NEXT MUL

Mitsubishi UFJ Lease & Finance

# FY3/2017 2nd Quarter Results

**(Tokyo Stock Exchange / Nagoya Stock Exchange : 8593)**

November 8, 2016

Mitsubishi UFJ Lease & Finance Company Limited

*Value Integrator*

# Index

# Financial Highlights



(billion yen)

| | FY3/2017 2Q | YOY Change | exchange rate effects | YOY Change (%) | FY3/2016 2Q | Reference |
|---|---|---|---|---|---|---|
| Total Revenues | 403.7 | −0.0 | −5.4 | −0.0% | 403.8 | |
| Gross Profit | 75.5 | −4.5 | −1.9 | −5.7% | 80.0 | p.4, 5 (see p.6, 7 for Credit Cost) |
| Operating Income | 42.2 | −3.2 | −1.1 | −7.1% | 45.4 | |
| Recurring Income | 44.3 | −3.6 | −1.3 | −7.6% | 47.9 | |
| Net Income ※ | 29.1 | +0.2 | −0.6 | +0.8% | 28.9 | |
| New Transactions Volume | 718.7 | −49.6 | −10.3 | −6.5% | 768.3 | p.8, 9 |
| Interim Dividend | 6.25 yen | +1.05 yen | - | - | 5.20 yen | |
| USD Exchange Rate (*1) | $1:111.81 yen | - | | | $1:120.23 yen | |

※Net income attributable to parent company shareholders
(*1)Exchange rate applied to profit and loss statement of overseas subsidiaries

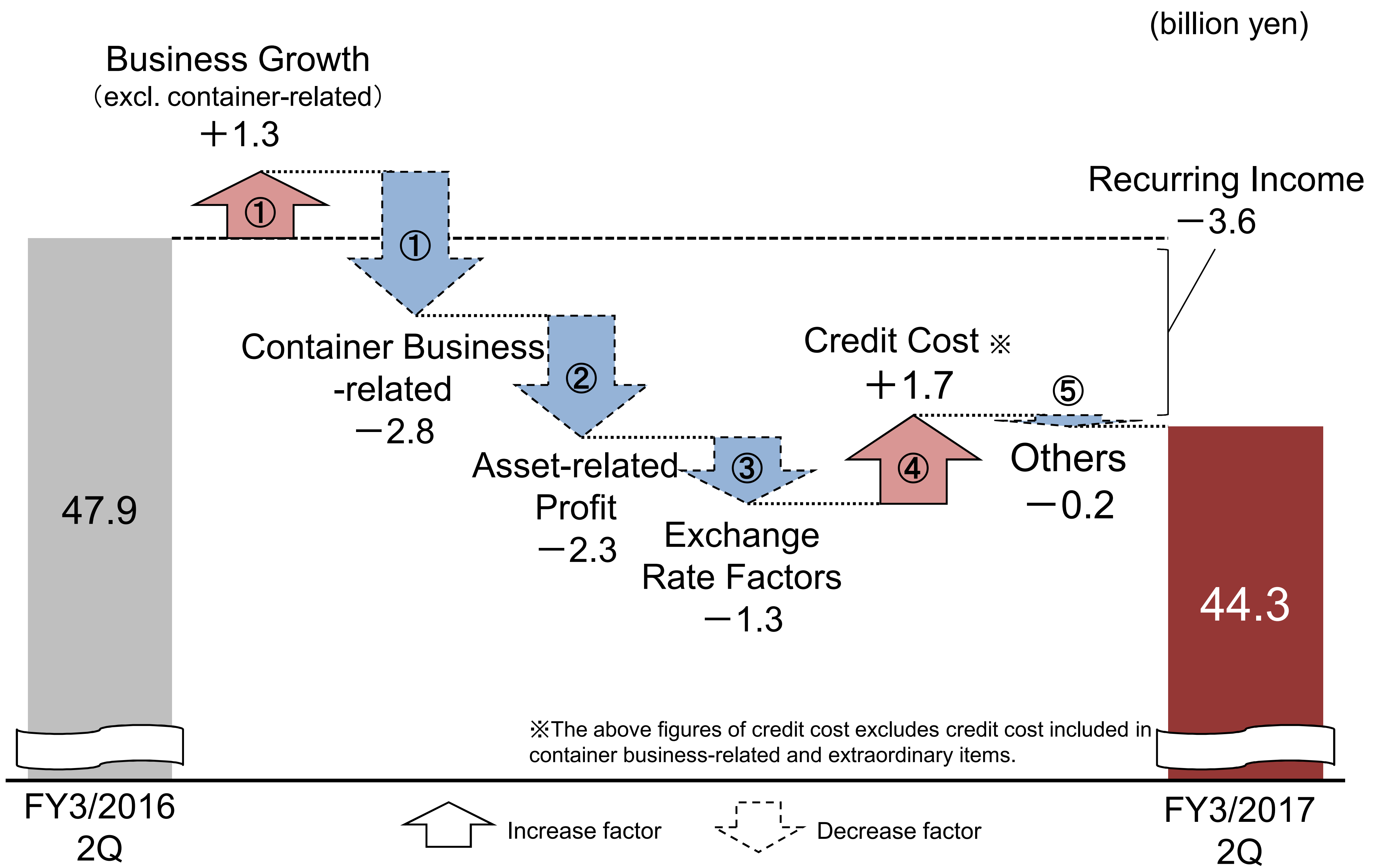
(billion yen)

| | FY3/2017 2Q | Change from FY3/2016 | exchange rate effects | Change from FY3/2016(%) | FY3/2016 | Reference |
|---|---|---|---|---|---|---|
| Total Equity | 616.7 | −25.6 | - | −4.0% | 642.3 | |
| Total Assets | 4,984.3 | −136.8 | - | −2.7% | 5,121.2 | |
| Total Operating Assets | 4,465.0 | −161.4 | −225.2 | −3.5% | 4,626.4 | p.10, 11 |
| USD Exchange Rate (*2) | $1:102.91 yen | - | | | $1:120.61yen | |

(*2)Exchange rate applied to balance sheet of overseas subsidiaries

# Increase / Decrease in Recurring Income






※The above figures of credit cost excludes credit cost included in container business-related and extraordinary items.

# Increase / Decrease in Recurring Income



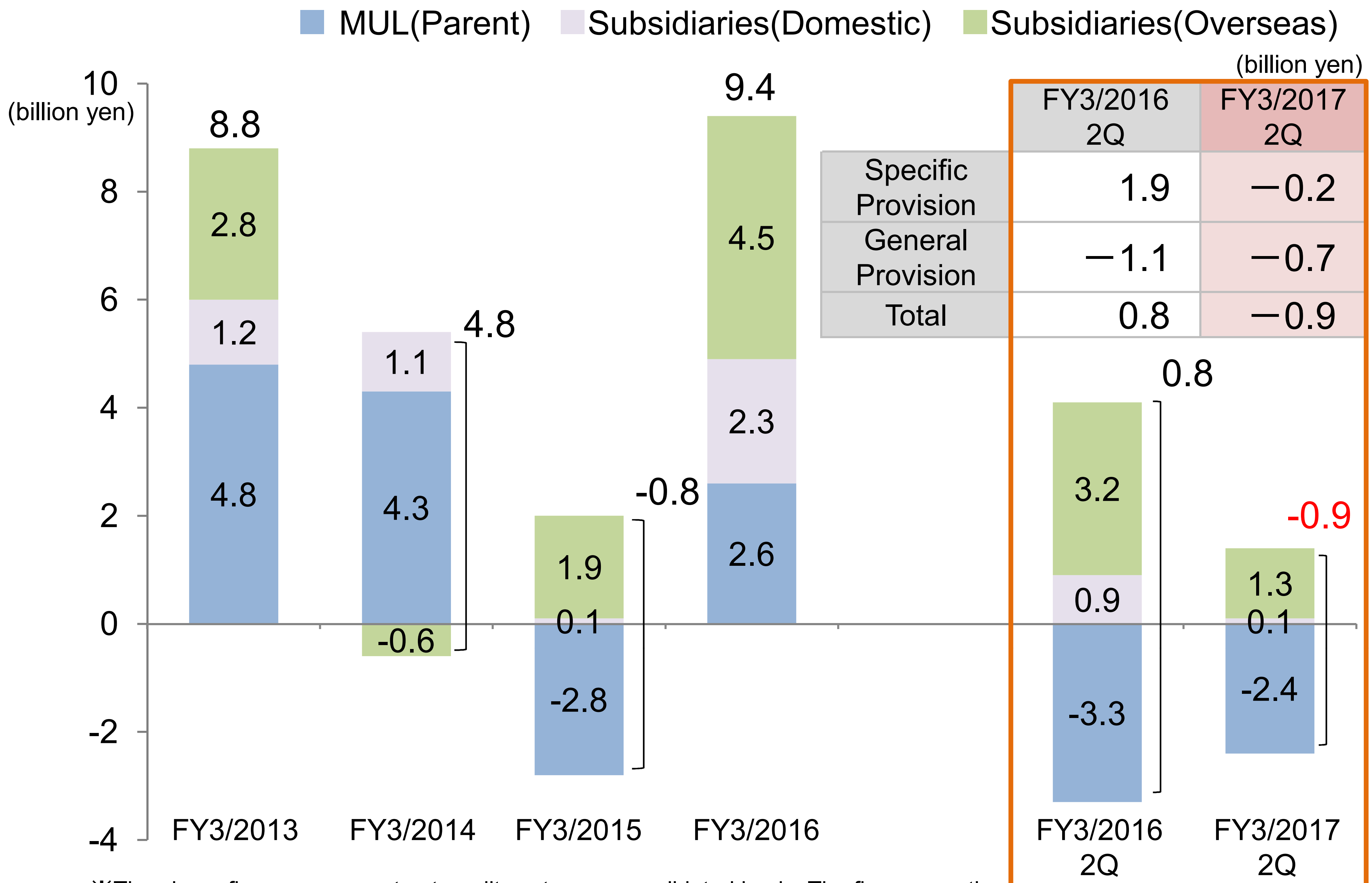
| | FY3/2017 2Q Results (billion yen) | | Direction and outlook |
|---|---|---|---|
| ① Business Growth | ✓ Profit grew with the exception of effects from container market deterioration | Year-on-year：−1.5<br>✓Effects from container market deterioration −2.8<br>✓Business growth excluding above factor ＋1.3 | ✓ Aim for stable and sustainable growth by combining new businesses on the core of leasing and finance<br>✓ Effects from negative interest rates are limited due to our business diversification |
| ② Asset-related Profit | ✓ Gain on sales of assets in aircraft leasing and engine leasing continued<br>✓ Year-on-year decline was posted in gain from real estate-related dividend income | Year-on-year：−2.3<br>✓Gain on sales of aircraft and aircraft engines ＋0.5<br>✓Gain from real estate-related dividend income −3.2<br>✓Other asset-related profit ＋0.4 | ✓ The aggressive rotation of assets in the global asset business will continue<br>✓ The real estate-related business will strategically expand “hands-on” equity investment in the form of real estate revitalization |
| ③ Exchange Rate Factor | ✓ Affected by yen’s strength, overseas subsidiaries’ profits were compressed | Exchange Rate Factor：−1.3<br>【U.S. dollar-yen exchange rate】<br>FY3/2016 2Q ： $1＝120.23 yen<br>FY3/2017 2Q ： $1＝111.81 yen | |
| ④Credit Cost | | Year-on-year：＋1.7 | (cost decrease) |
| ⑤Others | | Year-on-year：−0.2 | (cost increase) |
| Total | | Year-on-year：−3.6 | |

