

Summary of the Report regarding Survey of the Trends in Demands for Leasing

Japan Leasing Association, which has conducted “Survey of the Trends in Demands for Leasing” periodically since 1974, carried out the survey again for the first time since 2000 and summed up the result as “the Report regarding Survey of the Trends in Demands for Leasing”. The following is the summary. (The report is written only in Japanese)

◇ Summary of the survey

(1) Purposes of the survey

- To grasp the current situation of equipment procurement (leasing / purchasing), the reasons for leasing or purchasing, and use situations or intentions of old properties
- To investigate future trends in demands for leasing and what leasing business should be
- To utilize the survey for further use of lease and development of leasing business

(2) Way of the survey

Postal questionnaire survey

(3) Number of corporations researched and response rate

The number of corporations researched : 10,000

The number of valid responses : 1,720

Response rate : 17.2%

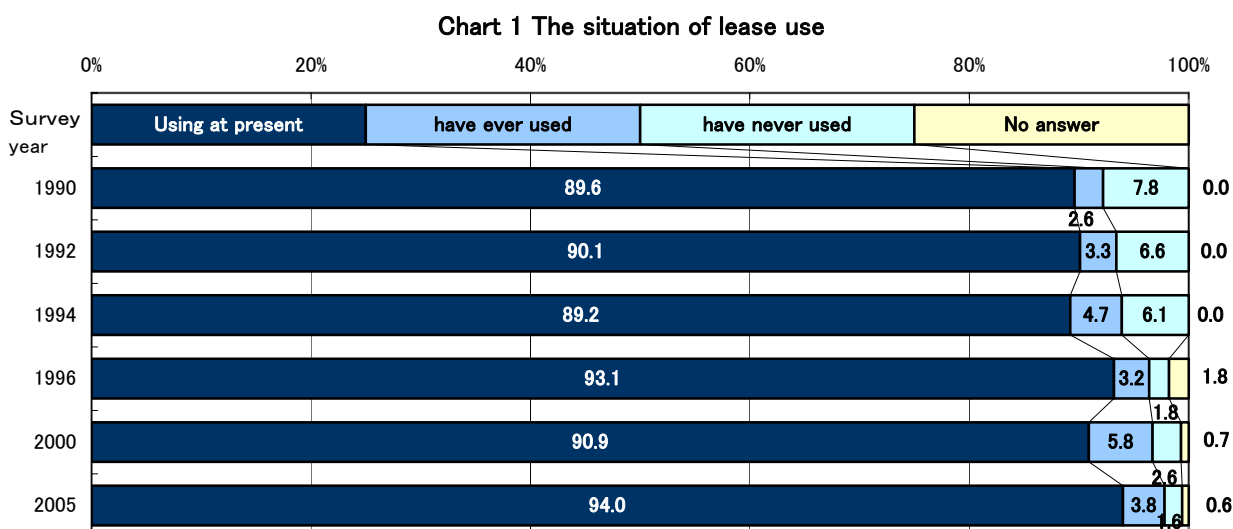
(4) Survey period

From the end of January to the middle of February in 2005

◇ Summary of the survey result

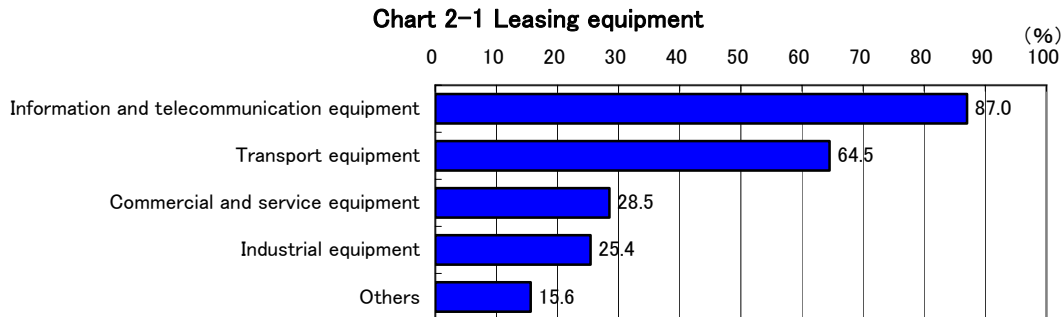
1. the situation of lease use

As indicated in the chart 1, the ratio of corporations “using lease at present” (ratio of lease use) was 94.0%. Since the survey in 1990, the ratio of lease use has been hovering at around 90%, and survey result of 2005 marked the highest level ever. Moreover, “Experience rate of lease use”, which is added to “have ever used lease” (3.8%), was 97.8% and marked also the highest level ever.

