



Consolidated Financial Results
for the Nine Months Ended December 31, 2022
(Under Japanese GAAP)

February 3, 2023

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 : February 10, 2023

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 nine months ended December 31, 2022 (from April 1, 2022 to December 31, 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)	%
Nine months ended								
December 31, 2022	533,765	15.3	41,376	19.9	46,993	20.7	30,730	19.6
December 31, 2021	463,070	(16.4)	34,518	9.9	38,943	15.1	25,691	24.3

Note: Comprehensive income For the nine months ended December 31, 2022: ¥ 48,454 million 64.8%
For the nine months ended December 31, 2021: ¥ 29,396 million 9.3%

	Basic earnings per share	Diluted earnings per share
Nine months ended	(¥)	(¥)
December 31, 2022	1,025.45	1,019.97
December 31, 2021	856.63	851.19

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	(¥ millions)	(¥ millions)	%	(¥)
December 31, 2022	3,019,525	406,434	12.1	12,184.22
March 31, 2022	2,949,704	374,239	11.3	11,121.96

Reference: Shareholders' equity

As of December 31, 2022 ¥ 365,223 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
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2021	—	130.00	—	155.00	285.00
FY 2022	—	158.00	—	—	—
FY 2022 (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 December 31, 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 December 31, 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)
Nine months ended December 31, 2022 29,968,055 shares
Nine months ended December 31, 2021 29,991,372 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 December 31, 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) 151,882 shares for the nine months ended December 31, 2022 and 102,840 shares for the nine months ended December 31, 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 nine months ended December 31, 2022

(1) Explanation of operating results

Newly executed contract volume in the nine months ended December 31, 2022 totaled ¥1,085,629 million, up 7.4% year on year.

In terms of profits, the Company reported net sales of ¥533,765 million, up 15.3% year on year, operating profit of ¥41,376 million, up 19.9% year on year, ordinary profit of ¥46,993 million, up 20.7% year on year, and profit attributable to owners of parent of ¥30,730 million, up 19.6% 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 nine-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 nine-month period for six consecutive fiscal years.

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 10.0% year on year to ¥336,458 million and segment operating assets decreased 2.6% from the end of the previous fiscal year to ¥1,712,513 million. Segment net sales increased 14.3% year on year to ¥476,997 million and segment profit increased 18.6% year on year to ¥28,952 million.

Financing

Newly executed contract volume in the Financing segment rose 17.5% year on year to ¥748,998 million, and segment operating assets increased 14.5% from the end of the previous fiscal year to ¥888,995 million. Segment net sales rose 17.7% year on year to ¥19,276 million, and segment profit increased 14.8% year on year to ¥14,533 million.

Other

Newly executed contract volume in the Other segment rose 31.2% year on year to ¥172 million, and segment operating assets decreased 5.5% from the end of the previous fiscal year to ¥30,039 million. Segment net sales rose 27.6% year on year to ¥37,491 million, and segment profit increased 32.3% year on year to ¥8,098 million.

(2) Explanation of financial position

As of December 31, 2022, operating assets totaled (after subtracting the deferred profit on installment sales) ¥2,631,548 million, up 2.6% from the end of the previous fiscal year. Total assets amounted to ¥3,019,525 million, up 2.4% from the end of the previous fiscal year. As of December 31, 2022, indirect procurement increased 1.8% from the end of the previous fiscal year to ¥1,706,626 million, mainly due to an increase in long-term borrowings, and direct procurement increased 2.7% from the end of the previous fiscal year to ¥707,540 million, mainly due to the issuance of bonds, despite a decrease in long-term payables under securitization of lease receivables. As a result, the outstanding balance as of December 31, 2022 increased 2.0% from the end of the previous fiscal year to ¥2,414,167 million. The direct procurement ratio was 29.3%, an increase of 0.2 points from the end of the previous fiscal year.

Total shareholders' equity rose 5.5% from the end of the previous fiscal year to ¥308,898 million mainly due to an increase in retained earnings. Total net assets as of December 31, 2022 amounted to ¥406,434 million, up ¥32,194 million, or 8.6%, from the end of the previous fiscal year.

