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(Member of Financial Accounting Standards Foundation) 

Consolidated Financial Results for the Three Months Ended June 30, 2023 (Under Japanese GAAP)

July 28, 2023

Company name: Fuyo General Lease Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 8424

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

Representative: Hiroaki Oda, Representative Director, President & CEO

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Scheduled date to file quarterly securities report : August 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

(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, 2023	157,183	(27.7)	12,294	8.0	13,890	6.6	9,362	13.9
June 30, 2022	217,415	53.6	11,381	3.7	13,027	6.6	8,217	2.8

Note: Comprehensive income For the three months ended June 30, 2023: ¥ 17,170 million 53.0%

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

	Basic earnings per share	Diluted earnings per share
Three months ended	(¥)	(¥)
June 30, 2023	311.91	310.71
June 30, 2022	274.30	272.79

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	(¥ millions)	(¥ millions)	%	(¥)
June 30, 2023	3,180,994	420,754	11.9	12,576.55
March 31, 2023	3,149,740	409,437	11.6	12,227.88

Reference: Shareholders' equity

As of June 30, 2023 ¥ 377,875 million As of March 31, 2023 ¥ 366,642 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2022	—	158.00	—	185.00	343.00
FY2023	—				
FY2023 (Forecast)		195.00	—	195.00	390.00

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

3. Forecast for Fiscal 2023 (April 1, 2023 - March 31, 2024)

(Percentage figures represent comparisons with fiscal 2022 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	1.6	57,000	10.5	64,000	7.2	43,000	10.4	1,434.09

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: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None
- (4) Number of issued shares (common shares)
 - (i) Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	30,287,810 shares	As of March 31, 2023	30,287,810 shares
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 - (ii) Number of treasury shares at the end of the period

As of June 30, 2023	241,788 shares	As of March 31, 2023	303,657 shares
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 - (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	30,017,707 shares	Three months ended June 30, 2022	29,958,243 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) 147,700 shares as of June 30, 2023 and 149,800 shares as of March 31, 2023. 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) 148,253 shares for the three months ended June 30, 2023 and 156,092 shares for the three months ended June 30, 2022.

*** 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, 2023

(1) Explanation of operating results

Newly executed contract volume in the three months ended June 30, 2023 totaled ¥367,686 million, down 0.3% year on year.

In terms of profits, the Company reported net sales of ¥157,183 million, down 27.7% year on year, operating profit of ¥12,294 million, up 8.0% year on year, ordinary profit of ¥13,890 million, up 6.6% year on year, and profit attributable to owners of parent of ¥9,362 million, up 13.9% year on year.

Operating profit, ordinary profit and profit attributable to owners of parent all rose year on year, updating its respective record high 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 a three-month period for seven consecutive 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 15.4% year on year to ¥104,957 million and segment operating assets decreased 0.6% from the end of the previous fiscal year to ¥1,730,967 million. Segment net sales decreased 31.3% year on year to ¥137,861 million and segment profit increased 2.9% year on year to ¥9,529 million.

Financing

Newly executed contract volume in the Financing segment rose 2.7% year on year to ¥251,231 million, and segment operating assets increased 3.1% from the end of the previous fiscal year to ¥962,959 million. Segment net sales rose 30.0% year on year to ¥6,543 million, and segment profit increased 23.2% year on year to ¥4,447 million.

Other

Newly executed contract volume in the Other segment rose ¥11,406 million year on year to ¥11,497 million, and segment operating assets increased 36.5% from the end of the previous fiscal year to ¥40,142 million. Segment net sales rose 7.8% year on year to ¥12,778 million, and segment profit decreased 17.1% year on year to ¥1,962 million.

(2) Explanation of financial position

As of June 30, 2023, operating assets totaled ¥2,734,070 million, up 1.1% from the end of the previous fiscal year. Total assets amounted to ¥3,180,994 million, up 1.0% from the end of the previous fiscal year.

As of June 30, 2023, indirect procurement decreased 0.6% from the end of the previous fiscal year to ¥1,797,182 million, due to a decrease in long-term borrowings, and direct procurement increased 6.8% from the end of the previous fiscal year to ¥754,009 million, due to the issuance of commercial papers and bonds. As a result, the outstanding balance as of June 30, 2023 increased 1.5% from the end of the previous fiscal year to ¥2,551,192 million. The direct procurement ratio was 29.6%, an increase of 1.5 points from the end of the previous fiscal year.

