



Consolidated Financial Results
for the Six Months Ended September 30, 2021
(Under Japanese GAAP)

November 5, 2021

Company name: Fuyo General Lease Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 8424

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

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Scheduled date to file quarterly securities report : November 12, 2021

Scheduled date to commence dividend payments : December 6, 2021

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results briefing : Yes (for analysts)

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

1. Consolidated financial results for the six months ended September 30, 2021 (from April 1, 2021 to September 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)	%
Six months ended								
September 30, 2021	285,426	(20.1)	23,511	12.3	27,497	20.7	18,078	30.3
September 30, 2020	357,379	3.7	20,944	2.3	22,787	3.7	13,873	1.1

Note: Comprehensive income For the six months ended September 30, 2021: ¥ 24,381 million 64.3%

For the six months ended September 30, 2020: ¥ 14,840 million 8.4%

* "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the first quarter ended June 30, 2021 and net sales for the six months ended September 30, 2021 is the figure after applying the relevant accounting standards. If net sales is recognized based on conventional standards, it will be at 355.2 billion yen (0.6% decrease from the same period of the previous year).

	Basic earnings per share	Diluted earnings per share
Six months ended	(¥)	(¥)
September 30, 2021	602.58	598.75
September 30, 2020	462.79	459.57

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	(¥ millions)	(¥ millions)	%	(¥)
September 30, 2021	2,949,681	365,116	11.0	10,824.49
March 31, 2021	2,979,285	344,796	10.2	10,153.22

Reference: Shareholders' equity

As of September 30, 2021 ¥ 324,764 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	—	130.00			
FY2021 (Forecast)			—	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 ended June 30, 2021 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 September 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 September 30, 2021	285,057 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)

Six months ended September 30, 2021	30,001,749 shares	Six months ended September 30, 2020	29,978,251 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 September 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) 92,213 shares for the six months ended September 30, 2021 and 97,428 shares for the six months ended September 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. Qualitative information regarding financial results for the six months ended September 30, 2021

(1) Explanation of operating results

Newly executed contract volume in the six months ended September 30, 2021 totaled 643,882 million yen, down 2.8% year on year. Consolidated operating assets (after subtracting the deferred profit on installment sales) as of September 30, 2021 totaled 2,558,225 million yen, up 2,368 million yen, or 0.1%, from the end of the previous fiscal year.

In terms of profits, the Company reported net sales of 285,426 million yen, down 20.1% year on year, operating profit of 23,511 million yen, up 12.3% year on year, ordinary profit of 27,497 million yen, up 20.7% year on year, and profit attributable to owners of parent of 18,078 million yen, up 30.3% year on year. Net sales decreased mainly due to the application of the "Accounting Standard for Revenue Recognition." If net sales is recognized based on conventional standards, it will be at 355,219 million yen, down 0.6%.

Operating profit, ordinary profit and profit attributable to owners of parent all rose year on year to update their respective record highs for a six-month period.

Operating results for each business segment are as follows. Please note that net sales for each segment are "revenues from external customers" and segment profit is the amount shown in reportable segments.

Lease and Installment Sales

Newly executed contract volume in the Lease and Installment Sales segment rose 1.7% year on year to 238,457 million yen and segment operating assets increased 0.7% from the end of the previous fiscal year to 1,809,336 million yen. Segment net sales decreased 1.7% year on year to 255,602 million yen and segment profit decreased 0.4% year on year to 15,703 million yen.

Financing

Newly executed contract volume in the Financing segment fell 2.6% year on year to 405,318 million yen, and segment operating assets decreased 1.2% from the end of the previous fiscal year to 716,759 million yen. Segment net sales rose 16.9% year on year to 11,583 million yen, and segment profit increased 27.6% year on year to 9,182 million yen.

Other

Newly executed contract volume in the Other segment fell 99.1% year on year to 106 million yen, and segment operating assets decreased 3.4% from the end of the previous fiscal year to 32,130 million yen. Segment net sales fell 79.2% year on year to 18,240 million yen, and segment profit increased 7.2% year on year to 4,439 million yen.

