(Member of Financial Accounting Standards Foundation)

Consolidated Financial Report for the Fiscal Year Ended March 31, 2020 (Fiscal 2019)

May 8, 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	Senior Managing Director	Tel: +81-3-5275-8800
Date of Shareholders' Meeting	June 23, 2020 (planned)	Date of payout of dividend	June 24, 2020 (Planned)
Date of issue of Securities Report	June 25, 2020 (planned)		

Supplementary materials to results: Available

Results presentation: Scheduled (aimed at analysts)

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

1. Consolidated Operating Results for Fiscal 2019 (April 1, 2019 - March 31, 2020)

(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)	%
FY2019	712,330	15.2	41,423	16.1	44,045	12.6	26,187	2.6
FY2018	618,119	4.7	35,680	9.1	39,100	11.1	25,515	16.3

Note: Comprehensive income FY2019 ¥25,245 million 14.9% FY2018 ¥21,965 million (20.7)%

	Basic Earnings per Share	Diluted Earnings per Share	Return on Shareholders' Equity	Ordinary Profit-to-Total Assets Ratio	Operating Profit-to-Net Sales Ratio
	(¥)	(¥)	%	%	%
FY2019	871.95	865.56	9.7	1.6	5.8
FY2018	844.69	837.77	10.0	1.6	5.8

Reference: Equity in earnings of affiliates FY2019 ¥1,322 million FY2018 ¥1,259 million

* During the fiscal year ended March 31, 2020, 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) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ millions)	(¥ millions)	%	(¥)
March 31, 2020	2,752,598	311,819	10.0	9,204.20
March 31, 2019	2,592,981	295,039	10.1	8,680.32

Reference: Shareholders' Equity March 31, 2020 ¥275,869 million March 31, 2019 ¥261,671 million

* During the fiscal year ended March 31, 2020, 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.

(3) Consolidated Cash Flows

	Cash Flows From Operating Activities	Cash Flows From Investing Activities	Cash Flows From Financing Activities	Period-end Cash and Cash Equivalents
	(¥ millions)	(¥ millions)	(¥ millions)	(¥ millions)
FY2019	(108,804)	(11,242)	127,754	77,416
FY2018	(79,975)	(9,393)	105,502	69,918

2. Cash Dividends

	Dividend per share					Dividends in total (full year)	Dividend payout ratio (consolidated)	Dividends on net assets (consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full year			
	(¥)	(¥)	(¥)	(¥)	(¥)	(¥ millions)	%	%
FY2018	—	78.00	—	110.00	188.00	5,674	22.3	2.2
FY2019	—	100.00	—	105.00	205.00	6,164	23.5	2.3
FY2020 (planned)	—	110.00	—	110.00	220.00		24.4	

Note: The year-end dividend for the fiscal year ended March 31,2019 is made up of an ordinary dividend of ¥96 and a commemorative dividend of ¥14.

3. Forecast for Fiscal 2020 (April 1, 2020 - March 31, 2021)

(Percentage figures represent comparisons with fiscal 2019 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	720,000	1.1	42,000	1.4	45,000	2.2	27,000	3.1	900.84

* The Forecast for Fiscal 2020 is predicated on the assumption that the spread of the novel coronavirus (COVID-19) will be contained around the end of the second quarter, and it is possible that the forecast will change depending on future developments.

*Other Information

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

(2) 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

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

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

March 31, 2020 30,287,810 shares March 31, 2019 30,287,810 shares

(ⅱ) Number of shares of treasury stock

March 31, 2020 315,734 shares March 31, 2019 142,465 shares

(ⅲ) Average number of shares during the period

For the fiscal year ended March 31, 2020 30,033,000 shares

For the fiscal year ended March 31, 2019 30,206,737 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 March 31, 2020 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 include the following Company's shares held by Board Benefit Trust (BBT) 102,618 shares for the fiscal year ended March 31, 2020 and 100,198 shares for the fiscal year ended March 31, 2019.

*Financial reports are exempt from audit conducted 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. Review of Consolidated Operating Results

(1) Analysis of Operating Results for Fiscal 2019

(i) Summary of Fiscal 2019

During the fiscal year ended March 31, 2020 (fiscal 2019), although the Japanese economy has continued to show a moderate recovery, supported by improvements in the employment situation and income environment, the future outlook is uncertain due partly to the U.S.-China trade friction and political situations in Europe, but mostly due to the effect of the spread of the novel coronavirus (COVID-19), domestically and globally, during the latter part of the fiscal year.

