricity supply service (PPA service). Under this service, we install, operate, and maintain power generation systems free of charge and supply renewable energy to customers.

We also offer a wide range of decarbonization services such as support for EV and battery infrastructure as BCP measures as well as ESCO services, and we combine these services with unique financing capabilities such as the Fuyo 100% Renewable Electricity Declaration Support Program to provide the best solution for our customers.

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

In order to contribute to the further expansion of renewable energy introductions, we provide commercialization support to venture companies possessing cutting-edge renewable energy technologies through investments and business collaborations.

In fiscal 2018, we formed capital and business alliances with Exergy Power Systems Inc., which develops and manufactures next-generation energy storage systems, and NExT-e Solutions Inc., which provides battery management systems that utilize advanced battery control technologies.

In fiscal 2019, we entered into a capital and business alliance with Girasol Energy Inc. It is a venture company from the University of Tokyo, and it is developing the PPLC-PV*, IoT platform for the maintenance and management of solar power facilities. This platform collects and analyzes data such as current, voltage, and temperature, thus making it possible to understand operational status on a panel-by-panel basis and to remotely identify problems as well as abnormalities at an early stage. One of the most important factors in making renewable energy a mainstay power source is the ability to operate power plants stably over a long period of time. We believe that the services provided by this company will contribute to the maintenance and expansion of solar power generation.

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

*PPLC-PV stands for a pulse power line communication for series-connected PV monitoring.

Special Feature 2

Medical & Welfare

Providing a Wide Range of Solutions for the Management Issues of Medical Institutions: The Fuyo Lease Platform Concept

Managing Executive Officer
Hiroaki Oda

Management Issues Facing Medical Institutions and Fuyo Lease Initiatives

The management issues faced by medical institutions are diversifying due to changes in the environment surrounding medical care. For example, initiatives to improve working environments for medical professionals are urgently needed to promote the work-style reform led by the government. There is also a need for initiatives to convert medical functions. This has been brought about by changes in patient structure due to the declining birthrate and aging population, as well as the accelerated reorganization of hospitals in line with Regional Medical Care Visions*[1]. In addition, as part of measures to cope with the recent spread of COVID-19 and large-scale disasters, there is also increasing societal demand for online and remote medical care. Many medical institutions are required to streamline their operations through measures such as reducing costs while maintaining capital investment. Medical institutions face an urgent need to make efforts to address these diverse management issues.

At the Group, we have positioned Medical & Welfare as one of our strategic areas, and we provide a variety of services including the leasing and financing of medical devices and facilities, factoring for medical and nursing-care receivables, as well as the removal and purchase of used medical devices. We aim to leverage the know-how and rich variety of services that we have accumulated through our business activities to further contribute to resolving issues in the medical field. To this end, we are focusing on creating a system to accurately understand the diversifying needs of medical institutions and provide a wide range of solutions.

Expanding Advisory Functions and Information Channels to Identify Customer Needs

The Group has established a system to develop services that identify and satisfy the diverse needs of medical institutions. First, in order to enhance the expertise of the organization, we recruited personnel and established the Healthcare Advisory Division in April 2019. As a result, we have enhanced our sales activities aimed at management in university hospitals and hospitals that play a central role in regional medical care by promoting the utilization of expert knowledge and human networks. We actively approach management to understand the specific needs of each medical institution and utilize this information in the development of new services. Furthermore, we have become a member of the Medical Management Planning Group (MMPG), a nationwide organization of tax accountants and accounting firms that specialize in supporting medical business management. Utilizing the MMPG's medical information and know-how as well as its network of members, we have broadened our group services and expanded our information channels.

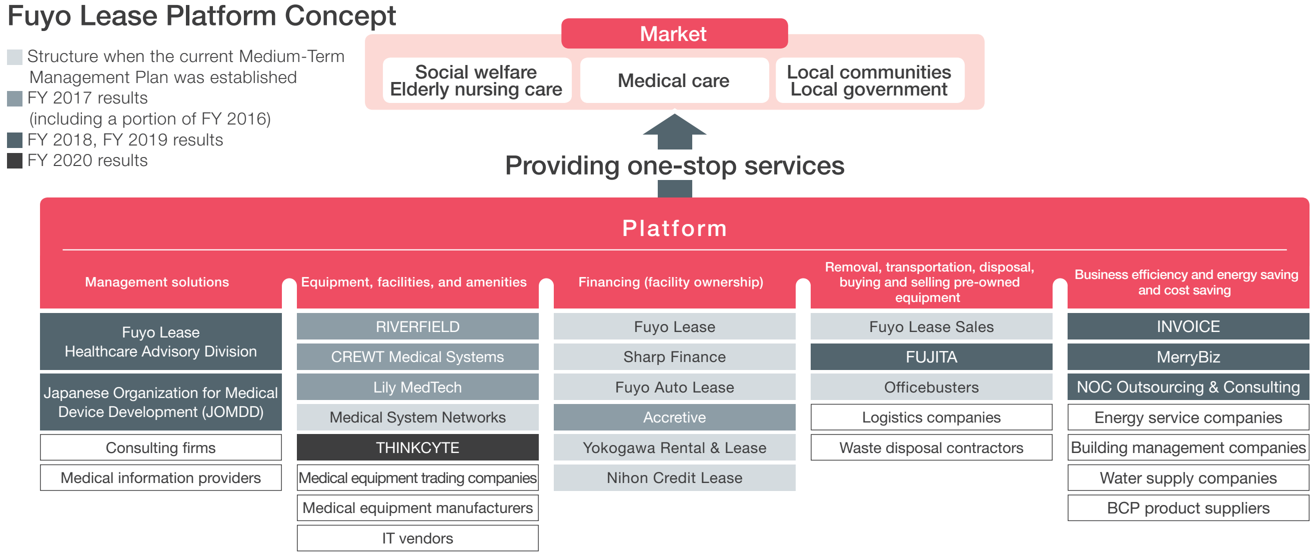
Providing Comprehensive One-Stop Services through the Fuyo Lease Platform Concept

The Fuyo Lease Platform Concept (see the figure on the following page) is a one-stop service that combines services and provides solutions tailored to customer needs from five perspectives: management solutions; equipment, facilities and amenities; financing; removal, transportation, disposal, buying and selling pre-owned equipment; and business efficiency and energy saving and cost saving. Under the Fuyo Lease Platform Concept, the Group is working to expand its lineup of services for medical institutions, elderly social-welfare and nursing-care providers, and local governments.

For the management solutions, we have formed a capital and business alliance with the Japanese Organization for Medical Device Development (JOMDD), a medical incubator. The aim is to utilize the knowledge obtained through the organization to develop and provide management solutions for medical institutions. In addition, for equipment, facilities and amenities, we support the development and diffusion of cutting-edge medical technology through capital and business alliances with the medical venture company RIVERFIELD Inc.*[2], CREWT Medical Systems, Inc.*[3], and Lily MedTech Inc.*[4]. Furthermore, the various services provided by each group company make a significant contribution to enhancing the platform. For example, financing includes factoring for medical and nursing-care receivables by Accretive Co., Ltd.; removal, transportation, disposal, buying and selling pre-owned medical devices by FUJITA Co., Ltd.; and business efficiency, energy saving and cost saving includes consultation on the introduction of BPO services by NOC Outsourcing & Consulting, Inc. Optimally combining these services to meet customer needs allows us to offer a wide range of solutions.

We will continue to expand our business in the Medical & Welfare areas in order to further expand the Fuyo Lease Platform Concept in the future. Specifically, we will utilize our strategic, comprehensive alliance with Medical System Network Co., Ltd., which is engaged in the pharmaceuticals network business as well as other products and the dispensing pharmacy business, and we will promote collaboration with highly specialized companies such as medical consulting companies. By expanding into new business areas, we will enhance our platform and contribute to resolving diverse customer needs.

Fuyo Lease Platform Concept



VOICE

Executive Officer and General Manager, Medical & Welfare Division
Hideyuki Otsubo

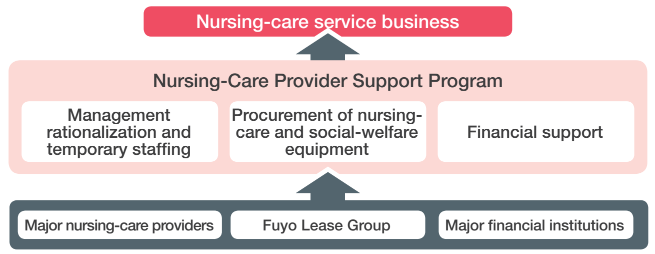
The Healthcare Advisory Division, which was established in April 2019, is working with medical management consultants to propose the utilization of the Group's BPO services and the introduction of an RPA. The aim is to improve and streamline hospital operations for medical institutions that play a central role in regional medical care. We are also working to establish a system that enables us to provide services ranging from applications to office procedures online for the early payment of medical and nursing-care receivables provided by Accretive. The environment surrounding the management of medical institutions and nursing-care providers is becoming increasingly difficult due to COVID-19 and other issues. We will continue to face the management issues of our customers and provide optimal solutions based on its comprehensive capabilities.

The Nursing-Care Provider Support Program to Realize Sustainable and Stable Nursing-Care Services

Although demand for nursing-care services is rising against the backdrop of an aging population, the shortage of nursing-care professionals is expected to deteriorate as the working-age population declines. Many nursing-care providers are facing problems such as issues with acquiring the human resources necessary to provide nursing care services, promoting the utilization of ICT (information and communications technology), and stably procuring materials and funds.

The Group has begun building a nursing-care provider support program that provides a framework to support the sustainable and stable business operations of nursing-care providers that face a variety of issues. The program consists of a collaboration between the Group, major nursing-care providers and major financial institutions to provide nursing-care providers with solutions from three perspectives: management rationalization and temporary staffing, procurement of nursing-care and social-welfare equipment, and financial support. At the Group, we play a role in leasing and financing nursing-care and social-welfare equipment, supporting work efficiency improvements through our BPO services, providing financial support through an early payment service for nursing-care receivables, and providing funds necessary for business revitalization. In this way, the Group is working together to support nursing-care providers and contribute to the creation of sustainable local communities.

Overview of Nursing-Care Provider Support Program



*1 Regional Medical Care Visions: This initiative aims to create a framework for the division of roles and cooperation among medical institutions through the cooperation of local stakeholders, in order to estimate medical needs in 2025 and create a medical system that responds to those needs.
*2 RIVERFIELD Inc.: A venture company from the Tokyo Institute of Technology that is developing Japan's first surgical support robot. We invested in it on the assumption that we would form a partnership for the sales and promotion of leasing and rentals for the company.
*3 CREWT Medical Systems, Inc.: A venture company affiliated with the University of Tokyo that is developing the visual-field testing equipment "AIMO." We entered into a capital and business alliance with it to support the sale of AIMO through leasing and other financing plans.
*4 Lily MedTech, Inc.: A venture company that develops diagnostic imaging equipment for breast cancer. We entered into a capital and business alliance with it to develop and promote leasing, rentals, and other schemes for the company's equipment.

Special Feature 3

BPO

Providing Comprehensive BPO Services That Achieve Sustainable Growth and Improve Job Satisfaction for Client Companies

Managing Executive Officer
Hiroaki Ando

Using BPO-based Productivity Improvements to Contribute to Solutions for Challenges in the Age of the New Normal

As Japan's working-age population continues to decline due to a declining birthrate and an aging population, it has become an urgent issue for companies to streamline their management and improve employee productivity. Cost reductions are needed in response to business maturity and price competition. Also, there is a need for initiatives to raise the value and productivity of each employee by promoting diverse working styles, securing excellent human resources and creating an environment conducive to the creation of new value based on the work-style reform led by the Japanese government. Recently, with issues such as the shift to the New Normal following the spread of COVID-19, accurately responding to both changes in the business environment and accompanying changes in needs has become the most important issue for a company to achieve sustainable growth.

Against this backdrop, the Fuyo Lease Group has identified "achieving the sustainable growth/development of a company and improving employee job satisfaction" as one of its material issues (materiality). At the core of this are BPO services. Under our Medium-term Management Plan, Frontier Expansion 2021, we have positioned BPO services as a New Domains, and we are working to expand this business by supporting and realizing the growth of all companies from the perspective of improving productivity. In particular, there is an increasing need for BPO services in the age of the New Normal, and we hope to contribute to solutions for the challenges that many companies face.

Achieving Customer Satisfaction through BPO Services That Unite the Group's Collective Strengths

The Group currently provides BPO services using a total of eight group companies. INVOICE provides services for general affairs divisions, such as an integrated billing service for telecommunications as well as public utilities charges, and Accretive, as a provider of services for accounting and finance divisions, excels at payment services from accounts payable for retailers that open multiple branches. Furthermore, these and other companies such as Sharp Finance, which provides collection agency services, and MerryBiz, which provides "virtual accounting assistants" using remote staff, are key to the Group's BPO offerings. At MerryBiz, they have approximately 800 remote staff members performing accounting services online, and the majority of these staff members are housewives from across Japan. By using a way of working that offers flexibility in terms of location and hours, MerryBiz creates employment opportunities for remote staff and contributes to addressing the social issue of labor shortages.

In August 2019, NOC Outsourcing & Consulting, which covers information systems, human resources, and sales administration, joined the Group as a comprehensive BPO service. As a result, we have been able to further advance the visualization of operations as well as administrative work, thus allowing us to provide specific solutions to issues that have been identified.

There is more than one path for companies to improve business efficiency. For example, it may be best to outsource through a BPO service, or it may be better to move forward with insourcing (in-house production) by utilizing RPA (robotic process automation), etc. The greatest strengths of the Group's BPO services are that they offer multiple solutions to meet the needs of customers, even if the objectives are the same, and that they all work together to create optimal solutions.

Model Cases of BPO Service Introduction

	Customer	Overview		Solutions
Model case 1 Payroll processing operations	Retail business the First Section of the Tokyo Stock Exchange	Customer needs	Company B, which became a group subsidiary through an M&A, would like to raise the level of its governance, accounting and payroll processing operations to the level of its parent company, Company A, as soon as possible. Payroll processing is especially urgent.	Business continuity Strengthening functions
	Number of employees: Approx. 2,000 people Number of business sites: Approx. 350 sites	Suggested solutions	Six months after the announcement that Company B would become a subsidiary, and two months after we were consulted, we were entrusted to process and send statements for payroll as well as social and labor insurance for regular employees and about 150 branch sales representatives (part-time).	
Model case 2 Accounting operations	Advertising agency business Unlisted	Customer needs	A company would like to consider outsourcing the entry of journals into accounting software at all 15 facilities that it operates in order to avoid the individualization of each facility and to reduce the burden of handover.	Boost efficiency Avoiding individualization Strengthening functions
	Number of employees: Approx. 1,600 people Number of business sites: 6 sites	Suggested solutions	We were entrusted to shorten the delivery time required by the clients by utilizing MerryBiz's remote workers. The work started at one facility and is scheduled to be expanded to 15 facilities in successive order.	
Model case 3 Sales Administration	Transportation business the First Section of the Tokyo Stock Exchange	Customer needs	A company introduced the Fuyo Lease Group's "FLOW Cube +" to adapt to IFRS 16 (the International Financial Reporting Standards/New Lease Standards), and the company would like to secure resources to cover the enormous amount of temporary contract posting work that occurred when the introduction was made.	IFRS 16 support Asset management Digitization
	Number of employees: Approx. 14,000 people Number of business sites: Approx. 70 sites	Suggested solutions	We successfully digitized 500 contracts in 10 business days by posting import definition information for basic contract information into a spreadsheet program.	

Our company and group companies are working closely together to maximize the synergies of the Group and further improve customer satisfaction. By standardizing common operations within the Group and introducing AI-OCR*, we are able to improve productivity, reduce costs and shorten delivery times. We also provide highly satisfactory BPO services that meet a wide range of needs by proposing optimal solutions that combine the functions and strengths of each company.

*AI-OCR is the application of AI technology to OCR, which is the process of reading handwritten documents or forms and converting them into data.

BPO Service Lineup

General Affairs / Accounting & Finance / IT Systems
- Bill Aggregation INV

General Affairs
- Office Concierge NOC
- Vehicle Management FAL

Accounting & Finance
- General Accounting NOC/MB
- Accounting Services (Accounts Payable to Payments) ACR
- Money Collection SFC

General Affairs / Accounting & Finance
- Asset Management (Goods Management / Accounting Treatment) FGL

IT Systems
- IT Services / IT Specialist Placement NOC
- Full-out LCM services NOC/YRL/FNET
- RPA Services NOC

Human Resources
- Payroll Accounting NOC
- Attendance Management NOC
- Human Resource Management NOC

Sales Administration
- Sales Administration Services NOC

FGL Fuyo General Lease Co., Ltd.
FAL Fuyo Auto Lease Co., Ltd.
SFC Sharp Finance Co., Ltd.
ACR Accretive Co., Ltd.
INV INVOICE Inc.
NOC NOC Outsourcing & Consulting Inc.
FNET Fuyo Network Service Co., Ltd.
YRL Yokogawa Rental & Lease Co., Ltd.
MB MerryBiz Inc.

VOICE

General Manager, BPO Service Promotion Division
Koji Yamamoto

In recent years, we have realized as a result of the consultations that we have received that there has been a change in the issues that customers face. In the past, there were many requests to improve business efficiency and reduce costs. However, in recent years, there has been an increase in requests with the objective of business continuity or to strengthen the functions of a business due to difficulty in hiring from the overall labor market shrinking as well as a shortage of human resources, to avoid personnel that are not a good match after recruitment, and to prevent delays in legal compliance. As a result, we feel that there are increasing expectations for our BPO services.

We also receive an increasing number of inquiries as part of company-wide BCP (Business Continuity Plan) measures to address needs for the decentralization of operations and the creation of remote environments in preparation for the transition to the age of the New Normal. NOC Outsourcing & Consulting provides IT outsourcing services that make use of the Tokyo Metropolitan Government Business Continuity Emergency Measures (Telecommuting) Grant. It also assists clients who have already entrusted it to carry out payroll processing to prepare payment application documents for the employment adjustment subsidy in an effort to respond quickly to new needs.

Under the slogan "BPO services to resolve issues arising from there being 'not enough people or not enough time' or just 'not enough,' we provides comprehensive BPO services with the aim of being a reliable and flexible partner that solves issues when customers feel that what they have is "not enough."

Special Feature 4

Mobility Business

Creating New Businesses That Capture Mobility Innovation and Contributing to the Resolution of Challenges in the Logistics Mobility Field

Managing Executive Officer
Hiroaki Oda

Challenges Facing the Industry and How the Fuyo Lease Group Will Respond

The automobile industry is entering a once-in-a-century period of great change due to CASE*1 technological innovations and the progress of MaaS*2 that connects means of transportation with IT. In the logistics industry, many social issues have become apparent, including an increase in the volume of cargo being handled due to the expansion of the e-commerce market, shortages and aging of truck drivers, and work-style reform in response to the reduction of long working hours. Transportation and postal services are important industries accounting for approximately 5% of Japan's GDP and, because logistics costs paid by companies amount to approximately 5% of sales, the benefits of improvement are considered to be substantial. Responding to these large-scale changes in industry and social issues is essential to the sustainable growth of companies, making it an urgent issue for many companies.

The Group has expanded its auto leasing business mainly with Fuyo Auto Lease, which provides comprehensive support for automotive operations. However, in order to approach the challenges faced by the automobile and logistics industries in a period of historical change, it is necessary to rebuild the existing auto leasing business and strengthen the logistics mobility field, which promotes linkage of logistics data and commercial distribution data as well as automation of logistics functions. To achieve this, we established our Mobility Business Promotion Division in April 2020. At the same time, we redefined our auto leasing business as the Mobility Business, and then positioned it as a strategic area to lay the groundwork for concentrating management resources.

Our Strategic Vision for Future Business Development and Mobility Business

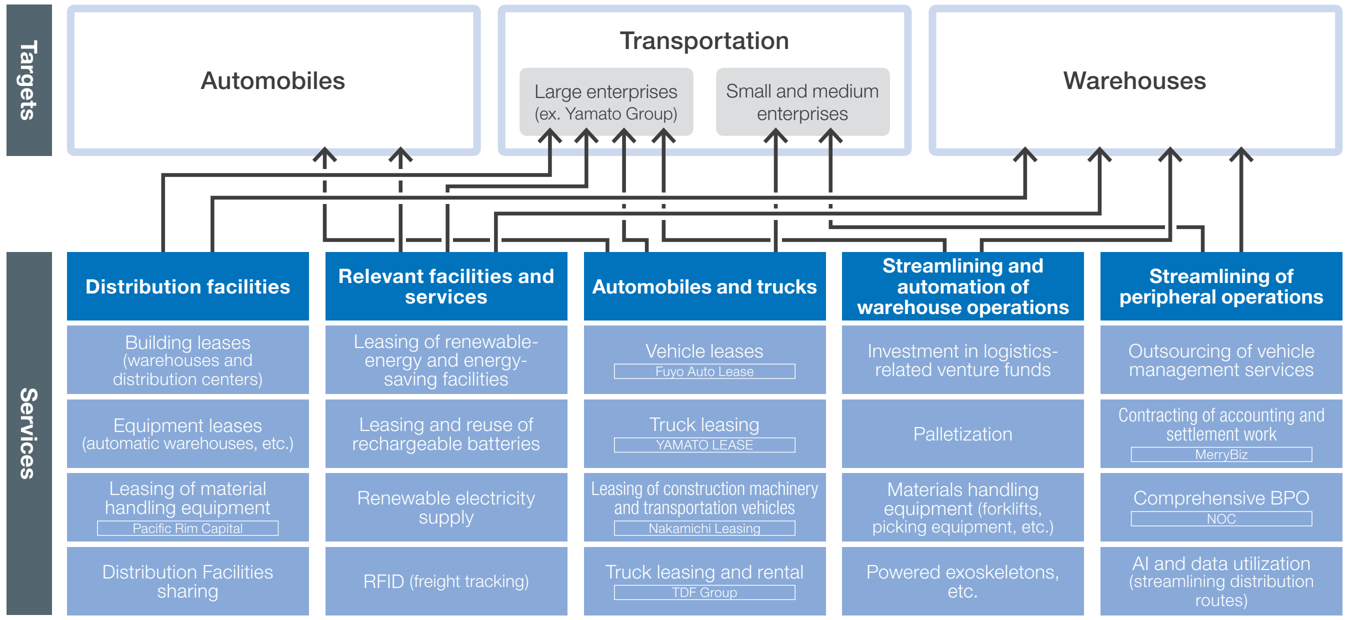
We have positioned the Mobility Business as the New Domains in which new growth is expected even in strategic areas, and we aim to expand our business scope to include various businesses that are relevant to the logistics mobility field such as logistics, vehicles, and warehouses. The Group's strengths lie in high-quality solutions, as well as a wide-ranging domestic and overseas network. These strengths will be our driving force to promote the expansion of our business scope, and they will also support the resolution of all issues that face the automotive and logistics industries. Specifically, we will prepare a variety of services in five categories: "distribution facilities," "relevant facilities and services," "automobiles and trucks," "streamlining and automation of warehouse operations," and "streamlining of peripheral operations" for targets such as automobiles, transportation, and warehouses.

