

CREATING A NEW LEASING COMPANY *through* THE MERGER

The merger of Century Leasing System, Inc., a powerhouse in the information equipment leasing and IT services fields, and Tokyo Leasing Co., Ltd., with its financial expertise and robust Asian network, produced Century Tokyo Leasing Corporation, a company able to offer a diverse array of services and to expand globally in the leasing and financial fields. Applying a new business model for the leasing industry, we are striving to further strengthen our operations.

Increased Revenue and Income in the First Fiscal Year of the Merger

Consolidated results in the fiscal year ended March 31, 2010, the first year of the merger, included a 2.1% rise in revenue (compared with a simple aggregate of both pre-merger companies' results) from the corresponding period of the previous fiscal year, to ¥758.7 billion.

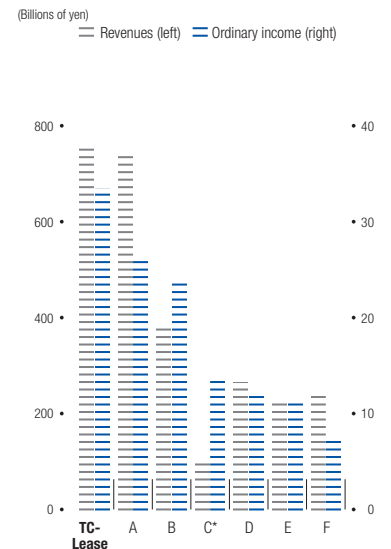
Confronted with a severe operating environment, the balance of operating assets declined 7.7% from the end of the previous fiscal year to ¥1,938 billion. However, the fall in revenue associated with the decline in operating assets was offset by the first full-year contribution of Fujitsu Leasing Co., Ltd., which became a consolidated subsidiary in the previous period, resulting in an overall increase in revenues.

On the earnings front, as a result of our efforts to improve profit-earning capacity by reducing funding and credit costs while controlling other management costs, operating income jumped 45.0% compared with the previous fiscal year, to ¥30.3 billion. Moreover, at ¥33.4 billion, ordinary income, which was up 50.0%, was at the highest ever calculated based on a simple aggregate of the pre-merger companies' results. With the added benefit of increased income in line with the conclusion of certain litigation entered into by the former Tokyo Leasing in 2007, net income rose 154.7% year on year to ¥25.5 billion.

ROA of 1.5% on Increased Profit-Earning Capacity and Reduced Assets

Total assets were down 12.0% from the end of the previous fiscal year, to ¥2,132.9 billion, the result of a contraction in cash on hand and in banks. Favorable earnings and reduced total assets resulted in return (ordinary income) on total assets (ROA) rising from 1.0% to 1.5%. Also compared with the end of the previous fiscal year, net assets increased ¥24.9 billion to ¥158.1 billion, for an increase in return (net income) on equity (ROE) to 18.5%, up from 8.0%, and an equity ratio that rose from 5.2% to 7.1%.

Results (Market Position)



*Value of revenue for C company is operating revenue.
Source: Compiled by Century Tokyo Leasing using IR materials from listed companies that have adopted accounting standards generally accepted in Japan.

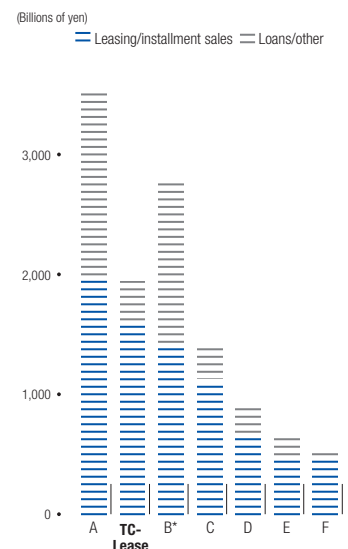
Q: What progress was made in the first year of the merger?

