

Takahiro Yanai
President & CEO

Further advance the evolution of business models and create new value for society

Inaugural Message: Promoting the New Medium-Term Management Plan by Leading All Employees

I am Takahiro Yanai, the new president & CEO. For many years, I have engaged in banking businesses in Japan and overseas, giving me firsthand experience of the extremely challenging conditions that have emerged in the financial industry due to slumping interest rates, stricter regulations, and other factors.

In my view, the leasing industry is similar to the banking industry in that achieving further growth based on existing business models is likely to be difficult. However, leasing is strongly rooted in both tangible and intangible assets. Therefore, I am confident that, by further evolving accumulated expertise in finance and assets, we can deliver new value to society as a leasing company.

Since the 2007 merger, the Group has developed businesses in a range of fields, thereby increasing its business lines significantly. We have accomplished this because, ahead of other companies, previous management teams proactively evolved business models and accelerated globalization beyond the boundaries of the lease and finance industries.

In 2017, our 10th anniversary, pursuing new management strategies while remaining on our existing management trajectory will be vital. Consequently, the Group launched its new medium-term management plan “Breakthrough for the Next Decade” in April. Along with instituting this new plan, we have redefined our “Value Integrator” corporate message* to make the Group’s vision clearer to employees and other stakeholders. The newly defined corporate message expresses our commitment to continuously creating significant new value for society by integrating different management resources under the theme of finance and business convergence.

This new value creation will drive and sustain the Group’s growth. I believe my mission is to move us even further along our existing management trajectory while leading employees as we advance the new plan. To these ends, I will work with employees to foster businesses that we are uniquely qualified to develop and to offer value that makes us the first choice for clients.

* For details, please see our Corporate Signature Phrase on page 1.

Exceeded the Numerical Targets of the Previous Plan and Created New Profit Opportunities

Despite negative factors—including a slump in the marine container-related business, a decrease in asset-related sales gains, and unfavorable exchange rates—in the final year of the previous medium-term management plan, the fiscal year ended March 31, 2017, the aircraft business, which conducts aircraft leasing and aircraft engine leasing and performed strongly in the previous fiscal year, continued to prop up overall results. That, in addition to a significant decrease in the cost of credit, led to gross profit of 150.2 billion yen (1.8 billion yen lower than initial projections) and net income attributable to parent company shareholders of 53.1 billion yen (2.1 billion yen higher than initial projections). Meanwhile, the ratio of overseas operating assets reached 34%, and the Group attained two of the numerical targets of the previous plan, which called for an overseas operating asset ratio of 30% and consolidated net income of over 45.0 billion yen. I believe that we achieved these results thanks to proactive efforts to continue creating future profit opportunities and strengthen profitability, which we set out as management tasks.

Specifically, in efforts to continue creating future profit opportunities, we advanced measures in three fields: overseas, business alliances, and Japan. With the ongoing situation in the domestic leasing market leaving little room for optimism regarding growth, getting out from under a profit structure solely reliant upon our core leasing and finance business was essential. To address this issue, the previous plan focused on evolving our business model—including offering financial services that provide added value and participating in

businesses—in key industry fields, such as environment and energy, real estate, and healthcare (medical care and welfare). These efforts have enabled us to enter new businesses. (For details, please see the Special Feature on page 20.)

Overseas, aiming to reinforce business bases, we enhanced the global asset business, including aircraft, marine containers, and freight cars. As a result, the aircraft business has become one of the Group's profit growth mainstays. The new plan calls for further acceleration of measures in the overseas field. Accordingly, in the aircraft business, we have decided to participate in a business that sells used aircraft engine parts. Also, we have begun full-scale development of a railcar leasing business in North America.

As for business alliances, in 2016 the Group concluded a two-company business alliance with Hitachi Capital Corporation, which provides leasing services to manufacturers. By actively sharing and merging our expertise, in Japan and overseas we will provide new added value that other companies do not.

Turning to the other management task of strengthening profitability, we sought to build a high-quality portfolio by expanding the scale of assets and enhancing profitability. Our efforts to address this task have begun producing results and reflect the importance that the previous president & CEO, Tadashi Shiraishi, placed upon asset efficiency at worksites and the acceleration of change in employee mind-sets. The new plan sets out realizing these objectives as a basic policy, and we intend to redouble efforts in this regard.



Improving Profitability by Addressing Social Issues

The first basic policy of the new plan is to continue the convergence of finance and business. By pursuing this policy, we will simultaneously improve profitability and address social issues. Working with clients to address such issues, the Group's businesses will advance initiatives that transcend the boundaries of countries, regions, and industries. Under the new plan, we will further bolster existing initiatives. At the same time, we will advance a business management model aimed at expanding earnings. A "business management model" refers to the Group going beyond service provision and business investment and becoming actively involved in business management. Therefore, the Group will coordinate diverse business functions and expertise—its

own and those of partner companies—to enhance the business value of clients' value chains.