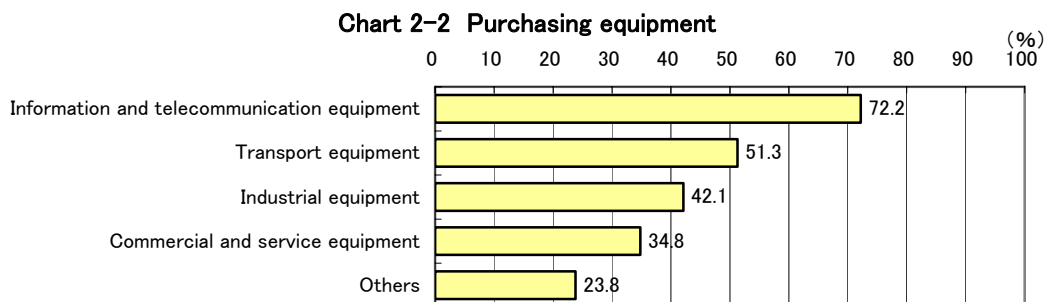


2. Leasing and Purchasing Equipment

With regard to Leasing Equipment (Chart 2-1), “Information and Telecommunication Equipment” marked the highest percentage 87.0% and “Transport Equipment” marked the second highest 64.5%, followed by “Commercial and Service Equipment” (28.5%), “Industrial Equipment” (25.4%), and “Others” (15.6%) in descending order.



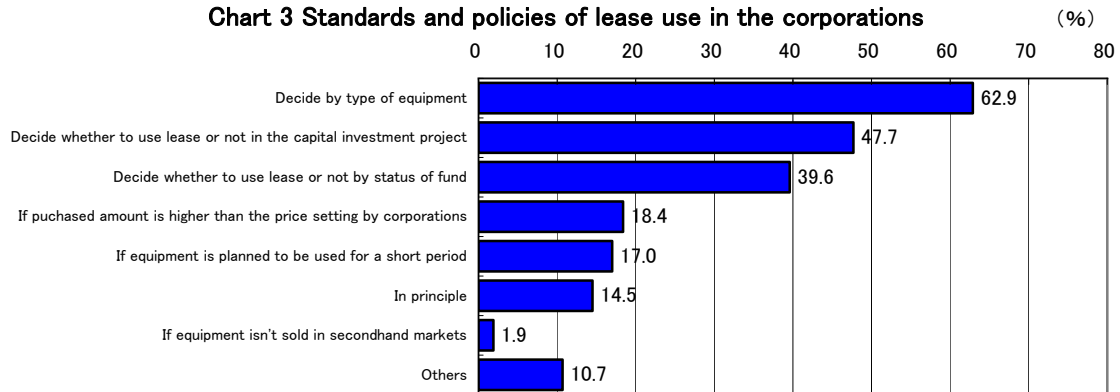
With regard to Purchasing Equipment (Chart 2-2), “Information and Telecommunication Equipment” (72.2%) and “Transport Equipment” (51.3%) also marked high percentages, but lower than their response rates of Leasing Equipment. On the other hand, the two lowest items, “Industrial Equipment” (42.1%) and “Commercial and Service Equipment” (34.8%), are higher than their response rates of Leasing Equipment. “Industrial Equipment” (Leasing 25.4%, Purchasing 42.1%) shows the big rate difference between leasing and purchasing.



3. Standards and policies of lease use in the corporations

When we asked corporations about standards and policies of lease use for procurement equipment (Chart 3), the answers were as follows. “Decide by type of equipment” marked the highest percentage 62.9%. “Decide whether to use lease or not in the capital investment project” (47.7%) and “Decide whether to use lease or not by status of fund” (39.6%) were chosen by relatively many corporations. “If purchased amount is higher than the price setting by corporations” (18.4%), “If the equipment is planned to be used for a short period” (17.0%), and “In principle” (14.5%) showed the 10% mark, but “If equipment isn’t sold in secondhand markets” marked only 1.9%.