# Trends of Net Credit Cost



(billion yen)

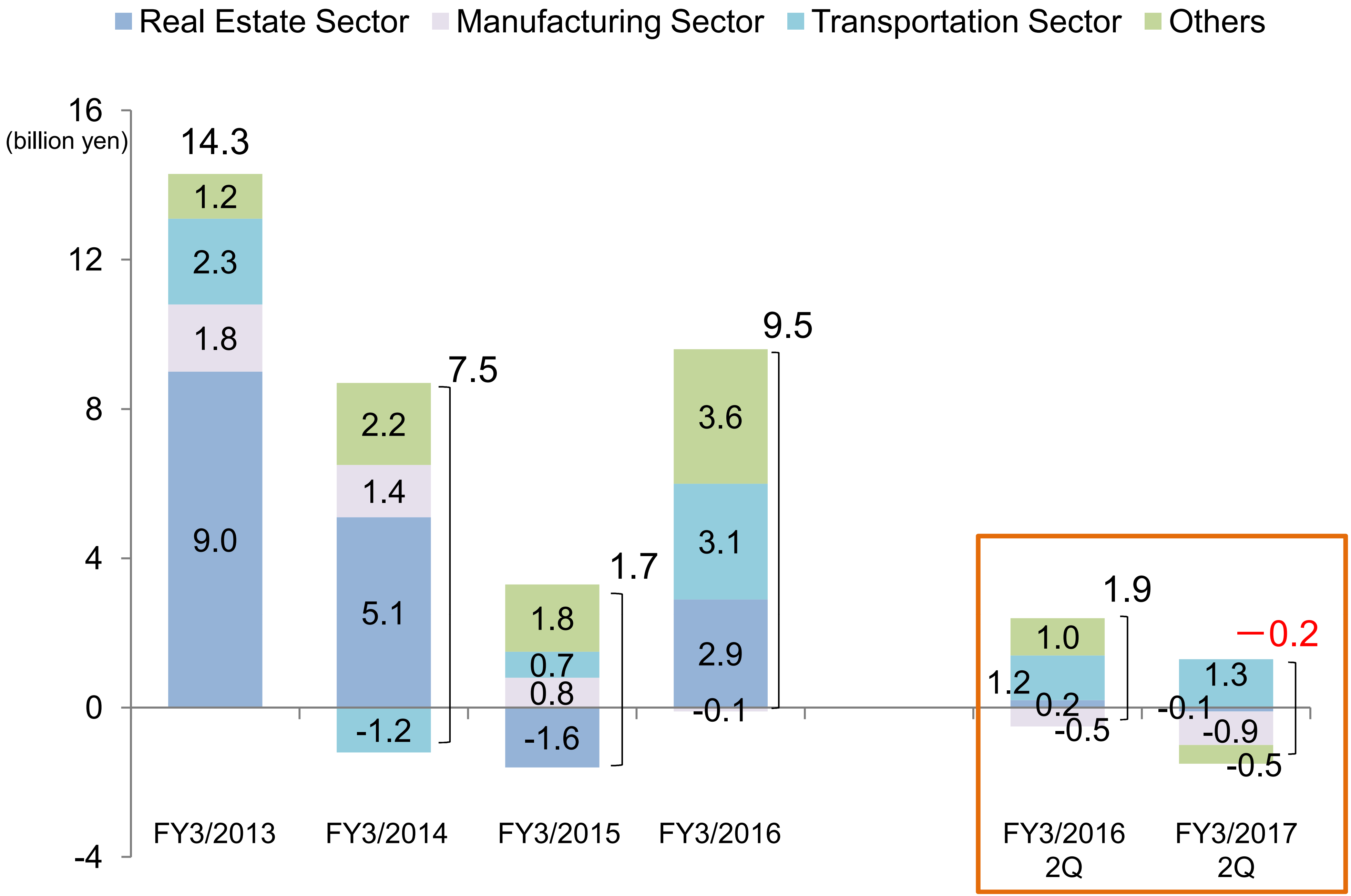
| | FY3/2016 2Q | FY3/2017 2Q |
|---|---|---|
| Specific Provision | 1.9 | −0.2 |
| General Provision | −1.1 | −0.7 |
| Total | 0.8 | −0.9 |




※The above figures represent net credit cost on a consolidated basis. The figures are the sum of related costs and expenses included in cost of revenues, SG&A expenses, non-operating items, and extraordinary items.

# Trends of Specific Provision by Segment





# New Transactions Volume by Transaction Type

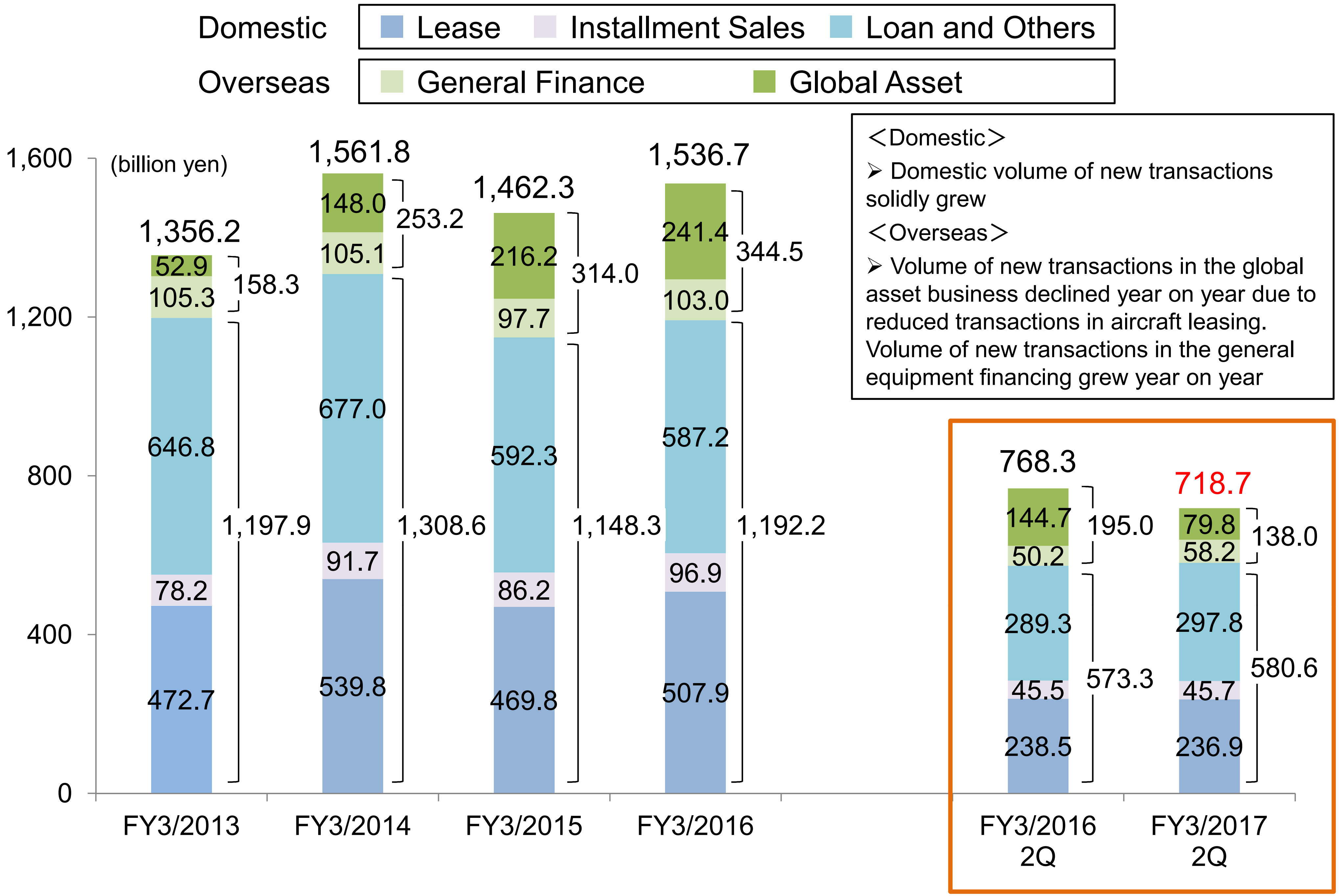


(billion yen)