Shareholders' equity ratio was 12.1%, an increase of 0.8 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 December 31, 2022
Assets		
Current assets		
Cash and deposits	72,157	77,240
Installment receivables	66,877	55,825
Lease receivables and investments in leases	1,019,764	902,589
Operating loans	316,633	331,800
Accounts receivable - other loans to customers	114,443	116,527
Operational investment securities	323,021	411,698
Other operating assets	23,344	30,786
Accounts receivable - lease	24,807	23,267
Other	66,556	66,065
Allowance for doubtful accounts	(2,717)	(2,669)
Total current assets	2,024,888	2,013,131
Non-current assets		
Property, plant and equipment		
Assets for lease		
Assets for lease	671,643	754,707
Advances for purchase of assets for lease	15,111	1,508
Total assets for lease	686,754	756,216
Other operating assets	31,801	30,039
Construction in progress	4,673	9,501
Own-used assets	3,754	3,581
Total property, plant and equipment	726,984	799,338
Intangible assets		
Assets for lease	195	156
Other intangible assets		
Goodwill	21,234	21,934
Other	9,367	9,506
Total other intangible assets	30,602	31,440
Total intangible assets	30,797	31,597

(¥ millions)

	As of March 31, 2022	As of December 31, 2022
Investments and other assets		
Investment securities	120,259	129,494
Distressed receivables	539	475
Retirement benefit asset	88	427
Deferred tax assets	2,976	2,684
Other	42,554	41,826
Allowance for doubtful accounts	(331)	(204)
Total investments and other assets	166,087	174,704
Total non-current assets	923,869	1,005,640
Deferred assets		
Organization expenses	1	4
Business commencement expenses	944	749
Total deferred assets	945	754
Total assets	2,949,704	3,019,525

(¥ millions)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	35,441	32,735
Short-term borrowings	568,563	572,502
Current portion of bonds payable	30,000	45,000
Current portion of long-term borrowings	328,958	367,359
Commercial papers	371,000	372,500
Payables under securitization of lease receivables	29,400	29,200
Current portion of long-term payables under securitization of lease receivables	16,508	7,407
Lease liabilities	10,827	8,179
Income taxes payable	8,145	3,600
Deferred profit on installment sales	810	765
Provision for bonuses	2,811	1,522
Provision for bonuses for directors (and other officers)	200	140
Provision for share awards for directors (and other officers)	205	—
Provision for future lease payments	3	4
Provision for loss on guarantees	31	26
Asset retirement obligations	1	1
Other	48,564	49,126
Total current liabilities	1,451,473	1,490,071
Non-current liabilities		
Bonds payable	227,137	243,578
Long-term borrowings	779,458	766,764
Long-term payables under securitization of lease receivables	15,197	9,854
Lease liabilities	530	329
Deferred tax liabilities	17,122	16,255
Retirement benefit liability	2,974	2,814
Provision for retirement benefits for directors (and other officers)	160	382
Provision for share awards for directors (and other officers)	410	573
Provision for maintenance costs	476	362
Provision for loss on guarantees	440	376
Asset retirement obligations	3,825	4,128
Other	76,256	77,599
Total non-current liabilities	1,123,990	1,123,020
Total liabilities	2,575,464	2,613,091

(¥ millions)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	10,532	10,532
Capital surplus	7,278	1,902
Retained earnings	277,361	298,589
Treasury shares	(2,463)	(2,126)
Total shareholders' equity	292,709	308,898
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	38,547	33,334
Deferred gains or losses on hedges	(3,932)	(5,199)
Foreign currency translation adjustment	5,509	28,122
Remeasurements of defined benefit plans	(0)	67
Total accumulated other comprehensive income	40,124	56,325
Share acquisition rights	650	583
Non-controlling interests	40,754	40,626
Total net assets	374,239	406,434
Total liabilities and net assets	2,949,704	3,019,525

(2) Consolidated statements of income and statements of comprehensive incomeConsolidated statements of income
for the nine months ended December 31, 2022

(¥ millions)

	FY2021 (April 1, 2021— December 31, 2021)	FY2022 (April 1, 2022— December 31, 2022)
Net sales	463,070	533,765
Cost of sales	397,233	459,191
Gross profit	65,836	74,574
Selling, general and administrative expenses	31,318	33,197
Operating profit	34,518	41,376
Non-operating income		
Interest income	10	44
Dividend income	1,456	1,393
Foreign exchange gains	—	659
Gain on investments in investment partnerships	175	258
Share of profit of entities accounted for using equity method	2,348	3,898
Recoveries of written off receivables	1,433	53
Reversal of provision for loss on guarantees	95	69
Other	356	466
Total non-operating income	5,875	6,843
Non-operating expenses		
Interest expenses	587	712
Bond issuance costs	33	45
Foreign exchange losses	460	—
Loss on investments in investment partnerships	37	64
Distributions of profit or loss on silent partnerships	275	339
Other	56	64
Total non-operating expenses	1,450	1,227
Ordinary profit	38,943	46,993
Extraordinary income		
Gain on sale of investment securities	840	1
Gain on transition of retirement benefit plan	10	—
Other	73	—
Total extraordinary income	924	1

(¥ millions)

