



Consolidated Financial Results for the Three Months Ended June 30, 2022 (Under Japanese GAAP)

July 29, 2022

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 : August 12, 2022

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, 2022 (from April 1, 2022 to June 30, 2022)

(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, 2022	217,415	53.6	11,381	3.7	13,027	6.6	8,217	2.8
June 30, 2021	141,578	(20.9)	10,976	14.7	12,217	19.5	7,991	29.0

Note: Comprehensive income For the three months ended June 30, 2022: ¥ 11,222 million (15.2)%

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

	Basic earnings per share	Diluted earnings per share
Three months ended	(¥)	(¥)
June 30, 2022	274.30	272.79
June 30, 2021	266.37	264.67

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	(¥ millions)	(¥ millions)	%	(¥)
June 30, 2022	2,941,024	374,064	11.3	11,134.06
March 31, 2022	2,949,704	374,239	11.3	11,121.96

Reference: Shareholders' equity

As of June 30, 2022 ¥ 333,679 million As of March 31, 2022 ¥ 332,834 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2021	—	130.00	—	155.00	285.00
FY2022	—				
FY2022 (Forecast)		158.00	—	158.00	316.00

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

3. Forecast for Fiscal 2022 (April 1, 2022 - March 31, 2023)

(Percentage figures represent comparisons with fiscal 2021 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	700,000	6.4	51,500	11.9	56,000	6.2	36,000	6.2	1,202.97

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

*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: Yes
 - (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, 2022 30,287,810 shares As of March 31, 2022 30,287,810 shares
 - (ii) Number of treasury shares at the end of the period
As of June 30, 2022 318,557 shares As of March 31, 2022 361,957 shares
 - (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)
Three months ended June 30, 2022 29,958,243 shares
Three months ended June 30, 2021 30,000,787 shares

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) 149,800 shares as of June 30, 2022 and 177,100 shares as of March 31, 2022. 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) 156,092 shares for the three months ended June 30, 2022 and 92,832 shares for the three months ended June 30, 2021.

*** 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 three months ended June 30, 2022

(1) Explanation of operating results

Newly executed contract volume in the three months ended June 30, 2022 totaled ¥368,775 million, up 9.1% year on year.

In terms of profits, the Company reported net sales of ¥217,415 million, up 53.6% year on year, operating profit of ¥11,381 million, up 3.7% year on year, ordinary profit of ¥13,027 million, up 6.6% year on year, and profit attributable to owners of parent of ¥8,217 million, up 2.8% year on year. Through continuous expansion of our business domains, operating profit, ordinary profit and profit attributable to owners of parent all rose year on year to update their respective record highs for a three-month period. In addition, ordinary profit, which is set as a management goal in the medium-term management plan, has been the highest for the first quarter for six consecutive fiscal years since the fiscal year ended March 31, 2018.

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 fell 7.5% year on year to ¥123,993 million and segment operating assets decreased 2.7% from the end of the previous fiscal year to ¥1,709,877 million. Segment net sales increased 58.0% year on year to ¥200,526 million and segment profit increased 25.4% year on year to ¥9,262 million.

Financing

Newly executed contract volume in the Financing segment rose 20.0% year on year to ¥244,690 million, and segment operating assets increased 4.2% from the end of the previous fiscal year to ¥809,375 million. Segment net sales fell 12.0% year on year to ¥5,032 million, and segment profit decreased 18.8% year on year to ¥3,609 million.

Other

Newly executed contract volume in the Other segment rose 4.1% year on year to ¥91 million, and segment operating assets decreased 1.7% from the end of the previous fiscal year to ¥31,248 million. Segment net sales rose 32.9% year on year to ¥11,856 million, and segment profit increased 40.7% year on year to ¥2,368 million.