A: The Group tackled three important issues over the past year: 1) building a stronger sales base and enhancing sales capabilities; 2) strengthening management cost control to raise corporate earnings power; and 3) bolstering our management base and management efficiency.

The merger provided the impetus to move forward with solution-oriented sales activities that leverage a more robust customer base, including such shareholder channels as the Mizuho Financial Group and ITOCHU Corporation. We did, however, feel the effects of cutbacks in private capital expenditure (CAPEX) in what proved to be a year that challenged us with a difficult operating environment. These conditions together with operations that progressed in parallel with the Group's efforts at integration impacted the value of new contracts executed in the form of a year-on-year decline of 25.1% to ¥624.2 billion.

In terms of profit and loss, our market position advanced with the posting of industry-leading ordinary income among listed companies that have adopted Japan GAAP. We also achieved our goal of maintaining a position among the industry's top three companies with regard to the balance of operating assets for leasing and installment sales.

Balance of Operating Assets (Market Position)



*For B company, the balance of leasing is loans receivable and that of installment sales is included under other businesses.
Source: Compiled by Century Tokyo Leasing using IR materials from listed companies that have adopted accounting standards generally accepted in Japan.

MAXIMIZING THE SYNERGIES of INTEGRATION

Generating Early Synergies

As the business environment surrounding the leasing industry undergoes a significant shift, the Century Tokyo Leasing Group, continues to realize the effects of integration, having begun by posting record-breaking ordinary income in the fiscal year ended March 31, 2010. On schedule, in May the former companies finished integrating their IT systems and, now unified, are embarking on a new medium-term management plan.

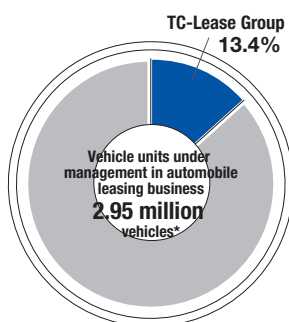
Q: Specifically, what were the results attributable to sales measures?

A: In July we acquired 66.5% of shares in IHI Finance Support Corporation (IFS), bringing it into the scope of Group consolidation. This move extended our customer base to encompass the IHI Group and its partners, which achieved progress in the areas of leasing, factoring of receivables and a wide variety of transactions while contributing to customer profit by enabling value-added services.

Tokyo Auto Leasing Co., Ltd. has acquired assets associated with the auto leasing business of Sumishin Panasonic Financial Services Co., Ltd., and in tandem with this has signed an agreement with that company for the consignment of its auto leasing operations. As a result, the entire Group, including Nippon Car Solutions Co., Ltd. and Orico Auto Leasing Co., Ltd., now manages approximately 400 thousand vehicles. The addition of Sumishin Panasonic Financial Services' auto leasing operations has enhanced our sales base and placed us firmly among the industry's largest three auto leasing operators. We are also taking strategic steps toward expanding business domains and through collaboration and M&A activities with major manufacturers we intend to expand the range of Group business.

Market Share of Vehicle Units under Management in Automobile Leasing Business

(As of March 31, 2010)



*Source: Japan Automotive Leasing Association

Q: What is the status of your management cost control?

A: The fiscal year under review was witness to a number of corporate bankruptcies, but the Group was able to minimize the generation of bad debt thanks to its stable balance of assets. We conducted stringent credit assessments and endeavored to enhance our credit management framework while suppressing credit costs. Along with controlling interest rate risks, securitization risks and other market risks through asset liability management (ALM), we took advantage of favorable changes in the commercial paper market to increase the balance of commercial paper issued and concentrated efforts on reducing interest expenses.

Q: What efforts were made to strengthen the Group's management base and raise management efficiency?

A: Our efforts to strengthen compliance, internal control, risk management and other internal structures have resulted in a stronger management base. Along with the integration of redundant sales bases and Group company operations and the streamlining of subsidiaries in China, we completed the industry's fastest IT system integration in May 2010. We have also undertaken numerous measures to rapidly exploit the synergies generated by the merger and have made proactive efforts to enhance management efficiency.