Chart 3 Standards and policies of lease use in the corporations

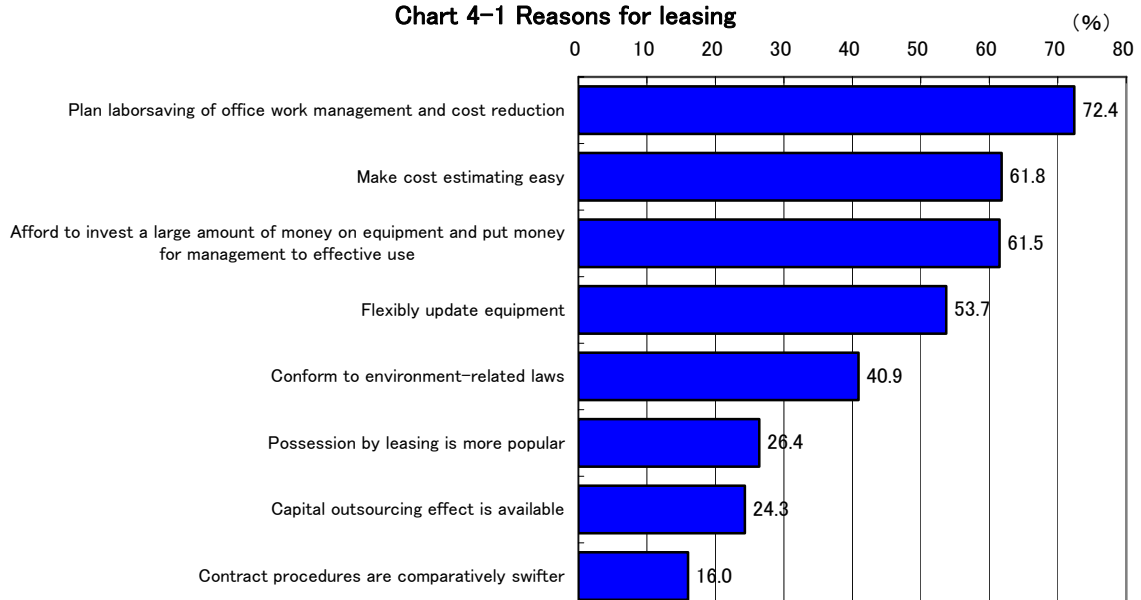


4. Reasons for leasing or purchasing

When we asked corporations about the reasons for procurement equipment by lease (Chart 4-1), “Plan laborsaving of office work management and cost reduction” (72.4%) marked the highest percentage. “Make cost estimating easy” (61.8%) and “Afford to invest a large amount of money on equipment and put money for management to effective use” (61.5%) marked higher than 60%. “Flexibly update equipment” (53.7%) and “Conform to environment-related laws” (40.9%) also showed relatively high percentage.

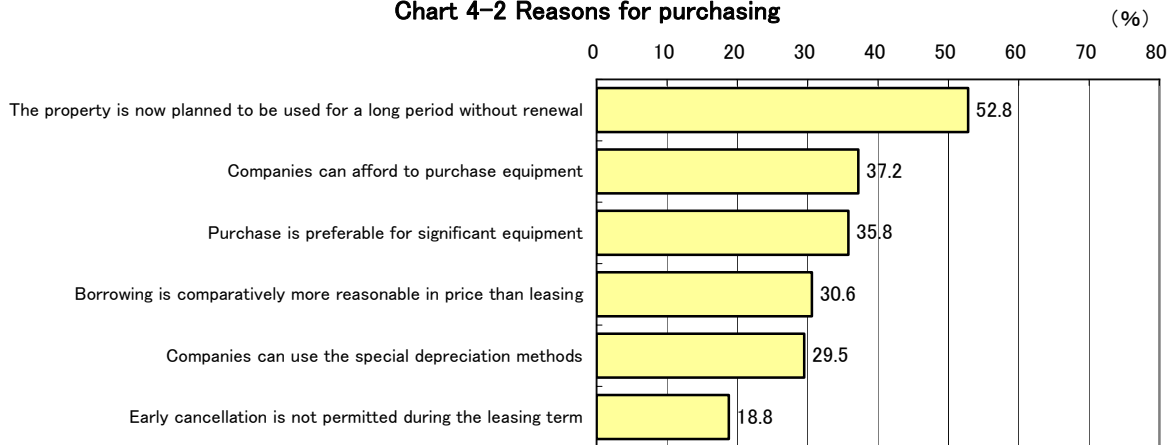
“Plan laborsaving of office work management and cost reduction” rose to the top from the fifth place in the last survey (22.5%). “Make cost estimating easy” (last time 36.4%), “Flexibly update equipment” (last time 23.7%), and “Conform to environment-related laws” (last time 17.1%) showed high increase. On the other hand, “Afford to invest a large amount of money on equipment” (last time 73.4%), which had always been the top, was ranked down to the third.

