(Member of Financial Accounting Standards Foundation)

Consolidated Financial Report for the First Three Months of the Fiscal Year Ending March 31, 2019 (Fiscal 2018)

July 27, 2018

Company	Fuyo General Lease Co., Ltd.	Stock Exchange Listing	First Section, Tokyo
Ticker	8424	Head office	Tokyo

(URL http://www.fgl.co.jp/)

President & CEO	Yasunori Tsujita		
Inquiries, Person in Charge	Soichi Hosoi	Managing Director	Tel: +81-3-5275-8800
Date of issue of quarterly Securities Report	August 13, 2018 (planned)	Date of payout of dividend	—

Supplementary materials to quarterly results: Available

Quarterly results presentation: Not conducted

(Figures in millions are rounded down to the nearest million yen)

1. Consolidated Operating Results for the First Three Months of Fiscal 2018 (April 1, 2018 -June 30, 2018)

(1) Consolidated Operating Results

(Percentage figures represent year-on-year changes.)

	Total Revenues		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%
First three months of FY2018	165,322	16.4	9,359	6.4	9,912	2.8	6,494	7.1
First three months of FY2017	142,009	15.5	8,799	19.1	9,639	16.2	6,060	5.6

Note: Comprehensive income First three months of FY2018 ¥5,627 million (22.3)% First three months of FY2017 ¥7,247 million 63.6%

	Basic Earnings per Share	Diluted Earnings per Share
	(¥)	(¥)
First three months of FY2018	214.81	213.14
First three months of FY2017	200.73	198.92

* The presentation has been changed from the first quarter ended June 30, 2018, and Total Revenues and Operating Profit for the first three months of FY2017 represent figures and year-on-year changes after the reclassification reflecting this change. For details, please see “1. Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to the Consolidated Financial Statements (Additional Information) (Changes in Presentation)” on P.10 of Supplementary Materials.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ millions)	(¥ millions)	%	(¥)
June 30, 2018	2,424,539	285,646	10.4	8,328.96
March 31, 2018	2,430,536	282,574	10.2	8,242.50

Reference: Shareholders' Equity June 30, 2018 ¥251,861 million March 31, 2018 ¥249,112 million

* The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. from the first quarter ended June 30, 2018, and Total Assets as of March 31, 2018 represents a figure after the reclassification reflecting this change. For details, please see “1. Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to the Consolidated Financial Statements (Additional Information)” on P.10 of Supplementary Materials.

2. Cash Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2017	—	68.00	—	78.00	146.00
FY 2018	—				
FY 2018 (planned)		78.00	—	78.00	156.00

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

3. Forecast for Fiscal 2018 (April 1, 2018 - March 31, 2019)

(Percentage figures represent comparisons with fiscal 2017 full-year results)

	Total Revenues		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Basic Earnings per Share
	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥)
Full Year	600,000	1.6	34,000	3.9	37,500	6.5	23,000	4.8	761.01

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

* Because the presentation has been changed from the first quarter ended June 30, 2018, comparisons with fiscal 2017 full-year results for Total Revenues and Operating Profit were calculated by comparing with the figures for the year-ago period after the reclassification reflecting this change.

*Other Information

(1) Changes to the consolidation status of major subsidiaries during the period: None

(2) Accounting procedures specific to preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

(ⅰ) Changes in accounting policies due to revisions to accounting standards: None

(ⅱ) Changes in accounting policies due to other reasons: None

(ⅲ) Changes in accounting estimates: None

(ⅳ) Restatement of prior period financial statements after error corrections: None

(4) Number of outstanding shares at period-end (common shares)

(ⅰ) Number of outstanding shares at period-end (including treasury stock)

June 30, 2018 30,287,810 shares March 31, 2018 30,287,810 shares

(ⅱ) Number of shares of treasury stock

June 30, 2018 48,569 shares March 31, 2018 64,939 shares

(ⅲ) Average number of shares during the period (first three months)

June 30, 2018 30,232,420 shares June 30, 2017 30,194,259 shares

*** Quarterly financial results are exempt from the quarterly review by certified public accountants or an audit corporation.**

*Appropriate Use of Earnings Forecast and Other Important Information

(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.