| | | FY3/2016 2Q | FY3/2017 2Q | YOY Change(%) | Comments |
|---|---|---|---|---|---|
| 1. Lease Transactions Volume | | 392.2 | 338.0 | −13.8% | ➢ Reduced volume of new transactions for “Transportation Equipment” was mainly due to a decline in aircraft lease transactions. However, the number of aircraft lease contracts is rising steadily, and the number of aircraft transacted for the full fiscal year will grow year on year.<br>➢“Others” carried out large-sized transactions for mainly energy-related projects including solar panels |
| | IT / Office Equipment | 67.6 | 62.3 | −7.8% | |
| | Industrial Machinery | 55.9 | 52.9 | −5.3% | |
| | Civil Eng. & Construction Machinery | 13.4 | 14.8 | +10.6% | |
| | Transportation Equipment | 134.6 | 82.0 | −39.1% | |
| | Medical Equipment | 25.9 | 27.9 | +7.4% | |
| | Commercial & Service Equipment | 40.0 | 39.8 | −0.5% | |
| | Others | 54.5 | 58.1 | +6.6% | |
| 2. Installment Sales Volume | | 45.4 | 45.7 | +0.7% | |
| | IT / Office Equipment | 1.9 | 0.9 | −49.7% | |
| | Industrial Machinery | 5.1 | 5.0 | −3.7% | |
| | Civil Eng. & Construction Machinery | 11.9 | 16.0 | +34.2% | |
| | Transportation Equipment | 2.2 | 2.4 | +4.8% | |
| | Medical Equipment | 4.7 | 4.1 | −12.5% | |
| | Commercial & Service Equipment | 11.0 | 8.2 | −25.7% | |
| | Others | 8.3 | 9.0 | +8.6% | |
| 3. Loan and Other Transaction Volume | | 330.6 | 334.8 | +1.3% | ➢For “Loan and Other Transaction Volume”, general loans and leaseback transactions increased |
| | Factoring | 112.0 | 96.3 | −14.0% | |
| | Real Estate Finance | 45.7 | 56.8 | +24.3% | |
| | Others | 172.8 | 181.6 | +5.1% | |
| Volume of All New Transactions | | 768.3 | 718.7 | −6.5% | |

# New Transactions Volume (Domestic / Overseas)

*Value Integrator*




<Domestic>

- Domestic volume of new transactions solidly grew

<Overseas>

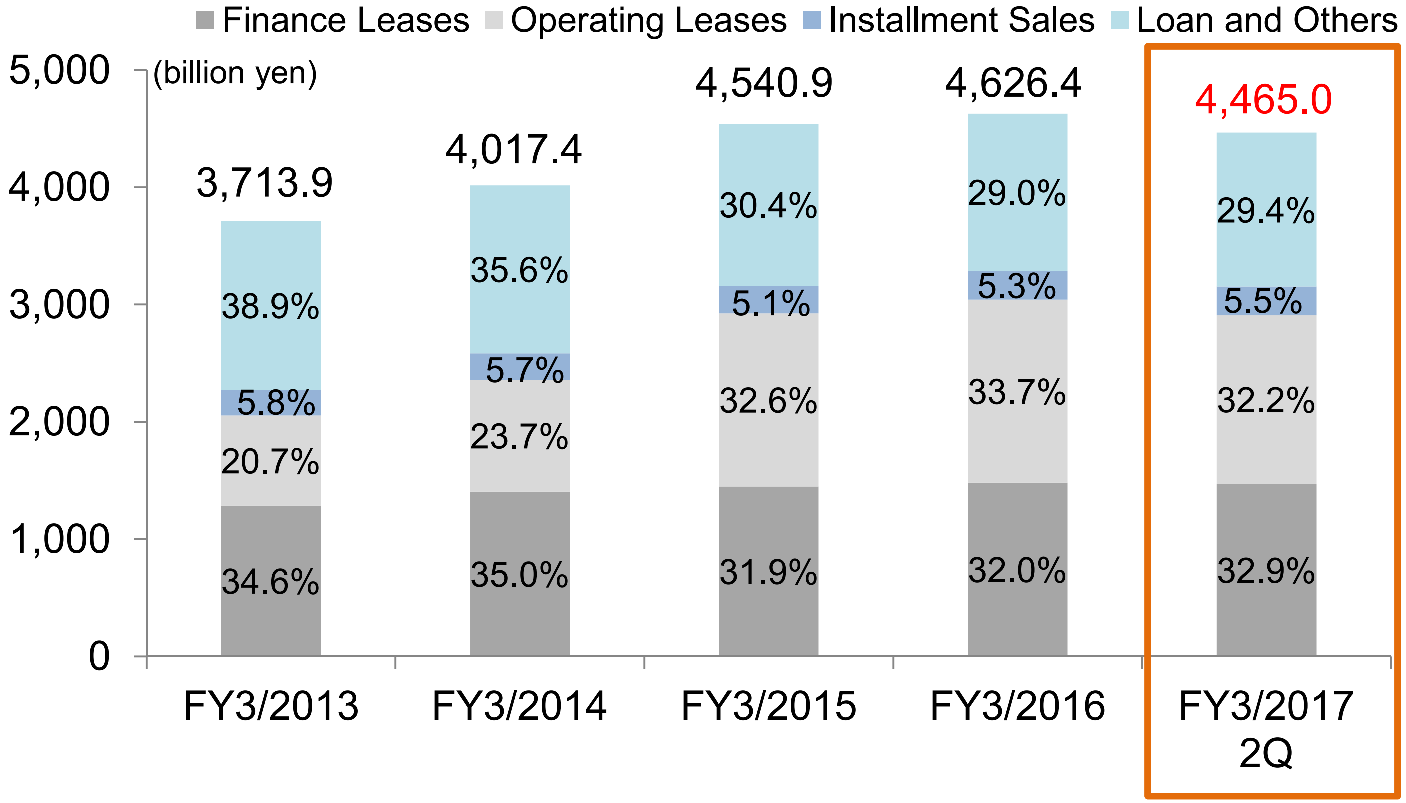
- Volume of new transactions in the global asset business declined year on year due to reduced transactions in aircraft leasing. Volume of new transactions in the general equipment financing grew year on year

# Operating Assets by Transaction Type



(billion yen)

| | FY3/2013 | FY3/2014 | FY3/2015 | FY3/2016 | FY3/2017 2Q | Change from FY3/2016 |
|---|---|---|---|---|---|---|
| Finance Leases | 1,286.1 | 1,405.7 | 1,447.6 | 1,480.3 | 1,469.9 | −0.7% |
| Operating Leases | 767.8 | 951.5 | 1,478.2 | 1,560.4 | 1,438.7 | −7.8% |
| Installment Sales | 216.7 | 227.3 | 234.0 | 245.8 | 244.3 | −0.6% |
| Loan and Others | 1,443.3 | 1,432.8 | 1,381.0 | 1,339.7 | 1,311.9 | −2.1% |
| Total Operating Assets | 3,713.9 | 4,017.4 | 4,540.9 | 4,626.4 | 4,465.0 | −3.5% |

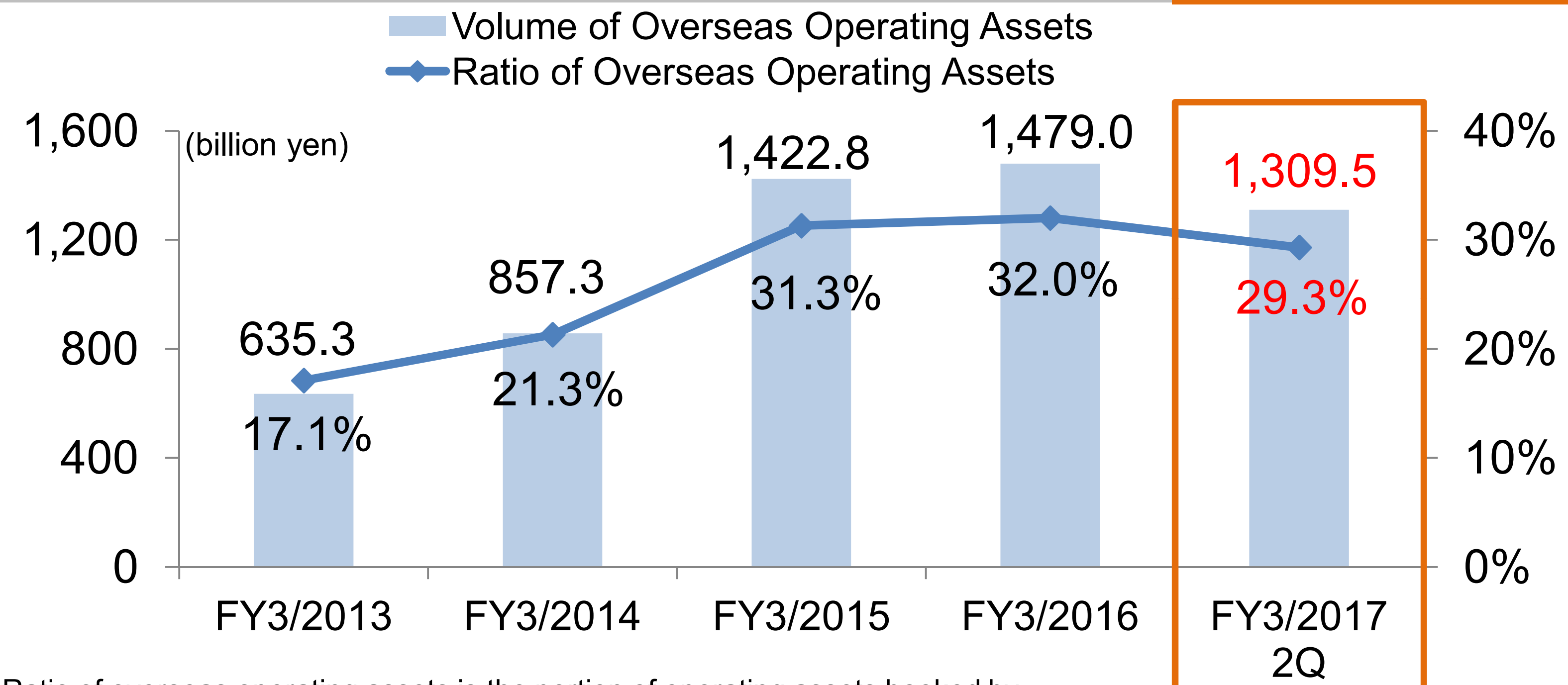


# Operating Assets (Domestic / Overseas)



(billion yen)