In the leasing industry, domestic lease transaction volume in fiscal 2019 increased 6.2% year on year to ¥5,298.3 billion according to preliminary data released by the Japan Leasing Association.

In this environment, the Fuyo Lease Group is working on “Frontier Expansion 2021,” a medium-term management plan for the period of fiscal 2017 to fiscal 2021. In fiscal 2019, the third year of the medium-term management plan, the Company steadily implemented the business and management strategies outlined in the plan, aiming to be a corporate group that clears the way to new business fields and continually expands the frontiers of its business portfolio by fulfilling the corporate slogan of “Go where no one has gone before.”

As a result, newly executed contract volume in fiscal 2019 totaled ¥1,359,703 million, up 14.5% year on year. Consolidated operating assets (after subtracting the deferred profit on installment sales) as of March 31, 2020 totaled ¥2,383,992 million, up ¥121,167 million, or 5.4%, from the end of fiscal 2018 (March 31, 2019).

In terms of profits, the Company reported total revenues of ¥712,330 million, up 15.2% year on year, operating profit of ¥41,423 million, up 16.1% year on year, ordinary profit of ¥44,045 million, up 12.6% year on year, and profit attributable to owners of parent of ¥26,187 million, up 2.6% year on year. Revenues, operating profit, ordinary profit and profit attributable to owners of parent all rising year on year, and on a consolidated basis, we updated the record highs for profit.

(ii) Segment Information

Consolidated results for each business segment for fiscal 2019 are as follows. Please note that revenues for each segment are “revenue 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 rose 3.1% year on year to ¥580,256 million and segment operating assets increased 1.9% from the end of fiscal 2018 to ¥1,692,051 million. Segment revenues increased 2.1% year on year to ¥528,853 million and segment profit increased 10.8% year on year to ¥33,134 million.

Financing

Newly executed contract volume in the Financing segment rose 27.4% year on year to¥779,283 million, and segment operating assets increased 16.0% from the end of fiscal 2018 to ¥665,557 million. Segment revenues rose 6.7% year on year to ¥15,979 million, and segment profit increased 9.9% year on year to ¥11,330 million.

Other

Newly executed contract volume in the other segment fell 98.7% year on year to ¥163 million, and segment operating assets decreased 6.7% from the end of fiscal 2018 to ¥26,383 million. Segment revenues rose 96.1% year on year to ¥167,497 million, and segment profit increased 26.8% year on year to ¥9,254 million.

(2) Analysis of Financial Position for Fiscal 2019

As of the end of fiscal 2019, operating assets totaled ¥2,383,992 million, up 5.4% from the end of fiscal 2018. Total assets amounted to ¥2,752,598 million, up 6.2% from the end of fiscal 2018. At the end of fiscal 2019, indirect procurement increased by 7.5% from the end of fiscal 2018 to ¥1,485,155 million, mainly due to an increase in long-term loans, and direct procurement increased 4.3% from the end of fiscal 2018 to ¥745,865 million mainly due to the issuance of bonds. As a result, the outstanding balance at the end of fiscal 2019 increased 6.4% from the end of fiscal 2018 to ¥2,231,020 million. The direct procurement ratio was 33.4%, a decrease of 0.7 points from the end of fiscal 2018.
Total shareholders' equity rose 8.2% from the end of fiscal 2018 to ¥245,615 million due to an increase in retained earnings. Total net assets as of the end of fiscal 2019 totaled ¥311,819 million, up ¥16,779 million, or 5.7%, from the end of fiscal 2018.

(3) Analysis of Cash Flows for Fiscal 2019

Cash and cash equivalents at the end of fiscal 2019 totaled ¥77,416 million. The breakdown of cash flows is as follows.

Cash flows from operating activities

Operating activities in fiscal 2019 used net cash of ¥108,804 million, compared with net cash used of ¥79,975 million in the previous fiscal year. The main variable factors were increases in loss on retirement of property for lease and cost of property for lease sales, in lease receivables and investment assets, in other operating loans receivable, and in investment securities for sale.