In addition, the Group aims to expand business opportunities through the horizontal integration of business activities and information such as the leasing of warehouse buildings and warehouse equipment. The Group will share knowhow from overseas group companies including TDF Group Inc., which is involved in pickup-truck rental, leasing and sales business in North America, and Pacific Rim Capital, Inc., which is involved in operating leases of material handling equipment mainly in the United States. In addition to sharing this knowhow with the entire Group, we will also work to create business synergies by further strengthening relationships with companies including Nakamichi Leasing Co., Ltd., which has strength in leasing construction machinery and transportation vehicles.

From left, Hideki Yamada, President & Chief Executive Officer, Fuyo Auto Lease Co., Ltd.
Naomi Ogata, President & Chief Executive Officer, YAMATO LEASE CO., LTD.
Shinji Sasakura, General Manager, Mobility Business Promotion Division, Fuyo General Lease Co., Ltd.

Overview of Mobility Business by the Fuyo Lease Group

Strategic Vision | Supporting the Resolution of Challenges in the Vehicle and Logistics Industry by Providing a Wide Range of Solutions



Creating Business Synergies with the Yamato Group

To expand our mobility business, in April 2020 YAMATO LEASE joined the Group as a joint enterprise with Yamato Holdings. YAMATO LEASE provides financing services mainly focused on truck leasing for transport companies, a used-truck matching application called "Tora-Machi," and business succession support services, as well as other services. YAMATO LEASE has a customer base of about 3,000 companies specializing in the logistics industry, making it a company with strengths unlike any other within the Group. Additionally, YAMATO LEASE excels at proposal-based sales that resolve management issues faced by transportation companies and, as a result, the company has captured a fixed market share in the truck leasing market.

Due to the diversification of logistics needs and other factors, the demand for truck leasing is solid and is expected to continue growing. The Group's services and knowhow include comprehensive vehicle-related support services, asset management for distribution facilities, as well as BPO services. By providing these services and knowhow to various transportation enterprises through YAMATO LEASE, we are committed to creating business synergies with YAMATO LEASE and expanding our business.

In addition to the YAMATO LEASE joint enterprise, the Group and Yamato Holdings have started discussions on the creation of business synergies and the possibility of further business collaboration based on the provision and utilization of our respective management resources and strengths. In order to increase the value of YAMATO LEASE, which has strong connections with small and medium-sized transportation enterprises, we will continue to actively collaborate with the industry leader, the Yamato Group, and implement concrete strategies.

A used-truck matching application called "Tora-Machi" offered by YAMATO LEASE

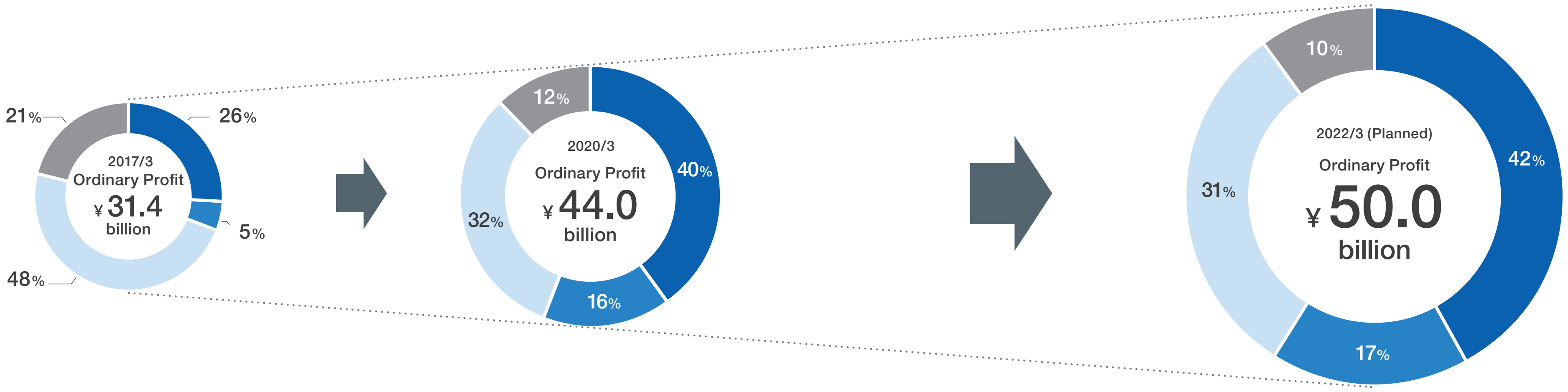
Creating New Businesses in the Mobility Business Field

In order to further invigorate the logistics mobility field, we will engage in new business with a variety of companies. For freight owners and transportation enterprises, we will provide solutions utilizing digital technology to improve the efficiency of logistics through joint transportation, consolidated distribution, and the optimization of transportation routes. Also, in addition to proposing improvements in the efficiency of logistics through business matching with e-commerce businesses and building new mobility services through collaboration with companies that are members of "MONET Consortium"*3, we will engage in the development of efforts such as business partnerships with partner companies and support for venture companies.

The Group aims to become the leasing company that is "No. 1 in comprehensive strength" in the logistics mobility field by focusing management resources in response to various social issues associated with structural changes in the logistics mobility field and creating new value.

*1 CASE: A term that has been coined from the initial letters of four automotive trends: Connected (connected cars), Autonomous (autonomous driving), Shared & Service (shared cars and driving as a service), and Electric (electrification of vehicles).
*2 MaaS: An acronym for Mobility as a Service, which indicates the creation of services based on means of transportation (mobility).
*3 The MONET Consortium is a cross-company organization established by MONET Technologies (a joint venture between SoftBank Corp. and the Toyota Motor Corporation) to promote collaboration between companies for the realization of MaaS.

Our Business



At a Glance

Trends in ordinary profit

- Strategic Areas (excluding Frontiers)
- Frontiers
- Core Areas
- Others

Strategic Areas

Real Estate

More information: P29

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.

Medical & Welfare

More information: P30

We offer a wide range of one-stop services, which include leasing medical equipment, providing advisory services related to managements, buying pre-owned medical equipment as well as factoring for medical and nursing-care receivables.

Energy & Environment

More information: P31

We support our clients in their use of renewable energy and energy-saving activities through ESCO services* and Green electricity supply services (PPA services). We also operate a solar power generation business and a plant factory to contribute to solving climate change problems.

Aircraft

More information: P32

We started our business in the early days of aircraft leases, and have created a cumulative total of over 300 leasing projects for airlines around the world. Going forward, we will continue to expand this business domain by promoting leases for aircraft owned by our company and providing new aircraft-related services.

Overseas

More information: P33

The Fuyo Lease Group provides services at a total of 12 locations in 8 overseas countries. We will expand the know-how gained from our domestic business overseas and open new bases to support our customers' overseas expansion.

New Domains

More information: P35

Through proactive M&A and capital alliances, we will further strengthen strategic areas and build and expand new business bases such as "BPO" and "Mobility Business."

BPO

More information: P34

By combining the collective strengths of our eight group companies, we will provide high-value-added BPO services that help to solve the chronic human resource shortages faced by growing companies and improve operational efficiency.

Mobility Business

More information: P34

This domain was established in April 2020 by reorganizing the "Auto Leases" business. In addition to providing comprehensive automotive-related support services, we will provide various solutions for automobiles, transportation, warehouses, etc., in response to technological innovation in logistics mobility.

* 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.

Core Areas

Domestic Corporate

More information: P36

Finance Leases

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

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 for the asset that a customer needs.

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.

Vendor Leases

More information: P36

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 sales locations throughout Japan.

Financing

More information: P36

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.

Factoring

Factoring is a service where we buy clients' accounts receivable 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.

Strategic Areas

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 Depository 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.

Contributing to society and the environment (outcome)

- Supplying environmentally-friendly assets

Business Environment

Growth Opportunities
- Emerging needs to utilize idle real estate
- Increasing enthusiasm for investment from logistics companies due to expansion of the e-commerce market
- An increase in demand for environmentally-friendly properties using environmentally efficient and sustainable building materials

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 as well as maintaining and expanding business with real estate leasing clients
- Expanding business in real estate leases and financial services

Challenges
- Addressing downturn in the real estate market
- 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
- Promote human resources development by e.g. providing support to employees to obtain qualifications and implementing job rotation

FY 2019 Overview and Outlook

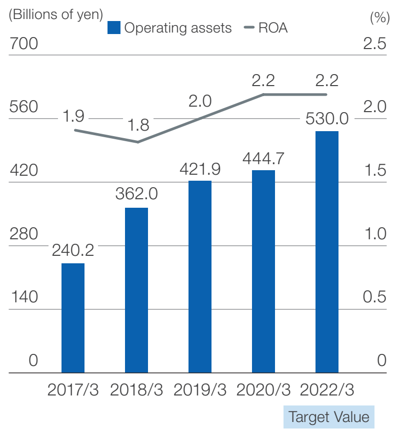
In fiscal 2019, we focused on Fuyo Lease Group-led building leases*1 and closed contracts for projects such as The Royal Park Canvas - Kyoto Nijo (tentative name) and VIA INN Nihonbashi Ningyocho. By obtaining a large amount of real estate information through cooperation with real estate companies and actively providing this information to our clients, we were able to improve the quality of our proposals, which greatly contributed to the acquisition of new projects. Going forward, we will continue to bring in approximately 4,000 pieces of real estate information annually to promote Fuyo Lease Group-led projects, with the aim of expanding business and further improving profitability.

Growth Strategies — Frontier Expansion 2021

In the Real Estate business, the target value for the final year of the Medium-term Management Plan was revised upward, and the balance of operating assets was revised to 530 billion yen. In order to achieve the new target, we will work on further collaboration with real estate companies and the acquisition of new real estate lease clients, with the aim of expanding business and further improving profitability. In addition, we will establish a new organization specializing in the management of real estate assets, increase levels of risk management and improve the asset value of our real estate holdings to provide our clients with high-quality real estate assets.

*1 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



Major Achievements

Selected as a Preferred Bidder for the Public Offering of the Suma Seaside Aquarium and Seaside Park Redevelopment Project

In order to further enhance the attractiveness of Suma Seaside Aquarium and Seaside Park, which has played a major role as a place for civic education and recreation, the Kobe-Suma Parks + Resorts Consortium consisting of seven companies*2 including our company, submitted a plan for the redevelopment of this area to Kobe City and was selected as a preferred bidder in September 2019. Under the theme of A 'Connecting' Seaside Resort Park where the local community and tourists interact, this project aims to improve the quality of life of the local community and attract tourists. We are working on the redevelopment of the aquarium and seaside park by taking advantage of its potential, and we are contributing to the revitalization of the local community in Kobe City.

Architectural rendering

*2 Seven companies are THE SANKEI BUILDING Co., Ltd., GRANVISTA Hotels & Resorts Co., Ltd., Mitsubishi Logistics Corporation, JR West Real Estate & Development Company, Takenaka Corporation, Hanshin Electric Railway Co., Ltd., and Fuyo General Lease Co., Ltd.

Strategic Areas

Medical & 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.

Contributing to society and the environment (outcome)

- Improving both the quantity and quality of medical, elderly nursing care, and welfare services
- Helping medical institutions to achieve financial stability by meeting their funding needs
- Disseminating advanced medical technologies

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
- Emerging need to build the community-based integrated care system

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

FY 2019 Overview and Outlook

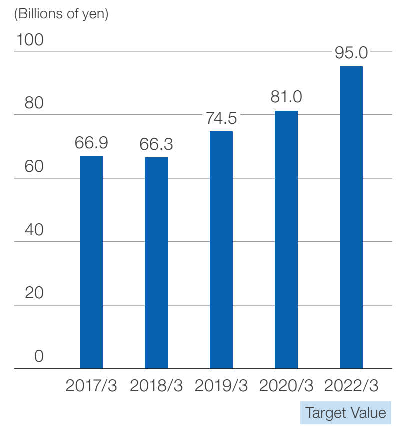
In fiscal 2019, with the Healthcare Advisory Division that was newly established in April as a driving force, our company's consulting services, which utilize our strengths in BPO services and robotic process automation (RPA) to contribute to business improvement, expanded to medical institutions. We also strengthened our approach to public medical institutions, such as pharmacies on the premises of hospitals and multipurpose facilities. In the future, we aim to increase the number of awarded contracts by promoting the development of commercial products and services for these projects.

Growth Strategies — Frontier Expansion 2021

In the medical business, we will expand our business domain by collaborating with highly specialized players. We will also expand vendor lease transactions in the medical field and clinic assistance transactions, which provide a means of raising funds for clinicians who own their own practices. Additionally, we will work with local financial institutions and medical consulting companies to accumulate balances handled by FPS Medical, an early payment service for medical and nursing-care receivables.

In the social-welfare (nursing-care) business, we aim to build a management support fund for small and medium-sized nursing-care providers in cooperation with major nursing-care providers, and to obtain projects related to multipurpose care facilities that were built within commercial facilities in collaboration with real estate fund companies.

Operating assets for Medical & Welfare



Major Achievements

Expanded Information Channels and Approach Tools That Serve as Links to the Medical Field

Our company became a corporate member of the Medical Management Planning Group (MMPG) in January 2020. The MMPG is a nationwide organization of tax accountants and accounting firms that specialize in supporting medical business management, and our company is the only leasing company to become a member. Through active training programs and the use of information media from the MMPG, we are gaining knowledge in the medical field that is useful for the development of our company's services. We also began publishing Fuyo Medical Info, a quarterly magazine for medical institutions, to strengthen the tools that we use to approach them. In order to help resolve more issues faced by medical institutions, we are working to disseminate information to medical professionals, focusing mostly on management.

Strategic Areas

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*.

* 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.

Contributing to society and the environment (outcome)

- Estimated CO_2 reduction 70,054 t-CO_2
- Promoting the use of renewable energy and communicating demand voices to the market
- Providing financial services to companies participating in the RE Action in support of their renewable energy initiatives
- Promoting renewable energy and energy saving
- Disseminating advanced renewable energy-related technologies

Business Environment

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

Strategies
- Expanding solar power generation business and making further contributions to local communities
- Promoting decarbonization initiatives, including signing up for RE100
- Promoting energy efficiency through ESCO services
- Establishing the Agri Business Promotion Office and constructing a plant factory

Challenges
- An increase in demand for environmentally efficient and friendly properties using sustainable building materials
- Breaking away from the feed-in tariff (FIT*) scheme for renewable energy and building a business model that does not rely on FIT

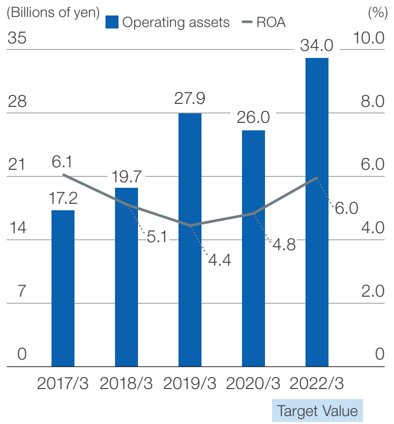
* Under the FIT scheme, payments are provided at a fixed rate for the renewable energy produced, e.g. solar energy

Actions
- Developing capital and business alliances with venture companies that have new technologies
- Focus on new initiatives toward a post-FIT era (e.g. PPA services, storage battery-related businesses)

FY 2019 Overview and Outlook

In fiscal 2019, in preparation for the post-FIT era, we launched the green electricity supply services (PPA Services) to install solar power generation systems on the roofs of our customers' facilities, and it was decided that this service would be introduced to multiple factories. In the solar power generation business, the Group's largest power plant, Namie Sakai Solar, started operation in February 2020. We will continue to work on new business to promote the spread of renewable energy and address climate change issues.

Operating assets and ROA for solar power generation business



Growth Strategies — Frontier Expansion 2021

With a view to turning renewable energy into the main power source, we will not only generate and sell electricity, but we will also promote initiatives related to the storage of electricity (storage batteries). For businesses that utilize storage batteries, we will collaborate with venture companies that we have invested in to explore new services utilizing reuse as well as power supply/demand adjustment technologies, and to participate in overseas businesses. We will also engage in a wide range of power generation projects that use not only solar power but also hydropower, wind power, biomass, and geothermal power, with the aim of further building up renewable energy sources.

Major Achievements — Operation of the World's Largest Fully Artificial-Light Plant Factory

In July 2020, the plant factory that was being built jointly by TEPCO Energy Partner, Incorporated and Farmship, Inc. went into operation. This factory has the world's greatest production capacity as a fully artificial-light plant factory, with a daily output of approximately five tons (approximately 50,000 plants at 100 g/plant). Plant factories that entirely rely on artificial light are attracting attention as an approach that can solve the social issues faced by Japanese agriculture, such as a decrease in the number of farmers, the aging of farmers, and a decline in food self-sufficiency, in addition to the risks associated with food production and distribution due to extreme weather, unseasonable weather, and other factors.

Strategic Areas

Aircraft

Since our first aircraft lease in 1978, we have created a cumulative total of over 300 aircraft leases for airlines around the world. In 1999, we expanded into the hub of the aircraft leasing industry in Dublin. We also acquired UK-based Aircraft Leasing and Management Limited (ALM) in 2014 with the aim of expanding our operations.

Contributing to society and the environment (outcome)

- Transport ability of Group owned aircraft: 10 million people per year

Business Environment

Growth Opportunities
- In the long term, an increasing need for aircraft around the world
- An increasing need for renewal of aircraft with low environmental impact
- An increase in leaseback transactions*1 resulting from greater demand for funds from major and blue-chip airlines

*1 Leaseback transaction: A transaction in which an aircraft or other piece of property is sold to a lender, who then leases the property back to the original seller.

Strategies
- Steadily increasing our aircraft fleet by leveraging the know-how that we have gained from many years of aircraft leasing arrangements
- Building a portfolio with lower environmental impact and greater liquidity mainly consisting of narrow-body aircraft
- Promoting leaseback transactions and building relationships in response to greater demand for funds from major and blue-chip airlines

Challenges
- Sluggish demand for aviation due to the spread of COVID-19
- Strengthening relationships with investors, funds, and other entities that are candidates for aircraft sales

Actions
- Promote the establishment of a system that is not overly affected by the market cycle
- Expand businesses through investments and joint ventures
- Strengthen sales activities for JOL*2 investors in Japan and expand business partners by using the extensive network of UK-based ALM

*2 JOL: An abbreviation of Japanese-style operating lease. It is a means of fund management that enables investors to make planned tax payments by participating in large-scale aircraft leasing projects and obtaining the same effects as acquiring large-scale depreciable assets.

FY 2019 Overview and Outlook

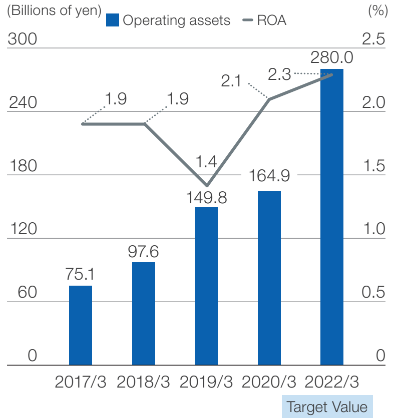
In fiscal 2019, we strengthened the leases for the aircraft that we own and executed seven new aircraft leasing projects. We also expanded our business opportunities by launching a part-out business, which sells parts from retired aircraft, and a business that sells aircraft whose leases have expired. We have also invested in an aircraft-related venture fund established by the Airbus Group to expand our business into areas surrounding aircraft.

Growth Strategies — Frontier Expansion 2021

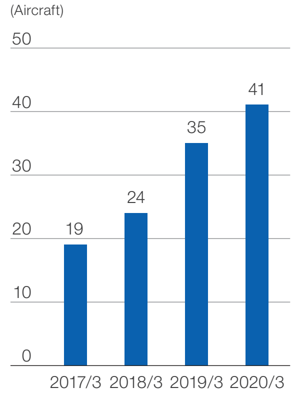
During the period for the current Medium-term Management Plan, we will further increase the number of aircraft that we own and incorporate some of our capital-recycling businesses in order to achieve our profit targets even in an unstable market environment. We will build a system that can generate stable earnings without being overly affected by the market cycle. We will do this by promoting package (multiple aircraft) transactions with major and blue-chip airlines and capital-recycling businesses such as the sale of aircraft whose leases have expired. In the long term, the aircraft leasing industry is expected to see an increase in the number of passengers and greater demand for jetliners as a result.* We will strive to expand into new business domains and secure profit opportunities by proactively investing in and collaborating with businesses surrounding aircraft.

* Sourced from an IATA (International Air Transport Association) press release, dated May 13, 2020, and the JADC (Japan Aircraft Development Corporation) "Worldwide Market Forecast" 2019–2038, dated March 2019.