(2) Explanation of financial position

As of June 30, 2022, operating assets totaled ¥2,550,501 million, down 0.6% from the end of the previous fiscal year. Total assets amounted to ¥2,941,024 million, down 0.3% from the end of the previous fiscal year. As of June 30, 2022, indirect procurement decreased 1.9% from the end of the previous fiscal year to ¥1,644,910 million, due to decreases in short-term borrowings and long-term borrowings, and direct procurement increased 5.3% from the end of the previous fiscal year to ¥725,626 million, mainly due to the issuance of commercial papers and bonds payable. As a result, the outstanding balance as of June 30, 2022 increased 0.2% from the end of the previous fiscal year to ¥2,370,537 million. The direct procurement ratio was 30.6%, an increase of 1.5 points from the end of the previous fiscal year.

Total shareholders' equity fell 0.5% from the end of the previous fiscal year to ¥291,127 million mainly due to a decrease in capital surplus despite an increase in retained earnings. Total net assets as of June 30, 2022 amounted to ¥374,064 million, down ¥175 million, or 0.0%, from the end of the previous fiscal year. Shareholders' equity ratio was in line with the end of the previous fiscal year at 11.3%.

(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 2022 announced in Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 on May 10, 2022.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(¥ millions)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	72,157	78,615
Installment receivables	66,877	61,974
Lease receivables and investments in leases	1,019,764	928,109
Operating loans	316,633	322,277
Accounts receivable - other loans to customers	114,443	112,502
Operational investment securities	323,021	349,724
Other operating assets	23,344	25,765
Accounts receivable - lease	24,807	24,014
Other	66,556	65,288
Allowance for doubtful accounts	(2,717)	(2,608)
Total current assets	2,024,888	1,965,664
Non-current assets		
Property, plant and equipment		
Assets for lease		
Assets for lease	671,643	720,388
Advances for purchase of assets for lease	15,111	13,758
Total assets for lease	686,754	734,146
Other operating assets	31,801	31,248
Construction in progress	4,673	6,472
Own-used assets	3,754	3,754
Total property, plant and equipment	726,984	775,621
Intangible assets		
Assets for lease	195	182
Other intangible assets		
Goodwill	21,234	20,867
Other	9,367	9,270
Total other intangible assets	30,602	30,137
Total intangible assets	30,797	30,319

(¥ millions)

	As of March 31, 2022	As of June 30, 2022
Investments and other assets		
Investment securities	120,259	121,394
Distressed receivables	539	612
Retirement benefit asset	88	463
Deferred tax assets	2,976	2,798
Other	42,554	43,469
Allowance for doubtful accounts	(331)	(204)
Total investments and other assets	166,087	168,535
Total non-current assets	923,869	974,477
Deferred assets		
Organization expenses	1	4
Business commencement expenses	944	877
Total deferred assets	945	882
Total assets	2,949,704	2,941,024

(¥ millions)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	35,441	30,816
Short-term borrowings	568,563	565,772
Current portion of bonds payable	30,000	35,000
Current portion of long-term borrowings	328,958	348,526
Commercial papers	371,000	391,300
Payables under securitization of lease receivables	29,400	29,200
Current portion of long-term payables under securitization of lease receivables	16,508	13,051
Lease liabilities	10,827	9,763
Income taxes payable	8,145	3,319
Deferred profit on installment sales	810	777
Provision for bonuses	2,811	1,932
Provision for bonuses for directors (and other officers)	200	46
Provision for share awards for directors (and other officers)	205	—
Provision for future lease payments	3	3
Provision for loss on guarantees	31	29
Asset retirement obligations	1	1
Other	48,564	46,845
Total current liabilities	1,451,473	1,476,387
Non-current liabilities		
Bonds payable	227,137	244,136
Long-term borrowings	779,458	730,611
Long-term payables under securitization of lease receivables	15,197	12,937
Lease liabilities	530	463
Deferred tax liabilities	17,122	16,713
Retirement benefit liability	2,974	2,877
Provision for retirement benefits for directors (and other officers)	160	168
Provision for share awards for directors (and other officers)	410	464
Provision for maintenance costs	476	440
Provision for loss on guarantees	440	412
Asset retirement obligations	3,825	3,850
Other	76,256	77,495
Total non-current liabilities	1,123,990	1,090,572
Total liabilities	2,575,464	2,566,959

