



Consolidated Financial Results for the Six Months Ended September 30, 2022 (Under Japanese GAAP)

November 8, 2022

Listing: Tokyo Stock Exchange

Company name: Fuyo General Lease Co., Ltd.

Securities code: 8424

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

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Scheduled date to file quarterly securities report : November 14, 2022

Scheduled date to commence dividend payments : December 7, 2022

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, 2022 (from April 1, 2022 to September 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)	%
Six months ended								
September 30, 2022	356,063	24.7	27,017	14.9	31,137	13.2	20,304	12.3
September 30, 2021	285,426	(20.1)	23,511	12.3	27,497	20.7	18,078	30.3

Note: Comprehensive income For the six months ended September 30, 2022: ¥ 35,431 million 45.3%
For the six months ended September 30, 2021: ¥ 24,381 million 64.3%

	Basic earnings per share	Diluted earnings per share
Six months ended	(¥)	(¥)
September 30, 2022	677.63	673.95
September 30, 2021	602.58	598.75

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	(¥ millions)	(¥ millions)	%	(¥)
September 30, 2022	2,991,392	398,274	11.9	11,923.45
March 31, 2022	2,949,704	374,239	11.3	11,121.96

Reference: Shareholders' equity

As of September 30, 2022 ¥ 357,407 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	—	158.00	—	—	—
FY2022 (Forecast)	—	—	—	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: None
- (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 September 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 September 30, 2022 312,657 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)
Six months ended September 30, 2022 29,964,487 shares
Six months ended September 30, 2021 30,001,749 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 September 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) 152,928 shares for the six months ended September 30, 2022 and 92,213 shares for the six months ended September 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 six months ended September 30, 2022

(1) Explanation of operating results

Newly executed contract volume in the six months ended September 30, 2022 totaled ¥701,687 million, up 9.0% year on year.

In terms of profits, the Company reported net sales of ¥356,063 million, up 24.7% year on year, operating profit of ¥27,017 million, up 14.9% year on year, ordinary profit of ¥31,137 million, up 13.2% year on year, and profit attributable to owners of parent of ¥20,304 million, up 12.3% year on year.

Net sales, operating profit, ordinary profit and profit attributable to owners of parent all rose year on year, with each stage of profit updating its respective record high for a six-month period. In addition, ordinary profit, which is set as a management goal in the medium-term management plan, has been the highest for a six-month period 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 13.9% year on year to ¥205,240 million and segment operating assets decreased 3.0% from the end of the previous fiscal year to ¥1,704,826 million. Segment net sales increased 24.8% year on year to ¥319,004 million and segment profit increased 21.3% year on year to ¥19,043 million.

Financing

Newly executed contract volume in the Financing segment rose 22.5% year on year to ¥496,337 million, and segment operating assets increased 11.5% from the end of the previous fiscal year to ¥866,137 million. Segment net sales rose 4.4% year on year to ¥12,092 million, and segment profit increased 0.1% year on year to ¥9,191 million.

Other

Newly executed contract volume in the Other segment rose 2.9% year on year to ¥109 million, and segment operating assets decreased 3.7% from the end of the previous fiscal year to ¥30,622 million. Segment net sales rose 36.9% year on year to ¥24,966 million, and segment profit increased 31.5% year on year to ¥5,835 million.

(2) Explanation of financial position

As of September 30, 2022, operating assets totaled ¥2,601,586 million, up 1.4% from the end of the previous fiscal year. Total assets amounted to ¥2,991,392 million, up 1.4% from the end of the previous fiscal year. As of September 30, 2022, indirect procurement increased 3.1% from the end of the previous fiscal year to ¥1,729,523 million, due to increases in short-term borrowings and long-term borrowings, and direct procurement decreased 4.0% from the end of the previous fiscal year to ¥661,677 million, mainly due to decreases in commercial papers and long-term payables under securitization of lease receivables, despite the increase in bonds payable. As a result, the outstanding balance as of September 30, 2022 increased 1.1% from the end of the previous fiscal year to ¥2,391,201 million. The direct procurement ratio was 27.7%, a decrease of 1.4 points from the end of the previous fiscal year.

Total shareholders' equity rose 3.6% from the end of the previous fiscal year to ¥303,232 million mainly due to an increase in retained earnings. Total net assets as of September 30, 2022 amounted to ¥398,274 million, up ¥24,035 million, or 6.4%, from the end of the previous fiscal year.