Operating assets and ROA for aircraft leasing



Number of aircraft owned by the Group



Major Achievements — Investment in Aircraft Part-Out Business

We started working on the first project in our part-out business, which purchases and disassembles retired aircraft and sells used parts that can be recycled and reused to global clients, including airlines and maintenance companies, through inventory management. As an exit strategy in the value chain that corresponds with the lifecycle of aircraft, we can expect this business to broaden the available options for utilizing used leased aircraft, and we will continue to work on this business as one of our areas of growth against the backdrop of greater demand for aircraft in the long term.

Aircraft body with engine parts removed

Strategic Areas

Overseas

We aim to expand our overseas business, leveraging the networks of the Fuyo Lease Group. In addition to the organic growth strategy*1 to expand and improve overseas locations mainly in North America and Asia, we will build up high-quality assets through the inorganic growth strategy*2 that includes investments, acquisitions, and alliances with local companies.

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

Contributing to society and the environment (outcome)

■ Providing right-to-use and/or possessory rights to customers through leases, and outsourcing of processes and procedures associated with ownership

Business Environment

Growth Opportunities	› Growing overseas financing needs as more manufacturers relocate their production bases outside Japan › An increase in the demand for sustainable energy, mainly in emerging countries › Developing the market through collaborations with local companies with high levels of expertise
Strategies	› Expanding business know-how from our domestic business to our overseas business › Strengthening overseas support capabilities by expanding our network of overseas locations › 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 overseas business domains by leveraging our know-how in the areas of Real Estate and Energy & Environment › Financial support for green energy projects by Japanese companies overseas › Promoting M&A and capital alliances that contribute to the expansion of overseas business

FY 2019 Overview and Outlook

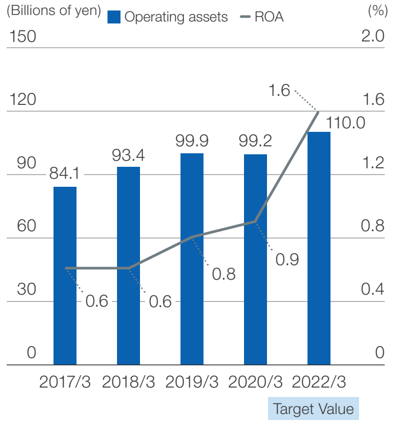
In fiscal 2019, domestic and overseas businesses cooperatively responded to the overseas expansion and investment projects of our domestic business partners, resulting in a performance of ¥14.4 billion from domestic and overseas collaboration among the Group. We also actively promoted the expansion of our customer base, resulting in an increase of 24 new clients. In the future, we will continue to provide financial support to our domestic business partners for their overseas expansion by leveraging our customer base, and we will aim to further expand our overseas business by utilizing our domestic business know-how.

Growth Strategies Frontier Expansion **2021**

In order to increase profits through organic growth, we will take the know-how that we have cultivated in the businesses our company excels in, such as Real Estate and Energy & Environment, and deploy it overseas. Specifically, we will expand business in cooperation with our business partners through overseas real estate building leases, support for renewable energy investment by Japanese companies, and other efforts. In particular, in the area of renewable energy, we recognize that there are areas with long-term needs in the future, given that the entire supply chain needs to respond to international initiatives on climate change such as RE100 and SBT*. We are also expanding our overseas network by opening new bases in Taiwan and elsewhere to expand the scope of our support for overseas business expansion by our business partners.

*SBT (Science Based Targets): An international initiative that requires companies to set greenhouse gas emission reduction targets that are based on scientific evidence and consistent with the levels required by the Paris Agreement.

Operating assets*4 and ROA for Overseas businesses



*4 Investments in affiliates in overseas businesses are included among the operating assets of overseas subsidiaries, excluding aircraft leasing.

Major Achievements

Enhanced Collaboration with Pacific Rim Capital (PRC)

In fiscal 2018, PRC became an equity-method affiliate and joined the Group. PRC handles operating lease business for material handling equipment in North America and Mexico. In fiscal 2019, we introduced the U.S. subsidiaries of our company's business partners to PRC, and the resulting collaboration with the Group, which included the conclusion of multiple projects with the companies that were introduced, contributed to the growth of PRC. By collaborating with PRC, which has a high-level of expertise, we will expand our Japanese client base in the North America and Mexico. At the same time, we will work to build a revenue outside of the North America and Mexico areas by absorbing PRC's know-how.

Strategic Areas

BPO

We help clients achieve sustainable growth and contribute to the improvement of employee satisfaction by offering BPO services that combine the collective strengths of the Group. BPO services are at the core of the New Domains in which we are actively investing management resources.

Contributing to society and the environment (outcome)

■ Contributing to the resolution of labor shortages and the promotion of work-style reform by providing BPO services

Business Environment

Growth Opportunities	› Increasing demand amid the work-style reform due to deteriorating labor shortages, calls for equal pay for equal work and other issues › Increasing needs for the establishment of remote work environments and the reduction of the workforce for non-core operations triggered by COVID-19 › New expectations for BPO services, such as enhanced business continuity and professional services
Strategies	› Establishing a specialist division to spearhead BPO services › Promoting unique BPO services offered by group companies such as INVOICE, Accretive and NOC Outsourcing & Consulting › Providing new employment opportunities for housewives, the elderly, and the disabled nationwide using MerryBiz's remote work functions
Challenges	› Increased competition and intensified price competition › Differentiation from competing BPO service providers › Securing human resources engaged in BPO services
Actions	› Utilize the Group's client base (links to finance and accounting divisions) to identify BPO needs › Provide comprehensive BPO services that allow for a one-stop response to diverse client needs, including accounting and settlements, general affairs, information systems, human resources, and sales administrations › Standardization and automation of operations through technologies such as AI

FY 2019 Overview and Outlook

In fiscal 2019, we worked to enhance our service lineup and strengthen client links. In August 2019, NOC Outsourcing & Consulting joined the Group. In addition to its existing accounting and settlement services, the company began providing services to improve work efficiency, such as general affairs, information systems, human resources, and sales administrations. Furthermore, MerryBiz, which provides accounting administrative services, became an equity-method affiliate to expand its service lineup, and in April 2020, INVOICE began handling the public utility charge collection service OneVoice. To raise awareness of the Group's BPO services, we hold seminars and actively participate in exhibitions. Going forward, we will use technologies such as AI-OCR to improve efficiency and expand our marketing channels to offer even more solutions to customers.

Strategic Areas

Mobility Business

In addition to providing comprehensive automotive-related support services, we provide various solutions for automobiles, transportation, warehouses and other related targets, in response to technological innovation in the logistics mobility field. We promote the creation of new mobility businesses that go beyond conventional frameworks by utilizing synergies generated through collaboration with group companies and mobility-related companies.

Contributing to society and the environment (outcome)

■ Stable supply and improved efficiency of vehicle and logistics services

Business Environment

Growth Opportunities	› Increasing needs to improve operational efficiency in order to resolve the shortage of human resources and to reduce long working hours in the logistics industry › Increasing demand for new mobility businesses that are represented by Mobility-as-a-Service (MaaS), etc. › An increase in the volume of cargo being handled due to the expansion of the e-commerce market › Increasing complexity of logistics needs and the sophistication of service needs
Strategies	› Establishment of a new specialized department to drive mobility business › Promoting the establishment of an alliance with the Yamato Group › Utilizing the Fuyo Lease Group's nationwide network and creating synergies with existing businesses
Challenges	› Increasing price competition due to competitors lowering prices › Increasing the number of vehicles in our inventory and improving the efficiency of administrative services for vehicles › Supporting and adapting to new technologies in the mobility field
Actions	› Expanding the customer base by strengthening cooperation within the Group › Developing unique products and differentiating ourselves from competitors through collaborations with partner companies › Collaborating with partner companies to build new mobility services, such as MONET › Promoting M&A and capital alliances with companies that excel in the mobility field › Strengthening non-asset business (fee business) initiatives

FY 2019 Overview and Outlook

In April 2020, YAMATO LEASE joined the Group, and we established the Mobility Business Promotion Division. Going forward, we will integrate various solutions and the know-how accumulated by Fuyo Auto Lease as well as our group companies in Japan and overseas. At the same time, we will also promote further collaboration with the Yamato Group, including the undertaking of joint business with YAMATO LEASE. By combining the business bases of the Yamato Group and various solutions and the know-how of the Fuyo Lease Group, we will provide a wide range of products and services that solve issues in the vehicle and logistics industries to a wider customer base.

Strategic Areas

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 2019 Overview and Outlook

In fiscal 2019, we established and expanded our strategic areas BPO and Mobility Businesses through M&A and capital alliances. With the aim of expanding into new businesses and business domains, we also invested in R&D venture companies, such as Synspective, which sells satellite-based observation data and provides solutions utilizing that data, as well as HiBot, which develops and manufactures infrastructure inspection robots. By partnering with companies that are strong in cutting-edge technologies like Synspective and HiBot, we aim to solve issues of clients and provide new, high-value-added services combined with our range of existing services.

Growth Strategies Frontier Expansion 2021

To further strengthen our strategic areas, we will continue to engage in active M&A as well as capital and business alliances. We will also promote initiatives that capitalize on the strengths of both companies in collaboration with venture companies that we have invested in in the past. Furthermore, we will explore new businesses that contribute to solving social issues through our business and expand our business domains. We will promote inorganic growth for social infrastructure and data businesses, and actively consider new initiatives following the plant factory project, which aims to solve the issues of domestic agriculture.

Major Achievements

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.

Investment timing	Business Form	Partner	Description
Aug. 2017	Investment	Riverfield	Invested in the company, which developed Japan's first robotic surgical assistant system.
Oct. 2017	Establishment	GAP Fund*	Established Japan's first industry-academia collaborative GAP Fund in cooperation with the Tokyo Institute of Technology and Innovations and Future Creation Inc.
Dec. 2017	Alliance	Optical Comb	Formed a business alliance for promoting sales of a non-contact 3D scanner employing Nobel Prize-winning optical comb technology.
Feb. 2018	Investment	CREWT Medical Systems	Invested in the company, which developed "Aimo", the world's first headmounted visual field inspection device.
Mar. 2018	Investment	Lily MedTech	Invested in the company, which is developing a breast cancer inspection system using medical ultrasound technology.
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 provides cutting-edge battery control devices and management systems.
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.
Feb. 2020	Investment	Girasol Energy	Invested in the company, which develops maintenance management platforms for photovoltaic power generation equipment.
Mar. 2020	Investment	HiBot	Invested in the company, which develops robotics technologies used in extreme environments for infrastructure maintenance, piping inspections, etc.
Apr. 2020	Subsidiary	YAMATO LEASE	Expanded the business domains of logistics, transportation and used vehicles through the consolidation of the company, which mainly provides truck leasing and other financing services to transportation companies.
Apr. 2020	Investment	THINKCYTE	Invested in the company, which conducts research and development for a next-generation cell isolation system using AI.

* GAP Fund: A fund designed to provide financial assistance to universities in order to help them overcome hurdles (i.e. gaps) when commercializing intellectual properties or technologies they own.

Core Areas

Domestic Corporate

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 strategic financial solutions tailored to clients' needs.

FY 2019 Overview and Outlook

In fiscal 2019, we worked to develop important business partners, expand sales channels for local financial institutions, and optimize our operational framework. We worked to strengthen client links by promoting cross-selling of products and services that transcend business boundaries in accordance with the issues faced by each business partner, and we also strengthened our foundation for future business activities. We will continue to promote cross-selling among the Group in an effort to build and expand our customer base.

Growth Strategies Frontier Expansion 2021

By further strengthening collaboration among strategic areas as well as among group companies, and by providing sales activities and services as a group, we will build a system that can flexibly respond to the diverse needs of our business partners. In addition, to build and expand our customer base centered on key business partners, we will work to create projects originating from the Group through joint businesses with customers, investment-based businesses and solutions-based businesses.

Core Areas

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.

FY 2019 Overview and Outlook

In fiscal 2019, we expanded our vendor leasing business due to an increase in the volume of transactions resulting from the strengthening of highly profitable equipment leases. Furthermore, in the non-asset business, our collection agency business and factoring business for nursing-care providers made steady progress. Going forward, we will work to strengthen the profitability of our vendor leasing business, and we will also aim to expand our non-asset business.

Growth Strategies Frontier Expansion 2021

In the vendor financing business, we will strengthen profitability to support the growth of the business by establishing clear transaction policies for each commercial product based on profitability and by improving the quality of operating assets. Also, in addition to collection agencies and other non-asset business, we will create new businesses by leveraging the products and know-how from our group companies, such as automobile leases, and aim to further expand our earnings.

Core Areas

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.

FY 2019 Overview and Outlook

As for fund investments, we restructured our portfolio to minimize the impact caused by a deterioration in the financial markets and achieved stable earnings. In credit investments, we contributed to an improvement in ROA by considering investments in various fields and making investments based on profitability. We will continue to leverage our accumulated financial know-how to further improve profitability.

Growth Strategies Frontier Expansion 2021

Concerning fund investments, we will continue to build a portfolio that is less susceptible to the effects of financial market conditions through strategies such as investments in illiquid funds. For credit investments, we will develop new investment fields, such as overseas credit products, to achieve stable earnings.

Foundation for Value Creation

The Fuyo Lease Group works to solve social issues through its business operations as it paves the way to a sustainable society and sustainable business growth while responding to stakeholder expectations. To that end, we see the concept of Creating Shared Value (CSV) as the foundation of our management principles, and we aim to strengthen CSV as a long-term strategy.

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.
Suppliers and partners	We work together with suppliers, 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 business, improve services, and share information through, for example, participation in industry associations.
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 strive to create a comfortable and secure workplace environment and are working towards an environment where all employees can find their own optimal work-life balance and enhance the quality of both life and work.

Participation in International Initiatives

Fuyo Lease signed the UN Global Compact (UNGC) in 2018. The UNGC is an initiative in which companies and organizations demonstrate responsible and creative leadership to act as good members of society and participate in the creation of a global framework for the realization of sustainable growth. Companies and organizations that have signed the UNGC agree to and continue to work toward the achievement of the Ten Principles related to protecting human rights, eliminating unfair labor, responding to environmental issues and anti-corruption.

The Global Compact Network Japan, which is the local network of the UNGC, hosts subcommittees organized by theme to discuss and exchange information with experts regarding the efforts of member companies and organizations. Since fiscal 2019, we have participated in several subcommittees, and use the knowledge and best practices we have gained from these subcommittees to promote sustainable business activities.

WE SUPPORT

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*1 for the Group’s major operating sites to operate management system for continuous improvement.

*1 ISO14001 certified sites: Fuyo General Lease’s head office, Fuyo Leasing Sales, Fuyo Network Service, and FGL Group Business Service (formerly FGL Service).

Environmental Philosophy

The Fuyo Lease Group constantly adopts environmentally-friendly business practices in order to realize a sustainable society and promotes activities to address environmental issues in line with its environmental policy.

Environmental Policy

01 Providing products and services that contribute to environmental conservation

We endeavor to provide products and services that contribute to environmental conservation by having each Group company leverage the characteristics of their business activities.

02 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.

03 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.

04 Complying with environmental laws

We comply with environment-related laws and agreements to which the Fuyo Lease Group has agreed.

05 Establishing an environmental management system

We promote continuous improvement of an environmental management system and set environmental targets as we endeavor to respond to climate change, prevent environmental pollution, and conserve biodiversity.

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 2019 targets	FY 2019 result	Evaluation	FY 2020 targets
Climate change initiatives	Fuyo General Lease & Group companies*2	10.0% decrease from the FY 2013 level of CO_2 emissions (t-CO_2) (Scope 1& 2)	18.9% decrease from the FY 2013 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*2	5.0% decrease from the FY 2013 level of energy consumption (kWh)	6.7% decrease from the FY 2013 level	○	5.0% decrease from the FY 2013 level of energy consumption (kWh)
		10.0% decrease from the FY 2013 level of gasoline and diesel consumed by company vehicles (L)	25.5% decrease from the FY 2013 level	○	10.0% decrease from the FY 2013 level of gasoline and diesel consumed by company vehicles (L)
Comply with environmental laws and regulations	Fuyo General Lease & Group companies*2	Assess compliance with environmental laws and regulations	Conducted compliance assessment. No noncompliance found	○	Assess compliance with environmental laws and regulations
Saving the environment through leasing	Fuyo General Lease	28 billion yen of assets in energy-efficient and environmentally-friendly properties*3	33.1 billion yen	○	36 billion yen of assets in energy-efficient and environmentally-friendly properties*3
Contributing to the creation of a circular society	Fuyo General Lease	More than 95% reuse and recycle rate for returned PC	100%	○	100% reuse and recycle rate for returned PC

*2 Scope: all domestic locations of Fuyo General Lease and Group companies including Fuyo Auto Lease, Fuyo Network Service, Aqua Art, Fuyo Lease Sales and FGL Group Business Service (formerly FGL Service).

*3 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

At the Fuyo Lease Group, we are working to reduce greenhouse gases from our operations in response to climate change issues. We recognize that there are business opportunities to explore due to the growing importance of renewable energy along with environmentally friendly products and services. Therefore, we are promoting the businesses of renewable energy generation and energy-efficient asset leasing as strategic areas in our Medium-term Management Plan. To counter the risk that corporate activities could be disrupted by the destruction of social infrastructure caused by an increase in natural disasters, we are implementing BCP measures and strengthening measures to respond to emergencies. These activities will help mitigate climate change and also realize business growth in the Group.

Initiatives to Reduce Greenhouse Gas Emissions

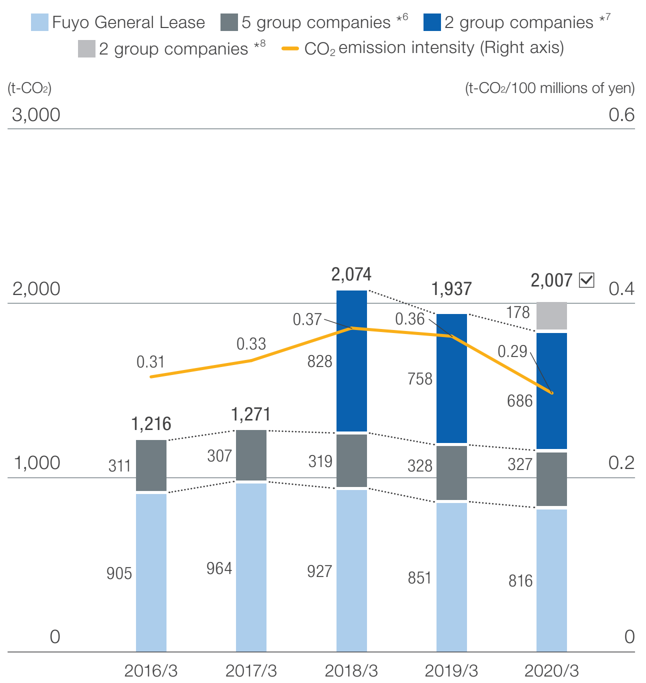
Today, climate change is a universally recognized problem, and increasing greenhouse gas emissions are making it worse. As the Paris Agreement, an international framework for climate action beyond 2020, and other initiatives give momentum to efforts to reduce greenhouse gas emissions across the globe, renewable energy along with environmentally-friendly products and services are more important than ever. The 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 CO_2 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 contributions to reducing greenhouse gas emissions through promoting renewable energy by utilizing schemes of lease and finance.

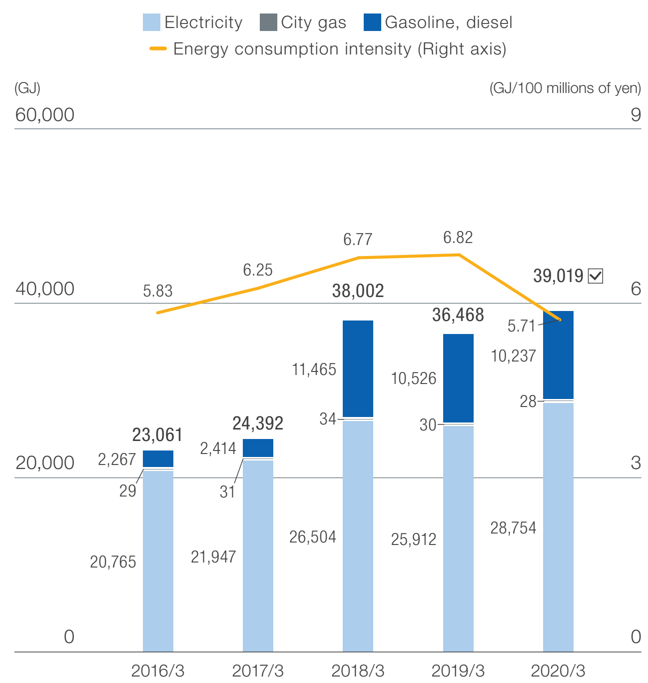
RE 100

Environmental Data

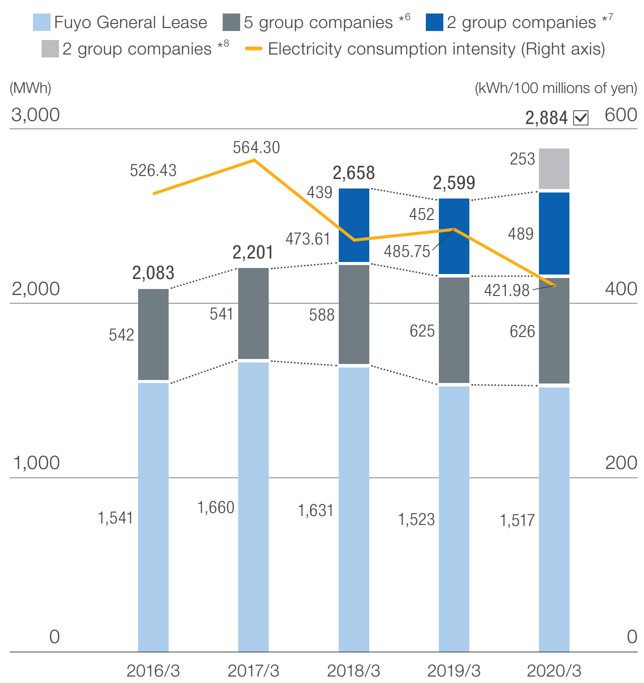
CO₂ Emissions (Scope 1,2) *4 *5 /CO₂ Emission Intensity



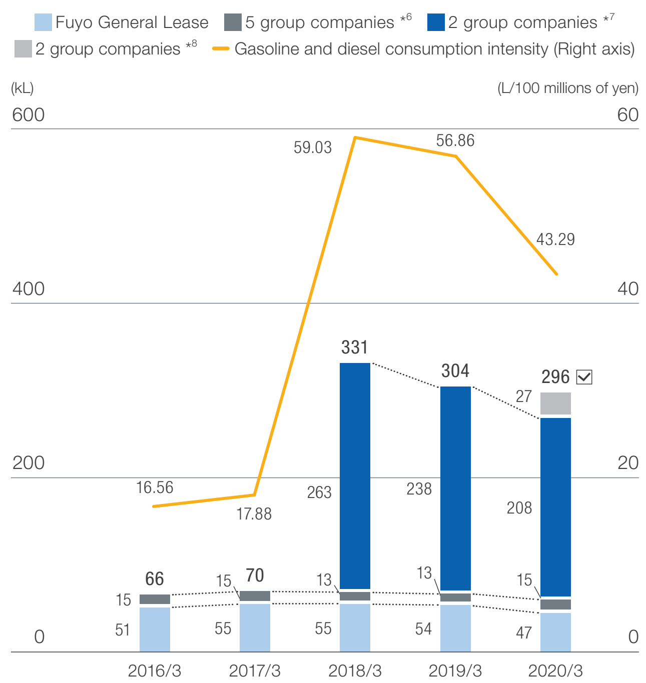
Total Energy Consumption *5



Electricity Consumption *5



Total Gasoline and Diesel Consumed by Company Vehicles *5



*4 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.

