

Consolidated Financial Results
for the Three Months Ended June 30, 2021
(Under Japanese GAAP)

July 29, 2021

Company name: Fuyo General Lease Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 8424

URL: <https://www.fgl.co.jp/>

Representative: Yasunori Tsujita, President & CEO

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Scheduled date to file quarterly securities report : August 13, 2021

Scheduled date to commence dividend payments : —

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results briefing : None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%
Three months ended								
June 30, 2021	141,578	(20.9)	10,976	14.7	12,217	19.5	7,991	29.0
June 30, 2020	179,019	8.5	9,574	2.8	10,219	3.0	6,196	0.6

Note: Comprehensive income For the three months ended June 30, 2021: ¥ 13,239 million 40.6%

For the three months ended June 30, 2020: ¥ 9,414 million 641.0%

	Basic earnings per share	Diluted earnings per share
Three months ended	(¥)	(¥)
June 30, 2021	266.37	264.67
June 30, 2020	206.71	205.26

* "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter of the current consolidated accounting period and the figures for the first quarter of the fiscal year ending March 2022 are the figures after applying the relevant accounting standards. If net sales is recognized based on conventional standards, it will be at 176.4 billion yen (1.5% decrease in the same quarter of the previous year).

For details, refer to 1. Consolidated financial statements and significant notes thereto (3) Notes to the consolidated financial statements (Changes in accounting policies) on P.11 of the Supplementary Materials.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	(¥ millions)	(¥ millions)	%	(¥)
June 30, 2021	2,993,122	353,974	10.5	10,478.20
March 31, 2021	2,979,285	344,796	10.2	10,153.22

Reference: Shareholders' equity

As of June 30, 2021 ¥ 314,367 million As of March 31, 2021 ¥ 304,565 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2020	—	110.00	—	130.00	240.00
FY2021	—				
FY2021 (Forecast)		130.00	—	130.00	260.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast for Fiscal 2021 (April 1, 2021 - March 31, 2022)

(Percentage figures represent comparisons with fiscal 2020 full-year results)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥)
Full year	610,000	(17.6)	46,500	4.4	50,000	4.2	31,000	4.8	1,033.44

Note: No changes were made to the most recently announced earnings forecasts.

* "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter of the current consolidated accounting period and if net sales is expected based on the conventional standard, there will be 750 billion yen (1.3% increase from the previous fiscal year).

*Notes

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)
 - (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2021	30,287,810 shares	As of March 31, 2021	30,287,810 shares
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 - (ii) Number of treasury shares at the end of the period

As of June 30, 2021	285,795 shares	As of March 31, 2021	290,885 shares
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 - (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2021	30,000,787 shares	Three months ended June 30, 2020	29,976,385 shares
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Note: The Company has introduced Board Benefit Trust (BBT). Number of treasury shares includes the following Company's shares held by Board Benefit Trust (BBT) 91,600 shares as of June 30, 2021 and 96,700 shares as of March 31, 2021. Furthermore, treasury shares that are deducted in the calculation of the average number of shares during the period include the following Company's shares held by Board Benefit Trust (BBT) 92,832 shares for the three months ended June 30, 2021 and 98,165 shares for the three months ended June 30, 2020.

*** Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

* Proper use of earnings forecasts, and other special matters

(Caution Concerning Forward-Looking Statements)

Earnings forecasts and other forward-looking statements in this report are based on certain assumptions that are deemed reasonable and information available to the Company at the time of this report's preparation. Therefore the Company does not guarantee the achievement of any projections. Actual results may differ significantly from these forecasts for a number of reasons.

(Method of Obtaining Supplementary Explanation Materials)

The materials are disclosed on the Timely Disclosure network (TDnet) on the same day as the date of this report.

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1. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(¥ millions)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	98,926	79,739
Installment receivables	84,545	78,893
Lease receivables and investments in leases	1,080,797	1,068,833
Operating loans	306,635	319,021
Accounts receivable - other loans to customers	117,660	113,616
Operational investment securities	283,209	275,939
Other operating assets	19,011	18,769
Accounts receivable - lease	29,604	24,805
Other	91,294	83,443
Allowance for doubtful accounts	(3,047)	(2,635)
Total current assets	2,108,637	2,060,426
Non-current assets		
Property, plant and equipment		
Assets for lease		
Assets for lease	632,299	691,318
Advances for purchase of assets for lease	8,140	12,398
Total assets for lease	640,440	703,717
Other operating assets	33,276	32,737
Own-used assets	3,662	3,571
Total property, plant and equipment	677,379	740,027
Intangible assets		
Assets for lease	240	242
Other intangible assets		
Goodwill	20,718	20,393
Other	7,741	7,540
Total other intangible assets	28,459	27,934
Total intangible assets	28,699	28,176

(¥ millions)