Supplementary Materials - Contents

1. Consolidated Financial Statements and Significant Notes Thereto ····· P.4
(1) Consolidated Balance Sheets ····· P.4
(2) Consolidated Statements of Income and Statements of Comprehensive Income ····· P.8
Consolidated Statements of Income ····· P.8
For the three months ended June 30, 2018
Consolidated Statements of Comprehensive Income ····· P.9
For the three months ended June 30, 2018
(3) Notes to the Consolidated Financial Statements ····· P.10
Note on the Going-concern Assumption ····· P.10
Note on Significant Changes in Shareholders' Equity ····· P.10
Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements ····· P.10
Additional Information ····· P.10
2. Newly Executed Contracts, Operating Assets ····· P.12
(1) Executed Contracts Volume ····· P.12
(2) Operating Assets ····· P.12

1. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(¥ millions)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	54,822	64,952
Installment sales trade receivables	116,697	109,133
Lease receivables and investment assets	1,098,722	1,060,360
Accounts receivable - operating loans	296,405	307,318
Accounts receivable - other loans to customers	84,149	83,613
Operational investment securities	177,881	182,240
Other operating assets	7,626	7,433
Lease and other trade receivables	16,759	18,034
Short-term investment securities	15	—
Other	27,574	38,239
Allowance for doubtful receivables	(2,806)	(2,717)
Total current assets	1,877,848	1,868,609
Fixed assets		
Tangible fixed assets		
Leased assets		
Leased assets	375,312	370,664
Advances on purchases of property and equipment for lease	3,504	5,244
Total leased assets	378,816	375,909
Other operating assets	19,671	23,550
Own-used assets	1,885	4,558
Total tangible fixed assets	400,373	404,017
Intangible fixed assets		
Software leased to customers	373	345
Other intangible fixed assets		
Goodwill	6,226	6,131
Other	4,201	4,049
Total other intangible fixed assets	10,427	10,180
Total intangible fixed assets	10,801	10,525

(¥ millions)

	As of March 31, 2018	As of June 30, 2018
Investments and other assets		
Investment in securities	90,454	91,641
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,022	886
Net defined benefit asset	53	41
Deferred tax assets	3,149	2,598
Other	46,451	45,715
Allowance for doubtful receivables	(445)	(470)
Total investments and other assets	140,686	140,413
Total fixed assets	551,861	554,957
Deferred assets		
Deferred organization expenses	0	0
Business commencement expenses	825	973
Total deferred assets	826	973
Total assets	2,430,536	2,424,539

(¥ millions)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	26,464	19,851
Short-term loans from bank and other financial institutions	467,340	471,533
Current portion of bonds payable	20,000	20,000
Current portion of long-term loans from bank and other financial institutions	221,381	219,747
Commercial paper	473,700	484,200
Payables under fluidity lease receivables and installment sales trade receivables	18,900	18,900
Current portion of payables under fluidity long-term lease receivables and installment sales trade receivables	30,338	26,653
Lease obligations	34,873	31,905
Income taxes payable	5,880	2,163
Deferred profit on installment sales	1,625	1,556
Provision for bonuses	1,707	882
Provision for directors' bonuses	139	40
Provision for future lease payments	2	2
Provision for loss on guarantees	72	69
Other	28,620	29,536
Total current liabilities	1,331,046	1,327,044
Long-term liabilities		
Bonds Payable	90,000	105,000
Long-term loans from bank and other financial institutions	606,666	590,312
Payables under fluidity long-term lease receivables and installment sales trade receivables	36,626	30,970
Lease obligations	462	459
Deferred tax liabilities	16,618	17,313
Net defined benefit liability	1,533	1,511
Accrued retirement benefits for directors and corporate auditors	169	123
Provision for automobile maintenance costs	381	491
Provision for loss on guarantees	992	999
Asset retirement obligations	1,027	1,482
Other	62,436	63,184
Total long-term liabilities	816,915	811,848
Total liabilities	2,147,962	2,138,893