(¥ millions)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	10,532	10,532
Capital surplus	7,278	1,902
Retained earnings	277,361	280,857
Treasury shares	(2,463)	(2,164)
Total shareholders' equity	292,709	291,127
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,547	36,863
Deferred gains or losses on hedges	(3,932)	(6,122)
Foreign currency translation adjustment	5,509	11,703
Remeasurements of defined benefit plans	(0)	107
Total accumulated other comprehensive income	40,124	42,551
Share acquisition rights	650	601
Non-controlling interests	40,754	39,783
Total net assets	374,239	374,064
Total liabilities and net assets	2,949,704	2,941,024

(2) Consolidated statements of income and statements of comprehensive incomeConsolidated statements of income
for the three months ended June 30, 2022

(¥ millions)

	FY2021 (April 1, 2021 - June 30, 2021)	FY2022 (April 1, 2022 - June 30, 2022)
Net sales	141,578	217,415
Cost of sales	120,116	195,225
Gross profit	21,462	22,189
Selling, general and administrative expenses	10,485	10,807
Operating profit	10,976	11,381
Non-operating income		
Interest income	4	2
Dividend income	286	290
Foreign exchange gains	—	178
Gain on investments in investment partnerships	55	114
Share of profit of entities accounted for using equity method	916	1,159
Recoveries of written off receivables	162	18
Reversal of provision for loss on guarantees	56	30
Other	122	237
Total non-operating income	1,604	2,032
Non-operating expenses		
Interest expenses	178	216
Bond issuance costs	20	16
Foreign exchange losses	23	—
Loss on investments in investment partnerships	22	31
Distributions of profit or loss on silent partnerships	96	111
Other	22	11
Total non-operating expenses	363	386
Ordinary profit	12,217	13,027

(¥ millions)

	FY2021 (April 1, 2021 - June 30, 2021)	FY2022 (April 1, 2022 - June 30, 2022)
Extraordinary income		
Gain on sale of investment securities	21	1
Total extraordinary income	21	1
Extraordinary losses		
Loss on valuation of investment securities	79	13
Loss on step acquisitions	2	—
Impairment losses	0	0
Loss on disposal of non-current assets	5	24
Total extraordinary losses	88	38
Profit before income taxes	12,150	12,990
Income taxes	3,521	4,289
Profit	8,628	8,700
Profit attributable to non-controlling interests	637	483
Profit attributable to owners of parent	7,991	8,217

Consolidated statements of comprehensive income
for the three months ended June 30, 2022

(¥ millions)

	FY2021 (April 1, 2021 - June 30, 2021)	FY2022 (April 1, 2022 - June 30, 2022)
Profit	8,628	8,700
Other comprehensive income		
Valuation difference on available-for-sale securities	(216)	(1,672)
Deferred gains or losses on hedges	(263)	(2,162)
Foreign currency translation adjustment	4,830	5,459
Remeasurements of defined benefit plans, net of tax	17	248
Share of other comprehensive income of entities accounted for using equity method	242	649
Total other comprehensive income	4,610	2,521
Comprehensive income	13,239	11,222
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	12,598	10,644
Comprehensive income attributable to non-controlling interests	640	578

(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, 2022, capital surplus decreased by ¥5,376 million due to the additional acquisition of shares of Kabushiki Kaisha GI Holdings, a consolidated subsidiary of the Company.

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, 2022.

Changes in accounting policies

(Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement")

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021, hereinafter referred to as "Fair Value Measurement Accounting Guidance") has been applied from the beginning of the first quarter ended June 30, 2022 and in accordance with the transitional treatment stipulated in paragraph 27-2 of Fair Value Measurement Accounting Guidance, we have decided to apply the new accounting policy stipulated by the Fair Value Measurement Accounting Guidance prospectively. As a result, evaluation of some investment trusts, which was previously performed using reference prices, has been changed to a method that uses net asset values per unit.