| | FY3/2013 | FY3/2014 | FY3/2015 | FY3/2016 | FY3/2017 2Q | Change from FY3/2016 |
|---|---|---|---|---|---|---|
| Domestic Total | 3,078.6 | 3,160.1 | 3,118.1 | 3,147.4 | 3,155.4 | +0.3% |
| Lease | 1,606.3 | 1,726.9 | 1,752.9 | 1,814.5 | 1,828.5 | +0.8% |
| Installment Sales | 216.7 | 227.3 | 234.0 | 245.8 | 244.3 | −0.6% |
| Loan and Others | 1,255.4 | 1,205.7 | 1,130.9 | 1,086.9 | 1,082.5 | −0.4% |
| Overseas Total | 635.3 | 857.3 | 1,422.8 | 1,479.0 | 1,309.5 | −11.5% |
| General Finance | 200.8 | 216.3 | 245.4 | 226.5 | 201.3 | −11.1% |
| Global Asset | 434.5 | 641.0 | 1,177.4 | 1,252.5 | 1,108.1 | −11.5% |
| Total Operating Assets | 3,713.9 | 4,017.4 | 4,540.9 | 4,626.4 | 4,465.0 | −3.5% |




Ratio of overseas operating assets is the portion of operating assets booked by overseas subsidiaries to the total operating assets on a consolidated basis

# Funding Structure

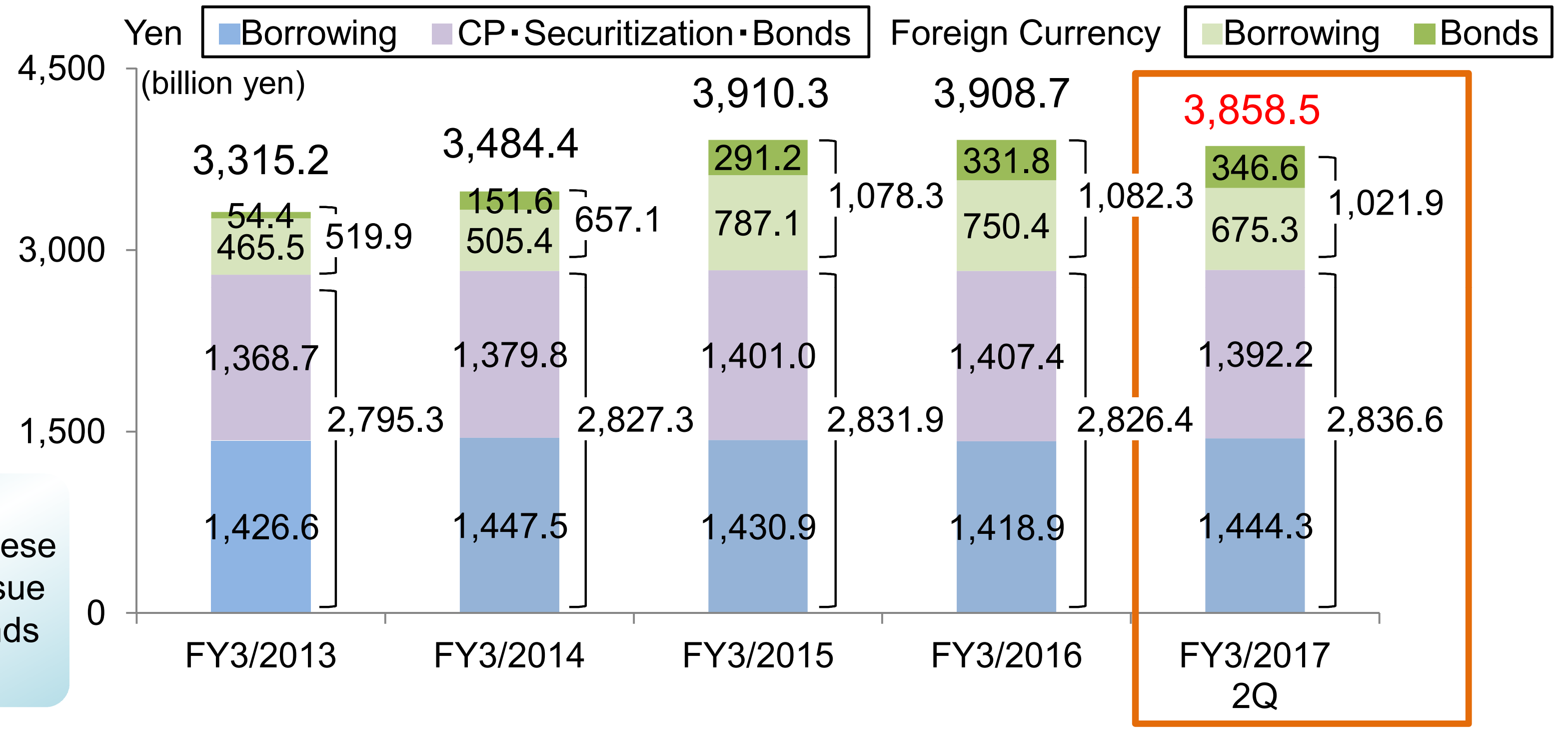


(billion yen)

| | FY3/2013 | FY3/2014 | FY3/2015 | FY3/2016 | FY3/2017 2Q | Change from FY3/2016 |
|---|---|---|---|---|---|---|
| Borrowing | 1,892.1 | 1,952.9 | 2,218.0 | 2,169.4 | 2,119.6 | −2.3% |
| CP (Commercial Paper) | 806.2 | 762.3 | 830.0 | 853.6 | 824.8 | −3.4% |
| Securitization | 139.6 | 164.4 | 173.5 | 168.8 | 146.0 | −13.5% |
| Corporate Bonds | 477.3 | 604.7 | 688.7 | 716.8 | 768.0 | +7.1% |
| Total Funding | 3,315.2 | 3,484.4 | 3,910.3 | 3,908.7 | 3,858.5 | −1.3% |
| Direct Funding Ratio※1 | 42.9% | 44.0% | 43.3% | 44.5% | 45.1% | +0.6% |
| Foreign Currency Funding Ratio※2 | 15.7% | 18.9% | 27.6% | 27.7% | 26.5% | −1.2% |

※1: Proportion of CPs, securitization and corporate bonds among total funding

※2: Proportion of foreign currency-based funding among total funding




【Topic】
Became the first Japanese leasing company to issue 20-year corporate bonds in domestic market

# Forecast for Financial Results of FY3/2017

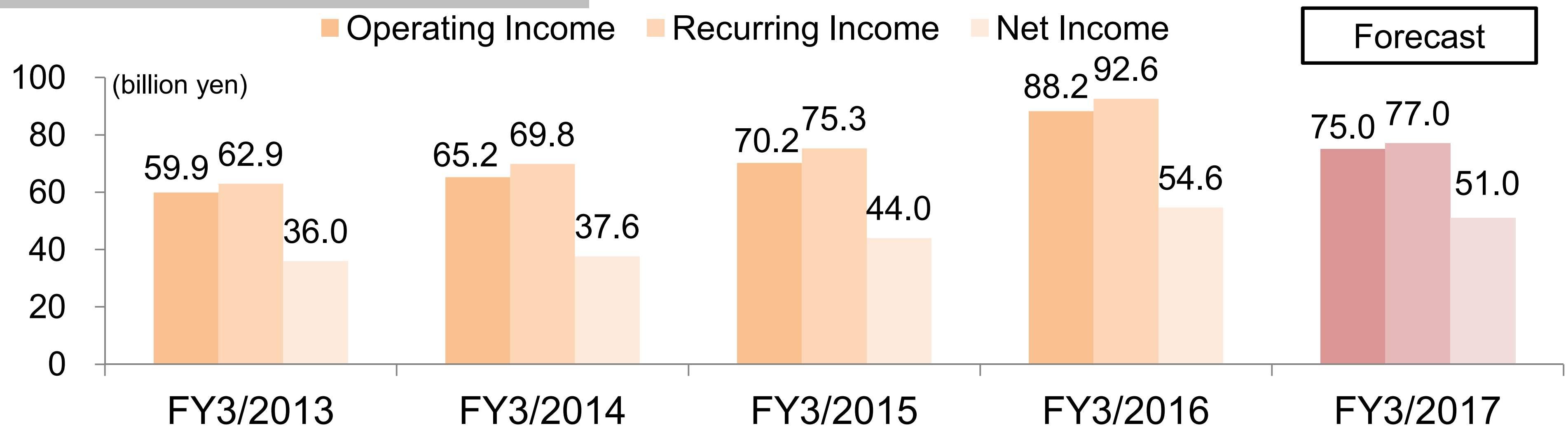


(billion yen)

| | FY3/2017 | YOY Change |
|---|---|---|
| Total Revenues | 830.0 | ＋0.5% |
| Gross Profit | 152.0 | －8.4% |
| Operating Income | 75.0 | －15.0% |
| Recurring Income | 77.0 | －16.9% |
| Net Income ※ | 51.0 | －6.6% |
| Dividend per Share | 12.50 yen | ＋0.20 yen |

Consolidated forecast for FY3/2017 as of November 8, 2016
※Net Income attributable to parent company shareholders