*5 Data coverage: all domestic locations of Fuyo General Lease, Fuyo Auto Lease, Sharp Finance, Accretive, INVOICE, FUJITA, Fuyo Network Service, Aqua Art and FGL Group Business Service (formerly FGL Service). Before March 2017 do not include figures of Sharp Finance and Accretive as their data collection began in fiscal 2017. Before March 2019 do not include figures of INVOICE and FUJITA as their data collection began in fiscal 2019.

*6 5 group companies: all domestic locations of Fuyo Auto Lease, Fuyo Network Service, Aqua Art, Fuyo Lease Sales, and FGL Group Business Service (formerly FGL Service).

*7 2 group companies: all domestic locations of Sharp Finance and Accretive.

*8 2 group companies: all domestic locations of INVOICE and FUJITA.

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 CO_2 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 is developing its business and contributing to the promotion of renewable energy with a focus on three pillars: "renewable energy generation business," "promotion of renewable energy-related infrastructure," and "investment in and commercialization support for renewable energy-related technologies." As an example of "promotion of renewable energy-related infrastructure," we are leveraging the knowhow 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 plans include everything from large-scale power plants to rooftop solar panels for distribution warehouses and other commercial facilities as off-grid schemes for self-consumption, which are all introduced to customers with various financing options. (For more information, please see "Special Feature 1. Energy & Environment" on P19,20.)

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. At the same time, it aims to realize a circular economy by working on the 3Rs (Reduce, Reuse, and Recycle) for leased assets after their leases expire.

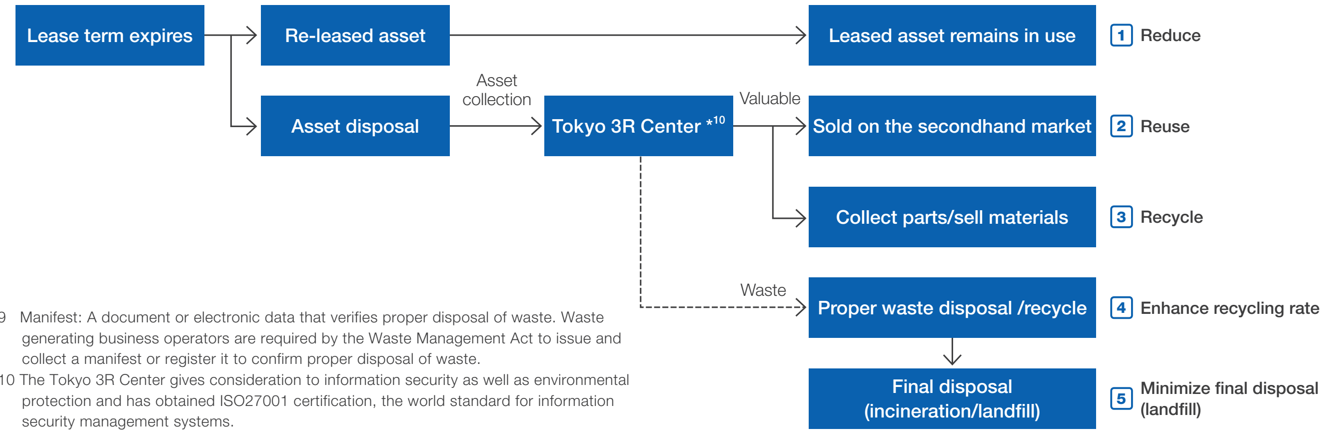
Saving Resources and Reducing Waste through the 3Rs

Guided by our environmental policy, we actively work on the 3Rs 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.

3Rs initiatives for leased assets after their leases expire



*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.

*10 The Tokyo 3R Center gives consideration to information security as well as environmental protection and has obtained ISO27001 certification, the world standard for information security management systems.

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.

Empowering Women in the Workplace

We see empowering women in the workplace as a management priority and have taken 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. We have made efforts such as strengthening the recruitment of women, establishing clear training guidelines, and providing female managerial candidates with career development support. As a result, in fiscal 2019 we achieved both of the goals that we set in 2014, which were to increase the employment ratio of new female graduates to 30% and make the percentage of women in managerial positions one-and-a-half times more than it was in 2014 (i.e., 40 women).

Going forward, we will further enhance our efforts in an aim to reach our new targets for fiscal 2021, which are to achieve a female employment ratio of at least 40% and to increase the percentage of women in managerial positions to at least 30%.

Targets for FY 2021

Expand employment opportunities for women	
Ratio of new female employees hired	Ratio of female employees in management positions
40% or more	30% or more

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 fiscal 2017, we joined "the Ikuboss Corporate Alliance" in fiscal 2018, which is a network of businesses seeking to develop the next generation of model leaders ("Ikuboss"). In fiscal 2019, we revised various rules to make it easier for male employees to take childcare leave.

We have been implementing work-style reforms since fiscal 2014. Not only do we ensure legal compliance, we have also established programs such as Refresh Days (leave-work-early days) and the staggered hours program (a program where employees can flexibly choose the start and end times for their hours in addition to regular working hours) to revise long working hours and to create an environment in which employees can work according to their lifestyles regardless of activities, such as childcare and nursing care.

Furthermore, by having a working group that includes a cross-section of employees, we can create a better workplace from our workers' perspective. In 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.

Next-Generation Training Support Action Plan: Stage 7 (April 2017 - March 2022)

Description	• 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	• 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*11 April 2020 - March 2021 (1 year)

*11 The current voluntary target and the current target of the general employer action plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace is 80% (March 2022).

Our New Head Office That Focuses on Being a Better Workplace for Employees

In June 2020, the Fuyo Lease Group consolidated the functions of its head office in Kojimachi, Chiyoda-ku, Tokyo. Along with the consolidation of our head office, we introduced a variety of equipment that will allow each employee to choose from various work styles according to their circumstances. For example, we have set up “concentration booths” that enable employees to concentrate as they proceed with their work and, as a general rule, we have switched employee PCs to laptops, creating an environment in which employees may work regardless of place. In addition, by installing large monitors in all reception and meeting rooms, we will promote paperless, streamlined operations related to document preparation.

Further, we have set group-shared lounges, cafes, and meeting spaces on all floors, allowing for communication from casual conversations to meetings beyond the boundaries of the group companies.

Lounge

Employee Data *12

	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Retention rate of employees after 3 years (%)	94.7	100	85.7	100☑	-	-
Turnover rate (%)*13	1.1	0.8	1.0	1.9	1.9	1.8☑
Rate of paid leave taken (%)	58.5	61.9	68.9	68.0	68.4	66.3☑*14
Number of female managers (persons)	25	27	29	32	36	79☑*15
Percentage of Female Managers (%)	8.1	9.0	9.1	9.9	11.5	19.6☑*15
Employment rate of the disabled (%)	2.0	1.8	2.2	2.3	2.3	2.1☑

*12 Scope: Fuyo General Lease (non-consolidated)
*13 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.
*14 Due to restrictions on the number of employees coming to work in conjunction with the spread of COVID-19, actual data on paid leave for eight Fuyo General Lease (USA) Inc. employees is not included.
*15 In July 2019, our human resources system was revised to classify senior leaders (a position equivalent to the position of section chief, of which there were 40 as of the end of fiscal 2019) as managers. As a result, the number of female managers and the ratio of female managers increased year on year.

Human Resource Development

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

In fiscal 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 fiscal 2018, under which employees are evaluated and supported in taking up challenges with the focus on their actions. In order to firmly evaluate and support employees who take on challenges, we present employees who have taken on the best challenges throughout the Group with the “Challenge of the Year” award. 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 areas such as Real Estate, Medical & Welfare and Energy & Environment, positions in the credit department, and administrative positions responsible for BCP.

In fiscal 2019, our human resources system was revised to change positions that had previously been divided into “general staff” and “managerial career track” to “operations staff” and “managerial career track.” Additionally, employees who have been classed in both types of management positions after the skill development period are also unified under the “key career track” without having to divide their work areas. At the same time, the “key career track” will not only serve as a role model centered on generalists but also as a dual-track framework in which the activities of highly specialized human resources can be evaluated through the creation of specialist positions. In fiscal 2019, we also established a new “Internal Coaching Qualification System” to further enhance employee autonomy and revitalize the organization.

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 professionality 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. In addition, in March 2019, the “Fuyo Symphony” project was launched with the objectives of pursuing group synergies as well as sharing the Group’s culture, and a cross-group workshop was held in which approximately 2,000 Group employees participated. By understanding and respecting each other, all group employees are encouraged to come together as one and move forward towards our goal to “Go where no one has gone before.”

Fuyo Symphony

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, along with students at Tokyo Communication Arts who are aiming to be aquarists, to create interior aquarium designs and decorations, some of which are displayed at commercial facilities.

In fiscal 2019, which is the eighth time, 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.

We also donate (rent out for free) “AQUA ART” interior aquariums to nursery schools and maternal and child living support facilities with the hope of showing tropical fish to children in urban areas and the desire to bring smiles and comfort to children with aquariums.

Every summer vacation, we hold visiting lectures as environmental education activities for children to make the recipients of our donations happier. Children who regularly come into contact with AQUA ART are fascinated by the habits and characteristics of the tropical fish. Learning about the ecosystem and other topics through quizzes and amusement events that follow always come with many smiles and cheers. In fiscal 2019, students from Tokyo Metropolitan Kogei High School participated in a visiting lecture as a hands-on activity in their Humans Society course, which is a part of the Tokyo metropolitan high school curriculum, and we had a great time in the class together.


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


Children cheerfully responding during a visiting lecture

Board Members

As of June 23, 2020

Directors

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

Soichi Hosoi

Senior 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
Apr. 2020 Senior Managing Director and Senior Managing Executive Officer
To present

Keiji Takada

Senior Managing Director

Apr. 1984 Joined The Fuji Bank, Limited.
May 2010 General Manager of Corporate Banking Division No.13 of Mizuho Corporate Bank, Ltd. (retired in March 2012)
Apr. 2012 General Manager of Corporate Business Division of the Company
Apr. 2014 Executive Officer, General Manager of Corporate Business Division
Apr. 2016 Managing Executive Officer
Apr. 2020 Senior Managing Executive Officer
June 2020 Senior Managing Director and Senior Managing Executive Officer
To present

Seiichi Isshiki

Director Outside 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 ENEOS Corporation) (retired in June 2016)
June 2015 Director of the Company
To present

Hideo Ichikawa

Director Outside 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
Mar. 2020 Director, Chairman of the Board of Showa Denko K.K. (current position)
To present

Masayuki Yamamura

Director Outside 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
June 2018 Counselor to the President (current position)
June 2019 Director of the Company
To present

Auditors

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

Yoshito Tsuruta

Full-time Audit & Supervisory Board Member

Sep. 1988 Joined the Company
Apr. 2008 General Manager of Finance Division
Apr. 2015 Executive Officer, General Manager of Finance Division
June 2020 Full-time Audit & Supervisory Board Member of the Company
To present

Teruhiko Numano

Audit & Supervisory Board Member
Outside 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

Audit & Supervisory Board Member
Outside 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, Japan Audatex 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
	• Set up the Nomination and Compensation Advisory Committee	• To ensure independence and objectivity in the decision-making process for matters such as appointments and remuneration
2016	• 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) • The base index for calculation of performance-based compensation was changed to key performance indicators for the Medium-term Management Plan (operating assets, ordinary profit, and ROA on a consolidated basis) • Revised Corporate Governance Guidelines	• To strengthen links among the directors' remuneration, shareholder value, and achievement status of the Medium-term Management Plan • To comply with the revised Japan's Corporate Governance Code
2019	• Disclosed an English version of the Corporate Governance Report • Began reporting annual internal audit results and annual plans and policies to the Board of Directors	• To enhance external disclosure related to corporate governance • To expand reporting lines for internal audits

Establishment of the Corporate Governance Guidelines

In conformity with the purpose and spirit of the Japanese 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 eight directors, including five inside directors and three independent outside directors, with independent outside directors accounting for more than 1/3 of the Board of 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 fiscal 2019, the Board of Directors met 11 times.

Nomination and Compensation Advisory Committee

Fuyo Lease has set up the Nomination and Compensation Advisory Committee as an advisory body of 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 fiscal 2019, the Nomination and Compensation Advisory Committee met three 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 fiscal 2019, the Board of Corporate Auditors met 10 times.

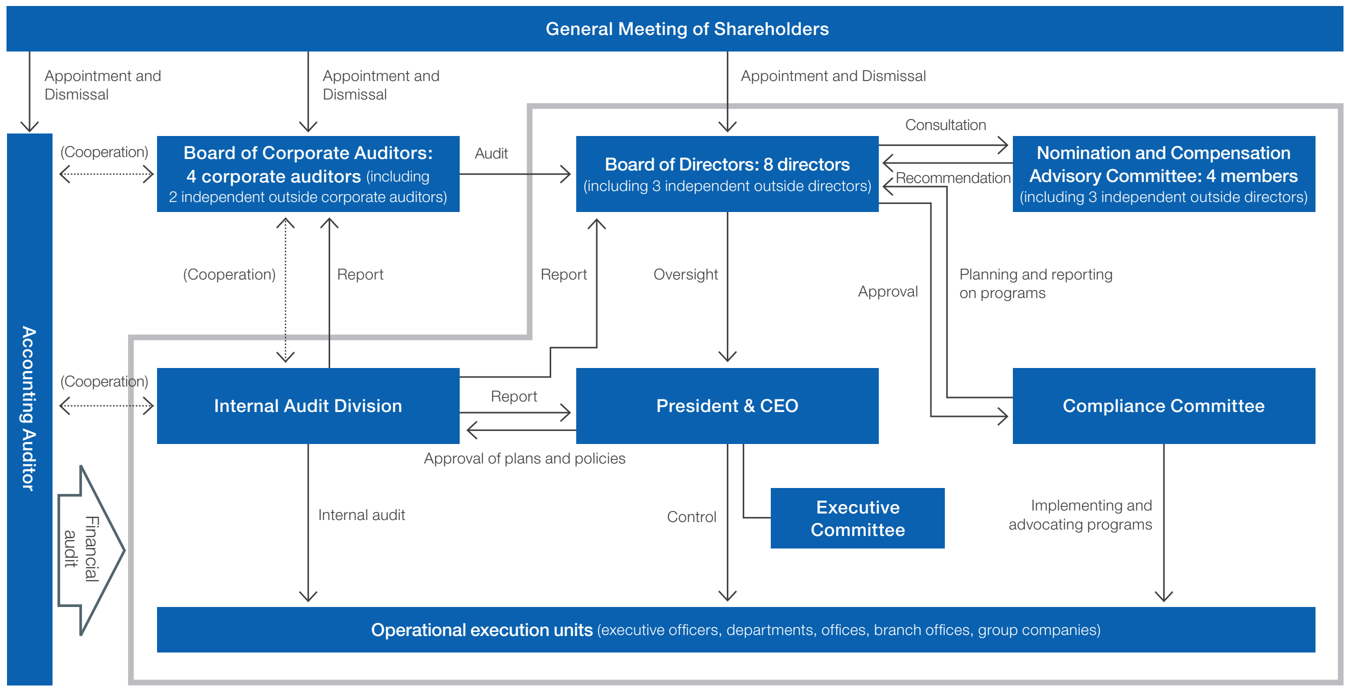
Executive Committee

The Executive Committee is composed of Executive Officers with positions of managing executive officer or higher, the heads of the Corporate Planning Division, Human Resources Division, and Business Planning & Promotion 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 fiscal 2019, the Executive Committee met 19 times.

Corporate Governance Structure



Attendance at Board and Committee meetings (attendance in FY 2019 by board members, as of June 23, 2020)

Name	Position	Attendance at Board meetings	
Takashi Sato	Director and Chairman (Representative Director)	Board of Directors: 11/11	
Yasunori Tsujita	President and Chief Executive Officer (Representative Director), Chairman of the Nomination and Compensation Advisory Committee	Board of Directors: 11/11	Nomination and Remuneration Advisory Committee: 3/3
Shozo Kazama	Director and Deputy President (Representative Director)	Board of Directors: 11/11	
Soichi Hosoi	Senior Managing Director	Board of Directors: 11/11	
Keiji Takada	Senior Managing Director	- (Elected in June 23, 2020)	
Seiichi Isshiki	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	Board of Directors: 11/11	Nomination and Remuneration Advisory Committee: 3/3
Hideo Ichikawa	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	Board of Directors: 11/11	Nomination and Compensation Advisory Committee: 3/3
Masayuki Yamamura	Director (Independent Outside Director), Member of the Nomination and Compensation Advisory Committee	Board of Directors: 9/9	Nomination and Remuneration Advisory Committee: 1/1 (Elected in June 21, 2019)
Shigeru Suda	Full-time Audit & Supervisory Board Member	Board of Directors: 11/11	Board of Corporate Auditors: 10/10
Yoshito Tsuruta	Full-time Audit & Supervisory Board Member	- (Elected in June 23, 2020)	
Teruhiko Numano	Outside Audit & Supervisory Board Member (Independent Director)	Board of Directors: 8/11	Board of Corporate Auditors: 9/10
Yoshihiro Jinnai	Outside Audit & Supervisory Board Member (Independent Director)	Board of Directors: 11/11	Board of Corporate Auditors: 10/10

Compliance Committee

Fuyo Lease has set up a Compliance Committee chaired by the Chief Compliance Officer and vice chaired by the Legal and Compliance Division officer. The heads of relevant planning and administrative departments, the heads of relevant departments of domestic and overseas subsidiaries serve as full-time committee members, and outside lawyers serve as outside members. 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 seven 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 fiscal 2019 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**

"Further enhancing the provision of information to outside directors" was one of the issues identified last fiscal year. Regarding this, while expanding information on subsidiaries in management reports, the presidents of important subsidiaries directly reported on business conditions, etc., and also key discussion points at the Executive Committee, as well as the meeting minutes, were provided.

The other issue was "expanding viewpoints and perspectives, and narrowing down discussion points in deliberations by the Board of Directors." Regarding this, in addition to establishing reports on the progress and risks of plans in each strategic area in the Medium-term Management Plan, it was confirmed that the effectiveness of the proposal was improved by sharing the points of discussion concerning the agenda items at the outside directors briefing session with all internal directors.

- **Newly identified issues**

We recognized the need to reflect the viewpoints of CSV (Creating Shared Value) and ESG (Environment, Social, and Governance) in the deliberations of the Board of Directors and continue to further invigorate discussions at the Board of Directors and enhance the provision of information to outside directors.

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 president, chief executive officer, representative director and chairman of the board, director, chairman of the board of 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 chairman of a general incorporated association, 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 Sompo Japan Insurance Inc. and president of Audatex Japan, Yoshihiro Jinnai should be able to conduct audits appropriately from an objective standpoint by drawing upon his extensive experience and wealth of knowledge.

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 specify 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 (in lieu of the provision of the Company's shares, an amount equivalent to the market value of the Company's shares for a specified proportion, if the requirements specified in "Regulations for Provision of Shares to Officers" are met) 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 provisions 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.

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)	327	202	76	49	6
Board of Corporate Auditors members (excl. outside auditors)	44	44	-	-	2
Outside Directors	57	57	-	-	6

Notes: 1. The above remuneration amount and number of directors include those who resigned by the end of fiscal 2019.
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 4 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.

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, 2020). The following is not an exhaustive list of all the risks that could affect investment in the Company's shares.

Risk Factors in Business Development
Risk relating to changes in capital expenditure trends and other changes
Credit Risk
Risk relating to changes in factors such as interest rates, exchange rates and share prices, and financing
Risk relating changes in regulatory systems
Risk relating to strategic partnerships and corporate acquisitions
Risk from natural disasters or other causes
Risk relating to business strategies Decline in the value of assets in Real Estate, Aircraft and Mobility businesses Changes in the amount of power generated in the solar power generation business Delays in delivery and deterioration of business quality in BPO services Changes in overseas political and economic conditions in overseas business
Risk relating to overall business operation Risk relating to information security Human risk relating to developing and securing human resources Compliance risk

*Please refer to our annual securities report for details on each section.

Response to Risks

The Fuyo Lease Group assumes various risks that may arise in the course of business development and is implementing measures to counter these risks. Details of the business risks for the Group are disclosed in our annual securities report, and major countermeasures are described below.