Q: How are you progressing with reductions in operational costs?

A: There is still much work to be done regarding cost synergies. Our first-year progress may well get a passing grade, but we intend to take ongoing measures over a four- to five-year span to improve management efficiency. Enhancing cost efficiency is an important management issue if we are to raise competitiveness in the current business environment. Therefore, we continue to pursue operations that take cost effectiveness into account.

Aiming to achieve further growth by executing a medium-term management plan that addresses an evolving business environment

Q: Please discuss the changing business environment in the leasing industry.

A: Over the fiscal year under review, private CAPEX in Japan fell 18.3% compared with the previous fiscal year to ¥63 trillion, while total lease transaction was ¥4.9 trillion, a decline of 18.7 percentage points from the previous fiscal year, and the share of leasing included in CAPEX was 7.0%. Deflation and the strong yen are causes for concern, and companies are shifting production to overseas locations—this has led us to believe that domestic private CAPEX trends will not grow beyond current levels for the foreseeable future. Furthermore, in light of the fiscal 2008 change in the Accounting Standard for Lease Transaction and the application of International Financial Reporting Standards (IFRS), we are maintaining a conservative stance in forecasting the share of leasing included in CAPEX.

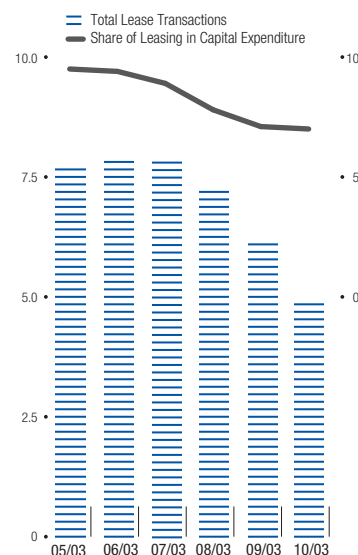
With regard to the procurement of funds, the unchanging low market interest rate means that there is little chance that procurement costs will rise significantly any time soon. On the other hand, small- to medium-sized companies continue to be faced with a harsh earnings environment and worries remain that bankruptcies will increase.

Q: How do you see the Company's future position?

A: In every market around the world there is a trend toward increasingly stringent laws to regulate the financial sector of which we are a part. At the same time, the leasing industry's comparatively greater level of flexibility within the sector means it is more likely to take action in areas where the needs of society exist.

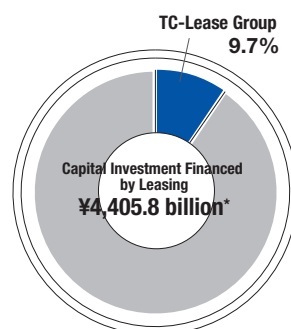
Having executed this merger, the Group is backed by its human resources, investment capabilities, customer base and the strengths of its major shareholders. By fully leveraging these assets, we think the Group's opportunities will only increase in the future.

Total Lease Transactions
(Left: trillions of yen)
Share of Leasing in
Capital Expenditure
(Right: %)



Source: The Japan Leasing Association
Total Lease Transactions: Lease Contract Amounts
Share of Leasing in Capital Expenditure:
Share of Lease Capital Expenditure in Private Capital Investment

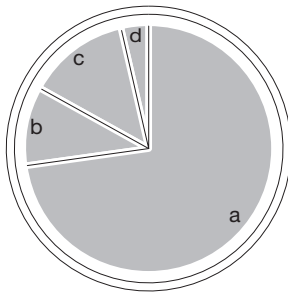
Market Share Based on
Lease Contracts Executed
(Year ended March 31, 2010)



*Source: The Japan Leasing Association
Lease Contracts Executed:
Amount of Capital Investment Financed by Leasing
Amount for Purchase of Leased Assets

Balance of Operating Assets by Business Segment

(March 31, 2010)



a. Leasing	72.8%
b. Installment sales	10.4%
c. Loans	13.2%
d. Other	3.6%

Q: Please give us an overview of the new medium-term management plan.