Shareholders' equity ratio was 11.9%, an increase of 0.6 points from the end of the previous fiscal year.

(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 September 30, 2022
Assets		
Current assets		
Cash and deposits	72,157	79,672
Installment receivables	66,877	59,467
Lease receivables and investments in leases	1,019,764	898,088
Operating loans	316,633	345,563
Accounts receivable - other loans to customers	114,443	114,767
Operational investment securities	323,021	378,795
Other operating assets	23,344	27,946
Accounts receivable - lease	24,807	25,020
Other	66,556	64,980
Allowance for doubtful accounts	(2,717)	(2,561)
Total current assets	2,024,888	1,991,742
Non-current assets		
Property, plant and equipment		
Assets for lease		
Assets for lease	671,643	747,899
Advances for purchase of assets for lease	15,111	3,463
Total assets for lease	686,754	751,362
Other operating assets	31,801	30,622
Construction in progress	4,673	7,689
Own-used assets	3,754	3,727
Total property, plant and equipment	726,984	793,401
Intangible assets		
Assets for lease	195	167
Other intangible assets		
Goodwill	21,234	20,499
Other	9,367	9,455
Total other intangible assets	30,602	29,954
Total intangible assets	30,797	30,122

(¥ millions)

	As of March 31, 2022	As of September 30, 2022
Investments and other assets		
Investment securities	120,259	128,834
Distressed receivables	539	347
Retirement benefit asset	88	445
Deferred tax assets	2,976	2,863
Other	42,554	43,051
Allowance for doubtful accounts	(331)	(196)
Total investments and other assets	166,087	175,346
Total non-current assets	923,869	998,871
Deferred assets		
Organization expenses	1	4
Business commencement expenses	944	774
Total deferred assets	945	779
Total assets	2,949,704	2,991,392

(¥ millions)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	35,441	31,276
Short-term borrowings	568,563	577,209
Current portion of bonds payable	30,000	35,000
Current portion of long-term borrowings	328,958	377,573
Commercial papers	371,000	331,000
Payables under securitization of lease receivables	29,400	29,200
Current portion of long-term payables under securitization of lease receivables	16,508	10,050
Lease liabilities	10,827	8,960
Income taxes payable	8,145	7,793
Deferred profit on installment sales	810	795
Provision for bonuses	2,811	2,847
Provision for bonuses for directors (and other officers)	200	93
Provision for share awards for directors (and other officers)	205	—
Provision for future lease payments	3	3
Provision for loss on guarantees	31	27
Asset retirement obligations	1	1
Other	48,564	45,932
Total current liabilities	1,451,473	1,457,767
Non-current liabilities		
Bonds payable	227,137	245,273
Long-term borrowings	779,458	774,740
Long-term payables under securitization of lease receivables	15,197	11,153
Lease liabilities	530	394
Deferred tax liabilities	17,122	17,773
Retirement benefit liability	2,974	2,859
Provision for retirement benefits for directors (and other officers)	160	182
Provision for share awards for directors (and other officers)	410	518
Provision for maintenance costs	476	432
Provision for loss on guarantees	440	360
Asset retirement obligations	3,825	3,995
Other	76,256	77,665
Total non-current liabilities	1,123,990	1,135,350
Total liabilities	2,575,464	2,593,117

(¥ millions)

	As of March 31, 2022	As of September 30, 2022
Net assets		
Shareholders' equity		
Share capital	10,532	10,532
Capital surplus	7,278	1,902
Retained earnings	277,361	292,923
Treasury shares	(2,463)	(2,126)
Total shareholders' equity	292,709	303,232
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,547	37,652
Deferred gains or losses on hedges	(3,932)	(6,106)
Foreign currency translation adjustment	5,509	22,541
Remeasurements of defined benefit plans	(0)	87
Total accumulated other comprehensive income	40,124	54,174
Share acquisition rights	650	583
Non-controlling interests	40,754	40,284
Total net assets	374,239	398,274
Total liabilities and net assets	2,949,704	2,991,392

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

(¥ millions)