Chart 4-1 Reasons for leasing



When we asked corporations about reasons for purchasing (Chart 4-2), on the other hand, “The property is now planned to be used for a long period without renewal” (52.8%) marked the highest percentage, followed by “Companies can afford to purchase equipment” (37.2%), “Purchase is preferable for significant equipment” (35.8%), and “Borrowing is comparatively more reasonable in price than leasing” (30.6%) in descending order.

Chart 4-2 Reasons for purchasing



5. Midterm Cancellation

The ratio of corporations which have ever cancelled lease contract (Chart 5-1) is 70.6% and higher than the (last) survey in 2000 (48.5%) by more than 20%. The midterm cancellation rate of “Industrial Equipment” and “Commercial and Service Equipment” used by specific categories of business is low, but “Information and Telecommunication Equipment”, which marked high ratio of lease use among all categories of business, showed 59.2% midterm cancellation rate.

The followings are the reasons for midterm cancellation. (Chart 5-2) “Commutation or upgrade to the latest equipment” marked 52.6%, exceeding “Lease property became unnecessary” (38.0%) and “Troubles related to lease property” (10.9%).

Chart 5-1 Midterm cancellation

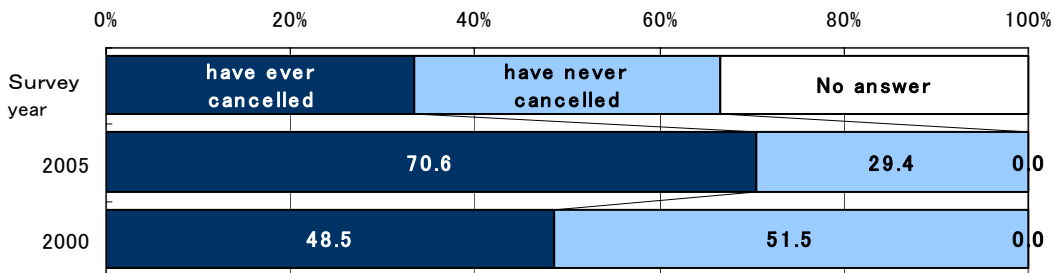
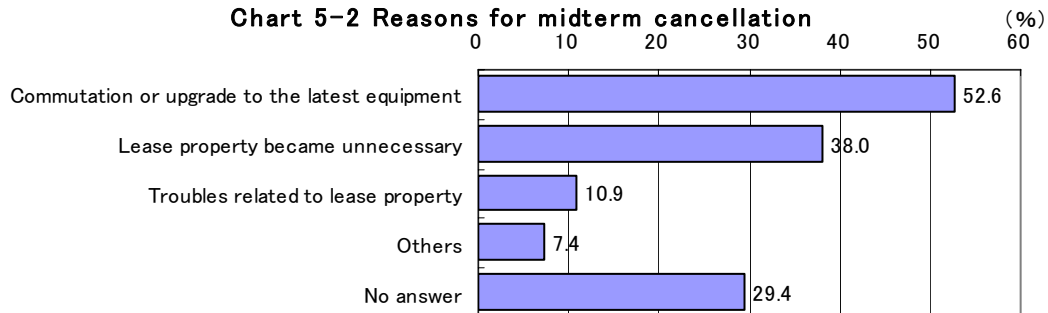


Chart 5-2 Reasons for midterm cancellation



6. Selection criteria for leasing companies

When we asked corporations about selection criteria for leasing companies (Chart 6), “Business terms are favorable” was 57.1%, greatly exceeding “Inquiry response and contract procedure are swift” (35.4%), “The sales representative’s enthusiasm is good and friendly” (26.7%), “introduced from correspondent financial institutions” (25.3%), and “Can obtain accurate suggestions or advice” (24.9%).