(¥ millions)

	As of March 31, 2018	As of June 30, 2018
Net assets		
Shareholders' equity		
Common stock	10,532	10,532
Capital surplus	10,416	10,416
Retained earnings	187,673	191,798
Treasury stock, at cost	(224)	(168)
Total Shareholders' equity	208,397	212,579
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	39,265	40,100
Deferred gains (losses) on hedges	(92)	(92)
Foreign currency translation adjustment	1,551	(718)
Remeasurements of defined benefit plans	(10)	(6)
Total accumulated other comprehensive income	40,714	39,282
Share acquisition rights	924	878
Non-controlling interests	32,537	32,906
Total net assets	282,574	285,646
Total liabilities and net assets	2,430,536	2,424,539

(2) Consolidated Statements of Income and Statements of Comprehensive Income

Consolidated Statements of Income

For the three months ended June 30, 2018

(¥ millions)

	FY2017 (April 1, 2017 - June 30, 2017)	FY2018 (April 1, 2018 - June 30, 2018)
Total revenues	142,009	165,322
Total costs	126,213	148,987
Gross profit	15,795	16,335
Selling, general and administrative expenses	6,996	6,975
Operating profit	8,799	9,359
Other income		
Interest income	5	14
Dividend income	278	275
Gain on investments in partnership	—	1
Gain on investments in silent partnership	58	299
Equity in earnings of affiliates	288	200
Bad debt recovered	47	25
Reversal of allowance for doubtful receivables	307	19
Other	45	29
Total other income	1,031	865
Other expenses		
Interest expenses	85	95
Bond issuance cost	3	5
Foreign exchange losses	41	96
Loss on investments in partnership	8	10
Loss on investments in silent partnership	—	3
Other	52	101
Total other expenses	191	312
Ordinary profit	9,639	9,912
Extraordinary gains		
Gain on sale of marketable and investment securities	0	231
Subsidy income	—	355
Other	—	2
Total extraordinary gains	0	589
Extraordinary losses		
Loss on disposal of own-used assets	0	0
Loss on reduction of non-current assets	—	355
Total extraordinary losses	0	355
Profit before income taxes	9,639	10,145
Income taxes	2,965	3,091
Profit after income taxes	6,674	7,054
Profit attributable to non-controlling interests	613	560
Profit attributable to owners of parent	6,060	6,494

Consolidated Statements of Comprehensive Income

For the three months ended June 30, 2018

(¥ millions)

	FY2017 (April 1, 2017 - June 30, 2017)	FY2018 (April 1, 2018 - June 30, 2018)
Profit	6,674	7,054
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	1,652	837
Deferred gains (losses) on hedges	2	0
Foreign currency translation adjustment	(1,090)	(2,265)
Remeasurements of defined benefit plans	15	7
Share of other comprehensive income of entities accounted for using equity method	(7)	(6)
Total other comprehensive income	573	(1,426)
Comprehensive income	7,247	5,627
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	6,631	5,061
Comprehensive income attributable to non-controlling interests	616	566

(3) Notes to the Consolidated Financial Statements

Note on the Going-concern Assumption

Not applicable

Note on Significant Changes in Shareholders' Equity

Not applicable

Accounting Procedures Specific to 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, 2018.

Additional Information

(Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter ended June 30, 2018, and presents deferred tax assets in the category of investments and other assets and deferred tax liabilities in the category of long-term liabilities. To reflect this change, figures in the consolidated financial statements for the fiscal year ended March 31, 2018 were reclassified.