Cash flows from investing activities

Investing activities in fiscal 2019 used net cash of ¥11,242 million, compared with net cash used of ¥9,393 million in the previous fiscal year. The main variable factors were an increase in purchase of shares of subsidiaries resulting in change in scope of consolidation, and decreases from purchases of marketable and investment securities and proceeds from the sales and redemption of investment securities.

Cash flows from financing activities

Financing activities in fiscal 2019 provided net cash of ¥127,754 million, compared with net cash provided of ¥105,502 million in the previous fiscal year. The main variable factors in indirect financing were net increase in short-term borrowings, and increases in proceeds from long-term loans from bank and other financial institutions and repayment of long-term loans from bank and other financial institutions. The main variable factors in direct financing were increases in proceeds from payables under fluidity lease receivables and installment sales trade receivables and proceeds from issuance of bonds and a net decrease in commercial paper.

(4) Outlook

With regard to economic prospects in the future, economic activity is continuing to deteriorate sharply owing to the global spread of COVID-19. The Fuyo Lease Group expects that difficult conditions will continue.

For the fiscal year ending March 31, 2021 (fiscal 2020), we forecast consolidated total revenues of ¥720,000 million (up 1.1% year on year), operating profit of ¥42,000 million (up 1.4%), ordinary profit of ¥45,000 million (up 2.2%), and profit attributable to owners of parent of ¥27,000 million (up 3.1%). However this forecast is predicated on the assumption that the spread of COVID-19 will be contained around the end of the second quarter, and it is possible that the forecast will change depending on future developments.

2. Basic views on selection of Accounting Standards

Considering the comparability between consolidated financial statements over different accounting periods and of different companies, the Group prepares its consolidated financial statements in accordance with Japanese accounting standards.

Furthermore, regarding the adoption of International Financial Reporting Standards (IFRS), the Group intends to deal with the issue appropriately, taking into account various conditions in Japan and overseas.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(¥ millions)

	As of March 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	71,173	77,436
Installment sales trade receivables	97,452	79,753
Lease receivables and investment assets	1,083,530	1,106,840
Accounts receivable - operating loans	298,432	307,124
Accounts receivable - other loans to customers	87,519	109,652
Operational investment securities	179,529	234,837
Other operating assets	10,830	15,706
Lease and other trade receivables	19,656	24,862
Other	52,779	74,359
Allowance for doubtful receivables	(2,725)	(3,085)
Total current assets	1,898,179	2,027,487
Fixed assets		
Tangible fixed assets		
Leased assets		
Leased assets	480,930	506,498
Advances on purchases of property and equipment for lease	15,073	6,911
Total leased assets	496,003	513,409
Other operating assets	28,265	26,383
Own-used assets	1,790	13,319
Total tangible fixed assets	526,059	553,111
Intangible fixed assets		
Software leased to customers	330	266
Other intangible fixed assets		
Goodwill	15,935	21,749
Other	6,591	7,644
Total other intangible fixed assets	22,526	29,394
Total intangible fixed assets	22,856	29,660

(¥ millions)

	As of March 31, 2019	As of March 31, 2020
Investments and other assets		
Investment in securities	92,821	91,984
Claims provable in bankruptcy, claims provable in rehabilitation and other	571	602
Deferred tax assets	4,155	2,762
Other	47,541	46,079
Allowance for doubtful receivables	(375)	(363)
Total investments and other assets	144,713	141,065
Total fixed assets	693,630	723,837
Deferred assets		
Deferred organization expenses	0	1
Business commencement expenses	1,171	1,271
Total deferred assets	1,172	1,273
Total assets	2,592,981	2,752,598

(¥ millions)