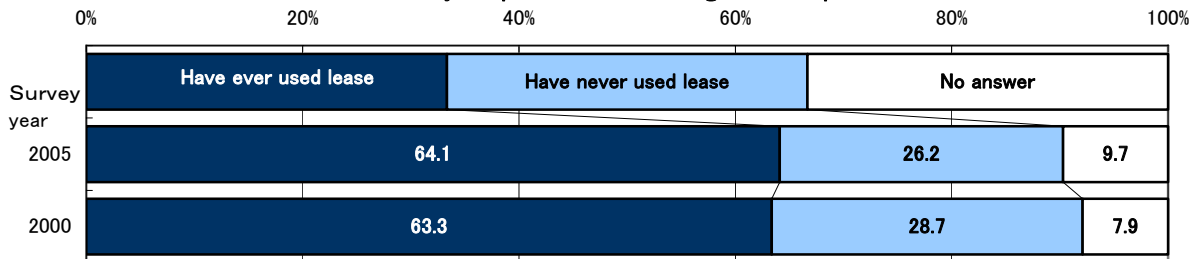
Chart 6 Selection criteria for leasing companies



7. Nonuse of Lease

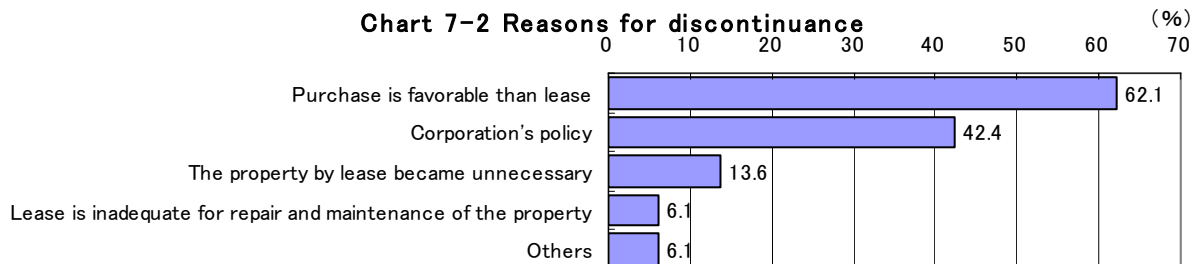
When we asked corporations not using lease at present about whether they have ever used lease or not in the past (Chart 7-1), 64.1% of them “have ever used lease” and 26.2% of them “have never used lease”. This result is almost the same as that of 2000 survey. There is a tendency that the percentage of “have ever used lease” increases slightly and that of “have never used lease” decreases slightly.

Chart 7-1 Past circumstances of lease use by corporations not using lease at present



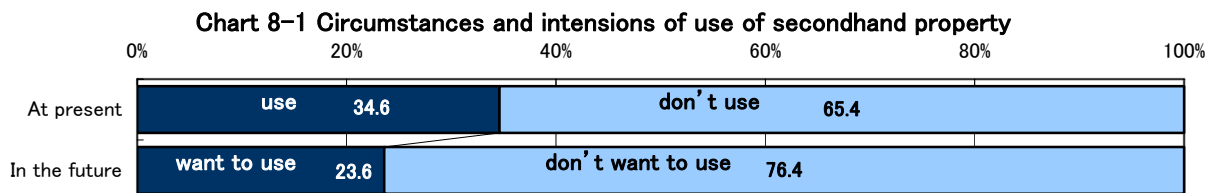
When we asked corporations which “have ever used lease” about the reasons for discontinuance (Chart 7-2), “Purchase is favorable than lease” (62.1%) and “Corporation’s policy” (42.4%) marked high percentages, followed by “The property by lease became unnecessary” (13.6%) and “Lease is inadequate for repair and maintenance of the property” (6.1%). As indicated Chart 1, the ratio of corporations which have ever used lease is only 3.8% (66 corporations), so the figure should be used only as a reference.