(2) Explanation of financial position

As of September 30, 2021, operating assets totaled 2,558,225 million yen, up 0.1% from the end of the previous fiscal year. Total assets amounted to 2,949,681 million yen, down 1.0% from the end of the previous fiscal year. As of September 30, 2021, indirect procurement increased by 0.4% from the end of the previous fiscal year to 1,645,031 million yen, mainly due to an increase in short-term borrowings, and direct procurement decreased 6.2% from the end of the previous fiscal year to 742,960 million yen mainly due to decreases in commercial papers and long-term payables under securitization of lease receivables. As a result, the outstanding balance as of September 30, 2021 decreased 1.8% from the end of the previous fiscal year to 2,387,991 million yen. The direct procurement ratio was 31.1%, a decrease of 1.5 points from the end of the previous fiscal year.

Total shareholders' equity rose 5.7% from the end of the previous fiscal year to 281,421 million yen mainly due to an increase in retained earnings. Total net assets as of September 30, 2021 totaled 365,116 million yen, up 20,319 million yen, or 5.9%, from the end of the previous fiscal year. Shareholders' equity ratio rose 0.8 points from the end of the previous fiscal year to 11.0%.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

No revisions have been made to the consolidated earnings forecasts for the Forecast for Fiscal 2021 announced in Consolidated Financial Results for the Fiscal Year Ended March 31, 2021 on May 10, 2021.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(¥ millions)

	As of March 31, 2021	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	98,926	69,795
Installment receivables	84,545	75,553
Lease receivables and investments in leases	1,080,797	1,028,349
Operating loans	306,635	304,948
Accounts receivable - other loans to customers	117,660	115,142
Operational investment securities	283,209	276,492
Other operating assets	19,011	23,019
Accounts receivable - lease	29,604	26,564
Other	91,294	83,744
Allowance for doubtful accounts	(3,047)	(2,598)
Total current assets	2,108,637	2,001,012
Non-current assets		
Property, plant and equipment		
Assets for lease		
Assets for lease	632,299	706,072
Advances for purchase of assets for lease	8,140	11,084
Total assets for lease	640,440	717,156
Other operating assets	33,276	32,130
Construction in progress	—	1,551
Own-used assets	3,662	3,435
Total property, plant and equipment	677,379	754,273
Intangible assets		
Assets for lease	240	231
Other intangible assets		
Goodwill	20,718	20,069
Other	7,741	7,395
Total other intangible assets	28,459	27,465
Total intangible assets	28,699	27,697

(¥ millions)

	As of March 31, 2021	As of September 30, 2021
Investments and other assets		
Investment securities	112,838	119,604
Distressed receivables	558	355
Retirement benefit asset	64	79
Deferred tax assets	2,620	2,569
Other	47,450	43,138
Allowance for doubtful accounts	(287)	(193)
Total investments and other assets	163,244	165,554
Total non-current assets	869,323	947,525
Deferred assets		
Organization expenses	1	1
Business commencement expenses	1,322	1,141
Total deferred assets	1,323	1,143
Total assets	2,979,285	2,949,681

(¥ millions)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,027	26,581
Short-term borrowings	564,585	577,907
Current portion of bonds payable	30,000	20,000
Current portion of long-term borrowings	308,274	310,632
Commercial papers	470,200	407,200
Payables under securitization of lease receivables	30,100	30,400
Current portion of long-term payables under securitization of lease receivables	32,117	24,631
Lease obligations	14,977	12,016
Income taxes payable	9,974	7,442
Deferred profit on installment sales	1,046	870
Provision for bonuses	2,265	2,301
Provision for bonuses for directors (and other officers)	180	100
Provision for share awards for directors (and other officers)	49	—
Provision for future lease payments	3	3
Provision for loss on guarantees	39	35
Asset retirement obligations	90	1
Other	41,157	44,196
Total current liabilities	1,538,089	1,464,320
Non-current liabilities		
Bonds payable	191,072	231,195
Long-term borrowings	766,003	756,491
Long-term payables under securitization of lease receivables	38,640	29,533
Lease obligations	755	653
Deferred tax liabilities	20,772	20,938
Retirement benefit liability	1,302	1,267
Provision for retirement benefits for directors (and other officers)	129	111
Provision for share awards for directors (and other officers)	388	487
Provision for maintenance costs	570	555
Provision for loss on guarantees	554	472
Asset retirement obligations	2,568	2,744
Other	73,639	75,791
Total non-current liabilities	1,096,398	1,120,243
Total liabilities	2,634,488	2,584,564

