(Member of Financial Accounting Standards Foundation)

Consolidated Financial Report for the First Nine Months of the Fiscal Year Ending March 31, 2020 (Fiscal 2019)

February 4, 2020

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	February 13, 2020 (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 Nine Months of Fiscal 2019 (April 1, 2019 - December 31, 2019)

(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 nine months of FY2019	529,527	16.0	30,646	20.9	32,504	17.7	20,198	15.2
First nine months of FY2018	456,595	5.9	25,343	1.6	27,627	4.6	17,537	6.7

Note: Comprehensive income First nine months of FY2019 ¥29,124 million 118.6% First nine months of FY2018 ¥13,322 million (48.1)%

	Basic Earnings per Share	Diluted Earnings per Share
	(¥)	(¥)
First nine months of FY2019	672.07	667.10
First nine months of FY2018	580.20	575.40

* During the second quarter ended September 30, 2019, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the first nine months of the fiscal year ended March 31, 2019 reflect the finalization of the provisional accounting treatment.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ millions)	(¥ millions)	%	(¥)
December 31, 2019	2,753,479	315,697	10.2	9,365.01
March 31, 2019	2,592,981	295,039	10.1	8,680.32

Reference: Shareholders' Equity December 31, 2019 ¥280,617 million March 31, 2019 ¥261,671 million

* During the second quarter ended September 30, 2019, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the fiscal year ended March 31, 2019 reflect the finalization of the provisional accounting treatment.

2. Cash Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2018	—	78.00	—	110.00	188.00
FY 2019	—	100.00	—		
FY 2019 (planned)				100.00	200.00

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

3. Forecast for Fiscal 2019 (April 1, 2019 - March 31, 2020)

(Percentage figures represent comparisons with fiscal 2018 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	700,000	13.2	39,500	10.7	42,000	7.4	26,000	1.9	862.49

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

* During the second quarter ended September 30, 2019, the Company finalized the provisional accounting treatment for business combinations. As a result, the percentage figures representing comparisons with fiscal 2018 for operating profit, ordinary profit, and profit attributable to owners of parent were calculated based on fiscal 2018 amounts that reflect the finalization of the provisional accounting treatment.

*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)

December 31, 2019 30,287,810 shares March 31, 2019 30,287,810 shares

(ⅱ) Number of shares of treasury stock

December 31, 2019 323,334 shares March 31, 2019 142,465 shares

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

December 31, 2019 30,054,458 shares December 31, 2018 30,227,048 shares

Note: The Company has introduced Board Benefit Trust (BBT). Number of shares of treasury stock includes the following Company's shares held by Board Benefit Trust (BBT) (102,500 shares as of December 31, 2019 and 104,600 shares as of March 31, 2019). Furthermore, shares of treasury stock that are deducted in the calculation of the average number of shares during the period (first nine months) include the following Company's shares held by Board Benefit Trust (BBT) (102,657 shares as of December 31, 2019 and 89,194 shares as of December 31, 2018).

***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.

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1. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(¥ millions)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	71,173	66,569
Installment sales trade receivables	97,452	90,988
Lease receivables and investment assets	1,083,530	1,111,473
Accounts receivable - operating loans	298,432	316,173
Accounts receivable - other loans to customers	87,519	97,057
Operational investment securities	179,529	220,845
Other operating assets	10,830	18,848
Lease and other trade receivables	19,656	21,537
Other	52,779	74,559
Allowance for doubtful receivables	(2,725)	(2,702)
Total current assets	1,898,179	2,015,351
Fixed assets		
Tangible fixed assets		
Leased assets		
Leased assets	480,930	508,582
Advances on purchases of property and equipment for lease	15,073	10,521
Total leased assets	496,003	519,104
Other operating assets	28,265	26,859
Own-used assets	1,790	5,178
Total tangible fixed assets	526,059	551,142
Intangible fixed assets		
Software leased to customers	330	295
Other intangible fixed assets		
Goodwill	15,935	23,757
Other	6,591	6,401
Total other intangible fixed assets	22,526	30,158
Total intangible fixed assets	22,856	30,453

(¥ millions)

	As of March 31, 2019	As of December 31, 2019
Investments and other assets		
Investment in securities	92,821	106,348
Claims provable in bankruptcy, claims provable in rehabilitation and other	571	576
Deferred tax assets	4,155	2,673
Other	47,541	45,965
Allowance for doubtful receivables	(375)	(365)
Total investments and other assets	144,713	155,199
Total fixed assets	693,630	736,795
Deferred assets		
Deferred organization expenses	0	0
Business commencement expenses	1,171	1,331
Total deferred assets	1,172	1,331
Total assets	2,592,981	2,753,479

(¥ millions)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	44,531	34,935
Short-term loans from bank and other financial institutions	491,659	505,394
Current portion of bonds payable	20,000	20,000
Current portion of long-term loans from bank and other financial institutions	244,023	265,891
Commercial paper	500,700	551,200
Payables under fluidity lease receivables and installment sales trade receivables	22,900	25,900
Current portion of payables under fluidity long-term lease receivables and installment sales trade receivables	27,802	30,395
Lease obligations	25,103	22,197
Income taxes payable	5,555	998
Deferred profit on installment sales	1,421	1,376
Provision for bonuses	2,015	1,191
Provision for directors' bonuses	191	140
Provision for future lease payments	2	2
Provision for loss on guarantees	66	79
Asset retirement obligations	—	439
Other	33,857	38,316
Total current liabilities	1,419,831	1,498,460
Long-term liabilities		
Bonds Payable	105,000	150,000
Long-term loans from bank and other financial institutions	646,370	658,630
Payables under fluidity long-term lease receivables and installment sales trade receivables	38,502	38,543
Lease obligations	593	459
Deferred tax liabilities	15,606	19,886
Net defined benefit liability	1,869	1,814
Accrued retirement benefits for directors and corporate auditors	126	141
Provision for share-based remuneration for directors (and other officers)	137	265
Provision for automobile maintenance costs	524	581
Provision for loss on guarantees	907	858
Asset retirement obligations	1,770	1,646
Other	66,702	66,491
Total long-term liabilities	878,110	939,321
Total liabilities	2,297,941	2,437,781