Chart 7-2 Reasons for discontinuance

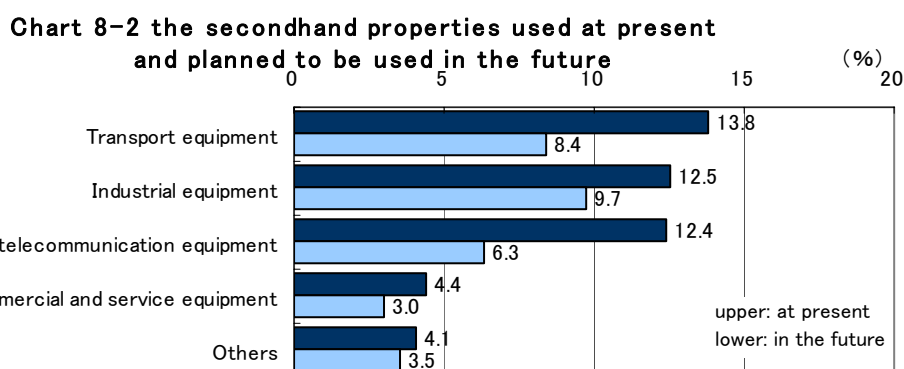


8. Use situations and intentions of secondhand property

When we asked all corporations regardless of whether they use lease or not, about use situations of secondhand property (Chart 8-1) and use intentions in the future (Chart 8-2), 34.6% of them “use” secondhand property and 65.4% “don’t use”. 23.6% “want to use” secondhand property in the future as an equipment of some kind and 76.4% “don’t want to use”.

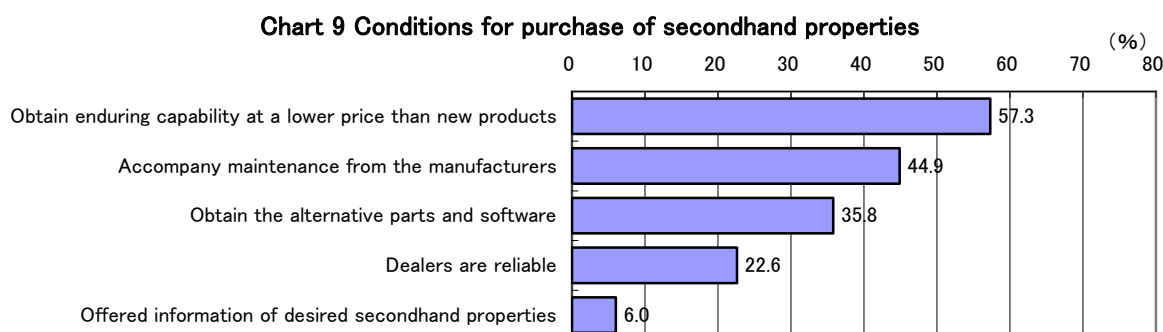


With respect to the type of equipment, the secondhand properties used at present are “Transport Equipment” (13.8%), “Industrial Equipment” (12.5%), and “Information and Telecommunication Equipment” (12.4%) in descending order. On the other hand, the secondhand properties which corporations want to use in the future are “Industrial Equipment” (9.7%), “Transport Equipment” (8.4%), “Information and Telecommunication Equipment” (6.3%), “Others” (3.5%), and “Commercial and Service Equipment” (3.0%) in descending order. Compared to the secondhand properties used at present, use intention of “Industrial Equipment” is slightly stronger than that of “Transport Equipment”.



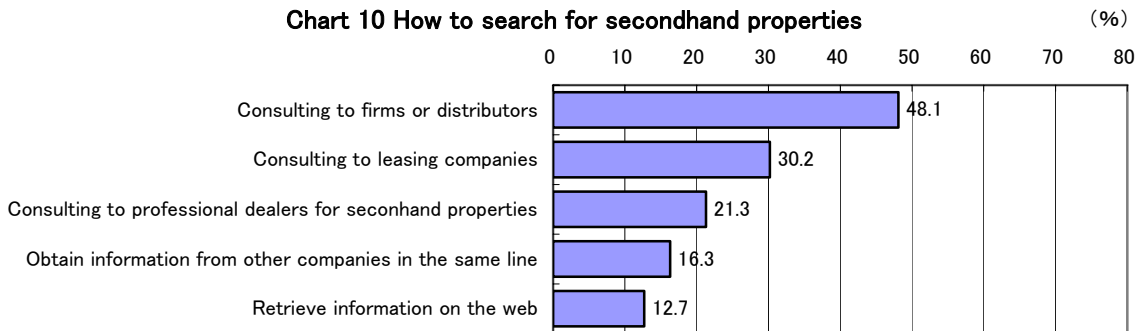
9. Conditions for purchase of secondhand properties

When we asked corporations not using secondhand properties at present about the conditions for purchase of secondhand property (Chart 9), “Obtain enduring capability at a lower price than new products” (57.3%) showed the highest percentage, followed by “Accompany maintenance from the manufacturers” (44.9%), “Obtain the alternative parts and software” (35.8%), “Dealers are reliable” (22.6%) in descending order. “Offered information of desired secondhand properties” remained only 6.0%.