	FY2021 (April 1, 2021 - September 30, 2021)	FY2022 (April 1, 2022 - September 30, 2022)
Net sales	285,426	356,063
Cost of sales	241,952	307,579
Gross profit	43,473	48,483
Selling, general and administrative expenses	19,962	21,466
Operating profit	23,511	27,017
Non-operating income		
Interest income	7	19
Dividend income	1,249	1,154
Foreign exchange gains	—	496
Gain on investments in investment partnerships	193	322
Share of profit of entities accounted for using equity method	1,681	2,573
Recoveries of written off receivables	1,423	37
Reversal of provision for loss on guarantees	86	83
Other	232	297
Total non-operating income	4,873	4,986
Non-operating expenses		
Interest expenses	359	454
Bond issuance costs	26	16
Foreign exchange losses	210	—
Loss on investments in investment partnerships	28	43
Distributions of profit or loss on silent partnerships	237	296
Other	25	56
Total non-operating expenses	888	867
Ordinary profit	27,497	31,137
Extraordinary income		
Gain on sale of investment securities	300	1
Total extraordinary income	300	1

(¥ millions)

	FY2021 (April 1, 2021 - September 30, 2021)	FY2022 (April 1, 2022 - September 30, 2022)
Extraordinary losses		
Loss on valuation of investment securities	196	62
Loss on step acquisitions	2	—
Impairment losses	0	0
Loss on disposal of non-current assets	6	30
Loss on revision of retirement benefit plan	9	—
Total extraordinary losses	215	93
Profit before income taxes	27,582	31,045
Income taxes	8,121	9,746
Profit	19,460	21,298
Profit attributable to non-controlling interests	1,382	993
Profit attributable to owners of parent	18,078	20,304

Consolidated statements of comprehensive income
for the six months ended September 30, 2022

(¥ millions)

	FY2021 (April 1, 2021 – September 30, 2021)	FY2022 (April 1, 2022 – September 30, 2022)
Profit	19,460	21,298
Other comprehensive income		
Valuation difference on available-for-sale securities	187	(885)
Deferred gains or losses on hedges	220	(2,269)
Foreign currency translation adjustment	4,813	15,920
Remeasurements of defined benefit plans, net of tax	16	220
Share of other comprehensive income of entities accounted for using equity method	(317)	1,147
Total other comprehensive income	4,921	14,132
Comprehensive income	24,381	35,431
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	22,993	34,354
Comprehensive income attributable to non-controlling interests	1,387	1,076

(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.

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 six months ended September 30, 2022 increased by ¥1,082 million each than would have been the case using the previous method.

Segment information

I 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.

II Six months ended September 30, 2022 (From April 1, 2022 to September 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	319,004	12,092	24,966	356,063
Transactions with other segments	378	1,719	1,749	3,847
Net sales	319,382	13,812	26,716	359,911
Segment profit	19,043	9,191	5,835	34,071

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	34,071
Eliminations	(1,336)
Corporate expenses (Note)	(5,717)
Operating profit reported on the consolidated statements of income	27,017

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, 2021		For the six months ended September 30, 2022		Net change	
		Executed contracts volume	Composition	Executed contracts volume	Composition	Amount	Pct.
		(¥ millions)	(%)	(¥ millions)	(%)	(¥ millions)	(%)
Lease and installment sales	Finance leases	124,113	19.3	112,844	16.1	(11,268)	(9.1)
	Operating leases	103,082	16.0	80,598	11.5	(22,484)	(21.8)
	Total leases	227,195	35.3	193,443	27.6	(33,752)	(14.9)
	Installment sales	11,261	1.7	11,797	1.7	535	4.8
	Lease and installment sales total	238,457	37.0	205,240	29.3	(33,216)	(13.9)
Financing		405,318	63.0	496,337	70.7	91,018	22.5
Other		106	0.0	109	0.0	3	2.9
Total		643,882	100.0	701,687	100.0	57,804	9.0

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, 2022		As of September 30, 2022		Net change	
		Balance	Composition	Balance	Composition	Amount	Pct.
		(¥ millions)	(%)	(¥ millions)	(%)	(¥ millions)	(%)
Lease and installment sales	Finance leases	1,019,764	39.7	898,088	34.5	(121,675)	(11.9)
	Operating leases	671,838	26.2	748,066	28.8	76,228	11.3
	Total leases	1,691,602	65.9	1,646,155	63.3	(45,446)	(2.7)
	Installment sales	66,067	2.6	58,671	2.2	(7,396)	(11.2)
	Lease and installment sales total	1,757,669	68.5	1,704,826	65.5	(52,843)	(3.0)
Financing		776,467	30.3	866,137	33.3	89,670	11.5
Other		31,801	1.2	30,622	1.2	(1,179)	(3.7)
Total		2,565,939	100.0	2,601,586	100.0	35,647	1.4

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