	As of March 31, 2019	As of March 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	44,531	45,391
Short-term loans from bank and other financial institutions	491,659	530,317
Current portion of bonds payable	20,000	20,000
Current portion of long-term loans from bank and other financial institutions	244,023	274,820
Commercial paper	500,700	450,700
Payables under fluidity lease receivables and installment sales trade receivables	22,900	28,900
Current portion of payables under fluidity long-term lease receivables and installment sales trade receivables	27,802	41,396
Lease obligations	25,103	20,302
Income taxes payable	5,555	4,215
Deferred profit on installment sales	1,421	1,307
Provision for bonuses	2,015	2,219
Provision for directors' bonuses	191	184
Provision for share-based remuneration for directors (and other officers)	—	57
Provision for future lease payments	2	3
Provision for loss on guarantees	66	50
Asset retirement obligations	—	453
Other	33,857	45,254
Total current liabilities	1,419,831	1,465,573
Long-term liabilities		
Bonds Payable	105,000	150,000
Long-term loans from bank and other financial institutions	646,370	680,017
Payables under fluidity long-term lease receivables and installment sales trade receivables	38,502	54,869
Lease obligations	593	417
Deferred tax liabilities	15,606	15,706
Net defined benefit liability	1,869	2,177
Accrued retirement benefits for directors and corporate auditors	126	132
Provision for share-based remuneration for directors (and other officers)	137	255
Provision for automobile maintenance costs	524	577
Provision for loss on guarantees	907	730
Asset retirement obligations	1,770	2,311
Other	66,702	68,009
Total long-term liabilities	878,110	975,205
Total liabilities	2,297,941	2,440,778

(¥ millions)

	As of March 31, 2019	As of March 31, 2020
Net assets		
Shareholders' equity		
Common stock	10,532	10,532
Capital surplus	8,873	8,873
Retained earnings	208,454	228,285
Treasury stock, at cost	(826)	(2,075)
Total Shareholders' equity	227,034	245,615
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	34,713	31,650
Deferred gains (losses) on hedges	(577)	(798)
Foreign currency translation adjustment	496	(435)
Remeasurements of defined benefit plans	3	(163)
Total accumulated other comprehensive income	34,636	30,253
Share acquisition rights	842	764
Non-controlling interests	32,525	35,186
Total net assets	295,039	311,819
Total liabilities and net assets	2,592,981	2,752,598

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

Consolidated Statements of Income

(¥ millions)

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Total revenues	618,119	712,330
Total costs	551,433	635,982
Gross profit	66,686	76,347
Selling, general and administrative expenses	31,006	34,924
Operating profit	35,680	41,423
Other income		
Interest income	101	71
Dividend income	1,690	1,772
Gain on investments in partnership	378	48
Gain on investments in silent partnership	336	—
Equity in earnings of affiliates	1,259	1,322
Bad debts recovered	86	97
Reversal of allowance for doubtful receivables	95	—
Reversal of provision for loss on guarantees	91	192
Other	252	243
Total other income	4,293	3,750
Other expenses		
Interest expenses	530	627
Bond issuance cost	16	31
Foreign exchange losses	33	142
Loss on investments in partnership	24	58
Loss on investments in silent partnership	4	0
Other	264	266
Total other expenses	873	1,128
Ordinary profit	39,100	44,045

(¥ millions)

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Extraordinary gains		
Gain on sale of marketable and investment securities	941	395
Subsidy income	2,684	592
Gain on reversal of share acquisition rights	8	—
Other	2	0
Total extraordinary gains	3,637	989
Extraordinary losses		
Loss on valuation of investment securities	—	545
Loss on redemption of investment securities	—	513
Impairment loss	22	1,283
Loss on disposal of own-used assets	10	14
Loss on liquidation of subsidiaries and associates	0	—
Loss on reduction of non-current assets	2,684	592
Other	—	5
Total extraordinary losses	2,717	2,954
Profit before income taxes	40,019	42,080
Income taxes - current	11,182	10,680
Income taxes - deferred	787	1,747
Income taxes	11,969	12,427
Profit	28,049	29,653
Profit attributable to non-controlling interests	2,534	3,466
Profit attributable to owners of parent	25,515	26,187

Consolidated Statements of Comprehensive Income

(¥ millions)

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Profit	28,049	29,653
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	(4,553)	(2,380)
Deferred gains (losses) on hedges	(478)	(128)
Foreign currency translation adjustment	(1,066)	(686)
Remeasurements of defined benefit plans	(10)	(54)
Share of other comprehensive income of entities accounted for using equity method	24	(1,157)
Total other comprehensive income	(6,084)	(4,408)
Comprehensive income	21,965	25,245
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	19,437	21,804
Comprehensive income attributable to non-controlling interests	2,527	3,440

(3) Consolidated Statements of Shareholders' Equity

FY2018 (From April 1, 2018 to March 31, 2019)