## Consolidated Financial Performance



# Progress of “Evolving Business Models”

*Value Integrator*

Launched three new businesses through the integration of finance and business, aiming for further acceleration

| | Project 1 (Page 18) | | Project 2 (Page 19) | | Project 3 (Page 17) | |
|---|---|---|---|---|---|---|
| | 【Eco and energy】 Energy-related asset management business | | 【Real estate】 Real estate revitalization equity investment business | | 【Medical and nursing care 】 One-stop solution that support local community medicals | |
| Operator | MUL Energy Investment (MEI) | | MUL Realty Investment (MURI)<br>MUL Realty Advisers (MURA) | | Healthcare Management Partner (HMP) new company provides specialized service | |
| thus far | Solar power equipment leasing<br>Project financing | | Real estate leasing<br>Non-recourse loans | | Medical equipment leasing, Used medical equipment trade, business launch support | |
| thus far | Equity participation in power generation | | Debt-combined equity investments | | Operation of nursing homes | |
| Aim of new business | Acquire diverse revenue opportunities in the form of equity participation in power generation and AM service | | Make strategic investments by using real estate revitalization expertise, and aim to achieve high returns | | Expand business opportunities by providing full range of multiplex functions | |
| Aim of new business | **Previous revenue opportunities** | **New revenue opportunities** | **Conventional Business** | **Aim of new business** | **Existing functions** | **New functions** |
| Aim of new business | ✓ Income from leasing of panels<br>✓ Project finance income | ✓ Revenues from electricity sales and capital gain at exit<br>✓ Fee income from AM and fund business | ✓ Mainly debt and equity investment in combination | ✓ MURI to pursue exit at optimal timing and price through hands-on investment | ✓ Financing function<br>✓ Nursing home operation | ✓ HMP’s AM function such as real estate securitization<br>✓ New company’s function to improve administration |

Continue to create new businesses and establish early a business-launch to revenue-contribution cycle, thereby achieving a business model that can realize sustainable growth and development

Evolve into an advanced-stage non-bank company equipped with a total solution function that meets diverse needs

NEXT MUL

# "Evolve Business Models" – Medical and nursing care

*Value Integrator*

Towards a multiplex business model including AM and business assistance-based service

| Business environment | Future outlook |
|---|---|
| Aging medical institution facilities as well as hospital operator management have become a social issue | Growing needs for hospital rebuilding, medical institution function enhancement and switching |
| Japanese government is pushing forward with the "Local Community Comprehensive Care System"(※) in an effort to deliver medical and nursing care services in a bundle | Need for total function to support institutions which play a leading role for promoting medical-nursing care collaboration and function integration |

※Comprehensive service system for the elderly to support their independent living which the Japanese government is promoting.

## Initiatives

### Recent initiatives

Acquired HMP and established largest healthcare fund in Japan, jointly with Development Bank of Japan

### Future direction

✓ Launch a new company to deploy various business assistance-based service and deliver together with our existing functions

## Concept of functions to be delivered by MUL Group

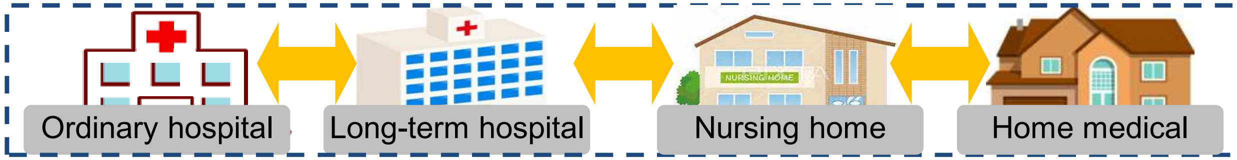
**MUL**
Financing function
✓ Medical equipment leasing
✓ Factoring, etc

**HMP**
AM function
✓ Real estate securitization
✓ Fund operation, etc

**Trinity care**
Facility operation function
✓ Nursing home operation
✓ Facility acquisition and sale

**New company**
Business improvement
✓ Equipment introduction
✓ Improvement solutions, etc

Bundled provision




Provide a one-stop solution function that strongly supports the promotion of Local Community Comprehensive Care System from various angles

# "Evolve Business Models" – Eco and Energy related



Evolve our business model from leasing and finance to equity investment and AM business

## MEI's initiatives

### Results (since establishment in October 2015)

Mainly new (primary) power generation projects, coupled with acquisitions of projects in operation (secondary)

Total equity participation contracted : 15 billion yen

(Total output capacity of 60 MW)

Kanto area-based mega solar power plant under operation acquired by MEI

### Future direction

- ✓ Step up further acquisition of secondary projects and AM business
- ✓ Plan to establish fund business by spring 2017

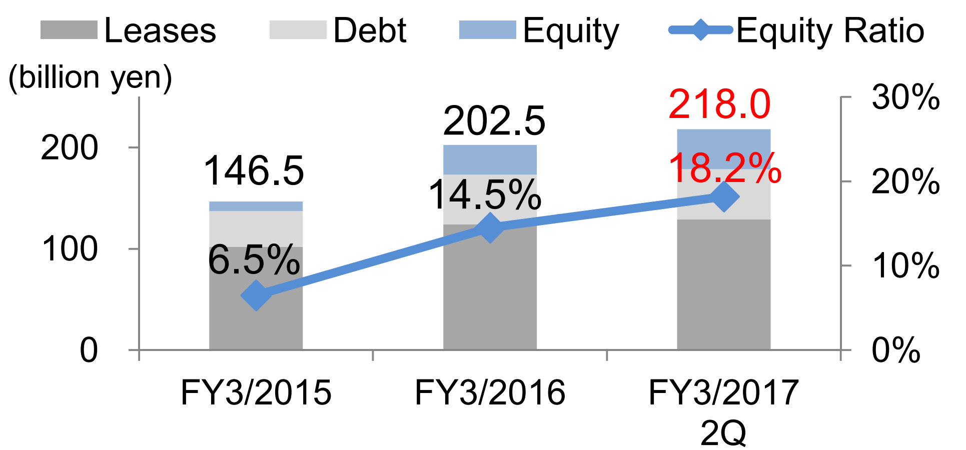
## MUL Group's solar-related initiatives

Equity investments is expanding in our total investment

【Cumulative total asset volume contracted for solar projects】

| | FY3/2015 | FY3/2016 | FY3/2017 2Q |
|---|---|---|---|
| Total | 146.5 | 202.5 | **218.0** |
| Leases | 101.7 | 124.3 | **128.8** |
| Debt | 35.3 | 48.9 | **49.6** |
| Equity | 9.5 | 29.3 | **39.6** |
| Equity ratio | 6.5% | 14.5% | **18.2%** |

※Equity ratio : Proportion of equity among total solar power assets




Pursue equity investment and AM business in the energy-related area in addition to finance, thereby aiming to become a total provider of energy solutions

# "Evolve Business Models" – Real Estate



Expand hands-on equity investments in a shift from the debt-centric business model

## MURI and MURA's initiatives

### Results (since establishment in April 2016)

Acquired a building that can be valued-up by repair work and operation improvement

Looking to acquire several buildings mainly in Tokyo metropolitan area

Revitalization equity investment
8 deals
(incl. transfer deals from MUL)

Tokyo metropolitan area building acquired by MURI

### Future direction

✓ Step up equity investments and AM functions further, and pursue fund business going forward

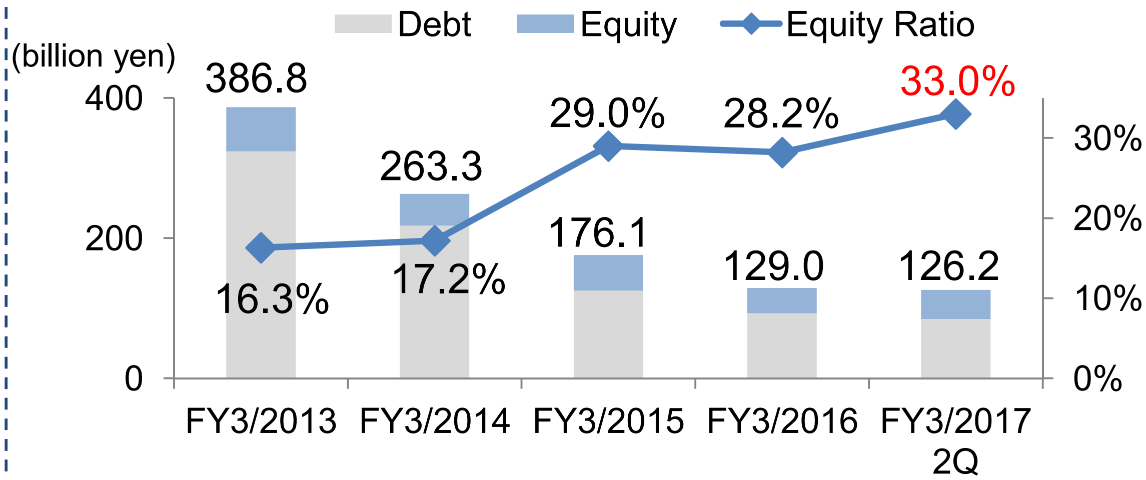
## MUL Group's real estate-related finance

Equity investment exceeding 30% of total, and expanding hands-on type

【Balance of real estate-related finance】 Total of MUL and MURI

| | FY3/2013 | FY3/2014 | FY3/2015 | FY3/2016 | FY3/2017 2Q |
|---|---|---|---|---|---|
| Total | 386.8 | 263.3 | 176.1 | 129.0 | **126.2** |
| Debt | 323.9 | 218.1 | 125.0 | 92.6 | **84.5** |
| Equity | 62.9 | 45.2 | 51.1 | 36.3 | **41.7** |
| Equity ratio | 16.3% | 17.2% | 29.0% | 28.2% | **33.0%** |

