(Member of Financial Accounting Standards Foundation)

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

November 6, 2018

Company	Fuyo General Lease Co., Ltd.	Stock Exchange Listing	First Section, Tokyo
Ticker	8424	Head office	Tokyo
(URL https://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	November 12, 2018 (planned)	Date of payout of dividend	December 4, 2018 (planned)

Supplementary materials to quarterly results: Available
Quarterly results presentation: Scheduled (aimed at analysts)

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

1. Consolidated Operating Results for the First Six Months of Fiscal 2018 (April 1, 2018 - September 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 six months of FY2018	295,671	(2.3)	18,193	3.9	19,619	4.2	12,685	8.4
First six months of FY2017	302,641	23.5	17,511	23.0	18,836	20.3	11,705	14.0

Note: Comprehensive income First six months of FY2018 ¥10,222 million (24.3)% First six months of FY2017 ¥13,501 million 94.7%

	Basic Earnings per Share	Diluted Earnings per Share
	(¥)	(¥)
First six months of FY2018	419.54	416.03
First six months of FY2017	387.59	384.20

* The presentation has been changed from the first quarter ended June 30, 2018, and Total Revenues and Operating Profit for the first six 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)	%	(¥)
September 30, 2018	2,440,183	290,240	10.5	8,462.64
March 31, 2018	2,430,536	282,574	10.2	8,242.50

Reference: Shareholders' Equity September 30, 2018 ¥255,927 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	—	78.00			
FY 2018 (planned)			—	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)

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

(ⅱ) Number of shares of treasury stock

September 30, 2018 45,809 shares March 31, 2018 64,939 shares

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

September 30, 2018 30,236,361 shares September 30, 2017 30,201,841 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 six months ended September 30, 2018
Consolidated Statements of Comprehensive Income ····· P.9
For the six months ended September 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.11
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 September 30, 2018
Assets		
Current assets		
Cash and deposits	54,822	96,182
Installment sales trade receivables	116,697	104,907
Lease receivables and investment assets	1,098,722	1,049,654
Accounts receivable - operating loans	296,405	295,639
Accounts receivable - other loans to customers	84,149	86,270
Operational investment securities	177,881	188,889
Other operating assets	7,626	7,539
Lease and other trade receivables	16,759	18,285
Short-term investment securities	15	—
Other	27,574	38,602
Allowance for doubtful receivables	(2,806)	(2,706)
Total current assets	1,877,848	1,883,265
Fixed assets		
Tangible fixed assets		
Leased assets		
Leased assets	375,312	371,025
Advances on purchases of property and equipment for lease	3,504	7,750
Total leased assets	378,816	378,776
Other operating assets	19,671	25,719
Own-used assets	1,885	4,996
Total tangible fixed assets	400,373	409,491
Intangible fixed assets		
Software leased to customers	373	325
Other intangible fixed assets		
Goodwill	6,226	6,035
Other	4,201	4,204
Total other intangible fixed assets	10,427	10,239
Total intangible fixed assets	10,801	10,564

(¥ millions)

	As of March 31, 2018	As of September 30, 2018
Investments and other assets		
Investment in securities	90,454	87,372
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,022	741
Net defined benefit asset	53	27
Deferred tax assets	3,149	2,691
Other	46,451	45,395
Allowance for doubtful receivables	(445)	(351)
Total investments and other assets	140,686	135,876
Total fixed assets	551,861	555,933
Deferred assets		
Deferred organization expenses	0	0
Business commencement expenses	825	983
Total deferred assets	826	983
Total assets	2,430,536	2,440,183

(¥ millions)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	26,464	18,628
Short-term loans from bank and other financial institutions	467,340	482,895
Current portion of bonds payable	20,000	30,000
Current portion of long-term loans from bank and other financial institutions	221,381	222,987
Commercial paper	473,700	433,200
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	27,552
Lease obligations	34,873	29,071
Income taxes payable	5,880	5,327
Deferred profit on installment sales	1,625	1,514
Provision for bonuses	1,707	1,788
Provision for directors' bonuses	139	81
Provision for future lease payments	2	2
Provision for loss on guarantees	72	69
Other	28,620	34,351
Total current liabilities	1,331,046	1,306,371
Long-term liabilities		
Bonds Payable	90,000	95,000
Long-term loans from bank and other financial institutions	606,666	628,274
Payables under fluidity long-term lease receivables and installment sales trade receivables	36,626	36,490
Lease obligations	462	517
Deferred tax liabilities	16,618	15,505
Net defined benefit liability	1,533	1,494
Accrued retirement benefits for directors and corporate auditors	169	133
Provision for automobile maintenance costs	381	542
Provision for loss on guarantees	992	914
Asset retirement obligations	1,027	1,484
Other	62,436	63,213
Total long-term liabilities	816,915	843,570
Total liabilities	2,147,962	2,149,942

(¥ millions)