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	10,532	10,416	187,673	(224)	208,397
Changes during the year					
Cash dividend			(4,716)		(4,716)
Profit attributable to owners of parent			25,515		25,515
Purchase of treasury stock				(695)	(695)
Disposal of treasury stock			(17)	94	76
Change in scope of consolidation					—
Change in ownership interest of parent due to transactions with non-controlling interests		(1,542)			(1,542)
Net changes of items other than shareholders' equity					
Total changes during the year	—	(1,542)	20,781	(601)	18,637
Balance at end of year	10,532	8,873	208,454	(826)	227,034

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	39,265	(92)	1,551	(10)	40,714	924	32,537	282,574
Changes during the year								
Cash dividend								(4,716)
Profit attributable to owners of parent								25,515
Purchase of treasury stock								(695)
Disposal of treasury stock								76
Change in scope of consolidation								—
Change in ownership interest of parent due to transactions with non-controlling interests								(1,542)
Net changes of items other than shareholders' equity	(4,552)	(484)	(1,055)	14	(6,078)	(81)	(12)	(6,171)
Total changes during the year	(4,552)	(484)	(1,055)	14	(6,078)	(81)	(12)	12,465
Balance at end of year	34,713	(577)	496	3	34,636	842	32,525	295,039

FY2019 (From April 1, 2019 to March 31, 2020)

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at beginning of year	10,532	8,873	208,454	(826)	227,034
Changes during the year					
Cash dividend			(6,333)		(6,333)
Profit attributable to owners of parent			26,187		26,187
Purchase of treasury stock				(1,364)	(1,364)
Disposal of treasury stock			(22)	115	92
Change in scope of consolidation			(0)		(0)
Change in ownership interest of parent due to transactions with non-controlling interests					—
Net changes of items other than shareholders' equity					
Total changes during the year	—	—	19,830	(1,249)	18,580
Balance at end of year	10,532	8,873	228,285	(2,075)	245,615

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Net unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	34,713	(577)	496	3	34,636	842	32,525	295,039
Changes during the year								
Cash dividend								(6,333)
Profit attributable to owners of parent								26,187
Purchase of treasury stock								(1,364)
Disposal of treasury stock								92
Change in scope of consolidation								(0)
Change in ownership interest of parent due to transactions with non-controlling interests								—
Net changes of items other than shareholders' equity	(3,062)	(221)	(931)	(167)	(4,383)	(78)	2,660	(1,801)
Total changes during the year	(3,062)	(221)	(931)	(167)	(4,383)	(78)	2,660	16,779
Balance at end of year	31,650	(798)	(435)	(163)	30,253	764	35,186	311,819

(4) Consolidated Statements of Cash Flows

(¥ millions)

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	40,019	42,080
Depreciation of leased assets	30,066	33,694
Loss on retirement of property for lease and cost of property for lease sales	19,898	118,027
Depreciation of other operating assets	1,666	2,040
Depreciation	1,680	2,124
Amortization of goodwill and negative goodwill	768	1,132
Impairment loss	—	1,283
Increase (decrease) in allowance for doubtful receivables	(164)	347
Increase (decrease) in provision for bonuses and directors' bonuses	165	30
Increase (decrease) in provision for future lease payments	0	0
Increase (decrease) in provision for directors' retirement benefits	(42)	5
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	137	175
Increase (decrease) in provision for automobile maintenance costs	143	52
Increase (decrease) in provision for loss on guarantees	(91)	(192)
Increase (decrease) in net defined benefit liability	118	253
Loss (gain) on valuation of short-term and long-term investment securities	—	545
Interest and dividend income	(1,792)	(1,844)
Interest expenses	9,179	10,075
Loss (gain) on investments in partnership and silent partnership	(686)	11
Equity in earnings of affiliates	(1,259)	(1,322)
Loss (gain) on sales of marketable and investment securities	(941)	(395)
Loss (gain) on redemption of investment securities	—	513
Loss (gain) on disposal of noncurrent assets	10	13
Subsidy income	(2,684)	(592)
Loss on tax purpose reduction entry of non-current assets	2,684	592
Gain on reversal of share acquisition rights	(8)	—
Decrease (increase) in installment sales trade receivables	19,028	17,581
Decrease (increase) in lease receivables and investment assets	18,628	(32,851)
Decrease (increase) in lease and other trade receivables	(3,467)	(4,076)

(¥ millions)