COVID-19

Against the backdrop of the spread of COVID-19, the Group's Board of Directors and Executive Committee are discussing ways to deal with infection risks in business activities and the impact of these risks on business performance. To deal with the risk of infection in our business activities, we established the COVID-19 emergency response headquarters under the direction of the president, and we are engaging in initiatives based on the Group's Basic BCP Principles. Along with initiatives such as telecommuting, staggered working hours, and checking the health of employees, we have also established a system for reporting to the COVID-19 emergency response headquarters, contact tracing procedure and procedures for disinfecting, publicizing information, and taking other measures in the event of an infection or suspected infection within our company. Through these measures, we are ensuring the prevention of infections and making efforts to prioritize the continuation of operations that will not seriously impact the continued business of our customers. In addition, estimates of the impact of COVID-19 on the Group's performance are based on the assumption that the spread of infection will subside around the end of the first half of fiscal 2020, but these estimates may change depending on future trends. In the future, we will disclose information in a timely and appropriate manner whenever we anticipate a significant change in performance.

Information Security

With unauthorized access to information via the Internet as well as cyber-attacks increasing daily and becoming more sophisticated, the Group recognizes that information security risks are an important management issue. In order to establish a strict information management system for the entire Group, data is strictly controlled by our information security manager in accordance with detailed rules, including the Confidential Information Management Rule. Additionally, each employee is thoroughly informed of the Appropriate Information Management section included in the Code of Corporate Conduct as well as the Privacy Policy, and we have implemented level-specific information security training programs. In fiscal 2019, we provided training on confidential information management and personal data protection to 1st year employees (generalist track).

Large-Scale Disaster

The Group has 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. We also conduct regular drills to promote the minimization of damage and ensure business continuity. In fiscal 2019, we reviewed BCP-related regulations and newly established our Basic BCP Principles.

Compliance System

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 conducting compliance practices 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 fiscal 2019, 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.

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 2019)

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
1st 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	Prevention of money laundering and measures to counter terrorism financing	1
Directors and head of department/office/branch office	Prevention of money laundering and measures to counter terrorism financing	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

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. These services are available on a regular basis and information on these services is disclosed on the company's intranet bulletin board. 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 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 fiscal 2019, three 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, and all cases have been resolved.

Independent Assurance Report

Fuyo General Lease Co., Ltd. has engaged KPMG AZSA Sustainability Co., Ltd. to perform assurance of selected environmental and social data in order to assure credibility of reported figures. The data subject to the third-party assurance is indicated with ☑ .

KPMG

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, 2019 to March 31, 2020 included in its Fuyo Lease Group Integrated Report 2020 (the "Report") for the fiscal year ended March 31, 2020.

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 Aqua Art 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
September 10, 2020

Financial Section

Financial Information

Financial Position and Management Goals

Financial Position and Results of Operations

The Japanese economy in the consolidated fiscal year under review was on a slow recovery trend against the backdrop of improvements to the employment and income environment. However, in addition to U.S.–China trade friction, the impact of the global spread of the COVID-19 in the latter half of the fiscal year has created an unavoidably uncertain situation going forward.

According to the Japan Leasing Association, the total volume of lease transactions in Japan's leasing industry in fiscal 2019 came to ¥5,333.1 billion, an increase of 6.4% 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 fiscal 2017 to fiscal 2021. In fiscal 2019, the third 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 fiscal 2019 totaled ¥1,359,703 million, up 14.5% year on year. Consolidated operating assets (after subtracting the deferred profit on installment sales) as of March 31, 2020, totaled ¥2,383,992 million, up ¥121,167 million, or 5.4%, from the end of the previous fiscal year.

The total assets amounted to ¥2,752,598 million, up ¥159,616 million, or 6.2%, from the end of fiscal 2018. This increase is due to a steady increase in operating assets, which increased by ¥121,167 million from the end of the previous fiscal year to ¥2,383,992 million, an increase of 5.4% year over year.

The funding balance stood at ¥2,231,020 million, an increase of 6.4% year on year, mainly due to the issuance of unsecured straight bonds amounting to ¥65,000 million during the fiscal year under review.

On the profit front, the Company reported total revenues of ¥712,330 million, up 15.2% year on year, operating profit of ¥41,423 million, up 16.1% year on year, ordinary profit of ¥44,045 million, up 12.6% year on year, and net profit attributable to owners of parent of ¥26,187 million, up 2.6% year on year. Compared with the interim goals set in the Medium-term Management Plan, operating assets have been steadily accumulating, and ordinary profit and ROA (ordinary profit on operating assets) results have outperformed the goals.

Financial Position and Results of Operations by Segment

Revenues, cost of sales and gross profit

Lease and Installment Sales

In fiscal 2019, Lease and Installment Sales segment revenues increased by ¥11,127 million, or 2.1% year on year, to ¥528,853 million. Cost of sales increased by ¥6,576 million, or 1.4% year on year, to ¥475,782 million, and gross profit in the Lease and Installment Sales segment increased by ¥4,551 million, or 9.4%, year on year, to ¥53,071 million. This was mainly due to a large increase in profit through the accumulation of operating assets centered on real estate leases.

Financing

Financing segment revenues totaled ¥15,979 million in fiscal 2019, an increase of ¥998 million, or 6.7%, year on year. Cost of sales increased by ¥123 million, or 73.9%, to ¥291 million, and gross profit in the Financing segment rose ¥874 million, or 5.9%, to ¥15,688 million. This was mainly due to the contribution of real estate financing and factoring in a consolidated subsidiary that increased transactions with major customers.

Other

The Other segment's revenues jumped by ¥82,084 million, or 96.1% year on year, to ¥167,497 million in fiscal 2019. Cost of sales increased by ¥77,049 million, or 105.0% year on year, to ¥150,460 million, and gross profit in the other segment increased by ¥5,035 million, or 42.0% year on year, to ¥17,036 million. In addition to the BPO service, this was mainly attributable to the profit growth in various other businesses including the asset turnover business, which is characterized by asset replacement through securitization, and the solar power generation business.

Operating profit, ordinary profit and profit attributable to owners of parent

In addition to the accumulation of operating assets centered on strategic areas from the past, New Domains such as BPO service contributed significantly to achieving an increase in gross profit, the basic income which is a major source of profits. Gross profit increased by ¥10,461 million (13.9%) year on year to ¥85,796 million. As for costs, personnel expenses increased by ¥3,328 million (11.0%) year on year to ¥33,561 million due to the addition of consolidated subsidiaries, but this was offset by an increase in gross profit.As a result, operating profit totaled ¥41,423 million, a year on year increase of 16.1%, ordinary profit totaled ¥44,045 million, a year-on-year increase of 12.6%, and profit attributable to owners of parent stood at ¥26,187 million, up 2.6% year. Revenues, operating profit, ordinary profit, and profit attributable to owners of parent all exceeded the previous year's level, and record-high profits were achieved for the consolidated fiscal year.

Net Assets and Equity Ratio

Total shareholders' equity increased by ¥18,580 million, or 8.2% from the end of the previous fiscal year to ¥245,615 million, mainly owing to an increase in retained earnings. As a result, total net assets came to ¥311,819 million at the end of the fiscal year under review, up ¥16,779 million, or 5.7%, compared to the end of the previous fiscal year. Net assets are steadily accumulating. The equity ratio fell 0.1 percentage points from the end of the previous fiscal year to 10.0% 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.

The outlook for the economy is expected to remain severe due to the ongoing and rapid deterioration of economic activities caused by the global spread of COVID-19. The consolidated financial forecast for the fiscal year ending March 2021 is based on the assumption that the spread of the COVID-19 will subside around the end of the first half of the fiscal year, however this may change depending on future trends.

Cash Flows

The cash flow analysis and content to be considered for the consolidated fiscal year under review are as follows.

Cash Flows from Operating Activities

Operating activities in fiscal 2019 used net cash of ¥108,804 million, a decrease compared to the net cash used of ¥79,975 million in the previous fiscal year. The main factors in changes were an increase in loss on retirement of leased assets and cost of leased assets sales, an increase in lease receivables and lease investment assets, an increase in other operating loans receivables, and an increase in operational investment securities.

Cash Flows from Investing Activities

Investing activities in fiscal 2019 used net cash of ¥11,242 million, compared to the net cash of ¥9,393 million used in the previous fiscal year. The main factors in changes were an increase in purchase of shares of subsidiaries resulting in change in scope of consolidation, payments for purchase of investment securities, and a decrease in proceeds from sales and redemption of marketable and investment securities.

Cash Flows from Financing Activities

Financing activities in fiscal 2019 provided net cash of ¥127,754 million, compared to the net cash of ¥105,502 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 an increase in proceeds from the securitization of receivables and the issuance of bonds, and a decrease in the net amounts of commercial paper.

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 ¥1,485,155 million, up 7.5% 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 4.3% from the end of the previous fiscal year to ¥745,865 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 6.4% from the end of the previous fiscal year to ¥2,231,020 million. The percentage of direct financing stood at 33.4%, a decrease of 0.7 percentage points 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, 2020, the balance of interest-bearing debt, including borrowings and lease obligations, stood at ¥2,251,741 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 ¥77,416 million.

At the end of the fiscal year under review, the Company had concluded overdraft agreements and loan commitment agreements with 79 correspondent financial institutions. The balance of executed loans amounted to ¥478,876 million, and the balance of unexecuted loans stood at ¥493,932 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 5.4% from the end of the previous consolidated fiscal year while improving return on assets (ROA) by 0.14 percentage points from the end of the previous consolidated fiscal year.

Management Goals (Consolidated)	FY 2017 Result	FY 2018 Result	Interim Goal (FY 2019)	FY 2019 Result	Target Value (FY 2021)
Operating Assets	¥2,172.6 bn	¥2,262.8 bn	¥2,300.0 - ¥2,400.0 bn	¥2,384.0 bn	¥2,500.0 bn
Ordinary Profit	¥35.2bn	¥39.1 bn	¥38.0 – 42.0 bn	¥44.0 bn	¥50.0 bn
Return on assets (ROA)	1.67%	1.76%	1.7 - 1.8 %	1.90%	2.0%

Financial and Non-Financial Data (10 years)

Financial Data (consolidated)

	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
Revenues (billions of yen)	408.5	421.5	442.6	441.7	472.3	493.8	507.2	590.3	618.1	712.3
Cost of sales (billions of yen)	355.0	369.2	393.2	394.5	423.7	442.6	451.9	529.8	551.4	636.0
Gross profit (billions of yen)	53.5	52.3	49.3	47.2	48.6	51.2	55.3	60.5	66.7	76.3
Selling, general and administrative expenses (billions of yen)	28.4	23.7	24.5	24.0	24.0	26.7	26.5	27.8	31.0	34.9
Operating profit (billions of yen)	25.1	28.7	24.8	23.2	24.6	24.5	28.8	32.7	35.7	41.4
Ordinary profit (billions of yen)	27.1	32.1	26.4	25.4	26.5	29.2	31.4	35.2	39.1	44.0
Profit attributable to owners of parent (billions of yen)	13.5	16.5	15.6	13.0	14.2	17.5	20.0	21.9	25.5	26.2
Total assets (billions of yen)	1,654.0	1,668.6	1,764.3	1,851.9	1,986.8	2,113.1	2,300.1	2,430.5	2,593.0	2,752.6
Operating assets (billions of yen)	1,432.9	1,440.9	1,495.9	1,599.2	1,730.5	1,867.2	2,047.4	2,172.6	2,262.8	2,384.0
Interest-bearing debt (billions of yen)	1,406.0	1,402.4	1,473.4	1,500.1	1,629.8	1,750.3	1,900.7	2,000.3	2,122.7	2,251.7
Net assets (billions of yen)	125.2	144.8	173.8	202.6	222.5	232.5	259.2	282.6	295.0	311.8
Equity ratio (%)	6.7	7.7	8.8	9.8	10.1	9.9	9.9	10.2	10.1	10.0
Executed contract volume (billions of yen)	534.9	484.6	547.2	594.8	666.9	703.8	834.2	1,105.1	1,187.2	1,359.7
ROA (%)	1.91	2.23	1.80	1.64	1.59	1.62	1.60	1.67	1.76	1.90
OHR (%)	42.2	43.7	47.8	49.8	48.7	51.2	47.1	45.2	45.3	44.0
Cash flows from operating activities (billions of yen)	(40.3)	(34.0)	(55.5)	(85.2)	(165.4)	(151.5)	(154.3)	(104.4)	(80.0)	(108.8)
Cash flows from investing activities (billions of yen)	(4.5)	(4.7)	8.2	(1.1)	(1.1)	(1.2)	(4.6)	(5.7)	(9.4)	(11.2)
Cash flows from financing activities (billions of yen)	(2.5)	51.6	98.2	62.6	147.3	150.3	157.7	113.5	105.5	127.8
Cash and cash equivalents at the end of the fiscal year (billions of yen)	31.1	43.9	95.2	72.3	54.0	51.4	50.6	54.1	69.9	77.4
Earnings per share (yen)	446.37	546.40	518.21	429.49	470.14	579.17	661.80	726.41	844.69	871.95
Dividends per share (yen)	62	66	70	74	80	100	130	146	188	205

Non-Financial Data (consolidated)

	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
CO_2 emissions (Scope1,2) (t-CO_2)	1,232	1,096	1,279	1,409	1,287	1,216	1,271	2,074	1,937	2,007
Scope1 (t-CO_2)	234	213	202	192	159	154	163	770	707	687
Scope2 (t-CO_2)	998	883	1,077	1,217	1,128	1,062	1,108	1,304	1,230	1,319
CO_2 emission intensity (Scope1,2) (t-CO_2 / 100 millions of yen)	0.34	0.31	0.34	0.39	0.33	0.31	0.33	0.37	0.36	0.29
Green energy supply (Output) (MW-dc)	0	0	8	23	48	77	77	102	140	200
Number of employees (Employees)	1,403	1,504	1,500	1,521	1,542	1,559	1,703	1,715	1,960	2,416
Number of employees (non-consolidated) (Employees)	595	611	658	660	669	670	689	689	704	715
Turnover rate (non-consolidated) (%)	2.3	1.7	1.4	1.3	1.1	0.8	1.0	1.9	1.9	1.8

Consolidated Balance Sheets

Fuyo General Lease Co., Ltd. and Consolidated Subsidiaries
March 31, 2020 and 2019

Assets	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2020
Current assets:			
Cash and deposits (Notes 2 and 8)	¥ 77,436	¥ 71,173	$ 710,424
Marketable Securities (Notes 2, 3 and 5)	234,837	179,529	2,154,468
Trade receivables (Notes 2 and 5):			
Installment sales	79,753	97,452	731,682
Financing	416,776	385,951	3,823,642
Lease	1,127,595	1,100,515	10,344,915
Other	4,107	2,671	37,680
Allowance for doubtful receivables	(3,085)	(2,725)	(28,305)
Other	90,065	63,610	826,293
Total current assets	2,027,487	1,898,179	18,600,799
Investments and other assets:			
Investment in securities (Notes 2, 3 and 5)			
Unconsolidated subsidiaries and affiliates	24,045	23,921	220,604
Other investment in securities	67,938	68,899	623,291
Claims provable in bankruptcy, claims provable in rehabilitation and other	602	571	5,525
Other investments	46,079	47,541	422,743
Deferred tax assets (Note 11)	2,762	4,155	25,347
Allowance for doubtful receivables	(363)	(375)	(3,335)
Total investments and other assets	141,065	144,713	1,294,175
Property and equipment, at cost less accumulated depreciation:			
Leased assets (Note 4)	506,498	480,930	4,646,775
Advances on purchases of property and equipment for lease	6,911	15,073	63,405
Other operating assets (Note 4)	26,383	28,265	242,049
Own-used assets (Note 4)	13,319	1,790	122,193
Total property and equipment	553,111	526,059	5,074,422
Intangible fixed assets:			
Software leased to customers	266	330	2,448
Goodwill	21,749	15,935	199,533
Other	7,644	6,591	70,137
Total intangible fixed assets	29,660	22,856	272,118
Deferred assets:			
Deferred organization expenses	1	0	14
Business commencement expenses	1,271	1,171	11,667
Total deferred assets	1,273	1,172	11,681
Total assets:	¥ 2,752,598	¥ 2,592,981	$ 25,253,195

See accompanying notes to the consolidated financial statements.

Liabilities and net assets	Millions of yen 2020	Millions of yen 2019	Thousands of U.S. dollars (Note 1) 2020
Current liabilities:			
Short-term borrowings (Notes 2 and 5)	¥ 1,009,917	¥ 1,015,259	$ 9,265,298
Current portion of long-term debt (Notes 2 and 5)	336,216	291,825	3,084,556
Lease obligations (Notes 2 and 5)	20,302	25,103	186,264
Notes and accounts payable – trade	45,391	44,531	416,436
Income taxes payable	4,215	5,555	38,673
Advances received from customers	8,601	8,261	78,913
Deferred profit on installment sales	1,307	1,421	11,997
Other	39,620	27,872	363,489
Total current liabilities	1,465,573	1,419,831	13,445,626
Long-term liabilities:			
Long-term debt (Notes 2 and 5)	884,886	789,872	8,118,228
Deferred tax liabilities (Note 11)	15,706	15,606	144,094
Net defined benefit liability (Note 12)	2,309	1,996	21,192
Guarantee deposits from customers	65,333	64,093	599,392
Other	6,968	6,541	63,935
Total long-term liabilities	975,205	878,110	8,946,841
Total liabilities	2,440,778	2,297,941	22,392,467
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 2020 and 2019	10,532	10,532	96,625
Capital surplus	8,873	8,873	81,410
Retained earnings	228,285	208,454	2,094,358
Less, treasury stock, at cost – 315,734 shares in 2020 and 142,465 shares in 2019	(2,075)	(826)	(19,041)
Total shareholders' equity	245,615	227,034	2,253,352
Accumulated other comprehensive income			
Net unrealized gains (losses) on available-for-sale securities	31,650	34,713	290,373
Deferred gains (losses) on hedges	(798)	(577)	(7,323)
Foreign currency translation adjustments	(435)	496	(3,992)
Remeasurements of defined benefit plans	(163)	3	(1,502)
Total accumulated other comprehensive income	30,253	34,636	277,556
Share acquisition rights	764	842	7,011
Non-controlling interests	35,186	32,525	322,809
Total net assets	311,819	295,039	2,860,728
Total liabilities and net assets	¥ 2,752,598	¥ 2,592,981	$ 25,253,195

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

Fuyo General Lease Co., Ltd. and Consolidated Subsidiaries
Years Ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Revenues:			
Lease and installment sales	¥ 528,853	¥ 517,726	$ 4,851,869
Financing	15,979	14,980	146,599
Other	167,497	85,412	1,536,673
Total revenues	712,330	618,119	6,535,141
Costs:			
Lease and installment sales	475,782	469,206	4,364,976
Financing	291	167	2,672
Other	150,460	73,411	1,380,372
Interest expenses	9,448	8,648	86,681
Total costs	635,982	551,433	5,834,701
Gross profit	76,347	66,686	700,440
Selling, general and administrative expenses	34,924	31,006	320,405
Operating profit	41,423	35,680	380,035
Other income (expenses)			
Interest and dividend income	1,844	1,792	16,925
Interest expenses	(627)	(530)	(5,757)
Equity in earnings of affiliates	1,322	1,259	12,134
Bad debt recovered	97	86	892
Reversal of allowance for doubtful receivables	–	95	–
Reversal of provision for loss on guarantees	192	91	1,769
Gain on sale of marketable and investment securities	395	941	3,629
Loss on valuation of investment securities	(545)	–	(5,004)
Loss on redemption of investment securities	(513)	–	(4,713)
Impairment loss	(1,283)	(22)	(11,773)
Other, net	(226)	624	(2,077)
Profit before income taxes	42,080	40,019	386,060
Income taxes (Note 11)			
Current	10,680	11,182	97,983
Deferred	1,747	787	16,029
Total	12,427	11,969	114,012
Profit	29,653	28,049	272,048
Profit attributable to non-controlling interests	3,466	2,534	31,799
Profit attributable to owners of parent	¥ 26,187	¥ 25,515	$ 240,249

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, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	¥ 29,653	¥ 28,049	$ 272,048
Other comprehensive income			
Net unrealized gains (losses) on available-for-sale securities	(2,380)	(4,553)	(21,841)
Deferred gains (losses) on hedges	(128)	(478)	(1,179)
Foreign currency translation adjustment	(686)	(1,066)	(6,302)
Remeasurements of defined benefit plans	(54)	(10)	(502)
Share of other comprehensive income of entities accounted for using equity method	(1,157)	24	(10,618)
Total other comprehensive income	(4,408)	(6,084)	(40,442)
Comprehensive income	¥ 25,245	¥ 21,965	$ 231,606
(Comprehensive income attributable to)			
Comprehensive income attributable to owners of the parent	¥ 21,804	¥ 19,437	$ 200,038
Comprehensive income attributable to non-controlling interests	3,440	2,527	31,568

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, 2020 and 2019

	Year ended March 31,2020					
		Shareholders' equity				
	Number of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
		Millions of yen				
Balance at beginning of year	30,287,810	¥ 10,532	¥ 8,873	¥ 208,454	¥ (826)	¥ 227,034
Cash dividends				(6,333)		(6,333)
Profit attributable to owners of parent				26,187		26,187
Purchase of treasury stock					(1,364)	(1,364)
Disposal of treasury stock				(22)	115	92
Change in scope of consolidation				(0)		(0)
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	¥ 8,873	¥ 228,285	¥ (2,075)	¥ 245,615

	Year ended March 31,2020				
	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	¥ 34,713	¥ (577)	¥ 496	¥ 3	¥ 34,636
Cash dividends					
Profit attributable to owners of parent					
Purchase of treasury stock					
Disposal of treasury stock					
Change in scope of consolidation					
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity	(3,062)	(221)	(931)	(167)	(4,383)
Balance at end of year	¥ 31,650	¥ (798)	¥ (435)	¥ (163)	¥ 30,253

	Year ended March 31,2020		
	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of year	¥ 842	¥ 32,525	¥ 295,039
Cash dividends			(6,333)
Profit attributable to owners of parent			26,187
Purchase of treasury stock			(1,364)
Disposal of treasury stock			92
Change in scope of consolidation			(0)
Change in ownership interest of parent due to transactions with non-controlling interests			–
Net changes of items other than shareholders' equity	(78)	2,660	(1,801)
Balance at end of year	¥ 764	¥ 35,186	¥ 311,819

See accompanying notes to the consolidated financial statements.