Total shareholders' equity rose 1.3% from the end of the previous fiscal year to ¥321,136 million due to an increase in retained earnings. Total net assets as of June 30, 2023 amounted to ¥420,754 million, up ¥11,316 million, or 2.8%, from the end of the previous fiscal year. Shareholders' equity ratio was 11.9%, an increase of 0.3 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 2023 announced in Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 on May 10, 2023.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(¥ millions)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	121,227	123,359
Installment receivables	53,491	50,682
Lease receivables and investments in leases	890,802	872,737
Operating loans	328,697	343,520
Accounts receivable - other loans to customers	118,529	118,839
Operational investment securities	454,966	472,358
Other operating assets	33,210	29,467
Accounts receivable - lease	26,172	26,041
Other	72,698	76,151
Allowance for doubtful accounts	(2,672)	(3,084)
Total current assets	2,097,123	2,110,071
Non-current assets		
Property, plant and equipment		
Assets for lease		
Assets for lease	797,218	808,147
Advances for purchase of assets for lease	839	429
Total assets for lease	798,057	808,577
Other operating assets	29,407	40,142
Construction in progress	10,732	—
Own-used assets	3,872	3,720
Total property, plant and equipment	842,070	852,440
Intangible assets		
Assets for lease	138	128
Other intangible assets		
Goodwill	27,986	27,505
Other	11,116	10,521
Total other intangible assets	39,102	38,027
Total intangible assets	39,241	38,156

(¥ millions)

	As of March 31, 2023	As of June 30, 2023
Investments and other assets		
Investment securities	125,286	136,020
Distressed receivables	439	412
Retirement benefit asset	523	481
Deferred tax assets	2,897	2,721
Other	41,740	40,145
Allowance for doubtful accounts	(231)	(229)
Total investments and other assets	170,656	179,551
Total non-current assets	1,051,968	1,070,148
Deferred assets		
Organization expenses	4	4
Business commencement expenses	645	770
Total deferred assets	649	774
Total assets	3,149,740	3,180,994

(¥ millions)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,916	31,395
Short-term borrowings	584,811	590,129
Current portion of bonds payable	45,000	50,000
Current portion of long-term borrowings	393,529	359,642
Commercial papers	306,000	325,700
Payables under securitization of lease receivables	24,200	26,200
Current portion of long-term payables under securitization of lease receivables	5,628	4,337
Lease liabilities	7,500	6,878
Income taxes payable	7,359	2,639
Deferred profit on installment sales	699	728
Provision for bonuses	3,002	2,024
Provision for bonuses for directors (and other officers)	210	73
Provision for share awards for directors (and other officers)	21	—
Provision for future lease payments	4	5
Provision for loss on guarantees	24	23
Other	67,122	54,133
Total current liabilities	1,479,030	1,453,912
Non-current liabilities		
Bonds payable	316,397	339,946
Long-term borrowings	829,614	847,409
Long-term payables under securitization of lease receivables	8,725	7,825
Lease liabilities	272	211
Deferred tax liabilities	18,430	22,624
Retirement benefit liability	3,122	3,045
Provision for retirement benefits for directors (and other officers)	378	352
Provision for share awards for directors (and other officers)	606	665
Provision for maintenance costs	314	271
Provision for loss on guarantees	365	340
Asset retirement obligations	4,147	4,845
Other	78,898	78,790
Total non-current liabilities	1,261,272	1,306,327
Total liabilities	2,740,303	2,760,239

(¥ millions)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	10,532	10,532
Capital surplus	1,902	1,902
Retained earnings	306,782	310,362
Treasury shares	(2,067)	(1,661)
Total shareholders' equity	317,149	321,136
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	36,000	45,859
Deferred gains or losses on hedges	(4,608)	(8,798)
Foreign currency translation adjustment	17,936	19,529
Remeasurements of defined benefit plans	163	149
Total accumulated other comprehensive income	49,492	56,739
Share acquisition rights	541	358
Non-controlling interests	42,253	42,521
Total net assets	409,437	420,754
Total liabilities and net assets	3,149,740	3,180,994

(2) Consolidated statements of income and statements of comprehensive incomeConsolidated statements of income
for the three months ended June 30, 2023

(¥ millions)