	FY2021 (April 1, 2021– December 31, 2021)	FY2022 (April 1, 2022– December 31, 2022)
Extraordinary losses		
Loss on valuation of investment securities	192	162
Loss on step acquisitions	2	—
Loss on liquidation of subsidiaries and associates	—	865
Impairment losses	9	0
Loss on disposal of non-current assets	20	32
Loss on revision of retirement benefit plan	9	—
Total extraordinary losses	234	1,061
Profit before income taxes	39,633	45,933
Income taxes	11,955	13,756
Profit	27,678	32,176
Profit attributable to non-controlling interests	1,986	1,446
Profit attributable to owners of parent	25,691	30,730

Consolidated statements of comprehensive income
for the nine months ended December 31, 2022

(¥ millions)

	FY2021 (April 1, 2021— December 31, 2021)	FY2022 (April 1, 2022— December 31, 2022)
Profit	27,678	32,176
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,080)	(5,195)
Deferred gains or losses on hedges	256	(1,405)
Foreign currency translation adjustment	5,723	21,803
Remeasurements of defined benefit plans, net of tax	29	193
Share of other comprehensive income of entities accounted for using equity method	(211)	881
Total other comprehensive income	1,717	16,277
Comprehensive income	29,396	48,454
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	27,405	46,930
Comprehensive income attributable to non-controlling interests	1,991	1,523

(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 nine months ended December 31, 2022 increased by ¥1,679 million each than would have been the case using the previous method.

Segment information

I Nine months ended December 31, 2021 (From April 1, 2021 to December 31, 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	417,309	16,380	29,380	463,070
Transactions with other segments	975	2,704	1,481	5,161
Net sales	418,285	19,084	30,861	468,232
Segment profit	24,410	12,660	6,120	43,190

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	43,190
Eliminations	(688)
Corporate expenses (Note)	(7,983)
Operating profit reported on the consolidated statements of income	34,518

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)

During the third quarter ended December 31, 2021, the Company acquired outstanding shares of WorkVision Corporation and included it in the scope of consolidation, which resulted in goodwill of 1,900 million yen in the "Other" segment.

The amount of goodwill is the amount which reflects the material changes to the initially allocated acquisition costs that were carried out due to the finalization of the provisional accounting treatment for business combinations.

(Material gain on bargain purchase)

There is no material gain on bargain purchase.

II Nine months ended December 31, 2022 (From April 1, 2022 to December 31, 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	476,997	19,276	37,491	533,765
Transactions with other segments	565	2,644	2,191	5,401
Net sales	477,563	21,920	39,682	539,166
Segment profit	28,952	14,533	8,098	51,583

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	51,583
Eliminations	(1,862)
Corporate expenses (Note)	(8,345)
Operating profit reported on the consolidated statements of income	41,376

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)

During the third quarter ended December 31, 2022, the Company acquired outstanding shares of Human Centrix Co.,Ltd. and included it in the scope of consolidation, which resulted in goodwill of 1,848 million yen in the "Other" segment.

The amount of goodwill is calculated on a provisional basis because the allocation of acquisition cost has not been completed as of December 31, 2022.

(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 nine months ended December 31, 2021		For the nine months ended December 31, 2022		Net change	
		Executed contracts volume (¥ millions)	Composition (%)	Executed contracts volume (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	192,909	19.1	175,278	16.1	(17,630)	(9.1)
	Operating leases	164,977	16.3	145,381	13.4	(19,595)	(11.9)
	Total leases	357,886	35.4	320,660	29.5	(37,226)	(10.4)
	Installment sales	15,836	1.6	15,798	1.5	(38)	(0.2)
	Lease and installment sales total	373,723	37.0	336,458	31.0	(37,265)	(10.0)
Financing		637,384	63.0	748,998	69.0	111,613	17.5
Other		131	0.0	172	0.0	40	31.2
Total		1,011,240	100.0	1,085,629	100.0	74,389	7.4

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 nine-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 December 31, 2022		Net Change	
		Balance (¥ millions)	Composition (%)	Balance (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	1,019,764	39.7	902,589	34.3	(117,174)	(11.5)
	Operating leases	671,838	26.2	754,864	28.7	83,026	12.4
	Total leases	1,691,602	65.9	1,657,453	63.0	(34,148)	(2.0)
	Installment sales	66,067	2.6	55,060	2.1	(11,007)	(16.7)
	Lease and installment sales total	1,757,669	68.5	1,712,513	65.1	(45,155)	(2.6)
Financing		776,467	30.3	888,995	33.8	112,528	14.5
Other		31,801	1.2	30,039	1.1	(1,762)	(5.5)
Total		2,565,939	100.0	2,631,548	100.0	65,609	2.6

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