	Year ended March 31,2020				
	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	$ 96,625	$ 81,410	$ 1,912,430	$ (7,580)	$ 2,082,885
Cash dividends			(58,109)		(58,109)
Profit attributable to owners of parent			240,249		240,249
Purchase of treasury stock				(12,519)	(12,519)
Disposal of treasury stock			(209)	1,058	849
Change in scope of consolidation			(3)		(3)
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	$ 96,625	$ 81,410	$ 2,094,358	$ (19,041)	$ 2,253,352

	Year ended March 31,2020				
	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	$ 318,470	$ (5,294)	$ 4,556	$ 36	$ 317,768
Cash dividends					
Profit attributable to owners of parent					
Purchase of treasury stock					
Disposal of treasury stock					
Change in scope of consolidation					
Change in ownership interest of parent due to transactions with non-controlling interests					
Net changes of items other than shareholders' equity	(28,097)	(2,029)	(8,548)	(1,538)	(40,212)
Balance at end of year	$ 290,373	$ (7,323)	$ (3,992)	$ (1,502)	$ 277,556

	Year ended March 31,2020		
	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of year	$ 7,732	$ 298,401	$ 2,706,786
Cash dividends			(58,109)
Profit attributable to owners of parent			240,249
Purchase of treasury stock			(12,519)
Disposal of treasury stock			849
Change in scope of consolidation			(3)
Change in ownership interest of parent due to transactions with non-controlling interests			–
Net changes of items other than shareholders' equity	(721)	24,408	(16,525)
Balance at end of year	$ 7,011	$ 322,809	$ 2,860,728

See accompanying notes to the consolidated financial statements.

	Number of shares of common stock	Year ended March 31,2019 Shareholders' equity Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
		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				25,515		25,515
Purchase of treasury stock					(695)	(695)
Disposal of treasury stock				(17)	94	76
Change in scope of consolidation						–
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	¥ 208,454	¥ (826)	¥ 227,034

	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 scope of consolidation					
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			25,515
Purchase of treasury stock			(695)
Disposal of treasury stock			76
Change in scope of consolidation			–
Change in ownership interest of parent due to transactions with non-controlling interests			(1,542)
Net changes of items other than shareholders' equity	(81)	(12)	(6,171)
Balance at end of year	¥ 842	¥ 32,525	¥ 295,039

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, 2020 and 2019

	Millions of yen 2020	2019	Thousands of U.S. dollars (Note 1) 2020
Cash flows from operating activities:			
Profit before income taxes	¥ 42,080	¥ 40,019	$ 386,060
Adjustments for:			
Depreciation and amortization	37,859	33,414	347,338
Loss on retirement of leased assets and cost of leased assets sales	118,027	19,898	1,082,820
Increase (decrease) in allowance for doubtful receivables	347	(164)	3,187
Impairment loss	1,283	–	11,773
Interest and dividend income	(1,844)	(1,792)	(16,925)
Interest expenses	10,075	9,179	92,438
Gain on sales of marketable and investment securities, net	(395)	(941)	(3,629)
Loss on valuation of short-term and long-term investment securities	545	–	5,004
Equity in earnings of affiliates	(1,322)	(1,259)	(12,134)
Loss on redemption of investment securities	513	–	4,713
Amortization of goodwill and negative goodwill	1,132	768	10,388
Increase (decrease) in trade receivables	(108,325)	26,197	(993,811)
Purchase of leased and other operating assets	(182,786)	(180,998)	(1,676,943)
Decrease in trade payables	(4,077)	(10,060)	(37,413)
Other, net	(3,535)	1,684	(32,438)
Subtotal	(90,423)	(64,055)	(829,572)
Interest and dividend income received	3,158	1,722	28,980
Interest expenses paid	(10,606)	(8,913)	(97,308)
Income taxes paid	(11,526)	(11,414)	(105,747)
Subsidies received	592	2,684	5,436
Net cash used in operating activities	(108,804)	(79,975)	(998,211)
Cash flows from investing activities:			
Proceeds from sales and redemption of marketable and investment securities	917	4,248	8,418
Payments for purchase of marketable and investment securities	(5,489)	(9,297)	(50,360)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(6,393)	(2,352)	(58,659)
Payments for purchase of property and equipment for own use	(1,690)	(1,275)	(15,505)
Other, net	1,412	(716)	12,962
Net cash used in investing activities	(11,242)	(9,393)	(103,144)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	(4,890)	55,813	(44,863)
Proceeds from long-term debt	402,354	339,827	3,691,324
Repayments of long-term debt	(306,096)	(295,277)	(2,808,227)
Proceeds from issuance of bonds	65,000	35,000	596,330
Redemption of bonds	(20,000)	(20,000)	(183,486)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(4,064)	–
Cash dividends paid	(6,333)	(4,716)	(58,109)
Other, net	(2,279)	(1,081)	(20,909)
Net cash provided by financing activities	127,754	105,502	1,172,060
Effect of exchange rate changes on cash and cash equivalents	(28)	(276)	(260)
Net increase in cash and cash equivalents	7,678	15,855	70,445
Cash and cash equivalents at beginning of year	69,918	54,062	641,450
Decrease in cash and cash equivalents resulting from change in scope of consolidation	(179)	–	(1,649)
Cash and cash equivalents at end of year	¥ 77,416	¥ 69,918	$ 710,246

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 ¥109 to US$1.00, in effect at March 31, 2020, 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, 2020 and 2019, consolidated accounting covered the parent company and 52 and 49 subsidiaries, respectively. A total of 8 and 6 affiliated companies are accounted for under the equity method and incorporated into the consolidated financial statements for fiscal years ended March 31, 2020 and 2019, 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 20 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 ¥1,819 million in the fiscal year ended March 31, 2019 and ¥1,979 million ($18,161 thousand) in the fiscal year ended March 31, 2020.

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, Etc.

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan (ASBJ))
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 31, 2020, ASBJ)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020, ASBJ)

(1) Overview
International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition. In May 2014, they published 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.

As a basic policy for the development of the Accounting Standard for Revenue Recognition by ASBJ, from the viewpoint of comparability between financial statements, which is one of the benefits consistent with IFRS 15, the basic principles of IFRS 15 shall be adopted as the starting point, and accounting standards shall be established. In addition, in cases where there are items that should be considered in practice, etc., that have been implemented in Japan, alternative treatment shall be added to an extent that does not impair comparability.
(2) Scheduled date of adoption
Effective from the beginning of the fiscal year ending in March 31, 2022.
(3) Impact of adoption of such accounting standards
The amounts that affect the consolidated financial statements by adopting the Accounting Standard for Revenue Recognition, etc., are currently being evaluated.

Accounting Standard for Fair Value Measurement, etc.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, ASBJ)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 4, 2019, ASBJ)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019, ASBJ)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019, ASBJ)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020, ASBJ)

(1) Overview
International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) provide detailed guidance on fair value measurement that is similar in content (in International Financial Reporting Standards (IFRS), IFRS 13, Fair Value Measurement, and in US GAAP, Accounting Standards Codification Topic 820, Fair Value Measurement, respectively). In light of this, Accounting Standards Board of Japan (ASBJ) has been working to ensure the consistency of Japanese GAAP with international accounting standards, primarily with respect to guidance and disclosures regarding the fair value of financial instruments, and published the Accounting Standard for Fair Value Measurement, etc.

As a basic policy for the development of the Accounting Standard for Fair Value Measurement by ASBJ, all provisions of IFRS 13 shall be basically incorporated from the viewpoint of improving comparability of financial statements between companies in Japan and overseas by using a uniform calculation method. In addition, other treatment of individual items shall be provided to the extent that comparability between financial statements is not significantly impaired, taking into account the practices, etc., that have been conducted in Japan so far.
(2) Scheduled date of adoption
Effective from the beginning of the fiscal year ending in March 31, 2022.
(3) Impact of adoption of such accounting standards
The amounts that affect the consolidated financial statements by adopting the Accounting Standard for Fair Value Measurement, etc., have not yet been determined.

Accounting Standard for Disclosure of Accounting Estimates, etc.

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31, March 31, 2020, ASBJ)

(1) Overview
International Accounting Standards Board (IASB) published International Accounting Standards (IAS) No. 1, Presentation of Financial Statements ("IAS No. 1") in 2003. With respect to the Sources of Estimation Uncertainty that are required to be disclosed in paragraph 125, considering requesting the disclosure in the information of the notes under Japanese GAAP as information that is highly useful to users of financial statements is requested. Accounting Standards Board of Japan has developed and published Accounting Standard for Disclosure of Accounting Estimates (the "Accounting Standard").

The basic policy of Accounting Standards Board of Japan in developing the Accounting Standard is not to expand individual notes, but to indicate principles (disclosure purposes) and to determine the specific content of disclosure in light of the purpose of disclosure by the company. In development, the provisions of paragraph 125 of IAS No. 1 have been referred to.
(2) Scheduled date of adoption
Effective from the end of the fiscal year ending in March 31, 2021.

Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections, etc.

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, March 31, 2020, ASBJ)

(1) Overview
In response to the recommendation to consider improving the information in the notes pertaining to Accounting Principles and Procedures Adopted in Cases Where Provisions on Relevant Accounting Standards, Etc. Are Unclear, Accounting Standards Board of Japan made the necessary revisions and published them as Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

In order to enhance the information in the notes pertaining to Accounting Principles and Procedures Adopted in Cases Where Provisions on Relevant Accounting Standards, Etc. Are Unclear, the provisions of the Notes to Corporate Accounting Principles (Note 1-2) are to be handed over in order not to affect the practices to date in cases where the provisions on relevant accounting standards, etc., are clear.
(2) Scheduled date of adoption
Effective from the end of the fiscal year ending in March 31, 2021.

(18) 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: ¥694 million and 104,600 shares as of March 31, 2019 and ¥680 million ($6,247 thousand) and 102,500 shares as of March 31, 2020, respectively.
(3) Book value of loans recorded based on the gross method
Not applicable.

Impact of the spread of novel coronavirus infections on accounting estimates

At the end of Fiscal 2019 (as of March 31, 2020), the Group calculated and considered reasonable amounts based on the information available at the time of preparing the consolidated financial statements for the collectability of lease receivables, etc., the profitability of assets for lease, etc., held by the Group, and determination of impairment of goodwill, etc.

The outlook for the economy is expected to remain severe due to the ongoing and rapid deterioration of economic activities caused by the global expansion of the novel coronavirus infections.

However, the Group has made an accounting estimate based on the assumption that the spread of the novel coronavirus infections will settle down around the end of the first half of the fiscal year ending in March 31, 2021.

Items and events that may have a significant impact on the consolidated financial statements as they pertain to the spread of the novel coronavirus infections are as follows:

(1) Allowance for doubtful accounts
The Group records an allowance for doubtful accounts for the estimated amount of losses incurred in the event of uncollectible receivables. Allowance for doubtful accounts is recorded at an amount estimated to be uncollectible based on the historical rate of bad debts for general receivables, and on the basis of the collectability of doubtful receivables and distressed receivables, etc., on a case-by-case basis. Allowance for doubtful accounts may require additional allowances due to changes in the historical rate of bad debts and the judgment of the collectability of individual receivables, depending on the occurrence of bad debts, the status of collection of individual receivables, etc., after the spread of the novel coronavirus infections.
(2) Impairment of non-current assets (leased assets, etc.)
In assessing the recoverability of impairment of non-current assets, the Group groups assets by company, and for asset groups whose profitability has declined significantly, the book value of non-current assets is impaired to the recoverable amount, and the amount of the decrease is recorded as an impairment loss.

The recoverable amount of non-current assets is calculated based on the assumptions of future cash flows, discount rates, net selling price, etc. Therefore, if it becomes difficult to achieve the initial expected income due to the impact of the spread of the novel coronavirus infections, or if the assumptions such as future cash flows change, an impairment loss on non-current assets may be recorded.
(3) Impairment of goodwill
The Group estimates the effective period of goodwill and amortizes the goodwill on a straight-line basis over such period. In addition, the Company is considering the profitability of the goodwill based on the results of subsidiaries, business plans, etc. Due to the impact of the spread of the novel coronavirus infections, if it becomes difficult to achieve the initial expected income in the future, and if the Company recognizes the need for impairment, it may record an impairment loss on goodwill in the future.

2. FINANCIAL INSTRUMENTS

The position in respect of financial instruments for the fiscal year ended March 31, 2020, 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, 2020, a 10 basis point (0.1%) change in interest rates would result in a ¥3,784 million ($34,724 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, 2020, 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, 2020 and 2019. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Year ended March 31, 2020		
	Carrying value (A)	Fair value (B)	(B) - (A)
	Millions of yen		
Cash and deposits*[1,2]	¥ 77,436	¥ 77,436	¥ –
Installment sales trade receivables*[2]	78,362	79,706	1,343
Lease receivables and investment assets*[2]	1,105,398	1,159,082	53,683
Accounts receivable - operating loans*[2]	306,444	309,853	3,408
Marketable securities and investment in securities			
Other marketable securities	207,295	207,295	–
Total assets	¥ 1,774,937	¥ 1,833,373	¥ 58,435
Short-term loans from banks and other financial institutions	¥ 530,317	¥ 530,317	¥ –
Commercial paper	450,700	450,700	–
Lease obligations (current liabilities and long-term liabilities)	20,720	20,720	–
Bonds payable (current portion included)	170,000	169,756	(243)
Long-term loans from banks and other financial institutions (current portion included)	954,837	965,448	10,610
Payables under fluidity long-term lease receivables and installment sales trade receivables (current portion included)	96,265	96,710	444
Total liabilities	¥ 2,222,841	¥ 2,233,652	¥ 10,811
Derivative contracts*[3]			
Derivative contracts not accounted for as hedges	¥ –	¥ –	¥ –
Derivative contracts accounted for as hedges	(559)	(716)	(157)
Total derivative contracts	¥ (559)	¥ (716)	¥ (157)

	Year ended March 31, 2020		
	Carrying value (A)	Fair value (B)	(B) - (A)
	Thousands of U.S. dollars		
Cash and deposits*[1,2]	$ 710,424	$ 710,424	$ –
Installment sales trade receivables*[2]	718,924	731,251	12,327
Lease receivables and investment assets*[2]	10,141,275	10,633,781	492,506
Accounts receivable - operating loans*[2]	2,811,416	2,842,691	31,275
Marketable securities and investment in securities			
Other marketable securities	1,901,790	1,901,790	–
Total assets	$ 16,283,829	$ 16,819,937	$ 536,108
Short-term loans from banks and other financial institutions	$ 4,865,298	$ 4,865,298	$ –
Commercial paper	4,134,862	4,134,862	–
Lease obligations (current liabilities and long-term liabilities)	190,093	190,093	–
Bonds payable (current portion included)	1,559,633	1,557,395	(2,238)
Long-term loans from banks and other financial institutions (current portion included)	8,759,981	8,857,327	97,346
Payables under fluidity long-term lease receivables and installment sales trade receivables (current portion included)	883,170	887,249	4,079
Total liabilities	$ 20,393,037	$ 20,492,224	$ 99,187
Derivative contracts*[3]			
Derivative contracts not accounted for as hedges	$ –	$ –	$ –
Derivative contracts accounted for as hedges	(5,129)	(6,574)	(1,445)
Total derivative contracts	$ (5,129)	$ (6,574)	$ (1,445)

	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)

*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 ¥390 million ($3,584 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 ¥145 million ($1,331 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 to 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, 2020	
	Millions of yen	Thousands of U.S. dollars
Other securities		
Unlisted shares*1	¥ 6,615	$ 60,697
Subsidiary's shares / associated companies' shares*1	24,045	220,604
Preferred securities / beneficial interest in trusts*1	5,225	47,941
Investments in limited investment partnerships*2	83,639	767,331
	¥ 119,526	$ 1,096,573

*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, 2020

	March 31, 2020			
	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	¥ 77,436	¥ –	¥ –	¥ –
Installment sales trade receivables	31,281	44,425	1,993	2,053
Lease receivables and investment assets	307,532	619,910	132,607	46,789
Accounts receivable - operating loans	56,887	213,086	31,600	5,550
Marketable securities and investment in securities				
Available-for-sale securities with maturities				
Bonds (government)	–	–	–	–
Bonds (corporate)	3,307	18,288	11,243	–
Bonds (other)	–	–	–	–
Other	449	80,287	30,918	3,346
Total	¥ 476,895	¥ 975,997	¥ 208,363	¥ 57,739

	March 31, 2020			
	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	$ 710,424	$ –	$ –	$ –
Installment sales trade receivables	286,987	407,572	18,287	18,836
Lease receivables and investment assets	2,821,401	5,687,249	1,216,583	429,264
Accounts receivable - operating loans	521,906	1,954,923	289,910	50,922
Marketable securities and investment in securities				
Available-for-sale securities with maturities				
Bonds (government)	–	–	–	–
Bonds (corporate)	30,345	167,784	103,152	–
Bonds (other)	–	–	–	–
Other	4,124	736,582	283,659	30,702
Total	$ 4,375,187	$ 8,954,110	$ 1,911,591	$ 529,724

Note: 4. Repayment schedule by term for bonds, long-term debt, and other interest-bearing debt after March 31, 2020.

	March 31, 2020					
	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	¥ 530,317	¥ –	¥ –	¥ –	¥ –	¥ –
Commercial paper	450,700	–	–	–	–	–
Lease obligations (current liabilities and long-term liabilities)	7,417	4,999	3,510	2,264	1,051	1,477
Bonds payable (current portion included)	20,000	30,000	30,000	25,000	35,000	30,000
Long-term loans from banks and other financial institutions (current portion included)	274,820	233,864	177,699	104,495	75,666	88,291
Payables under fluidity long-term lease receivables and installment sales trade receivables (current portion included)	41,396	29,493	17,023	3,509	4,792	51
Total	¥ 1,324,651	¥ 298,356	¥ 228,233	¥ 135,268	¥ 116,510	¥ 119,820

	March 31, 2020					
	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	$ 4,865,298	$ –	$ –	$ –	$ –	$ –
Commercial paper	4,134,862	–	–	–	–	–
Lease obligations (current liabilities and long-term liabilities)	68,053	45,864	32,204	20,773	9,647	13,551
Bonds payable (current portion included)	183,486	275,229	275,229	229,358	321,101	275,229
Long-term loans from banks and other financial institutions (current portion included)	2,521,288	2,145,546	1,630,274	958,672	694,184	810,018
Payables under fluidity long-term lease receivables and installment sales trade receivables (current portion included)	379,782	270,578	156,175	32,196	43,967	472
Total	$ 12,152,769	$ 2,737,217	$ 2,093,882	$ 1,240,999	$ 1,068,899	$ 1,099,270

3. MARKETABLE SECURITIES AND INVESTMENT IN SECURITIES

Marketable securities and investment in securities as of March 31, 2020 and 2019, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current:			
Bonds	¥ 92,456	¥ 82,286	$ 848,229
Other	142,380	97,243	1,306,239
Total	¥ 234,837	¥ 179,529	$ 2,154,468
Non-current:			
Shares	¥ 66,066	¥ 67,337	$ 606,119
Other	1,871	1,562	17,172
Total	¥ 67,938	¥ 68,899	$ 623,291

The carrying values and aggregate fair value of securities with determinable market values at March 31, 2020 and 2019, were as follows:

	March 31, 2020			
	Cost or book value	Unrealized gains	Unrealized losses	Fair value
	Millions of yen			
Available-for-sale securities:				
Shares	¥ 17,305	¥ 45,977	¥ 819	¥ 62,462
Bonds	91,910	674	127	92,456
Other	51,396	2,047	1,068	52,375

	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, 2020			
	Cost or book value	Unrealized gains	Unrealized losses	Fair value
	Thousands of U.S. dollars			
Available-for-sale securities:				
Shares	$ 158,763	$ 421,809	$ 7,518	$ 573,054
Bonds	843,211	6,185	1,167	848,229
Other	471,524	18,784	9,801	480,507

Available-for-sale securities whose fair values are not readily determinable as of March 31, 2020 and 2019, were as follows:

Carrying value	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Available-for-sale securities:			
Shares	¥ 3,604	¥ 2,742	$ 33,065
Other	91,876	45,169	842,905

Proceeds from sales of available-for-sale securities and resultant gross realized gains and losses for the years ended March 31, 2020 and 2019, were summarized as follows:

Carrying value	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Proceeds	¥ 406	¥ 2,488	$ 3,729
Realized gain	395	941	3,629
Realized loss	0	–	0

Impairment loss on securities:
During the fiscal years ended March 31, 2020, the impairment loss recorded on securities amounted to¥545 million ($5,004 thousand) (securities classified as available-for-sale securities: ¥545 million ($5,004 thousand)).

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, 2020 and 2019.

4. ACCUMULATED DEPRECIATION FOR PROPERTY AND EQUIPMENT

Accumulated depreciation of property and equipment for the fiscal years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Leased assets	¥ 170,851	¥ 159,309	$ 1,567,442
Other operating assets	8,294	6,426	76,096
Own-used assets	2,950	2,315	27,068

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

The breakdown of short-term borrowings as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rate
	2020	2019	2020	
Short-term loans from banks and other financial institutions	¥ 530,317	¥ 491,659	$ 4,865,298	0.47%
Commercial paper	450,700	500,700	4,134,862	0.04%
Payables under securitized lease receivables	28,900	22,900	265,138	0.11%
Total	1,009,917	1,015,259	9,265,298	–
Lease obligations	20,302	25,103	186,264	–
	¥ 1,030,220	¥ 1,040,362	$ 9,451,562	–

The breakdown of long-term debt as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rate
	2020	2019	2020	
Bonds payable	¥ 170,000	¥ 125,000	$ 1,559,633	0.23%
Long-term loans from banks and other financial institutions	954,837	890,394	8,759,981	0.62%
Payables under fluidity long-term lease receivables and installment sales trade receivables	96,265	66,304	883,170	0.47%
Total	1,221,103	1,081,698	11,202,784	–
Less current portion	336,216	291,825	3,084,556	–
	884,886	789,872	8,118,228	–
Lease obligations	417	593	3,829	–
	¥ 885,304	¥ 790,466	$ 8,122,057	–

The projected long-term debt servicing amount by fiscal year, as of March 31, 2020, was as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 336,216	$ 3,084,556
2022	293,357	2,691,353
2023	224,722	2,061,679
2024	133,004	1,220,225
2025	115,458	1,059,252
2026 and thereafter	118,343	1,085,719
Total	¥ 1,221,103	$ 11,202,784

As of March 31, 2020, the following assets were pledged as collateral for current and long-term obligations of ¥45,139 million ($414,128 thousand).