	FY2022 (April 1, 2022 - June 30, 2022)	FY2023 (April 1, 2023 - June 30, 2023)
Net sales	217,415	157,183
Cost of sales	195,225	132,034
Gross profit	22,189	25,149
Selling, general and administrative expenses	10,807	12,854
Operating profit	11,381	12,294
Non-operating income		
Interest income	2	58
Dividend income	290	314
Foreign exchange gains	178	—
Gain on investments in investment partnerships	114	56
Share of profit of entities accounted for using equity method	1,159	1,479
Recoveries of written off receivables	18	38
Reversal of provision for loss on guarantees	30	26
Other	237	346
Total non-operating income	2,032	2,320
Non-operating expenses		
Interest expenses	216	369
Bond issuance costs	16	21
Foreign exchange losses	—	155
Loss on investments in investment partnerships	31	26
Distributions of profit or loss on silent partnerships	111	132
Other	11	18
Total non-operating expenses	386	725
Ordinary profit	13,027	13,890
Extraordinary income		
Gain on sale of investment securities	1	593
Total extraordinary income	1	593
Extraordinary losses		
Loss on valuation of investment securities	13	29
Impairment losses	0	310
Loss on disposal of non-current assets	24	0
Total extraordinary losses	38	340
Profit before income taxes	12,990	14,143
Income taxes	4,289	4,218
Profit	8,700	9,925
Profit attributable to non-controlling interests	483	562
Profit attributable to owners of parent	8,217	9,362

Consolidated statements of comprehensive income
for the three months ended June 30, 2023

(¥ millions)

	FY2022 (April 1, 2022 - June 30, 2022)	FY2023 (April 1, 2023 - June 30, 2023)
Profit	8,700	9,925
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,672)	9,841
Deferred gains or losses on hedges	(2,162)	(4,107)
Foreign currency translation adjustment	5,459	729
Remeasurements of defined benefit plans, net of tax	248	(29)
Share of other comprehensive income of entities accounted for using equity method	649	811
Total other comprehensive income	2,521	7,245
Comprehensive income	11,222	17,170
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,644	16,608
Comprehensive income attributable to non-controlling interests	578	561

(3) Notes to the consolidated financial statements

Note on the going-concern assumption

Not applicable

Note on significant changes in shareholders' equity

Not applicable

Segment information

I 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.

II Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

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

(¥ millions)

	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	137,861	6,543	12,778	157,183
Transactions with other segments	178	1,226	562	1,967
Net sales	138,040	7,769	13,340	159,151
Segment profit	9,529	4,447	1,962	15,938

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	15,938
Eliminations	(501)
Corporate expenses (Note)	(3,141)
Operating profit reported on the consolidated statements of income	12,294

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, 2022		For the three months ended June 30, 2023		Net change	
		Executed contracts volume (¥ millions)	Composition (%)	Executed contracts volume (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	62,046	16.8	48,320	13.2	(13,725)	(22.1)
	Operating leases	55,736	15.1	52,936	14.4	(2,799)	(5.0)
	Total leases	117,782	31.9	101,257	27.6	(16,525)	(14.0)
	Installment sales	6,211	1.7	3,700	1.0	(2,510)	(40.4)
	Lease and installment sales total	123,993	33.6	104,957	28.6	(19,035)	(15.4)
Financing		244,690	66.4	251,231	68.3	6,540	2.7
Other		91	0.0	11,497	3.1	11,406	—
Total		368,775	100.0	367,686	100.0	(1,088)	(0.3)

Notes:

1. Operating leases are recorded at the acquisition costs of lease assets. The executed volume of re-lease transactions is not included.
2. The figures for the lease segment are the purchase prices of lease assets acquired during each respective three-month period. The figures for the installment sales segment are the installment receivables net of the deferred profit on installment sales on an execution basis.
3. A dash represents the percentage year-on-year net change for Other because the value exceeds 1,000%.

(2) Operating assets

Segment by business		As of March 31, 2023		As of June 30, 2023		Net change	
		Balance (¥ millions)	Composition (%)	Balance (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	890,802	32.9	872,737	31.9	(18,065)	(2.0)
	Operating leases	797,356	29.5	808,276	29.6	10,919	1.4
	Total leases	1,688,159	62.4	1,681,013	61.5	(7,145)	(0.4)
	Installment sales	52,791	2.0	49,954	1.8	(2,837)	(5.4)
	Lease and installment sales total	1,740,951	64.4	1,730,967	63.3	(9,983)	(0.6)
Financing		934,167	34.5	962,959	35.2	28,791	3.1
Other		29,407	1.1	40,142	1.5	10,735	36.5
Total		2,704,526	100.0	2,734,070	100.0	29,543	1.1

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