A: We launched the new three-year medium-term management plan from April 1, 2010 as an “evolution scenario for maximizing merger synergies and moving to the next stage of growth.” Our basic policy under the plan is to thoroughly implement customer satisfaction-oriented management and strengthen our management base. We will pursue development in our core business in order to keep pace with market evolution as well as to take steps to strategically expand our business domains. In so doing, we are aiming to break new ground and achieve growth as an industry leader.

Q: Please tell us how your core business is adapting to address change.

A: Together with promoting sales activities that take full advantage of our customer base and sales channel structure, and creating areas of expertise with regard to tangible assets, businesses and fields, we are working to flexibly expand our financing business that only a non-bank can offer. Synergies yielded by the merger will help boost the market shares of our leasing and installment sales businesses, and we will strive to sustain the amount of operating assets—including those undertaken due to the merger—to a certain level. On the other hand, we plan to grow the ratio of asset portfolio accounted for by our finance-related business, currently at about 20% on a unit basis, to approximately 30% within three years.

Q: Please describe your strategic development.

A: The three themes that best describe our efforts in business domain expansion are “globalization,” “potential growth areas,” and “alliances.” While globally expanding business domains through our industry-leading international network, we will concentrate on developing what will become pillars of future earnings by aggressively moving forward in fields where growth is anticipated. To these ends, we will effectively use Group customer and shareholder bases in our information network. It is also necessary to enter into strategic relationships and collaborations with new customers.

Q: Please update us on your overseas business development.

A: We are expanding overseas, having designated China and the rest of Asia as a particularly strategic region. With five Group companies based in Asia at present, our overseas subsidiaries’ total assets amount to almost ¥70.0 billion, and we expect this to grow approximately 20% in the current fiscal year. Our two China-based subsidiaries merged in January 2010 and commenced business as Century Tokyo Leasing China Corporation. Business is brisk backed by a partnership with a major construction machinery vendor.

We are concentrating management resources to bolster profits at our Asian locations and, by strengthening ties with domestic sales divisions, are enlarging sales bases that meet the CAPEX needs of Japanese companies overseas.

Q: What are the fields of anticipated growth?

A: The environment and energy, food and agriculture, medical and welfare services are all fields we consider to have good growth potential. For example the environment and energy fields can expect enormous growth worldwide, and we are looking to them in our efforts to secure new business foundations and nurture sources of income. In food and agriculture, we are aiming to develop a new financing scheme and to build a new business foundation. And, in medical care and welfare services, we are developing customers and suppliers and promoting collaborative relationships with the goal of increasing volume of transactions handled.

Q: Please tell us about the IT-related services business.

A: We are concentrating on asset management that meets our customers' outsourcing needs. We offer LINCOS, a service that manages leasing contract information via the Web and C-x, an integrated asset management service that uniformly manages a wide range of asset information. These proprietary IT solutions are recognized as exceptional cutting-edge services.

In the fiscal year under review, we partnered with trust banks and others, leveraging C-x to develop new asset collateral loan schemes. By linking our asset management know-how with the functions of a financial institution, this scheme systemized asset collateral management and expanded collateral processing functions. We take pride in these efforts having contributed to the spread of asset-based lending (ABL).

Q: What is your stance on alliance and M&A activities?

A: The consolidation of IFS and Sumishin Panasonic Financial Services' auto leasing business contributed substantially to performance in the fiscal year under review. Alliances and M&A focusing on major manufacturers who offer synergies in the leasing business are a significant part of Group business strategy. By tying up with the Group, these leading manufacturers can receive more sophisticated financial services and raise the level of their outsourcing services and other financial functions, enabling an efficient corporate structure that allows them a greater concentration of management resources in their main business areas. For us, on the other hand, these M&A activities enable the acquisition of exceptional assets and know-how while expanding our business base and market share.