	Millions of yen	Thousands of U.S. dollars
Cash and deposits	¥ 2,392	$ 21,953
Installment sales	820	7,524
Lease receivables and investment assets	19,819	181,829
Accounts receivable – other loans to customers	3,712	34,062
Other (Current assets)	79	731
Lease and other contract receivables	2,983	27,369
Lease assets	26,123	239,664
Other operating assets	19,020	174,501
Own-used assets	11,185	102,622
Total	¥ 86,137	$ 790,255

Besides the above, as third-party security for bank loans taken out by customers, the Company maintains deposits of ¥16 million ($147 thousand) in installment sale receivables and ¥612 million ($5,616 thousand) in investment securities. The Company maintains deposits of ¥3 million ($28 thousand) in investment securities for the purpose of sales transactions.

6. COMMITMENTS AND CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2020 and 2019, were as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
As a guarantor of indebtedness of:			
Mizuho Bank, Ltd. *1	¥ 14,398	¥ –	$ 132,097
Marubeni Fuyo Auto Investment (Canada) Inc.	1,915	2,066	17,572
FANTASTIC FUNDING CORPORATION *1	1,748	–	16,039
Fuyo General Lease (Asia) Pte. Ltd. *1	1,705	1,891	15,650
Sumitomo Realty & Development Co., Ltd *1	1,272	1,272	11,672
AEON Mall Co., Ltd.	1,207	1,197	11,080
JAPAN SECURITIZATION CORPORATION *1	956	876	8,775
MONEY PARTNERS CO., LTD.	799	799	7,339
AEON RETAIL CO., LTD.	682	676	6,263
XYMAX ALPHA Corporation *1	633	702	5,814
MaruzenJunkudo Bookstores Co., Ltd. *1	596	801	5,475
Sumitomo Mitsui Trust Bank, Limited *1	499	–	4,587
IBM Japan Credit LLC *1	407	373	3,740
Sumitomo Mitsui Banking Corporation *1	–	372	–
JCAM AGRI. CO., LTD.	234	217	2,151
Employees	10	22	98
Others	27,716	24,082	254,282
Total	¥ 54,787	¥ 35,353	$ 502,634

*1. The Company has guaranteed loans held by Mizuho Bank, Ltd. and others.

(2) On both March 31, 2020 and 2019, 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 ¥47,028 million ($431,458 thousand) and ¥55,701 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, 2020 and 2019 amounting to ¥2,883 million ($26,457 thousand) and ¥4,715 million, respectively. The loans provided under these credit facilities as of March 31, 2020 and 2019 amounted to ¥1,142 million ($10,478 thousand) and ¥560 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, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Provision of allowance for doubtful accounts	¥ 564	¥ –	$ 5,175
Bad debts expenses	770	659	7,065
Employees' salaries, allowances and bonuses	12,720	11,416	116,704
Provision for bonuses	2,135	2,000	19,592
Provision for directors' bonuses	182	178	1,674
Retirement benefit expenses	1,041	858	9,552
Provision for directors' retirement benefits	35	46	330
Provision for share-based remuneration for directors (and other officers)	189	137	1,737
Welfare expenses	2,917	2,701	26,765
Rent expenses	1,631	1,436	14,969
Depreciation	2,124	1,680	19,493
Amortization of goodwill	1,132	768	10,388

8. IMPAIRMENT LOSS

The Group recorded impairment losses for the following asset groups:

Fiscal 2019 (from April 1, 2019 to March 31, 2020)

Location	Use	Type	Amount	
			Millions of yen	Thousands of U.S. dollars
Chiyoda-ku, Tokyo	Business assets	Software	¥ 1,274	$ 11,692
Minato-ku, Tokyo	Idle assets	Telephone subscription rights	1	12
Kingdom of Thailand	Business assets	Buildings, etc.	7	69

We have grouped based on offices, etc., as the minimum unit for generating cash flows. In addition, idle assets are grouped by individual assets.

With respect to the software and buildings, etc., mentioned above, the Company and two domestic consolidated subsidiaries reviewed the impairment of non-current assets in accordance with this grouping. As a result, the book value of an asset group whose profit or loss from operating activities that is continually negative or is expected to be negative is reduced to the recoverable amount, and such reduced amount is recorded in extraordinary losses as an impairment loss. Excluding divertible assets, the recoverable amount is measured based on the value in use. However, since no future cash flows are expected, the value in use is evaluated as zero.

In addition, with respect to the telephone subscription rights mentioned above, due to a decrease in dormitories and company housing, etc., for which integrated telecommunication services for residential buildings are provided, one domestic consolidated subsidiary recorded extraordinary losses as an impairment loss for the entire amount of the book value of telephone subscription rights that have become idle with a net sales value based on the market value of zero, except a memorandum value of 1 yen remaining.

Fiscal 2018 (from April 1, 2018 to March 31, 2019)

Location	Use	Type	Amount
			Millions of yen
Tokyo metropolitan area, etc.	Idle assets	Telephone subscription rights	¥ 0
Nemuro City, Hokkaido	Idle assets	Leased assets	22

We have grouped based on offices, etc., as the minimum unit for generating cash flows. In addition, idle assets are grouped by individual assets.

With respect to the telephone subscription rights mentioned above, due to a decrease in dormitories and company housing, etc., for which integrated telecommunication services for residential buildings are provided, one domestic consolidated subsidiary recorded extraordinary losses as an impairment loss for the entire amount of the book value of telephone subscription rights that have become idle with a net sales value based on the market value of zero, except a memorandum value of 1 yen remaining.

In addition, with respect to the leased assets mentioned above, the book value of the above assets is reduced to the recoverable amount due to the scheduled for retirement at one domestic consolidated subsidiary, and such amount of reduction is recorded in extraordinary losses as an impairment loss. The recoverable amount is measured based on the value in use. However, since no future cash flows are expected, the value in use is evaluated as zero.

9. CASH AND CASH EQUIVALENTS

The main components of cash and cash equivalents at March 31, 2020 and 2019, 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
	2020	2019	2020
Cash and deposits	¥ 77,436	¥ 71,173	$ 710,424
Time deposits with maturity of over three months	(19)	(1,255)	(178)
Cash and cash equivalents	¥ 77,416	¥ 69,918	$ 710,246

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

Fiscal 2019 (from April 1, 2019 to March 31, 2020)

The following includes the breakdown of assets and liabilities at the time of acquisition and consolidation of LN Holdings, Co., Ltd., NOC Outsourcing & Consulting Inc., NOC Techno-Solutions Inc., and NOC Biz Partners Inc., and the relation between the purchase price and expenditure for the acquisition (net price).

	Millions of yen	Thousands of U.S. dollars
	2020	2020
Current assets	¥ 3,139	$ 28,798
Non-current assets	3,213	29,484
Goodwill	6,946	63,725
Current liabilities	(1,698)	(15,586)
Non-current liabilities	(2,116)	(19,413)
Valuation difference	(1,179)	(10,824)
Acquisition cost of shares	8,304	76,184
Cash and cash equivalents	(1,910)	(17,525)
Difference: net consideration paid for acquisition	¥ 6,393	$ 58,659

Fiscal 2018 (from April 1, 2018 to March 31, 2019)

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
	2019
Current assets	¥ 32,438
Non-current assets	2,346
Goodwill	10,379
Current liabilities	(35,612)
Non-current liabilities	(1,238)
Valuation difference	1,302
Acquisition cost of shares	9,615
Cash and cash equivalents	(7,291)
Difference: net consideration paid for acquisition	¥ 2,323

Note: The amounts are presented using figures reflecting material changes to the initial allocation of acquisition costs, which arose as a result of the finalization of the tentative accounting treatment of business combinations.

10. COMPREHENSIVE INCOME

The components of other comprehensive income for the fiscal years ended March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized gains (losses) on available-for-sale securities			
Gains or losses arising during the year	¥ (3,948)	¥ (5,953)	$ (36,220)
Reclassification adjustments to profit or loss	504	(586)	4,624
Amount before income tax effect	(3,443)	(6,539)	(31,596)
Income tax effect	1,063	1,986	9,755
Total	¥ (2,380)	¥ (4,553)	$ (21,841)
Deferred gains (losses) on hedges			
Gains or losses arising during the year	(91)	(478)	(836)
Reclassification adjustments to profit or loss	–	0	–
Amount before income tax effect	(91)	(478)	(836)
Income tax effect	(37)	(0)	(343)
Total	¥ (128)	¥ (478)	$ (1,179)
Foreign currency translation adjustments			
Gains or losses arising during the year	(686)	(1,066)	(6,302)
Total	¥ (686)	¥ (1,066)	$ (6,302)
Remeasurements of defined benefit plans			
Gains or losses arising during the year	(76)	(58)	(706)
Reclassification adjustments to profit or loss	(1)	44	(18)
Amount before income tax effect	(78)	(14)	(724)
Income tax effect	24	4	222
Total	¥ (54)	¥ (10)	$ (502)
Share of other comprehensive income of entities accounted for using equity method			
Gains or losses arising during the year	(1,169)	15	(10,734)
Reclassification adjustments to profit or loss	12	9	116
Total	¥ (1,157)	¥ 24	$ (10,618)
Total other comprehensive income	¥ (4,408)	¥ (6,084)	$ (40,442)

11. DERIVATIVES

Fair values, etc., of derivatives contracts as of March 31, 2020 and 2019, 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		
	2020			2019			2020		
	Contract amount	(over one year)	Fair value	Contract amount	(over one year)	Fair value	Contract amount	(over one year)	Fair value
Principle treatment									
Interest rate swap contracts:									
Fixed rate payment, floating rate receipt	¥ 101,266	¥ (86,430)	¥ (559)	¥ 9,553	¥ (9,553)	¥ (479)	$ 929,047	$ (792,944)	$ (5,129)
Exceptional treatment of interest rate swaps									
Interest rate swap contracts:									
Fixed rate payment, floating rate receipt	37,048	(23,319)	(157)	29,815	(26,176)	(176)	339,891	(213,937)	(1,445)
Total	¥ 138,314	¥ (109,749)	¥ (716)	¥ 39,368	¥ (35,729)	¥ (655)	$ 1,268,938	$ (1,006,881)	$ (6,574)

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

12. 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, 2020 and 2019, were 30.6%.

The respective breakdowns of total deferred tax assets and deferred tax liabilities by major item, as of March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Allowance for doubtful receivables	¥ 1,531	¥ 1,488	$ 14,052
Guarantee deposits from customers	934	837	8,577
Accrued expenses	806	706	7,396
Net defined benefit liability	715	617	6,567
Loss on devaluation of investment securities and other items	665	356	6,104
Reserve for bonus payments	664	601	6,096
Asset retirement obligations	546	356	5,018
Revenue recognized for tax purposes	463	313	4,254
Excess of depreciation	439	31	4,033
Prepaid expenses	385	306	3,533
Enterprise taxes	345	392	3,172
Tax loss carried forward	46	1,478	431
Other	1,478	1,388	13,566
Subtotal deferred tax assets	9,025	8,874	82,799
Valuation allowance related to tax loss carried forward (Note 2)	(0)	(6)	(8)
Valuation allowance related to total deductible temporary differences	(122)	(47)	(1,123)
Subtotal valuation allowance (Note 1)	(123)	(54)	(1,131)
Total deferred tax assets	8,901	8,820	81,668
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	¥ (14,291)	¥ (15,348)	$ (131,117)
Intangible fixed assets	(1,556)	–	(14,284)
Depreciation	(1,546)	(998)	(14,189)
Gain on revaluation of investment securities and others	(1,288)	(1,268)	(11,817)
Foreign subsidiary's unitary tax	(1,269)	(675)	(11,645)
Gain on transfer of receivables	(897)	(541)	(8,232)
Other	(995)	(634)	(9,131)
Total deferred tax liabilities	(21,845)	(19,467)	(200,415)
Net deferred tax liabilities	¥ (12,943)	¥ (10,646)	$ (118,747)

Notes:
1. Information on breakdown of valuation allowance
Fiscal 2019 (as of March 31, 2020)
The amount of valuation allowance increased by ¥69 million ($634 thousand) from the previous fiscal year. This increase was mainly due to a decrease of ¥5 million ($53 thousand) in valuation allowance for tax loss carryforwards at consolidated subsidiaries, a decrease of ¥6 million ($57 thousand) in valuation allowance for allowance for doubtful accounts, and the recognition of ¥79 million ($733 thousand) in valuation allowance for business assets.
Fiscal 2018 (as of March 31, 2019)
The amount of valuation allowance decreased by ¥420 million from the previous fiscal year. This decrease was mainly due to the fact that consolidated subsidiaries no longer recognized a valuation allowance of ¥421 million for tax loss carryforwards recorded in the previous fiscal year.
2. Tax loss carried forward and the amount of respective deferred tax assets carried forward by carry-over deadline

Fiscal 2019 (as of March 31, 2020)

	March 31, 2020						
	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	Total
	Millions of yen						
Tax loss carried forward (*1)	¥ 46	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 46
Valuation allowance	(0)	–	–	–	–	–	(0)
Deferred tax assets	46	–	–	–	–	–	(*2) 46

	March 31, 2020						
	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	Total
	Thousands of U.S. dollars						
Tax loss carried forward (*1)	$ 431	$ –	$ –	$ –	$ –	$ –	$ 431
Valuation allowance	(8)	–	–	–	–	–	(8)
Deferred tax assets	423	–	–	–	–	–	(*2) 423

(*1) Tax loss carried forward is derived by multiplying the statutory effective tax rate.
(*2) With respect to the tax loss carried forward of ¥46 ($431 thousand) million (amount derived by multiplying the statutory effective tax rate), the Company records deferred tax assets of ¥46 ($423 thousand) million. The deferred tax assets of ¥46 ($423 thousand) million 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.

Fiscal 2018 (as of March 31, 2019)

	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	Total
	Millions of yen						
Tax loss carried forward (*1)	¥ 1,478	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 1,478
Valuation allowance	(6)	–	–	–	–	–	(6)
Deferred tax assets	1,471	–	–	–	–	–	(*2) 1,471

(*1) Tax loss carried forward is derived by multiplying the statutory effective tax rate.
(*2) With respect to the tax loss carried forward of ¥1,478 million (amount derived by multiplying the statutory effective tax rate), the Company records deferred tax assets of ¥1,471 million. The deferred tax assets of ¥1,471 million 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, 2020 and 2019, 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, 2020 and 2019, were not presented as the difference is less than 5% of the effective statutory tax rate.

13. 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
	2020	2019	2020
Retirement benefit obligations at beginning of year	¥ 11,581	¥ 11,244	$ 106,249
Service cost	571	593	5,247
Interest cost	58	57	538
Actuarial gains/losses incurred	7	(6)	67
Retirement benefits paid	(377)	(307)	(3,461)
Retirement benefit obligations at end of year	¥ 11,841	¥ 11,581	$ 108,640

ii) Reconciliation of plan assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Plan assets at beginning of year	¥ 10,392	¥ 10,165	$ 95,345
Expected return on plan assets	249	260	2,290
Actuarial gains/losses incurred	(383)	(196)	(3,518)
Contribution from employer	473	467	4,346
Retirement benefits paid	(371)	(304)	(3,409)
Plan assets at end of year	¥ 10,360	¥ 10,392	$ 95,054

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
	2020	2019	2020
Retirement benefit obligations for funded pension plans	¥ 11,841	¥ 11,581	$ 108,640
Plan assets	(10,360)	(10,392)	(95,054)
	1,480	1,188	13,586
Retirement benefit obligations for unfunded pension plans	–	–	–
Net assets/liabilities recorded in the consolidated balance sheets	1,480	1,188	13,586
Net defined benefit liability	1,480	1,188	13,586
Net defined benefit asset	–	–	–
Net assets/liabilities recorded in the consolidated balance sheets	¥ 1,480	¥ 1,188	$ 13,586

iv) Breakdown of net periodic pension cost

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 571	¥ 593	$ 5,247
Interest cost	58	57	538
Expected return on plan assets	(249)	(260)	(2,290)
Amortization of actuarial loss	311	174	2,861
Amortization of prior service cost	–	–	–
Other	(48)	(44)	(448)
Net periodic pension cost for defined-benefit pension plan	¥ 643	¥ 520	$ 5,908

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
	2020	2019	2020
Prior service cost	¥ –	¥ –	$ –
Actuarial differences	(78)	(14)	(724)
Total	¥ (78)	¥ (14)	$ (724)

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
	2020	2019	2020
Unrecognized prior service cost	¥ –	¥ –	$ –
Unrecognized actuarial differences	176	97	1,621
Total	¥ 176	¥ 97	$ 1,621

vii) Plan assets

(i) Breakdown of plan assets

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

	2020	2019
Bonds	38 %	38 %
Shares	15	19
Cash and time deposits	6	3
General account	31	30
Other	10	10
Total	100	100

Note: The total includes retirement benefits trust established for corporate pension plan at 5% in the fiscal year ended March 31, 2020 and 5% in the fiscal year ended March 31, 2019.

(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

	2020	2019
Discount rate	0.37-0.98 %	0.37-0.98 %
Expected long-term rate of return	2.37-2.50	2.50-2.58
Expected salary increase rate	1.28-3.75	1.37-3.75

(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
	2020	2019	2020
Net defined benefit liability at beginning of year	¥ 681	¥ 401	$ 6,249
Net periodic pension cost	135	84	1,246
Retirement benefits paid	(120)	(12)	(1,101)
Increase by the new consolidated subsidiary	–	207	–
Net defined benefit liability at end of year	¥ 696	¥ 681	$ 6,394

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
	2020	2019	2020
Retirement benefit obligations for funded pension plans	¥ 473	¥ 474	$ 4,347
Fair value of plan assets	(145)	(141)	(1,336)
	328	332	3,011
Retirement benefit obligations for unfunded pension plans	368	348	3,383
Net assets/liabilities recorded in the consolidated balance sheets	696	681	6,394
Net defined benefit liability	696	681	6,394
Net defined benefit asset	–	–	–
Net assets/liabilities recorded in the consolidated balance sheets	¥ 696	¥ 681	$ 6,394

iii) Net periodic pension cost

In the fiscal year ended March 31, 2020 and 2019 net periodic pension cost calculated with the simplified accounting methods amounted to ¥135 million ($1,246 thousand) and ¥84 million, respectively.

(4) Defined-contribution pension plan

In the fiscal year ended March 31, 2020 and 2019 the amount required to be contributed by the Company to the defined-contribution pension plan amounted to ¥84 million ($771 thousand) and ¥81 million, respectively.

(5) Multi-employer type of pension plan

In the fiscal year ended March 31, 2020 and 2019 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 ¥177 million ($1,627 thousand) and ¥171 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, 2020 and 2019:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Amount of plan assets	¥ 13,171	¥ 12,260	$ 120,839
Retirement benefits under pension funding programs	13,929	13,496	127,796
Difference	¥ (758)	¥ (1,235)	$ (6,957)

At March 31, 2020 and 2019 the liability for retirement benefits for directors and corporate auditors amounted to ¥132 million ($1,212 thousand) and ¥126 million, respectively.

14. LEASE TRANSACTIONS

Details of leases as lessee at March 31, 2020 and 2019, were as follows:

Operating leases

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Future lease payments	¥ 2,659	¥ 2,695	$ 24,396
Amount of above due within one year	590	638	5,420

Details of leases as lesser at March 31, 2020 and 2019, were as follows:

(1) Breakdown of lease investment assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Portion of lease receivables	¥ 1,011,779	¥ 971,704	$ 9,282,378
Portion of estimated residual value	13,891	15,265	127,446
Rental revenues attributable to financing income	(116,139)	(110,547)	(1,065,500)
Lease investment assets	¥ 909,531	¥ 876,422	$ 8,344,324

(2) Projected amounts of lease receivables to be collected after March 31, 2020 (consolidated)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 52,412	$ 480,844
2022	45,852	420,669
2023	43,435	398,489
2024	30,201	277,078
2025	10,816	99,230
2026 and thereafter	29,389	269,631

(3) Projected amounts of lease payment receivables on lease investment assets to be collected after March 31, 2020 (consolidated)

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 287,795	$ 2,640,328
2022	202,639	1,859,080
2023	172,453	1,582,140
2024	108,626	996,570
2025	63,064	578,573
2026 and thereafter	177,199	1,625,687

(4) Operating leases

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Future lease payments	¥ 319,515	¥ 285,647	$ 2,931,331
Amount of above due within one year	53,313	46,889	489,115

Details of sublease transactions for the fiscal years ended March 31, 2020 and 2019, 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
	2020	2019	2020
Lease receivables and investment assets	¥ 18,981	¥ 23,233	$ 174,139
Lease obligations (current liabilities)	20,081	24,900	184,238

15. STOCK OPTIONS

Stock option expenses and gains on expiration of unexercised stock options for the fiscal years ended March 31, 2020 and 2019

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Selling, general and administrative expenses (stock-based compensation expenses)	¥ –	¥ 3	$ –
Other Income (Gain on reversal of share acquisition rights)	–	8	–

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, 2020, was as follows:

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.

Volume and status of stock options for the fiscal year ended March 31, 2020, was as follows.