※Equity ratio : Proportion of equity among total real estate finance assets




**Pursue hands-on strategic investments, striving to maximize the Group's profitability in the real estate business**

# Progress of Overseas Business Reinforcement

*Value Integrator*

Aim to further reinforce the international business and global asset business, further improve functions

Page 21

| | 【Global asset business】 Replace assets actively and build high-quality portfolios | 【International business】 Further enhance business with non-Japanese customers | 【International business】 Deploy high value-added services developed in Japan to overseas |
|---|---|---|---|
| Aims and initiatives | Achieve higher portfolio quality to further raise asset efficiency by rotating assets while expanding operational volume | Enhance profitability in equipment financing by stepping up business with local companies in North America, China and ASEAN | Deploy high value-added services developed in Japan such as vendor financing and ESCO to overseas, upgrading our solution capabilities |
| Initiatives | ✓Actively replacing assets in aircraft and engine leasing | ✓ Launched San Diego branch initiating business with local corporate customers with focus on operating lease service | ✓ Sales financing business in Thailand<br>✓ Deploy ESCO business on a full-scale basis in China |
| Results, direction | **Results of aircraft and engine sales**<br>Aircraft (FY3/16) 20 units (FY3/17 2Q) 4 units<br>Engine (FY3/16) 2 units (FY3/17 2Q) 7 units | **Results of the business**<br>Already carried out projects in asset size of several billion yen | **Results of sales financing business**<br>Number of customers of Thailand sales financing company: 165 companies |
| Future direction | Create portfolio with dispersed risk that can respond flexibly to changes | Enhance business with local customers with focus on America and ASEAN | Promote overseas deployment of value added service such as real estate leasing |

Improve asset efficiency of overseas business by further enhancing portfolio quality through asset rotations and by bolstering business with non-Japanese customers and high value-added services

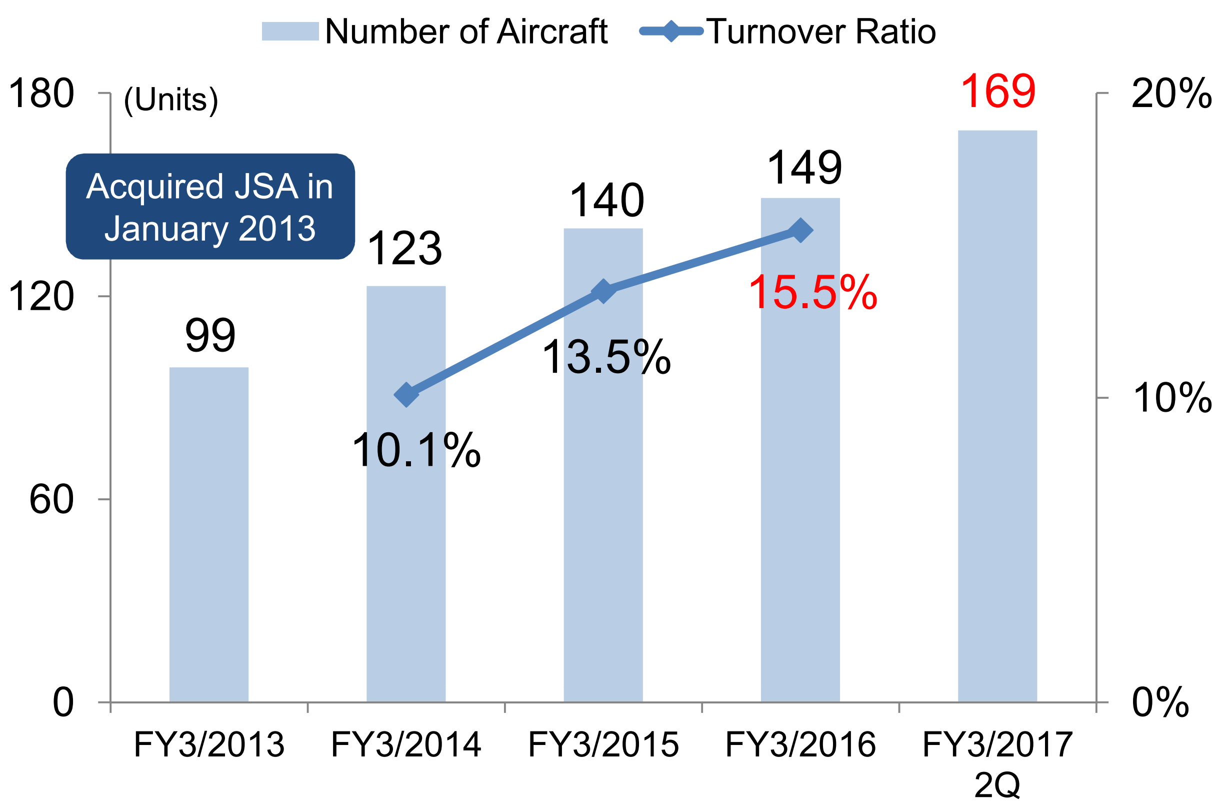
Secure wide ranging business domains on a global basis while pursuing the best balance between quality and size

# Overseas Business Reinforcement – Aircraft Leasing

***Value Integrator***

Create high-quality portfolios with effective risk diversification by actively replacing aircraft

## Portfolio replacements in the aircraft leasing business

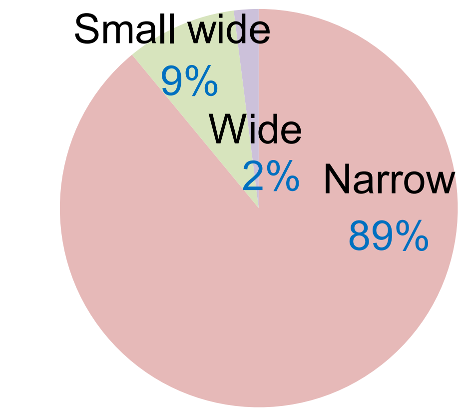



Number of Aircraft: Total number of aircraft handled by Jackson Square Aviation and MUL, including owned aircraft and undelivered contracted aircraft

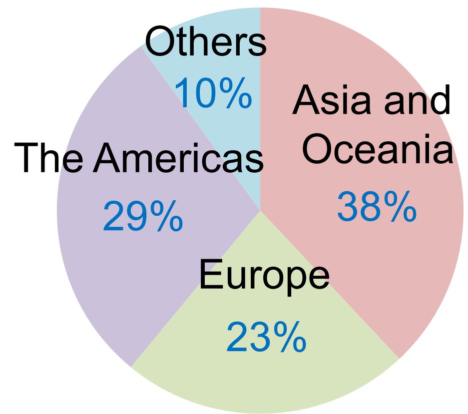
Turnover Ratio:
(Number of aircraft purchased + sold during the fiscal year) /
(Number of owned aircraft at the beginning + end of the fiscal year)

Develop portfolio with dispersed risks by ensuring area diversification, etc, while chiefly handling narrow-bodied aircraft, a category seeing brisk demand

【Body type distribution】Unit basis




【Area distribution】Balance basis



# Concept of Alliance Strategy (2 Companies)

*Value Integrator*

**Combine the strengths of both companies and expand growth fields on a global basis**

**Mitsubishi UFJ Lease & Finance**

Expertise and business know-how as a financial institution/trading company-affiliated leasing company

**Hitachi Capital**

Expertise and business know-how as a manufacturer–affiliated leasing company

- Accelerate business growth in the strategically collaborative fields through alliance
- Create new business opportunities by utilizing the existing functions and customer bases of both companies

**Achieve the target of total ¥400 billion and then aim for higher target**

Eco and Energy (100 billion yen)

Urban infrastructure/ Real estate (100 billion yen)

Overseas (200 billion yen)

**With an aim to maximize corporate value, expand collaborative fields and enhance collaboration as well as to start discussion with business integration as one option**

**Evolve into a new type of non-bank group having wide ranging business domains, overwhelming network and ability to provide solutions**

Business domains

Network

Solutions

# Alliance Strategy :Eco and Energy



| Environment | | Current recognition | Future outlook |
|---|---|---|---|
| | Solar power | FIT certification for non-working project will expire soon | Increase in last-minute demand |
| | | New project demand will peak out in the future | Development of large scale projects and increasing sales needs in secondary markets |
| | Wind power/ Biomass | Demand increasing as a field following solar power | Increase in projects with high difficulties such as long development period |

## Purpose of alliance and current situation

### Alliance synergies

Acquire large scale power generation businesses and projects with high difficulties

Prevent business opportunities losses by sharing project information and collaborative work

(Current situation)

Proposals about several large projects have already been brought in

## Future direction

Set up development funds to aim together to acquire large scale businesses and projects with high difficulties

| Timeline | In two years | In four years |
|---|---|---|
| Direction | Develop fund mainly for solar power business | Expand business domain to wind power and biomass, etc. |
| Scale | Total business scale over 50 billion yen | Total business scale over 100 billion yen |

# Alliance Strategy :Urban infrastructure/Real Estate *Value Integrator*

| Environment | Current recognition | | Future outlook |
|---|---|---|---|
| | Urban infrastructure/ Public facilities | Promote privatization of infrastructure operations led by Japanese Government | Further increase in a demand to outsource facility management risks |
| | | Accelerate efforts to increase compact cities | Increase in large facilities/infrastructure development business |
| | Real estate | Need to increase economic value of aged buildings | Increase in needs for large scale repairs of buildings and improvement of functions |

## Purpose of alliance and current situation

### Alliance synergies

**【Urban infrastructure/Public facilities】**

Capture demand for urban infrastructure by combining functions of ownership, financing and operations

**【Real estate】**

Acquire large scale project by diversifying risks and combine functions in order to enhance ability to increase value

(Current situation)
Discovering potential needs to utilize idle assets owned by local governments and use know-how accumulated in private companies

## Future direction

Aim to enhance service functions and acquire large businesses by combining and mutually using both companies' functions

| Timeline | In three years |
|---|---|
| Direction | ・Realize an increase in compact cities by promoting public-private partnership solutions<br>・Focus on more highly effective real estate development and revitalization |
| Scale | Business scale over 100 billion yen (total of urban infrastructure and real estate) |