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Decrease (increase) in accounts receivable-operating loans	(2,974)	(11,528)
Decrease (increase) in other operating loans receivable	(3,369)	(22,143)
Decrease (increase) in investment securities for sale	(1,648)	(55,307)
Purchase of leased assets	(168,509)	(170,362)
Purchase of other operating assets	(12,488)	(12,424)
Decrease (increase) in net defined benefit asset	53	—
Decrease (increase) in claims provable in bankruptcy, claims provable in rehabilitation	451	(30)
Decrease (increase) in guarantee money	(870)	1,411
Increase (decrease) in notes and accounts payable-trade	(258)	551
Increase (decrease) in lease obligations	(9,802)	(4,629)
Increase (decrease) in guarantee deposits from customers	2,880	1,239
Other, net	(577)	(6,505)
Subtotal	(64,055)	(90,423)
Interest and dividend income received	1,722	3,158
Interest expenses paid	(8,913)	(10,606)
Income taxes paid	(11,414)	(11,526)
Subsidies received	2,684	592
Net cash provided by (used in) operating activities	(79,975)	(108,804)
Cash flows from investing activities		
Purchases of property and equipment for own use	(1,275)	(1,690)
Proceeds from sales of own-used assets	—	11
Proceeds from sales and redemption of securities	15	—
Purchases of marketable and investment securities	(9,297)	(5,489)
Proceeds from the sales and redemption of investment securities	4,233	917
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,352)	(6,393)
Other, net	(716)	1,400
Net cash provided by (used in) investing activities	(9,393)	(11,242)

(¥ millions)

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings, net	24,813	39,109
Increase (decrease) in commercial paper, net	27,000	(50,000)
Proceeds from long-term loans from bank and other financial institutions	303,495	336,231
Repayment of long-term loans from bank and other financial institutions	(258,284)	(269,934)
Increase (decrease) in payables under securitized lease receivables, net	4,000	6,000
Proceeds from payables under fluidity lease receivables and installment sales trade receivables	36,331	66,123
Repayment of payables under fluidity lease receivables and installment sales trade receivables	(36,992)	(36,162)
Proceeds from issuance of bonds	35,000	65,000
Redemption of bonds	(20,000)	(20,000)
Purchase of treasury stock	(695)	(1,364)
Disposal of treasury stock	76	92
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(4,064)	—
Cash dividends paid	(4,716)	(6,333)
Dividends paid to non-controlling interests	(304)	(781)
Other, net	(157)	(225)
Net cash provided by (used in) financing activities	105,502	127,754
Effect of exchange rate changes on cash and cash equivalents	(276)	(28)
Net increase (decrease) in cash and cash equivalents	15,855	7,678
Cash and cash equivalents at beginning of period	54,062	69,918
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	(179)
Cash and cash equivalents at end of period	69,918	77,416

(5) Notes to the Consolidated Financial Statements

Note on the Going-concern Assumption

Not applicable

Change in Accounting Policy

Not applicable

Segment Information

1. Overview of reportable segments

The Fuyo Lease Group's reportable segments are components of the Fuyo Lease Group for which separate financial information is available. These segments are subject to periodic examinations undertaken to enable the Board of Directors of the Fuyo Lease Group to make decisions on allocating resources and to evaluate performance.

The Fuyo Lease Group is primarily engaged in leasing and installment sales, and its operations are divided into three reportable segments based on the major types of transactions handled, namely the Lease and Installment Sales segment, the Financing segment, and the Other segment.

The Lease and Installment Sales segment conducts leasing of IT and office equipment, industrial machinery, and other assets (includes the sale of off-lease assets upon lease expiration or termination) and leasing of real estate, and sells commercial/service equipment, production facilities, medical devices, and other assets on an installment basis. The Financing segment is mainly engaged in commercial lending, investment in marketable securities for financial income and forming *tokumei-kumiai* (silent partnership) arrangements. The Other segment primarily engages in environmental-related businesses, fee handling, and BPO services (new business fields).

The segment information for previous fiscal years is presented using figures reflecting material changes to the initial allocation of acquisition costs, which arose as a result of the finalization of the tentative accounting treatment of business combinations.

2. Calculation of revenues, profit and loss, assets, liabilities, and other items by reportable segment

Methods of accounting for reportable business segments are the same as those disclosed in "Basis of preparing consolidated financial statements." Profit of reportable business segments is based on operating profit. Intersegment revenue and transfers are based on prevailing market prices.