(1) Number of stock options

	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	2,700	12,400	21,200
Vested	–	–	–
Exercised	1,400	2,000	4,900
Expired	–	–	–
Balance unexercised	1,300	10,400	16,300

	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	24,800	41,500	25,200
Vested	–	–	–
Exercised	2,600	8,100	4,200
Expired	–	–	–
Balance unexercised	22,200	33,400	21,000

	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	30,000	27,300	33,300
Vested	–	–	–
Exercised	2,600	3,400	–
Expired	–	–	–
Balance unexercised	27,400	23,900	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

(2) Unit price

	Stock options for 2008	Stock options for 2009	Stock options for 2010
Exercise price (yen)	1	1	1
Average stock price at exercise (yen)	5,685	5,685	5,890
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)	5,685	6,135	5,809
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)	5,911	6,134	–
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

Estimation method for fair value of stock options for the fiscal year ended March 31, 2020, was as follows.
Not applicable.

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.

16. RELATED PARTY TRANSACTIONS

The Company's transactions with related parties during fiscal years ended March 31, 2020 and 2019, were as follows:

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Rental revenues	¥ 4,818	¥ 4,572	$ 44,206
Sales of the leased property	–	34,081	–
Purchase of operating assets	29,032	24,402	266,358

The ending balances of the Company's transactions with related parties at March 31, 2020 and 2019, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Lease receivables and investment assets	¥ 60,322	¥ 60,361	$ 553,418

17. 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.

18. 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 ¥5,814 million ($53,342 thousand) and ¥5,170 million (lease income and lease cost were generally recorded as net sales and cost of sales, respectively) for the fiscal years ended March 31, 2020 and 2019, 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
	2020	2019	2020
Carrying value			
Beginning of year	¥ 231,132	¥ 176,765	$ 2,120,486
Net change	15,711	54,367	144,147
End of year	246,844	231,132	2,264,633
Fair value			
End of year	¥ 262,319	¥ 245,287	$ 2,406,600

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 ¥133,872 million ($1,228,184 thousand) and ¥75,028 million, in the fiscal years ended March 31, 2020 and 2019, 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, 2020. 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.

19. 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.

	2020	2019
Number of special purpose entities	2	1

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total value of assets as of the latest financial closing date (without elimination of inter-company transactions)	¥ 4,540	¥ 1,135	$ 41,655
Total value of liabilities as of the latest financial closing date (without elimination of inter-company transactions)	4,535	1,132	41,606

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

Fiscal Year Ended March 31, 2020

	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	¥ 2,531	Gain on transfer (Note 2)	¥ 109
Trade receivables -Installment sales	733		

	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	$ 23,226	Gain on transfer (Note 2)	$ 1,003
Trade receivables - Installment sales	6,728		

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, 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		

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.

20. 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 BPO services (new business fields).

The segment information for previous fiscal years is presented using figures reflecting material changes to the initial allocation of acquisition costs, which arose as a result of the finalization of the tentative accounting treatment of business combinations.

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

	Year ended March 31, 2020			
	Lease Installment Sales	Financing	Other	Total
	Millions of yen			
Operating revenues				
Revenue from customers	¥ 528,853	¥ 15,979	¥ 167,497	¥ 712,330
Intersegment revenue and transfers	1,026	3,708	1,078	5,813
Total revenues	529,880	19,688	168,575	718,143
Operating profit	¥ 33,134	¥ 11,330	¥ 9,254	¥ 53,719
Segment assets	¥ 1,704,786	¥ 804,101	¥ 128,744	¥ 2,637,632
Other items				
Depreciation	¥ 33,694	¥ –	¥ 2,397	¥ 36,091
Amortization of goodwill	–	324	807	1,132
Amount invested in equity–method affiliates	–	–	–	–
Increase in tangible fixed assets and intangible fixed assets	178,524	–	12,424	190,948

	Year ended March 31, 2020			
	Lease Installment Sales	Financing	Other	Total
	Thousands of U.S. dollars			
Operating revenues				
Revenue from customers	$ 4,851,869	$ 146,599	$ 1,536,673	$ 6,535,141
Intersegment revenue and transfers	9,418	34,026	9,892	53,336
Total revenues	4,861,287	180,625	1,546,565	6,588,477
Operating profit	$ 303,989	$ 103,946	$ 84,904	$ 492,839
Segment assets	$ 15,640,242	$ 7,377,077	$ 1,181,140	$ 24,198,459
Other items				
Depreciation	$ 309,120	$ –	$ 21,994	$ 331,114
Amortization of goodwill	–	2,976	7,412	10,388
Amount invested in equity–method affiliates	–	–	–	–
Increase in tangible fixed assets and intangible fixed assets	1,637,840	–	113,982	1,751,822

	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	¥ 7,299	¥ 47,501
Segment assets	¥ 1,676,976	¥ 730,907	¥ 101,670	¥ 2,509,555
Other items				
Depreciation	¥ 30,066	¥ –	¥ 1,777	¥ 31,844
Amortization of goodwill	–	324	443	768
Amount invested in equity–method affiliates	–	–	–	–
Increase in tangible fixed assets and intangible fixed assets	156,941	–	12,488	169,429

(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
	2020	2019	2020
Operating revenues			
Reportable segments total	¥ 718,143	¥ 623,292	$ 6,588,477
Eliminations	(5,813)	(5,172)	(53,336)
Operating revenues reported on the consolidated statements of income	¥ 712,330	¥ 618,119	$ 6,535,141
Income			
Reportable segments total	¥ 53,719	¥ 47,501	$ 492,839
Eliminations	(2,486)	(2,028)	(22,815)
Corporate	(9,808)	(9,792)	(89,989)
Operating profit reported on the consolidated statements of income	¥ 41,423	¥ 35,680	$ 380,035
Assets			
Reportable segments total	¥ 2,637,632	¥ 2,509,555	$ 24,198,459
Corporate	114,966	83,426	1,054,736
Total assets reported on the consolidated balance sheets	¥ 2,752,598	¥ 2,592,981	$ 25,253,195
Other items			
Depreciation			
Reportable segments total	¥ 36,091	¥ 31,844	$ 331,114
Adjustment	1,768	1,570	16,224
Amounts reported on the consolidated financial statements	¥ 37,859	¥ 33,414	$ 347,338
Amortization of goodwill			
Reportable segments total	¥ 1,132	¥ 768	$ 10,388
Adjustment	–	–	–
Amounts reported on the consolidated financial statements	¥ 1,132	¥ 768	$ 10,388
Amount invested in equity-method affiliates			
Reportable segments total	¥ –	¥ –	$ –
Adjustment	23,657	23,423	217,039
Amounts reported on the consolidated financial statements	¥ 23,657	¥ 23,423	$ 217,039
Increase in tangible fixed assets and intangible fixed assets			
Reportable segments total	¥ 190,948	¥ 169,429	$ 1,751,822
Adjustment	1,690	1,275	15,505
Amounts reported on the consolidated financial statements	¥ 192,638	¥ 170,705	$ 1,767,327

Notes:
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
	2020	2019	2020
Japan	¥ 407,674	¥ 380,700	$ 3,740,134
North America and Latin America	9,384	9,917	86,097
Europe			
Ireland	130,213	129,644	1,194,623
Other	3	1	31
Asia	5,835	5,794	53,537
Total	¥ 553,111	¥ 526,059	$ 5,074,422

Notes:
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, Singapore, Malaysia, Thailand

21. 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
	2020	2019	2020
Net assets	¥ 9,204.20	¥ 8,680.32	$ 84.44

Notes:
1. 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 104,600 shares for the previous fiscal year and 102,500 shares for the fiscal year.
2. Net assets per share of the fiscal year ended March 31, 2019 are presented using figures reflecting material changes to the initial allocation of acquisition costs, which arose as a result of the finalization of the tentative accounting treatment of business combinations.

22. BASIC EARNINGS PER SHARE

The reconciliation of the differences between basic and diluted basic earnings per share ("EPS") for the year ended March 31, 2020 was as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
Year ended March 31, 2020	Basic earnings	Weighted average shares	EPS	
Basic EPS				
Basic earnings available to common shareholders	¥ 26,187	30,033	¥ 871.95	$ 8.00
Effect of dilutive securities warrants		221		
Diluted EPS				
Basic earnings for computation	¥ 26,187	30,254	¥ 865.56	$ 7.94

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 100,198 shares for the previous fiscal year and 102,618 shares for the fiscal year.

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: LN Holdings, Co., Ltd.
Business description: Acquisition, holding, and disposal of shares, capital contributions, other equity interests, and bonds of a stock company or any other juridical person; sale and purchase of beneficial interest in trust; purchase business of monetary claims; real estate investment; and investment and management in securities

(ii) Name of acquired company: NOC Outsourcing & Consulting Inc. (a subsidiary of LN Holdings, Co., Ltd.)
Business description: Comprehensive outsourcing business and IT outsourcing business

(iii) Name of acquired company: NOC Techno-Solutions Inc. (a subsidiary of NOC Outsourcing & Consulting Inc.)
Business description: IT outsourcing business

(iv) Name of acquired company: NOC Biz Partners Inc. (a subsidiary of NOC Outsourcing & Consulting Inc.)
Business description: Operations in general affairs, accounting, human resources, and backyard business

(2) Reasons for the business combination

The above four companies that have recently become consolidated subsidiaries (hereinafter referred to as the "NOC Group") provide a wide range of business outsourcing services, including back-office services (accounting, personnel and salaries, general affairs, sales administration), IT services, in-house shared center services, secretariat management agency services, and human resources services, as a total outsourcer aiming to become the "No. 1 outsourcer in problem solving." NOC Group provides high-quality outsourcing services to customers in a wide range of industries and businesses by organizing teams that organically combine the value-providing functions, business knowhow, and specialist human resources that NOC Group has cultivated over many years.

In addition, by strengthening our consulting functions, NOC Group is working to streamline and visualize the operations of client companies and propose business improvement measures. In addition to providing outsourcing services, NOC Group is also actively developing support services for the introduction of robotic process automation (RPA) as the optimal solution.

By adding the above functions to our Business Process Outsourcing (BPO) Domain, we will establish a system capable of responding to a wide range of business efficiency needs of our business partners. At the same time, we will be able to leverage our respective strengths more effectively through the synergistic effect of mutual cooperation with existing BPO resources. By combining the Group's original financial solution functions with the above, we believe that this will lead to the creation of a more multi-layered business relationship.

We also plan to utilize the advanced consulting capabilities of the NOC Group to improve the working environment through optimal allocation of work, including the standardization of the Group's own clerical work.

(3) Date of business combination

August 15, 2019

(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) LN Holdings, Co., Ltd.
Percentage share of voting rights owned before business combination: –%
Percentage share of voting rights acquired on the date of business combination: 100.00%
Percentage share of voting rights after acquisition: 100.00%

(ii) NOC Outsourcing & Consulting 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: 100.00% (including indirect ownership of 100.00%)
Ratio of ownership of voting rights after acquisition: 100.00% (including indirect ownership of 100.00%)

(iii) NOC Techno-Solutions 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: 100.00% (including indirect ownership of 100.00%)
Ratio of ownership of voting rights after acquisition: 100.00% (including indirect ownership of 100.00%)

(iv) NOC Biz Partners 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: 100.00% (including indirect ownership of 100.00%)
Ratio of ownership of voting rights after acquisition: 100.00% (including indirect ownership of 100.00%)

(7) Primary basis for the determination of the acquiring company

It is because the Company acquired 100.00% of the issued shares of LN Holdings, Co., Ltd.

2. Period of operating results of the acquired company included in the consolidated financial statements

From October 1, 2019 to March 31, 2020

3. Acquisition cost of the acquired company and breakdown by type of consideration

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash and deposits	¥ 8,304	$ 76,184
Acquisition cost		¥ 8,304	$ 76,184

4. Description and amount of major acquisition-related expenses

Fees to advisors, etc.: ¥170 million ($1,566 thousand)

5. Amount, cause, amortization method and period of goodwill recognized

(1) Amount of goodwill recognized
¥6,946 million ($63,725 thousand)

(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
Straight-line method over a period of 20 years

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	¥ 3,139	$ 28,798
Non-current assets	3,213	29,484
Total assets	6,352	58,282
Current liabilities	1,698	15,586
Non-current liabilities	2,116	19,413
Total liabilities	¥ 3,815	$ 34,999

7. 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	¥ 4,896	$ 44,923
Operating profit	284	2,607
Ordinary profit	275	2,523
Profit before income taxes	275	2,523
Profit attributable to owners of parent	161	1,482
Basic earnings available to common shareholders	5.38 Yen	0.05 $

(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.

The information mentioned above has not been audited.

Finalization of the provisional accounting treatment for the business combination

The business combination with GI HOLDINGS CORPORATION INC. and INVOICE Inc. that was made on October 31, 2018, was provisionally accounted for in Fiscal 2018, but was finalized in Fiscal 2019 (from April 1, 2019 to March 31, 2020).

With the finalization of this provisional accounting treatment, the amount of the initial allocation of acquisition cost reflects a significant revision.

As a result, “other” in intangible fixed assets mainly increased, and the provisionally calculated amount of goodwill of ¥11,970 million ($109,819 thousand) decreased by ¥1,591 million ($14,598 thousand) to ¥10,379 million ($95,221 thousand) due to the finalization of the accounting treatment.

24. 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, 2020, were approved at a shareholders’ meeting held on June 23, 2020:

	Millions of yen	Thousands of U.S. dollars
Appropriations:		
Cash dividends of ¥105 ($0.96) per share	¥ 3,157	$ 28,971

Conversion to a consolidated subsidiary by acquisition of shares

The Company resolved at a Board of Directors meeting held on January 30, 2020 to acquire 60% of the issued common shares of YAMATO LEASE CO., LTD. (President and Chief Executive Officer : Naomi Ogata; hereinafter “YL”), a wholly owned subsidiary of Yamato Holdings Co., Ltd. (Head office: Chuo-ku, Tokyo; Representative Director, Executive Officer and President: Yutaka Nagao; hereinafter “YHD”), and to collaborate on businesses with YHD. The Company concluded a share transfer agreement with YHD and acquired the shares on April 1, 2020. Following the acquisition, YL became a consolidated subsidiary of the Company.

1. Overview of the business combination
(1) Name of acquired company and its business

Name of acquired company: YAMATO LEASE CO., LTD.
Business description: Leasing business, primarily focused on trucks, vehicle distribution support business, others (business succession support business, etc.)

(2) Reason for the business combination

By combining the business bases and expertise, etc., of the Fuyo Lease Group and the Yamato Group, the conversion of YAMATO LEASE CO., LTD. into a joint venture will enable both companies to strengthen YL’s competitive advantage and expand its business domains with a view to further expanding its business. Both companies have also agreed in addition to making YL into a joint venture to begin discussions on producing business synergies by providing and utilizing each other’s management resources and strengths, and on the potential for further business alliance.

The Company and YHD recognize that cross-industry partnerships are set to become increasingly important for realizing the sustainable growth of companies by solving issues in the logistics industry. Based on this, both companies have promoted discussion and examination on YL’s growth strategies and a business alliance. As a result, both companies have agreed to convert YL into joint venture with potential for powerful alliance effects, combining YHD’s business base with Fuyo Lease Group’s diverse solutions and expertise in financial risk management functions to increase the sophistication of its solutions and expand its service lineup with a view to expanding its business domains and increasing its corporate value. Looking ahead, both companies aim to expand YL’s business and contribute to productivity improvements and sustainable growth for the entire logistics industry, by providing diverse carriers through YL with Fuyo Lease Group’s services and expertise, including increasing the sophistication of financial services, strengthening the vehicle management and maintenance systems, managing logistics facility assets, and BPO (Business Process Outsourcing: services to efficiently carry out a business’s administrative work, etc.) that realizes work style reform in the industry. In doing so, they will expand YL’s business and contribute to productivity improvements and sustainable growth for the entire logistics industry.

(3) Date of business combination

April 1, 2020

(4) Legal form of business combination

Acquisition of shares by cash

(5) Name of the company after combination

No change.

(6) Percentage share of voting rights acquired

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%

(7) Primary basis for the determination of the acquiring company

It is because the Company acquired 60.00% of the issued shares of YAMATO LEASE CO., LTD.

2. Acquisition cost of the acquired company and breakdown by type of consideration

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash and deposits	¥ 3,300	$ 30,275
Acquisition cost		¥ 3,300	$ 30,275

3. Description and amount of major acquisition-related expenses

Currently unconfirmed.

4. Amount, cause, amortization method and period of goodwill recognized

Currently unconfirmed.

5. Amount of assets received and liabilities accepted on the date of the business combination and their major components

Currently unconfirmed.

Corporate bond issuance

The company issued straight bonds as follows:

(1) Issue name: Fuyo General Lease Co., Ltd., No. 24 unsecured straight bond
(2) Issuance amount: ¥20,000 million
(3) Issuance date: June 17, 2020
(4) Issue price: ¥100 per ¥100 of face value
(5) Coupon rate: 0.250% per year
(6) Redemption date: June 17, 2025
(7) Purpose: To fund capital investments

Report of Independent Auditors

Independent Auditor's Report

The Board of Directors
Fuyo General Lease Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Fuyo General Lease Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report of Independent Auditors

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 24, 2020

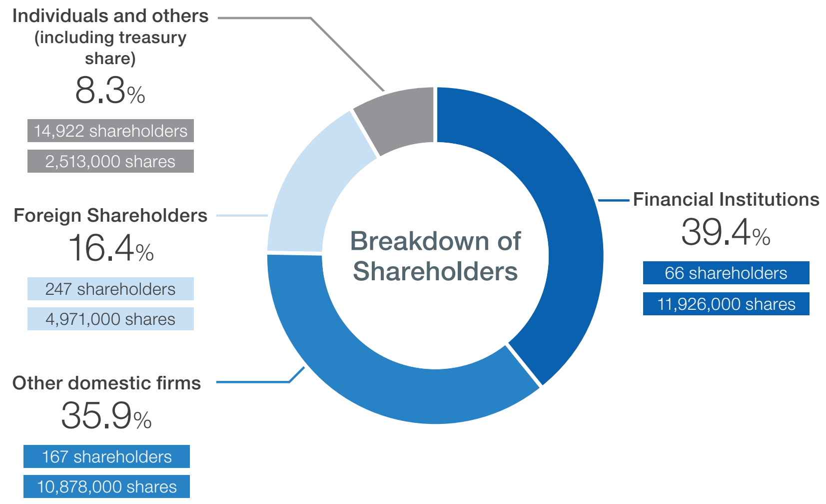
/s/ Hirokazu Tanaka
Designated Engagement Partner
Certified Public Accountant

/s/ Nobuko Kubo
Designated Engagement Partner
Certified Public Accountant

Stock Information (As of March 31, 2020)

Stock Overview

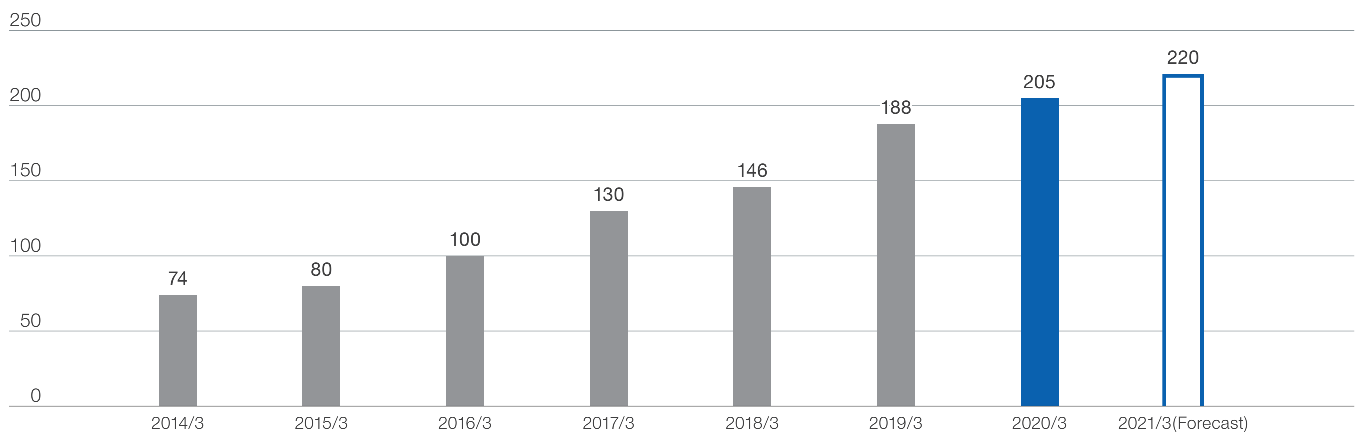
Total number of authorized shares	100,000,000 shares
Number of shares outstanding	30,288,000 shares
Share unit number	100 shares
Number of shareholders	15,402



Major Shareholders (Top 10)

Shareholders	Number of shares held (in thousands)	Shareholding ratio (%)
Hulic Co., Ltd.	4,218	13.93%
Meiji Yasuda Life Insurance Company	2,261	7.47%
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)	1,212	4.00%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,007	3.33%
Sompo Japan Nipponkoa Insurance Inc.	1,002	3.31%
Azbil Corporation	1,000	3.30%
Mizuho Bank, Ltd.	907	3.30%
BBH FOR FIDELITY PURITAN TR : FIDELITY SR INTRINSIC OPPORTUNITIES FUND	575	1.90%
Meiji Yasuda Life Planning Center Co.,Ltd.	429	1.42%

Annual dividend per share (Yen)



FUYO LEASE

FUYO GENERAL LEASE CO.,LTD.

Kojimachi Garden Tower, 5-1-1, Kojimachi, Chiyoda-ku, Tokyo 102-0083, Japan
Phone: +81-3-5275-8800

https://www.fgl.co.jp/eng/

MIX
Paper from responsible sources
FSC® C011109
www.fsc.org

non VOC ink eco UV

For inquiries about “Integrated Report 2020,” please contact:	Creating Shared Value Promotion Office TEL: +81-3-5275-8809 E-mail: fuyo-ir@fgl.co.jp