	As of March 31, 2021	As of June 30, 2021
Investments and other assets		
Investment securities	112,838	113,969
Distressed receivables	558	591
Retirement benefit asset	64	90
Deferred tax assets	2,620	2,277
Other	47,450	46,658
Allowance for doubtful accounts	(287)	(315)
Total investments and other assets	163,244	163,273
Total non-current assets	869,323	931,476
Deferred assets		
Organization expenses	1	1
Business commencement expenses	1,322	1,217
Total deferred assets	1,323	1,218
Total assets	2,979,285	2,993,122

(¥ millions)

	As of March 31, 2021	As of June 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,027	30,745
Short-term borrowings	564,585	557,882
Current portion of bonds payable	30,000	20,000
Current portion of long-term borrowings	308,274	297,800
Commercial papers	470,200	516,200
Payables under securitization of lease receivables	30,100	30,400
Current portion of long-term payables under securitization of lease receivables	32,117	28,263
Lease obligations	14,977	13,359
Income taxes payable	9,974	2,468
Deferred profit on installment sales	1,046	952
Provision for bonuses	2,265	1,188
Provision for bonuses for directors (and other officers)	180	50
Provision for share awards for directors (and other officers)	49	—
Provision for future lease payments	3	3
Provision for loss on guarantees	39	37
Asset retirement obligations	90	1
Other	41,157	40,995
Total current liabilities	1,538,089	1,540,348
Non-current liabilities		
Bonds payable	191,072	221,061
Long-term borrowings	766,003	740,633
Long-term payables under securitization of lease receivables	38,640	35,059
Lease obligations	755	724
Deferred tax liabilities	20,772	21,170
Retirement benefit liability	1,302	1,277
Provision for retirement benefits for directors (and other officers)	129	101
Provision for share awards for directors (and other officers)	388	438
Provision for maintenance costs	570	548
Provision for loss on guarantees	554	499
Asset retirement obligations	2,568	2,740
Other	73,639	74,544
Total non-current liabilities	1,096,398	1,098,799
Total liabilities	2,634,488	2,639,148

(¥ millions)

	As of March 31, 2021	As of June 30, 2021
Net assets		
Shareholders' equity		
Share capital	10,532	10,532
Capital surplus	6,197	7,278
Retained earnings	251,320	255,399
Treasury shares	(1,912)	(1,878)
Total shareholders' equity	266,138	271,332
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,833	44,651
Deferred gains or losses on hedges	(2,656)	(2,934)
Foreign currency translation adjustment	(3,698)	1,355
Remeasurements of defined benefit plans	(50)	(37)
Total accumulated other comprehensive income	38,427	43,034
Share acquisition rights	704	704
Non-controlling interests	39,527	38,903
Total net assets	344,796	353,974
Total liabilities and net assets	2,979,285	2,993,122

(2) Consolidated statements of income and statements of comprehensive incomeConsolidated statements of income
for the three months ended June 30, 2021

(¥ millions)

	FY2020 (April 1, 2020 - June 30, 2020)	FY2021 (April 1, 2021 - June 30, 2021)
Net sales	179,019	141,578
Cost of sales	159,194	120,116
Gross profit	19,825	21,462
Selling, general and administrative expenses	10,251	10,485
Operating profit	9,574	10,976
Non-operating income		
Interest income	21	4
Dividend income	279	286
Foreign exchange gains	37	—
Gain on investments in investment partnerships	25	55
Share of profit of entities accounted for using equity method	356	916
Recoveries of written off receivables	18	162
Reversal of provision for loss on guarantees	70	56
Other	182	122
Total non-operating income	991	1,604
Non-operating expenses		
Interest expenses	171	178
Bond issuance costs	8	20
Foreign exchange losses	—	23
Loss on investments in investment partnerships	32	22
Distributions of profit or loss on silent partnerships	108	96
Other	24	22
Total non-operating expenses	345	363
Ordinary profit	10,219	12,217

(¥ millions)

	FY2020 (April 1, 2020 - June 30, 2020)	FY2021 (April 1, 2021 - June 30, 2021)
Extraordinary income		
Gain on sale of investment securities	—	21
Subsidy income	727	—
Total extraordinary income	727	21
Extraordinary losses		
Loss on valuation of investment securities	3	79
Loss on step acquisitions	—	2
Impairment losses	1	0
Loss on disposal of non-current assets	24	5
Loss on tax purpose reduction entry of non-current assets	727	—
Total extraordinary losses	757	88
Profit before income taxes	10,190	12,150
Income taxes	3,223	3,521
Profit	6,966	8,628
Profit attributable to non-controlling interests	770	637
Profit attributable to owners of parent	6,196	7,991

Consolidated statements of comprehensive income
for the three months ended June 30, 2021

(¥ millions)

	FY2020 (April 1, 2020 - June 30, 2020)	FY2021 (April 1, 2021 - June 30, 2021)
Profit	6,966	8,628
Other comprehensive income		
Valuation difference on available-for-sale securities	2,776	(216)
Deferred gains or losses on hedges	112	(263)
Foreign currency translation adjustment	(597)	4,830
Remeasurements of defined benefit plans, net of tax	5	17
Share of other comprehensive income of entities accounted for using equity method	150	242
Total other comprehensive income	2,447	4,610
Comprehensive income	9,414	13,239
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,642	12,598
Comprehensive income attributable to non-controlling interests	771	640

(3) Notes to the consolidated financial statements

Note on the going-concern assumption

Not applicable

Note on significant changes in shareholders' equity

During the first quarter of the current consolidated accounting period, capital surplus increased by 1,081 million yen due to changes in the parent company's equity due to the conversion of class shares of Kabushiki Kaisha GI Holdings a consolidated subsidiary of the Company, to common shares.

Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements

(Calculation of tax expenses)

Tax expenses for certain consolidated subsidiaries of the Company were calculated by multiplying profit before income taxes by the estimated effective tax rates. The tax rate was determined by making a reasonable estimate of the effective tax rate after the adoption of tax effect accounting for profit before income taxes in the fiscal year including the first quarter ended June 30, 2021.

Changes in accounting policies

(Application of "Accounting Standard for Revenue Recognition")

The Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), hereinafter, Revenue Recognition Accounting Standards, was applied from the beginning of the first quarter consolidated accounting period and when control of a promised goods or service is transferred to the customer, we will recognize revenue in the amount expected to be received in exchange for the goods or service. As a result, for some transactions, the total amount of consideration received from customers was previously recognized as revenue. For transactions in which the Group's role in providing goods or services to customers is as an agent, revenue is recognized as a net amount obtained by deducting the amount paid to the supplier from the amount received from the customer.

The application of the Revenue Recognition Accounting Standard follows the treatment stipulated in Section 84 of the Revenue Recognition Accounting Standard, and the impact of retroactively applying the new accounting policy prior to the beginning of the first quarter consolidated accounting period has been adjusted from retained earnings at the beginning of the first quarter consolidated accounting period. The new accounting policy is applied from the balance at the beginning of the period.

As a result, net sales and cost of sales for the first quarter of the current consolidated fiscal year decreased by 34,782 million yen. Additionally, there is no effect on the beginning balance of retained earnings.

(Application of "Accounting Standard for Fair Value Measurement")

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as "Fair Value Measurement Accounting Standard") was applied from the beginning of the first quarter consolidated accounting period and in accordance with the transitional treatment stipulated in Section 19 of "Fair Value Measurement Accounting Standard" and Section 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10 July 4, 2019), we have decided to apply the new accounting policy stipulated by the "Fair Value Measurement Accounting Standard" in the future. As a result, for other securities whose fair value is the balance sheet value,

the price was previously calculated based on the average market price for the month before the end of the fiscal year, but the method has been changed to use the market price at the end of the fiscal year.

2. Newly executed contracts, operating assets

(1) Executed contracts volume

Segment by business		For the three months ended June 30, 2020		For the three months ended June 30, 2021		Net change	
		Executed contracts volume	Composition	Executed contracts volume	Composition	Amount	Pct.
		(¥ millions)	(%)	(¥ millions)	(%)	(¥ millions)	(%)
Lease and installment sales	Finance leases	81,446	25.3	63,171	18.7	(18,275)	(22.4)
	Operating leases	41,343	12.8	66,210	19.6	24,866	60.1
	Total leases	122,790	38.1	129,381	38.3	6,591	5.4
	Installment sales	9,450	2.9	4,655	1.4	(4,794)	(50.7)
	Lease and installment sales total	132,240	41.0	134,037	39.7	1,796	1.4
Financing		178,581	55.4	203,949	60.3	25,367	14.2
Other		11,722	3.6	87	0.0	(11,635)	(99.3)
Total		322,545	100.0	338,074	100.0	15,528	4.8

Notes:

1. Operating leases are recorded at the acquisition costs of lease assets. The executed volume of re-lease transactions is not included.
2. The figures for the lease segment are the purchase prices of lease assets acquired during each respective three-month period. The figures for the installment sales segment are the installment receivables net of the deferred profit on installment sales on an execution basis.

(2) Operating assets

Segment by business		As of March 31, 2021		As of June 30, 2021		Net change	
		Balance (¥ millions)	Composition (%)	Balance (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	1,080,797	42.3	1,068,833	41.2	(11,964)	(1.1)
	Operating leases	632,539	24.7	691,561	26.6	59,021	9.3
	Total leases	1,713,337	67.0	1,760,394	67.8	47,057	2.7
	Installment sales	83,499	3.3	77,941	3.0	(5,557)	(6.7)
	Lease and installment sales total	1,796,836	70.3	1,838,335	70.8	41,499	2.3
Financing		725,745	28.4	726,615	28.0	870	0.1
Other		33,276	1.3	32,737	1.2	(538)	(1.6)
Total		2,555,857	100.0	2,597,688	100.0	41,831	1.6

Note: The figures for the installment sales segment are the installment receivables net of the deferred profit on installment sales.