(¥ millions)

	As of March 31, 2021	As of September 30, 2021
Net assets		
Shareholders' equity		
Share capital	10,532	10,532
Capital surplus	6,197	7,278
Retained earnings	251,320	265,484
Treasury shares	(1,912)	(1,873)
Total shareholders' equity	266,138	281,421
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	44,833	45,052
Deferred gains or losses on hedges	(2,656)	(2,940)
Foreign currency translation adjustment	(3,698)	1,270
Remeasurements of defined benefit plans	(50)	(39)
Total accumulated other comprehensive income	38,427	43,342
Share acquisition rights	704	701
Non-controlling interests	39,527	39,650
Total net assets	344,796	365,116
Total liabilities and net assets	2,979,285	2,949,681

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

(¥ millions)

	FY2020 (April 1, 2020 - September 30, 2020)	FY2021 (April 1, 2021 - September 30, 2021)
Net sales	357,379	285,426
Cost of sales	316,470	241,952
Gross profit	40,909	43,473
Selling, general and administrative expenses	19,964	19,962
Operating profit	20,944	23,511
Non-operating income		
Interest income	31	7
Dividend income	1,030	1,249
Foreign exchange gains	43	—
Gain on investments in investment partnerships	25	193
Share of profit of entities accounted for using equity method	866	1,681
Recoveries of written off receivables	45	1,423
Reversal of provision for loss on guarantees	170	86
Other	315	232
Total non-operating income	2,529	4,873
Non-operating expenses		
Interest expenses	339	359
Bond issuance costs	14	26
Foreign exchange losses	—	210
Loss on investments in investment partnerships	61	28
Distributions of profit or loss on silent partnerships	241	237
Other	30	25
Total non-operating expenses	686	888
Ordinary profit	22,787	27,497
Extraordinary income		
Gain on sale of investment securities	—	300
Subsidy income	727	—
Total extraordinary income	727	300

(¥ millions)

	FY2020 (April 1, 2020 – September 30, 2020)	FY2021 (April 1, 2021 – September 30, 2021)
Extraordinary losses		
Loss on valuation of investment securities	1	196
Loss on step acquisitions	—	2
Impairment losses	1	0
Loss on disposal of non-current assets	18	6
Loss on tax purpose reduction entry of non-current assets	727	—
Loss on revision of retirement benefit plan	—	9
Total extraordinary losses	750	215
Profit before income taxes	22,764	27,582
Income taxes	7,248	8,121
Profit	15,516	19,460
Profit attributable to non-controlling interests	1,642	1,382
Profit attributable to owners of parent	13,873	18,078

Consolidated statements of comprehensive income
for the six months ended September 30, 2021

(¥ millions)

	FY2020 (April 1, 2020 - September 30, 2020)	FY2021 (April 1, 2021 - September 30, 2021)
Profit	15,516	19,460
Other comprehensive income		
Valuation difference on available-for-sale securities	603	187
Deferred gains or losses on hedges	(110)	220
Foreign currency translation adjustment	(1,232)	4,813
Remeasurements of defined benefit plans, net of tax	10	16
Share of other comprehensive income of entities accounted for using equity method	53	(317)
Total other comprehensive income	(675)	4,921
Comprehensive income	14,840	24,381
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,192	22,993
Comprehensive income attributable to non-controlling interests	1,648	1,387

(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 ended June 30, 2021, 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 second quarter ended September 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 Standard, was applied from the beginning of the first quarter ended June 30, 2021 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 ended June 30, 2021 has been adjusted from retained earnings at the beginning of the first quarter ended June 30, 2021. 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 six months ended September 30, 2021 each decreased by 69,792 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 ended June 30, 2021 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 quarter, but the method has been changed to use the market price at the end of the quarter.

Segment information

I Six months ended September 30, 2020 (From April 1, 2020 to September 30, 2020)

1. Disclosure of sales and profit (loss) for each reportable segment

(¥ millions)

	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	259,957	9,911	87,511	357,379
Transactions with other segments	503	1,805	1,110	3,418
Net sales	260,460	11,716	88,621	360,798
Segment profit	15,766	7,195	4,142	27,103

2. Description of nature of differences between amounts of profit (loss) of reportable segments total and consolidated financial statements

(¥ millions)

Profit	Amount
Reportable segments total	27,103
Eliminations	(442)
Corporate expenses (Note)	(5,717)
Operating profit reported on the consolidated statements of income	20,944

Note: Corporate expenses are mainly selling, general and administrative expenses that are not attributable to any reportable segment.