Changes in accounting estimates

For aircraft that the Group owns as assets for lease, the Group in principle had estimated the disposal price when the lease contract expires based on a useful life of 21 years and a residual value ratio that would make the residual value 10% of the acquisition price of those assets for lease and set that as the residual value. From the beginning of the first quarter ended June 30, 2022, the Group has revised the method to in principle basing the estimate on a useful life of 25 years and a residual value ratio that would make the residual value 15% of the acquisition price, and these changes shall be applied prospectively.

For the aircraft held as assets for lease, under the new medium-term management plan that has started in the first quarter ended June 30, 2022, the Group has changed from a business model that holds equipment over a long period to a business model that switches equipment depending on the market environment, etc. In conjunction with this change, in the first quarter ended June 30, 2022, the Group examined the useful life and residual value of aircraft based on data compiled from past transactions in aircraft leases and a forecast of aircraft demand, etc. going forward, and changed to a useful life and residual value that are better matching with reality in light of the long-term demand of aircraft and the extending length of years of service life.

As a result, operating profit, ordinary profit and profit before income taxes for the three months ended June 30, 2022 increased by ¥504 million each than would have been the case using the previous method.

Segment information

I Three months ended June 30, 2021 (From April 1, 2021 to June 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	126,937	5,718	8,923	141,578
Transactions with other segments	426	842	423	1,692
Net sales	127,363	6,561	9,346	143,271
Segment profit	7,384	4,444	1,683	13,512

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	13,512
Eliminations	165
Corporate expenses (Note)	(2,701)
Operating profit reported on the consolidated statements of income	10,976

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 is no material change in amount of goodwill.

(Material gain on bargain purchase)

There is no material gain on bargain purchase.

II Three months ended June 30, 2022 (From April 1, 2022 to June 30, 2022)

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

(¥ millions)

	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	200,526	5,032	11,856	217,415
Transactions with other segments	196	824	1,055	2,075
Net sales	200,722	5,856	12,911	219,490
Segment profit	9,262	3,609	2,368	15,240

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	15,240
Eliminations	(907)
Corporate expenses (Note)	(2,951)
Operating profit reported on the consolidated statements of income	11,381

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 is no material change 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 three months ended June 30, 2021		For the three months ended June 30, 2022		Net change	
		Executed contracts volume (¥ millions)	Composition (%)	Executed contracts volume (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	63,171	18.7	62,046	16.8	(1,124)	(1.8)
	Operating leases	66,210	19.6	55,736	15.1	(10,474)	(15.8)
	Total leases	129,381	38.3	117,782	31.9	(11,598)	(9.0)
	Installment sales	4,655	1.4	6,211	1.7	1,555	33.4
	Lease and installment sales total	134,037	39.7	123,993	33.6	(10,043)	(7.5)
Financing		203,949	60.3	244,690	66.4	40,741	20.0
Other		87	0.0	91	0.0	3	4.1
Total		338,074	100.0	368,775	100.0	30,701	9.1

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 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, 2022		As of June 30, 2022		Net change	
		Balance (¥ millions)	Composition (%)	Balance (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	1,019,764	39.7	928,109	36.4	(91,654)	(9.0)
	Operating leases	671,838	26.2	720,570	28.3	48,732	7.3
	Total leases	1,691,602	65.9	1,648,680	64.7	(42,922)	(2.5)
	Installment sales	66,067	2.6	61,197	2.4	(4,869)	(7.4)
	Lease and installment sales total	1,757,669	68.5	1,709,877	67.1	(47,792)	(2.7)
Financing		776,467	30.3	809,375	31.7	32,907	4.2
Other		31,801	1.2	31,248	1.2	(553)	(1.7)
Total		2,565,939	100.0	2,550,501	100.0	(15,437)	(0.6)

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