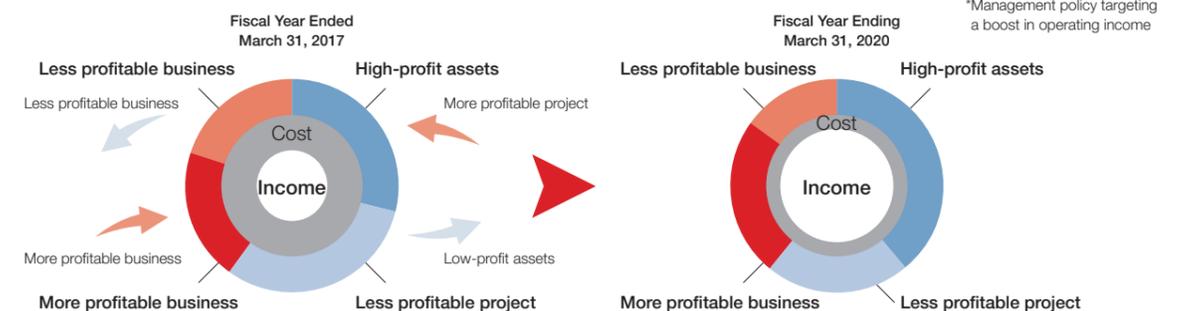
Our second basic policy is to balance top-line management and efficient management. This policy goes beyond our previous concept of "expanding profits by increasing assets." Instead, we seek to use assets effectively and thereby simultaneously expand profits, reduce costs, and improve asset efficiency and risk-return. With these aims in mind, we established ROA as a new numerical target. For the fiscal year ending March 31, 2020, we have set two numerical targets: ROA (on a consolidated net income basis) of 1.1% or higher and net income attributable to parent company shareholders of 63.0 billion yen or more.

Basic Policy

1. Integration of Finance and Business

Evolution of business model	Corporate finance	Asset finance	Provision of services	Business participation	Business operation
Overview	Offer value as a flexible financier, with the freedom of a nonbank	Promote operating leases based on value of assets	Provide services related to growth in the value of customers' assets	Share business risk with partners through investment and earn income from dividends	Coordinate diverse functions and expertise and enhance the business value of clients' industry-based value chains
Method	Finance lease, factoring, loan, etc.	Global asset, real estate securitization, etc.	Rental, used equipment trading, asset management businesses, etc.	Renewable energy generation, social infrastructure investment, etc.	Real estate revitalization equity investment business and regional energy supply business

2. Balance between "Top-Line Management" and "Efficient Management"



To realize the two basic policies mentioned above, we have set out five growth strategies and five reinforcement strategies for business infrastructure. In accordance with these growth strategies, the Group will identify industry fields in which finance and business convergence is likely. By concentrating resources in these fields, the Group will evolve business models.

For example, the Group will coordinate its business functions and expertise with those of partner companies to realize a business management model.

Under reinforcement strategies for business infrastructure, we will heighten the sophistication of integrated risk management and financial strategies. Also, we will strengthen human resources through strategies aimed

Message from the CEO

at promoting workstyle reform and evolving into a professional organization.

To facilitate the implementation of these two strategies, we transferred to a new business management system in the fiscal year ending March 31, 2018. First, we will introduce a business division system, which will heighten business development capabilities by consolidating business divisions and Group companies in

Japan and overseas that operate in the same industry. Second, we will reform the client sales system to enhance solutions support for general sales departments, and we will reorganize general sales departments and sales groups by sector to enable flexible responses to changes in external conditions. By introducing this new business division system and reforming our client sales system, we will advance the new plan's strategies.

Investing Resources in Key Industry Fields

The new plan adds social infrastructure as a key industry field ranking alongside environment and energy, healthcare, real estate, and global asset (mobility), which the previous plan established as key industry fields. In these fields, various social issues are emerging.

Examples of these issues include measures to prevent global warming, which has a large impact on climate change; the revitalization of community healthcare, which has deteriorated due to a lower birthrate and an aging population; and measures to restore aging buildings, an issue that is expected to become more severe. By providing solutions to these social issues, we want to create a wellspring for corporate growth. Accordingly, the Group will adopt unique approaches that integrate finance and business and utilize a variety of internal and external management resources, including human resources, assets, capital, and information.

In respective key industry fields, some business seeds sown under the previous medium-term management plan are beginning to produce their first shoots and are expected to bear fruit soon.

In environment and energy, as well as strengthening the equity business in the solar power generation field

and participating in businesses in the renewable energy field, for instance, biomass and wind power, we are planning to expand the asset management fund business and carry out initiatives based on a business management model focusing on the ESP* business.

In healthcare, our goals are to be partner companies that promote integrated community care and increase the business value of the healthcare industry by taking part in the asset management for medical institutions and in the administration of hospital and nursing facility operations.