# Alliance Strategy :Overseas



| Environment | Current recognition (Mexico) | | Future outlook |
|---|---|---|---|
| | Japanese company | Over 1,000 companies advancing into Mexico | Continuous market expansion mainly in automotive industry |
| | | Shift from using as an export base to enhancing domestic sales in Mexico | Increase in needs for comprehensive financial services supporting value chains of Japanese companies in Mexico |
| | Local company | Corporate activities intensified due to economic development | |

## Purpose of alliance and current situation

### Alliance synergies

Reduce risk and cost by joint market entry and realize early commercialization

Provide comprehensive service functions by mutually utilizing the strengths and customer bases

(Current situation)

Promoting discussions by local members toward crystallization of joint business

## Future direction

Firstly aim for early commercialization in Mexico with joint entry and then expand into Asia, etc

| | |
|---|---|
| Timeline | In three years |
| Direction | Accelerate the mutual utilization of customer bases and functions and expand business jointly in Asia and other countries/regions in addition to Mexico |
| Scale | Asset scale in Mexico: over 50 billion yen<br>Total overseas asset scale including Mexico: over 200 billion yen |

# Alliance Strategy :Open Financial Platform



| Environment | Current environment | Future outlook |
|---|---|---|
| | Global infrastructure market is expected to grow at a high growth rate exceeding 10% p.a. | The manufacturer's technical capabilities as well as ability to provide comprehensive solutions including financial functions are essential to win a large and long-term infrastructure project |
| | The Japanese Government provides support to infrastructure export by Japanese companies | |

## Purpose of alliance and current situation

Establish a framework in which Japanese manufacturers and financial institutions can participate openly

Combine functions of participating companies

- Manufacturers' technical capabilities
- Financial institutions financing arrangement
- Flexible functions of non-banks

(Current situation)

Engaging in discussions of procedures to establish a new company next spring, and specific projects

## Future direction

Establish an open financial platform and contribute to enhancement of Japan's infrastructure export on a global basis

Direction

Strive to achieve investments and loans of 100 billion yen early and aim for further business expansion

# (Reference) :Overview of the Business Alliance



| | 2 Companies Alliance | 5 Companies Alliance |
|---|---|---|
| Participating companies | ・Mitsubishi UFJ Lease & Finance<br>・Hitachi Capital | ・Mitsubishi UFJ Lease & Finance<br>・Hitachi Capital<br>・Mitsubishi UFJ Financial Group<br>・The Bank of Tokyo-Mitsubishi UFJ<br>・Hitachi |
| Major collaborative fields | <u>Domestic</u>:<br>Eco and energy<br>Urban infrastructure / Public facilities<br>Real estate<br><u>Overseas</u>:<br>The Americas, China, ASEAN | Social Infrastructure |
| Purpose | Expand business domains in Japan and overseas through the alliance between leading companies in the industry | Establish an open financial platform to support exporting social infrastructures by Japanese companies |
| Direction and scale | Total 400 billion yen in Japan and overseas | Total 100 billion yen of investments and loans |

NEXT MUL

# Financial Performance – Profit & Loss Statement (1)

*Value Integrator*

(million yen)

| | | FY3/2013 2Q 12/4~12/9 | FY3/2014 2Q 13/4~13/9 | FY3/2015 2Q 14/4~14/9 | FY3/2016 2Q 15/4~15/9 | FY3/2017 2Q 16/4~16/9 |
|---|---|---|---|---|---|---|
| 1 | **Total Revenues** | 352,889 | 355,762 | 368,040 | 403,832 | **403,766** |
| | | -2.3% | +0.8% | +3.5% | +9.7% | **-0.0%** |
| 2 | Leases | 273,854 | 288,876 | 298,749 | 332,186 | **331,537** |
| | | -2.2% | +5.5% | +3.4% | +11.2% | **-0.2%** |
| 3 | Installment Sales | 42,704 | 40,945 | 42,276 | 42,060 | **46,017** |
| | | -8.4% | -4.1% | +3.3% | -0.5% | **+9.4%** |
| 4 | Loans | 17,278 | 17,373 | 17,382 | 17,249 | **16,699** |
| | | -2.3% | +0.5% | +0.1% | -0.8% | **-3.2%** |
| 5 | Others | 19,052 | 8,566 | 9,630 | 12,335 | **9,513** |
| | | +12.9% | -55.0% | +12.4% | +28.1% | **-22.9%** |
| 6 | **Cost of Revenues** | 288,195 | 292,579 | 303,307 | 323,759 | **328,257** |
| | | -4.9% | +1.5% | +3.7% | +6.7% | **+1.4%** |
| 7 | **COR / Revenues** | 81.7% | 82.2% | 82.4% | 80.2% | **81.3%** |
| | | -2.1P | +0.5P | +0.2P | -2.2P | **+1.1P** |
| 8 | Leases, COR | 233,437 | 237,987 | 245,812 | 261,306 | **264,033** |
| | | -2.7% | +1.9% | +3.3% | +6.3% | **+1.0%** |
| 9 | Installment Sales, COR | 38,694 | 37,261 | 38,674 | 38,732 | **42,775** |
| | | -8.6% | -3.7% | +3.8% | +0.2% | **+10.4%** |
| 10 | Financial expenses | 8,706 | 12,350 | 13,224 | 19,199 | **17,146** |
| | | -5.2% | +41.9% | +7.1% | +45.2% | **-10.7%** |
| 11 | Others, COR | 7,357 | 4,979 | 5,595 | 4,520 | **4,302** |
| | | -35.8% | -32.3% | +12.4% | -19.2% | **-4.8%** |
| 12 | **Gross Profit** | 64,693 | 63,183 | 64,732 | 80,072 | **75,508** |
| | | +10.9% | -2.3% | +2.5% | +23.7% | **-5.7%** |
| 13 | **Gross Profit / Revenues** | 18.3% | 17.8% | 17.6% | 19.8% | **18.7%** |
| | | +2.1P | -0.5P | -0.2P | +2.2P | **-1.1P** |

# Financial Performance – Profit & Loss Statement (2)



(million yen)

| | | FY3/2013 2Q<br>12/4~12/9 | FY3/2014 2Q<br>13/4~13/9 | FY3/2015 2Q<br>14/4~14/9 | FY3/2016 2Q<br>15/4~15/9 | FY3/2017 2Q<br>16/4~16/9 |
|---|---|---|---|---|---|---|
| 14 | **Number of Employees** | 2,386 | 2,439 | 2,628 | 2,825 | **2,938** |
| 15 | **GP per Employee** | 54.2 | 51.8 | 49.3 | 56.7 | **51.4** |
| | **(Annualized･･･×2)** | +6.3% | -4.4% | -4.9% | +15.1% | **-9.3%** |
| 16 | **SG&A Expenses** | 31,537 | 31,452 | 30,204 | 34,649 | **33,304** |
| | | +14.4% | -0.3% | -4.0% | +14.7% | **-3.9%** |
| 17 | Personnel Expenses | 11,596 | 13,055 | 13,589 | 15,867 | **16,436** |
| | | +2.3% | +12.6% | +4.1% | +16.8% | **+3.6%** |
| 18 | Non-Personnel Expense | 12,837 | 14,720 | 15,380 | 17,405 | **16,313** |
| | | +3.9% | +14.7% | +4.5% | +13.2% | **-6.3%** |
| 19 | Expenses for | 7,103 | 3,676 | 1,234 | 1,375 | **554** |
| | Non-performing Assets | +83.5% | -48.2% | -66.4% | +11.5% | **-59.7%** |
| 20 | **Overhead Ratio** | 37.8% | 44.0% | 44.8% | 41.6% | **43.4%** |
| | (Overhead expenses divided by GP) | -2.8P | +6.2P | +0.8P | -3.2P | **+1.8P** |
| 21 | **Operating Income** | 33,156 | 31,730 | 34,528 | 45,423 | **42,204** |
| | | +7.7% | -4.3% | +8.8% | +31.6% | **-7.1%** |
| 22 | **Operating Income /** | 9.4% | 8.9% | 9.4% | 11.2% | **10.5%** |
| | **Revenues** | +0.9P | -0.5P | +0.5P | +1.8P | **-0.7P** |
| 23 | **Recurring Income** | 36,720 | 35,336 | 37,357 | 47,961 | **44,327** |
| | | +10.2% | -3.8% | +5.7% | +28.4% | **-7.6%** |
| 24 | **Extraordinary Income** | 234 | 83 | 805 | 98 | **3,122** |
| | | +284.3% | -64.2% | +861.6% | -87.8% | **+3,068.9%** |
| 25 | **Extraordinary Cost** | 382 | 4 | 4 | - | **10** |
| | | +25.0% | -98.9% | +1.6% | - | **-** |
| 26 | **Net Income** ※ | 21,198 | 20,892 | 22,523 | 28,930 | **29,173** |
| | | +14.9% | -1.4% | +7.8% | +28.4% | **+0.8%** |