(Changes in Presentation)

(Consolidated balance sheets)

For real estate investment trust, which was included in Investment in securities under Investments and other assets until the fiscal year ended March 31, 2018, the Company changed the management policy as the investment amount was expanding. Accordingly, the Company has changed the presentation to the method where real estate investment trust is presented as Operational investment securities under Current assets from the first quarter ended June 30, 2018 in order to reflect the actual condition of business more appropriately. To reflect this change in presentation, figures in the consolidated financial statements for the fiscal year ended March 31, 2018 were reclassified.

As a result, in the consolidated balance sheets as of March 31, 2018, ¥3,859 million, which was presented in Investment in securities under Investments and other assets, was reclassified as Operational investment securities under Current assets.

Assets for the solar power generation business in the Energy/Environment areas were included in Own-used assets under Tangible fixed assets until the fiscal year ended March 31, 2018. However, due to the increasing significance, the Company has determined to separately present these assets as Other operating assets under Tangible fixed assets from the first quarter ended June 30, 2018 to reflect the actual condition of business more appropriately. To reflect this change in presentation, figures in the consolidated financial statements for the fiscal year ended March 31, 2018 were reclassified.

Consequently, in the consolidated balance sheets as of March 31, 2018, ¥19,671 million, which was presented in Own-used assets under Tangible fixed assets, was reclassified as Other operating assets under Tangible fixed assets.

(Consolidated Statements of Income)

For income from real estate investment trust, which was included in Dividend income under Other income, the Company has changed the presentation to the method where this income is presented as Total revenues from the first quarter ended June 30, 2018 as a result of the change of the management policy. To reflect this change in presentation, figures in the consolidated financial statements for the three-month period ended June 30, 2017 were reclassified.

Consequently, in the consolidated statements of income for the three-month period ended June 30, 2017, ¥59 million, which was presented in Dividend income under Other income, was reclassified as Total revenues.

2. Newly Executed Contracts, Operating Assets

(1) Executed Contracts Volume

Segment by Business		First three months of FY2017 (April 1, 2017 - June 30, 2017)		First three months of FY2018 (April 1, 2018 - June 30, 2018)		Net Change	
		Executed contracts volume (¥ millions)	Composition (%)	Executed contracts volume (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	128,700	47.4	81,565	33.6	(47,134)	(36.6)
	Operating leases	32,118	11.9	17,048	7.0	(15,069)	(46.9)
	Total leases	160,818	59.3	98,614	40.6	(62,204)	(38.7)
	Installment sales	13,891	5.1	7,755	3.2	(6,135)	(44.2)
	Lease and installment sales total	174,710	64.4	106,370	43.8	(68,340)	(39.1)
Financing		94,348	34.8	132,271	54.5	37,923	40.2
Other		2,255	0.8	4,218	1.7	1,963	87.0
Total		271,315	100.0	242,861	100.0	(28,453)	(10.5)

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 sales trade receivables net of the deferred profit on installment sales on an execution basis.

(2) Operating Assets

Segment by Business		As of March 31, 2018		As of June 30, 2018		Net Change	
		Balance (¥ millions)	Composition (%)	Balance (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	1,098,722	50.6	1,060,360	49.6	(38,362)	(3.5)
	Operating leases	375,685	17.3	371,009	17.3	(4,676)	(1.2)
	Total leases	1,474,408	67.9	1,431,370	66.9	(43,038)	(2.9)
	Installment sales	115,072	5.3	107,577	5.0	(7,495)	(6.5)
	Lease and installment sales total	1,589,480	73.2	1,538,947	71.9	(50,533)	(3.2)
Financing		563,436	25.9	578,149	27.0	14,713	2.6
Other		19,671	0.9	23,550	1.1	3,878	19.7
Total		2,172,588	100.0	2,140,646	100.0	(31,941)	(1.5)

Note:

1. The figures for the installment sales segment are the installment sales trade receivables net of the deferred profit on installment sales.
2. As stated in “1. Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to the Consolidated Financial Statements (Additional Information) (Changes in Presentation),” the presentation has been changed from the first quarter ended June 30, 2018. With regard to net change, comparisons were made using figures as of March 31, 2018 after the reclassification.