3. Information about assets for each reportable segment

During the first quarter ended June 30, 2020, the segment assets of the “Leases and Installment Sales” segment increased by 136,684 million yen compared to the end of the previous fiscal year mainly due to the acquisition of outstanding shares of YAMATO LEASE CO., LTD. and its inclusion in the scope of consolidation.

4. Information about impairment losses of non-current assets or goodwill, etc. for each reportable segment

(Material impairment losses on non-current assets)

There are no material impairment losses on non-current assets.

(Material change in amount of goodwill)

During the first quarter ended June 30, 2020, the Company acquired outstanding shares of YAMATO LEASE CO., LTD. and included it in the scope of consolidation, which resulted in goodwill of 295 million yen in the “Leases and Installment Sales” segment.

(Material gain on bargain purchase)

There is no material gain on bargain purchase.

II Six months ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

1. Disclosure of sales and profit (loss) for each reportable segment

(¥ millions)

	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	255,602	11,583	18,240	285,426
Transactions with other segments	692	1,674	1,102	3,468
Net sales	256,294	13,258	19,342	288,895
Segment profit	15,703	9,182	4,439	29,325

2. Description of nature of differences between amounts of profit (loss) of reportable segments total and consolidated financial statements

(¥ millions)

Profit	Amount
Reportable segments total	29,325
Eliminations	(383)
Corporate expenses (Note)	(5,430)
Operating profit reported on the consolidated statements of income	23,511

Note: Corporate expenses are mainly selling, general and administrative expenses that are not attributable to any reportable segment.

3. Information about impairment losses of non-current assets or goodwill, etc. for each reportable segment

(Material impairment losses on non-current assets)

There are no material impairment losses on non-current assets.

(Material change in amount of goodwill)

There are no material changes in amount of goodwill.

(Material gain on bargain purchase)

There is no material gain on bargain purchase.

3. Newly executed contracts, operating assets

(1) Executed contracts volume

Segment by business		For the six months ended September 30, 2020		For the six months ended September 30, 2021		Net change	
		Executed contracts volume	Composition	Executed contracts volume	Composition	Amount	Pct.
		(¥ millions)	(%)	(¥ millions)	(%)	(¥ millions)	(%)
Lease and installment sales	Finance leases	160,791	24.3	124,113	19.3	(36,678)	(22.8)
	Operating leases	56,509	8.5	103,082	16.0	46,572	82.4
	Total leases	217,300	32.8	227,195	35.3	9,894	4.6
	Installment sales	17,085	2.6	11,261	1.7	(5,824)	(34.1)
	Lease and installment sales total	234,386	35.4	238,457	37.0	4,070	1.7
Financing		416,303	62.8	405,318	63.0	(10,985)	(2.6)
Other		11,750	1.8	106	0.0	(11,643)	(99.1)
Total		662,440	100.0	643,882	100.0	(18,558)	(2.8)

Notes:

- Operating leases are recorded at the acquisition costs of lease assets. The executed volume of re-lease transactions is not included.
- The figures for the lease segment are the purchase prices of lease assets acquired during each respective six-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 September 30, 2021		Net change	
		Balance	Composition	Balance	Composition	Amount	Pct.
		(¥ millions)	(%)	(¥ millions)	(%)	(¥ millions)	(%)
Lease and installment sales	Finance leases	1,080,797	42.3	1,028,349	40.2	(52,448)	(4.9)
	Operating leases	632,539	24.7	706,303	27.6	73,764	11.7
	Total leases	1,713,337	67.0	1,734,653	67.8	21,316	1.2
	Installment sales	83,499	3.3	74,682	2.9	(8,816)	(10.6)
	Lease and installment sales total	1,796,836	70.3	1,809,336	70.7	12,499	0.7
Financing		725,745	28.4	716,759	28.0	(8,985)	(1.2)
Other		33,276	1.3	32,130	1.3	(1,146)	(3.4)
Total		2,555,857	100.0	2,558,225	100.0	2,368	0.1

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