	As of March 31, 2018	As of September 30, 2018
Net assets		
Shareholders' equity		
Common stock	10,532	10,532
Capital surplus	10,416	10,416
Retained earnings	187,673	197,986
Treasury stock, at cost	(224)	(158)
Total Shareholders' equity	208,397	218,776
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	39,265	36,330
Deferred gains (losses) on hedges	(92)	(73)
Foreign currency translation adjustment	1,551	897
Remeasurements of defined benefit plans	(10)	(3)
Total accumulated other comprehensive income	40,714	37,151
Share acquisition rights	924	876
Non-controlling interests	32,537	33,437
Total net assets	282,574	290,240
Total liabilities and net assets	2,430,536	2,440,183

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

Consolidated Statements of Income

For the six months ended September 30, 2018

(¥ millions)

	FY2017 (April 1, 2017 - September 30, 2017)	FY2018 (April 1, 2018 - September 30, 2018)
Total revenues	302,641	295,671
Total costs	271,416	263,577
Gross profit	31,224	32,093
Selling, general and administrative expenses	13,713	13,900
Operating profit	17,511	18,193
Other income		
Interest income	20	39
Dividend income	675	771
Gain on investments in partnership	14	2
Gain on investments in silent partnership	69	299
Equity in earnings of affiliates	445	589
Bad debt recovered	78	38
Reversal of allowance for doubtful receivables	358	—
Reversal of provision for loss on guarantees	—	81
Other	83	83
Total other income	1,745	1,908
Other expenses		
Interest expenses	175	220
Bond issuance cost	3	5
Foreign exchange losses	58	14
Loss on investments in partnership	18	16
Loss on investments in silent partnership	0	3
Other	162	219
Total other expenses	420	481
Ordinary profit	18,836	19,619
Extraordinary gains		
Gain on sale of marketable and investment securities	0	249
Subsidy income	—	1,299
Other	—	2
Total extraordinary gains	0	1,550
Extraordinary losses		
Loss on disposal of own-used assets	7	2
Loss on liquidation of subsidiaries and associates	—	0
Loss on reduction of non-current assets	—	1,299
Total extraordinary losses	7	1,302
Profit before income taxes	18,828	19,867
Income taxes	5,916	6,089
Profit	12,912	13,778
Profit attributable to non-controlling interests	1,206	1,093
Profit attributable to owners of parent	11,705	12,685

Consolidated Statements of Comprehensive Income

For the six months ended September 30, 2018

(¥ millions)

	FY2017 (April 1, 2017 - September 30, 2017)	FY2018 (April 1, 2018 - September 30, 2018)
Profit	12,912	13,778
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	1,634	(2,930)
Deferred gains (losses) on hedges	5	0
Foreign currency translation adjustment	(1,078)	(925)
Remeasurements of defined benefit plans	30	15
Share of other comprehensive income of entities accounted for using equity method	(2)	284
Total other comprehensive income	589	(3,555)
Comprehensive income	13,501	10,222
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	12,288	9,121
Comprehensive income attributable to non-controlling interests	1,213	1,101

(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 second quarter ended September 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 six-month period ended September 30, 2017 were reclassified.

Consequently, in the consolidated statements of income for the six-month period ended September 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 six months of FY2017 (April 1, 2017 - September 30, 2017)		First six months of FY2018 (April 1, 2018 - September 30, 2018)		Net Change	
		Executed contracts volume (¥ millions)	Composition (%)	Executed contracts volume (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	219,109	41.8	163,644	33.8	(55,464)	(25.3)
	Operating leases	61,585	11.8	24,711	5.1	(36,873)	(59.9)
	Total leases	280,694	53.6	188,356	38.9	(92,338)	(32.9)
	Installment sales	28,536	5.5	16,261	3.3	(12,275)	(43.0)
	Lease and installment sales total	309,230	59.1	204,617	42.2	(104,613)	(33.8)
Financing		211,809	40.4	271,839	56.1	60,030	28.3
Other		2,503	0.5	8,051	1.7	5,548	221.6
Total		523,543	100.0	484,508	100.0	(39,034)	(7.5)

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 six-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 September 30, 2018		Net Change	
		Balance (¥ millions)	Composition (%)	Balance (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	1,098,722	50.6	1,049,654	49.4	(49,067)	(4.5)
	Operating leases	375,685	17.3	371,350	17.4	(4,335)	(1.2)
	Total leases	1,474,408	67.9	1,421,005	66.8	(53,403)	(3.6)
	Installment sales	115,072	5.3	103,393	4.9	(11,678)	(10.1)
	Lease and installment sales total	1,589,480	73.2	1,524,398	71.7	(65,081)	(4.1)
Financing		563,436	25.9	575,693	27.1	12,257	2.2
Other		19,671	0.9	25,719	1.2	6,047	30.7
Total		2,172,588	100.0	2,125,811	100.0	(46,777)	(2.2)

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.