Q: What are the management targets of the new medium-term management plan?

A: In fiscal 2012, the final year of the new medium-term management plan, we have set goals for ordinary income of more than ¥35.0 billion, up from ¥33.4 billion in fiscal 2009, a balance of operating assets of over ¥2,000 billion, compared to the ¥1,938 billion in fiscal 2009, and a shareholders' equity ratio of 8.5%, rising from 7.1%.

While the effect of upfront profits in line with changes to the Accounting Standard for Lease Transactions is diminishing, we aim to build a new foundation that can address a changing business environment, and have established a target of sustainable growth. This signifies our even greater level of determination.

Management Targets of the New Medium-Term Management Plan

FY2012 Targets

Ordinary income
More than ¥35 billion

Balance of operating assets
Over ¥2,000 billion

Shareholders' equity ratio
Over 8.5%

LEASING AND AN ARRAY of SERVICE

Building a New Business Centered on Leasing

As we work toward attaining the management targets of the new medium-term management plan, we will continue solidifying our position in the industry's top three, and, as a comprehensive finance and service company that eagerly accepts challenges, we intend to grow with our customers and contribute to society.

Outlook for Fiscal 2010: Decreased Revenue, Increased Income

We anticipate major changes in the operating environment given the sluggishness of private CAPEX, the continuing high rate of bankruptcies and the overall severity of the business environment as well as the implementation of IFRS and globalization of Japanese companies. Prompted by this outlook, we continue to pursue operations that fully leverage our customer base while working to reduce interest expenses and credit costs and raise profitability.

Regarding consolidated results for the fiscal year ending March 31, 2011, we expect to see a 9.1% year-on-year decline in revenue to ¥690.0 billion in line with a fall in operating assets. Operating income, on the other hand, is forecast to climb 4.0% to ¥31.5 billion, buoyed by financing and overseas businesses, and ordinary income is expected to edge up 1.8% to ¥34.0 billion. Net income is predicted to fall 23.7% to ¥19.5 billion as factors that had increased income by approximately ¥7.2 billion in line with the end of litigation no longer apply. Excluding these extraordinary factors, net income increased by 6.5%.

Aiming to Raise the Dividend Payout Ratio

In addition to working to bolster retained earnings to maximize corporate value, the Group maintains a basic policy of securing the long-term and stable return of dividends to shareholders. In the fiscal year under review, we raised dividends to ¥2 per share higher than we had initially planned that, with the ¥2 dividend awarded to commemorate the merger, resulted in a total annual dividend of ¥32 per share. In light of current economic conditions and business environment, for the year ending March 31, 2011, we plan a total annual dividend, comprising an interim dividend of ¥16 and an end of period dividend of ¥16, of ¥32.

The dividend payout ratio for the fiscal year under review amounted to 13.4%. This is expected to rise to 17.5% in the fiscal year ending March 31, 2011. We will work to enhance income and growth by steadily executing the raft of measures stated in the new medium-term management plan. In tandem with this, it is our intention to work to increase dividends and raise the payout ratio with the goal of further returning profits to shareholders.

Taking the Medium- to Long-Term Perspective as We Expand Our Network of Sales Bases

We believe that the initiatives implemented under the new medium-term management plan will from fiscal 2012 set us on course for all-out growth. We will advance the leasing, installment sales and financing businesses, broadening the range of fields where we can offer an increased level of expertise. Overseas, we are considering the establishment of new bases that will fortify our earnings base in Asia. We will also concentrate efforts on the pillars of future earnings in anticipated growth fields.

By moving forward and actively pursuing transformation to ensure steady growth, we aim to achieve ever greater heights in the medium to long term. To this end, we hope for your continued support and encouragement.

Dividends per Share