In real estate, we will expand asset turnover businesses, including the asset management business. In conjunction with these efforts, we will further strengthen the domestic real estate revitalization equity investment business and accelerate overseas development in North America and Asia.

In global asset, we will continue strengthening the aircraft and aircraft engine leasing business. At the same time, we will further refine our Group identity by extending business areas through the expansion of the railcar leasing business in North America.

In social infrastructure, as well as partnering with Japan Infrastructure Initiative Company Limited, we will

invest in overseas railway and electric power projects and other projects. As our inaugural investment project, in April 2017 we made an equity investment of 20.0 billion yen in underwater transmission lines for a German offshore wind power station.

By steadily developing businesses in these key industry fields, we expect to grow overall profits by approximately 10.0 billion yen (on a consolidated net income basis) in three years.

*Energy service provider: An overall business management strategy that entails comprehensively undertaking the performance of a company's energy-related operations

Strengthening Corporate Governance and Cultivating Human Resources to Improve Corporate Value

As outlined above, the Group will enter new business fields and evolve business models under the new plan. Consequently, it will need to further upgrade risk management and other facets of corporate governance. With this in mind, through forums for the exchange of opinions between the representative director and outside officers—who provide oversight of business management as a whole—we will appropriately reflect the opinions of outside officers in management policies (for details, please see Basic Policies on Corporate Governance on page 33). Through such measures and by stepping up efforts to build highly transparent corporate governance, we will enhance corporate value.

Furthermore, given that the contribution of each frontline employee will be essential in achieving the

goals of the new plan, we will actively hire, foster, and promote local personnel at overseas subsidiaries and specialized personnel. At the same time, we will position labor productivity enhancement and workstyle reform as the main focuses of assertive and protective measures that we intend to move forward decisively. By establishing expert project teams internally, identifying issues that require improvement, and taking steps to resolve them, we aim to create highly productive, lively workplaces (for details, please see Initiatives toward Human Resources That Support Business Evolution on page 28). In a similar spirit, I intend to talk directly with frontline employees so that I develop a firm grasp of issues and can concentrate on resolving them on a Groupwide basis that transcends individual organizations.

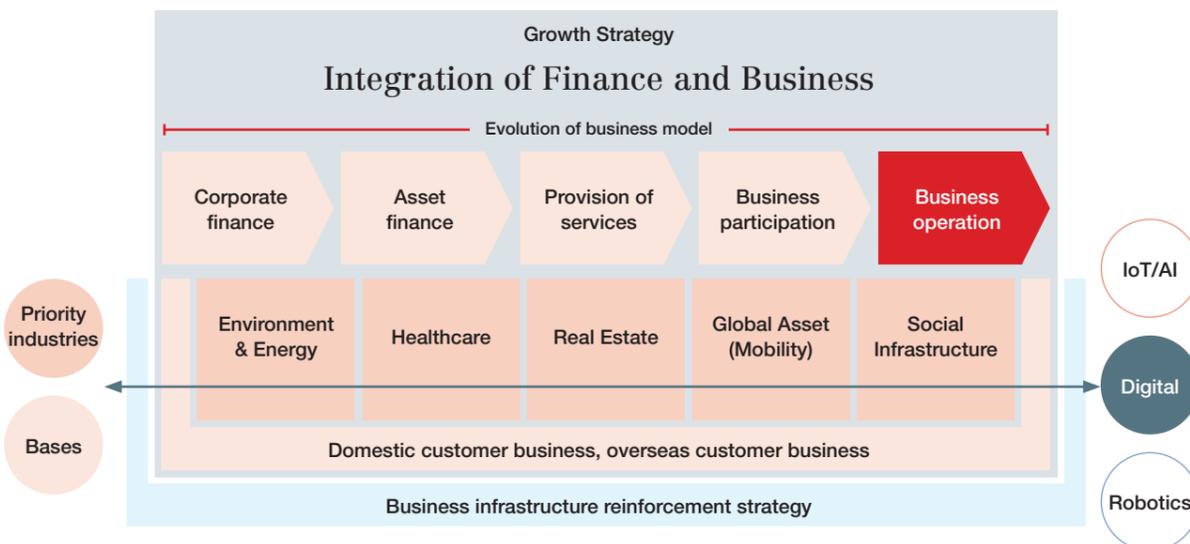
Breakthrough for the Next Decade

To reiterate, the Group is facing tough business conditions. However, we will overcome these conditions by taking measures inspired by the new plan's slogan "Break through for the Next Decade." Each employee will *breakthrough* by addressing challenging business conditions and social issues with a strong sense of

social mission and responsibility. Moreover, the organization as a whole will achieve a *breakthrough* by advancing the new plan's initiatives.

As we take on initiatives with our sights set on the next decade, I would like to ask our investors and other stakeholders for their continued support.

Overview of management strategy



August 2017

Takahiro Yanai

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