※Net Income Attributable to Parent Company Shareholders

# Financial Performance – Balance Sheet (1)



(million yen)

| | | FY3/2013 | FY3/2014 | FY3/2015 | FY3/2016 | FY3/2017 2Q |
|---|---|---|---|---|---|---|
| 1 | **Total Equity** | 468,061 | 534,250 | 621,344 | 642,366 | **616,703** |
| | | +11.2% | +14.1% | +16.3% | +3.4% | **-4.0%** |
| 2 | **Total Assets** | 4,177,784 | 4,497,502 | 5,035,676 | 5,121,253 | **4,984,394** |
| | | +13.5% | +7.7% | +12.0% | +1.7% | **-2.7%** |
| 3 | **Operating Assets** | 3,713,972 | 4,017,419 | 4,540,920 | 4,626,455 | **4,465,002** |
| | | +11.3% | +8.2% | +13.0% | +1.9% | **-3.5%** |
| 4 | Leases | 2,053,955 | 2,357,220 | 2,925,880 | 3,040,849 | **2,908,682** |
| | | +23.2% | +14.8% | +24.1% | +3.9% | **-4.3%** |
| 5 | Installment Sales | 216,700 | 227,318 | 234,023 | 245,882 | **244,381** |
| | | -2.6% | +4.9% | +2.9% | +5.1% | **-0.6%** |
| 6 | Loans | 1,256,032 | 1,288,819 | 1,257,593 | 1,241,831 | **1,225,100** |
| | | +5.2% | +2.6% | -2.4% | -1.3% | **-1.3%** |
| 7 | Others | 187,285 | 144,061 | 123,423 | 97,892 | **86,838** |
| | | -25.7% | -23.1% | -14.3% | -20.7% | **-11.3%** |
| 8 | **Impaired Assets** | 46,066 | 33,223 | 33,434 | 27,921 | **25,812** |
| | | -6.8% | -27.9% | +0.6% | -16.5% | **-7.6%** |
| 9 | **Allowance** | 15,921 | 12,494 | 14,134 | 16,302 | **14,958** |
| 10 | **Net Balance of Impaired Assets** | 30,145 | 20,729 | 19,300 | 11,618 | **10,853** |
| | | -11.1% | -31.2% | -6.9% | -39.8% | **-6.6%** |

# Financial Performance – Balance Sheet (2)



(million yen)

| | | FY3/2013 | FY3/2014 | FY3/2015 | FY3/2016 | FY3/2017 2Q |
|---|---|---|---|---|---|---|
| 11 | **Equity Ratio** | 10.7% | 11.4% | 11.8% | 12.0% | **11.8%** |
| | | -0.2P | +0.7P | +0.4P | +0.2P | **-0.2P** |
| 12 | **ROE** | 8.5% | 7.9% | 8.0% | 9.0% | **-** |
| | | -0.4P | -0.6P | +0.1P | +1.0P | **-** |
| 13 | **ROA** | 0.9% | 0.9% | 0.9% | 1.1% | **-** |
| | | -0.0P | -0.0P | +0.0P | +0.2P | **-** |
| | | | | | | |
| 14 | **Total Funding** | 3,315,294 | 3,484,480 | 3,910,324 | 3,908,736 | **3,858,526** |
| | | +14.6% | +5.1% | +12.2% | -0.0% | **-1.3%** |
| 15 | Indirect Funding | 1,892,132 | 1,952,985 | 2,218,009 | 2,169,456 | **2,119,657** |
| | | +15.9% | +3.2% | +13.6% | -2.2% | **-2.3%** |
| 16 | Direct Funding | 1,423,162 | 1,531,494 | 1,692,314 | 1,739,279 | **1,738,869** |
| | | +12.8% | +7.6% | +10.5% | +2.8% | **-0.0%** |
| 17 | CP | 806,200 | 762,300 | 830,000 | 853,600 | **824,800** |
| | | +12.1% | -5.4% | +8.9% | +2.8% | **-3.4%** |
| 18 | Securitization | 139,644 | 164,413 | 173,539 | 168,869 | **146,015** |
| | (Lease Receivables) | +34.0% | +17.7% | +5.6% | -2.7% | **-13.5%** |
| 19 | Corporate Bond | 477,317 | 604,781 | 688,774 | 716,809 | **768,053** |
| | | +9.0% | +26.7% | +13.9% | +4.1% | **+7.1%** |
| 20 | **Direct Funding Ratio** | 42.9% | 44.0% | 43.3% | 44.5% | **45.1%** |
| | | -0.7P | +1.1P | -0.7P | +1.2P | **+0.6P** |

# Overview of Principal Consolidated Companies (1)

*Value Integrator*

(million yen)

| FY3/2017 2Q | Mitsubishi UFJ Lease & Finance (Parent) | | Japan Medical Lease MUL's Share : 100% | | DFL Lease MUL's Share : 95% | |
|---|---|---|---|---|---|---|
| | Amount | YOY Change | Amount | YOY Change | Amount | YOY Change |
| Revenues | 232,347 | +1.0% | 18,365 | +0.3% | 9,873 | +4.2% |
| Gross Profit | 31,975 | -9.7% | 1,480 | -2.4% | 882 | +6.5% |
| Operating Income | 17,087 | -22.9% | 467 | +255.8% | 459 | +5.0% |
| Recurring Income | 16,090 | -25.1% | 503 | +214.6% | 466 | +4.5% |
| Net Income | 13,156 | -6.4% | 326 | +189.6% | 318 | +8.5% |
| | | | | | | |
| FY3/2017 2Q | Amount | Change from FY3/2016 | Amount | Change from FY3/2016 | Amount | Change from FY3/2016 |
| Operating Assets | 2,898,473 | -0.2% | 100,409 | -0.7% | 62,516 | +6.9% |
| Total Assets | 3,781,703 | +0.8% | 103,363 | -1.1% | 64,433 | +6.7% |
| Total Equity | 452,580 | +5.7% | 13,688 | +2.4% | 11,247 | +2.9% |

(million yen)

| FY3/2017 2Q | Shinko Lease MUL's Share : 80% | | Casio Lease MUL's Share : 80% | | Hirogin Lease MUL's Share : 80% | |
|---|---|---|---|---|---|---|
| | Amount | YOY Change | Amount | YOY Change | Amount | YOY Change |
| Revenues | 14,540 | +12.8% | 5,575 | -0.2% | 8,309 | +2.3% |
| Gross Profit | 1,018 | -4.4% | 472 | -6.6% | 883 | -0.1% |
| Operating Income | 349 | -18.2% | 89 | +33.4% | 448 | -6.6% |
| Recurring Income | 392 | -12.6% | 117 | +20.3% | 463 | -7.8% |
| Net Income | 280 | +3.4% | 76 | +23.6% | 318 | -4.4% |
| | | | | | | |
| FY3/2017 2Q | Amount | Change from FY3/2016 | Amount | Change from FY3/2016 | Amount | Change from FY3/2016 |
| Operating Assets | 87,345 | -3.0% | 31,985 | -1.9% | 57,785 | -2.9% |
| Total Assets | 92,315 | -2.6% | 32,930 | -2.1% | 60,145 | -3.2% |
| Total Equity | 8,452 | +1.9% | 11,898 | +0.7% | 11,336 | +2.9% |

# Overview of Principal Consolidated Companies (2)



(million yen)

| FY3/2017 2Q | Shutoken Leasing MUL's Share : 76% | | Chukyo General Lease MUL's Share : 70% | | MMC Diamond Finance MUL's Share : 50% | |
|---|---|---|---|---|---|---|
| | Amount | YOY Change | Amount | YOY Change | Amount | YOY Change |
| Revenues | 14,145 | +3.4% | 3,627 | +10.1% | 10,517 | -19.1% |
| Gross Profit | 1,652 | +2.7% | 309 | +9.5% | 5,068 | -1.6% |
| Operating Income | 920 | +23.6% | 98 | +36.9% | 1,934 | +13.6% |
| Recurring Income | 980 | +26.4% | 110 | +17.9% | 2,251 | +11.8% |
| Net Income | 680 | +32.5% | 73 | +18.9% | 1,549 | +17.2% |
| | | | | | | |
| FY3/2017 2Q | Amount | Change from FY3/2016 | Amount | Change from FY3/2016 | Amount | Change from FY3/2016 |
| Operating Assets | 127,773 | +2.5% | 19,488 | -2.1% | 250,770 | -5.8% |
| Total Assets | 131,971 | +2.5% | 20,513 | -3.2% | 273,294 | -6.0% |
| Total Equity | 14,706 | +4.6% | 5,706 | +1.2% | 23,528 | +7.1% |

(million yen)

| FY3/2017 2Q | DRS MUL's Share : 100% | | Diamond Asset Finance MUL's Share : 100% | | Miyuki Building MUL's Share : 98% | | MUL Property MUL's Share : 100% | |
|---|---|---|---|---|---|---|---|---|
| | Amount | YOY Change | Amount | YOY Change | Amount | YOY Change | Amount | YOY Change |
| Revenues | 13,536 | -1.4% | 3,307 | -35.0% | 3,421 | +4.6% | 7,670 | +11.6% |
| Gross Profit | 1,122 | -4.0% | 2,101 | -19.6% | 1,700 | +10.0% | 1,622 | +17.4% |
| Operating Income | 222 | -42.1% | 1,301 | -33.6% | 1,429 | +10.3% | 1,271 | +15.5% |
| Recurring Income | 227 | -40.7% | 1,365 | -32.7% | 1,251 | +15.3% | 1,302 | +15.4% |
| Net Income | 154 | -38.9% | 931 | -31.2% | 819 | +16.3% | 913 | +20.1% |
| | | | | | | | | |
| FY3/2017 2Q | Amount | Change from FY3/2016 | Amount | Change from FY3/2016 | Amount | Change from FY3/2016 | Amount | Change from FY3/2016 |
| Operating Assets | 53,675 | -6.2% | 199,979 | -6.0% | 62,919 | -0.7% | 103,851 | +3.9% |
| Total Assets | 56,004 | -5.9% | 203,263 | -5.4% | 66,367 | +0.4% | 151,962 | +2.7% |
| Total Equity | 5,939 | +2.7% | 28,457 | +3.4% | 24,913 | +3.2% | 10,089 | +10.0% |

## I Inquiries:

Corporate Communications Department

Tel: 81+3-6865-3002

## II Website

http://www.lf.mufg.jp/english/

Mitsubishi UFJ Lease & Finance

This document contains forward-looking statements that are based on our opinions and information available to us at the time of publication. Mitsubishi UFJ Lease & Finance does not guarantee the accuracy or completeness of the information. The information is subject to change without notice. Actual results may differ significantly from those in the forward-looking statements due to various factors.