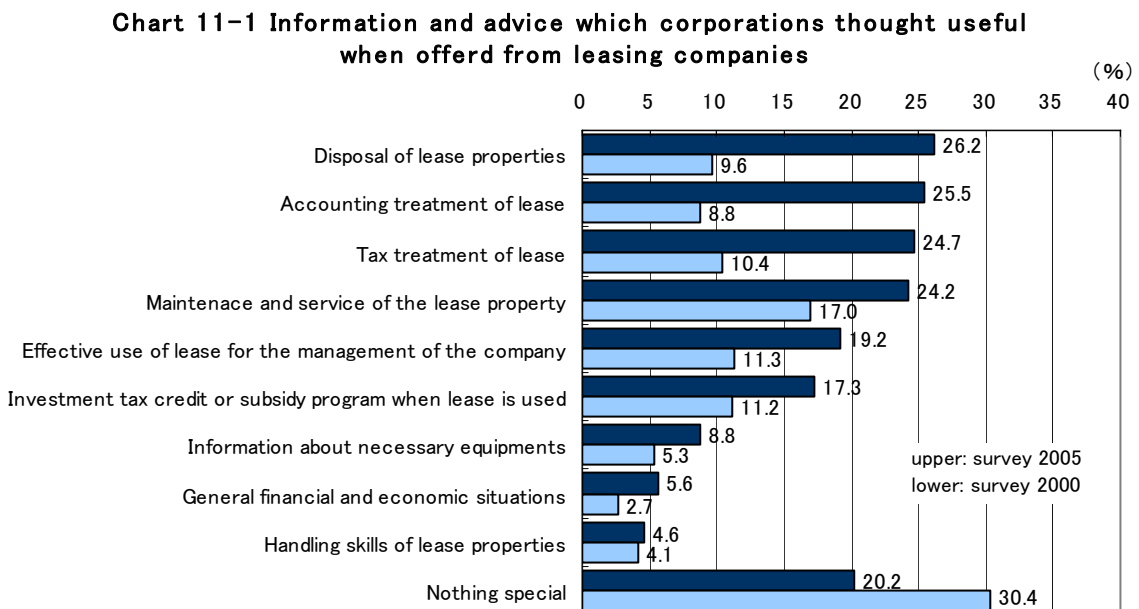
10. how to search for secondhand properties

When we asked corporations which use secondhand properties at present or which want to use them in the future about how to search for secondhand properties (Chart 10), “Consulting to firms or distributors” (48.1%) showed the highest percentage, followed by “Consulting to leasing companies” (30.2%) and “Consulting to professional dealers for secondhand properties” (21.3%). “Obtain information from other companies in the same line” (16.3%) and “Retrieve information on the web” (12.7%) remained the 10% mark.



11. Information and advice from leasing companies

We asked corporations about information and advice which they thought useful when offered from leasing companies (Chart 11-1). “Disposal of lease properties” (26.2%) showed the highest percentage, followed by “Accounting treatment of lease” (25.5%), “Tax treatment of lease” (24.7%), “Maintenance and service of the lease property” (24.2%), “Effective use of lease for the management of the company” (19.2%), and “Investment tax credit or subsidy program when lease is used” (17.3%) in descending order.



Concerning information and advice which corporations want leasing companies to offer (Chart 11-2), “Investment tax credit or subsidy program when lease is used” (39.1%) shows the highest percentage as in the last survey (29.8%), “Effective use of lease for the management of the company” is the second highest (26.6%) as in the last survey (20.9%). This time these are followed by “Tax treatment of lease” (26.5%) “Accounting treatment of lease” (20.8%) and “Disposal of

lease properties” (20.5%) also show the 20% mark.

Chart 11-2 Information and advice which corporations want leasing companies to offer