(¥ millions)

	As of March 31, 2019	As of December 31, 2019
Net assets		
Shareholders' equity		
Common stock	10,532	10,532
Capital surplus	8,873	8,873
Retained earnings	208,454	222,301
Treasury stock, at cost	(826)	(2,101)
Total Shareholders' equity	227,034	239,605
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	34,713	43,119
Deferred gains (losses) on hedges	(577)	(897)
Foreign currency translation adjustment	496	(1,207)
Remeasurements of defined benefit plans	3	(1)
Total accumulated other comprehensive income	34,636	41,012
Share acquisition rights	842	785
Non-controlling interests	32,525	34,293
Total net assets	295,039	315,697
Total liabilities and net assets	2,592,981	2,753,479

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

Consolidated Statements of Income

For the nine months ended December 31, 2019

(¥ millions)

	FY2018 (April 1, 2018－ December 31, 2018)	FY2019 (April 1, 2019－ December 31, 2019)
Total revenues	456,595	529,527
Total costs	408,543	473,823
Gross profit	48,052	55,704
Selling, general and administrative expenses	22,708	25,058
Operating profit	25,343	30,646
Other income		
Interest income	80	49
Dividend income	1,089	1,027
Foreign exchange gains	2	－
Gain on investments in partnership	345	5
Gain on investments in silent partnership	336	－
Equity in earnings of affiliates	840	1,277
Bad debt recovered	57	60
Reversal of provision for loss on guarantees	43	36
Other	178	250
Total other income	2,974	2,707
Other expenses		
Interest expenses	381	466
Bond issuance cost	15	31
Foreign exchange losses	－	0
Loss on investments in partnership	15	36
Loss on investments in silent partnership	3	0
Other	274	314
Total other expenses	690	849
Ordinary profit	27,627	32,504

(¥ millions)

	FY2018 (April 1, 2018－December 31, 2018)	FY2019 (April 1, 2019－December 31, 2019)
Extraordinary gains		
Gain on sale of marketable and investment securities	476	209
Subsidy income	1,861	－
Gain on reversal of share acquisition rights	8	－
Other	2	0
Total extraordinary gains	2,348	210
Extraordinary losses		
Loss on disposal of own-used assets	8	7
Loss on redemption of investment securities	－	513
Impairment loss	22	1
Loss on liquidation of subsidiaries and associates	0	－
Loss on reduction of non-current assets	1,861	－
Other	－	4
Total extraordinary losses	1,893	526
Profit before income taxes	28,082	32,187
Income taxes	8,872	9,437
Profit	19,210	22,750
Profit attributable to non-controlling interests	1,672	2,551
Profit attributable to owners of parent	17,537	20,198

Consolidated Statements of Comprehensive Income

For the nine months ended December 31, 2019

(¥ millions)

	FY2018 (April 1, 2018－December 31, 2018)	FY2019 (April 1, 2019－December 31, 2019)
Profit	19,210	22,750
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	(5,929)	8,375
Deferred gains (losses) on hedges	(269)	(212)
Foreign currency translation adjustment	353	(1,742)
Remeasurements of defined benefit plans	22	(1)
Share of other comprehensive income of entities accounted for using equity method	(65)	(45)
Total other comprehensive income	(5,887)	6,373
Comprehensive income	13,322	29,124
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	11,644	26,574
Comprehensive income attributable to non-controlling interests	1,677	2,549

(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 third quarter ended December 31, 2019.

2. Newly Executed Contracts, Operating Assets

(1) Executed Contracts Volume

Segment by Business		First nine months of FY2018 (April 1, 2018－December 31, 2018)		First nine months of FY2019 (April 1, 2019－December 31, 2019)		Net Change	
		Executed contracts volume (¥ millions)	Composition (%)	Executed contracts volume (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	269,874	32.6	284,872	28.4	14,998	5.6
	Operating leases	94,032	11.4	119,925	12.0	25,892	27.5
	Total leases	363,906	44.0	404,797	40.4	40,891	11.2
	Installment sales	25,100	3.0	29,199	2.9	4,099	16.3
	Lease and installment sales total	389,006	47.0	433,997	43.3	44,990	11.6
Financing		426,318	51.5	567,633	56.7	141,314	33.1
Other		12,471	1.5	127	0.0	(12,343)	(99.0)
Total		827,796	100.0	1,001,758	100.0	173,961	21.0

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 nine-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, 2019		As of December 31, 2019		Net Change	
		Balance (¥ millions)	Composition (%)	Balance (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	1,083,530	47.9	1,111,473	46.6	27,942	2.6
	Operating leases	481,260	21.3	508,877	21.3	27,617	5.7
	Total leases	1,564,791	69.2	1,620,351	67.9	55,560	3.6
	Installment sales	96,031	4.2	89,611	3.7	(6,419)	(6.7)
	Lease and installment sales total	1,660,822	73.4	1,709,962	71.6	49,140	3.0
Financing		573,736	25.4	651,181	27.3	77,444	13.5
Other		28,265	1.2	26,859	1.1	(1,406)	(5.0)
Total		2,262,824	100.0	2,388,003	100.0	125,179	5.5

Note:

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