3. Revenues, profit/loss, assets, liabilities, and other items by reportable segment

FY2018 (From April 1, 2018 to March 31, 2019)

(¥ millions)

	Lease Installment sales	Financing	Other	Total
Operating revenues				
(1) Revenue from external customers	517,726	14,980	85,412	618,119
(2) Intersegment revenue and transfers	1,017	3,103	1,051	5,172
Total revenues	518,743	18,084	86,464	623,292
Operating profit	29,892	10,308	7,299	47,501
Segment assets	1,676,976	730,907	101,670	2,509,555
Other items				
Depreciation	30,066	—	1,777	31,844
Amortization of goodwill	—	324	443	768
Amount invested in equity-method affiliates	—	—	—	—
Increase in tangible fixed assets and intangible fixed assets	156,941	—	12,488	169,429

FY2019 (From April 1, 2019 to March 31, 2020)

(¥ millions)

	Lease Installment sales	Financing	Other	Total
Operating revenues				
(1) Revenue from external customers	528,853	15,979	167,497	712,330
(2) Intersegment revenue and transfers	1,026	3,708	1,078	5,813
Total revenues	529,880	19,688	168,575	718,143
Operating profit	33,134	11,330	9,254	53,719
Segment assets	1,704,786	804,101	128,744	2,637,632
Other items				
Depreciation	33,694	—	2,397	36,091
Amortization of goodwill	—	324	807	1,132
Amount invested in equity-method affiliates	—	—	—	—
Increase in tangible fixed assets and intangible fixed assets	178,524	—	12,424	190,948

4. Difference, and analysis, between reportable segments' total profit/loss and profit/loss reported on the consolidated financial statements (adjustments)

Operating revenues (¥ millions)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Reportable segments total	623,292	718,143
Eliminations	(5,172)	(5,813)
Operating revenues reported on the consolidated statements of income	618,119	712,330

Income (¥ millions)	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Reportable segments total	47,501	53,719
Eliminations	(2,028)	(2,486)
Corporate (Note)	(9,792)	(9,808)
Operating profit reported on the consolidated statements of income	35,680	41,423

Note: Corporate expenses are mainly selling, general and administrative expenses that are not attributable to any reportable segment.

Assets (¥ millions)	As of March 31, 2019	As of March 31, 2020
Reportable segments total	2,509,555	2,637,632
Corporate (Note)	83,426	114,966
Total assets reported on the consolidated balance sheets	2,592,981	2,752,598

Note: Corporate assets include surplus funds (cash and deposits, etc.), long-term investment funds (investment in securities) and assets related to administrative divisions that are not attributable to any reportable segment.

Other items (¥ millions)	Reportable segments total		Adjustment		Amounts reported on the consolidated financial statements	
	FY2018	FY2019	FY2018	FY2019	FY2018	FY2019
Depreciation	31,844	36,091	1,570	1,768	33,414	37,859
Amortization of goodwill	768	1,132	—	—	768	1,132
Amount invested in equity-method affiliates	—	—	23,423	23,657	23,423	23,657
Increase in tangible fixed assets and intangible fixed assets	169,429	190,948	1,275	1,690	170,705	192,638

Notes:

1. Depreciation adjustments mainly represent depreciation on own-used assets.
2. Adjustments for amount invested in equity-method affiliates mainly represent the amount of funds invested in equity-method affiliates.
3. Adjustments on increase in tangible fixed assets and intangible fixed assets mainly represent capital investment in own-used assets.

Per Share Information

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Net assets per share	¥8,680.32	¥9,204.20
Basic earnings per share	¥844.69	¥871.95
Diluted earnings per share	¥837.77	¥865.56

Note:

1. Shares of treasury stock that are deducted in the calculation of the number of common shares used in the calculation of net assets per share include the Company's shares held by Board Benefit Trust (BBT). The number of shares of treasury stock for the Company's shares held by Board Benefit Trust (BBT) was 104,600 shares as of March 31, 2019 and 102,500 shares as of March 31, 2020.
2. Shares of treasury stock that are deducted in the calculation of the average number of shares during the period used in the calculation of basic earnings per share include the Company's shares held by Board Benefit Trust (BBT). The average number of shares during the period for the Company's shares held by Board Benefit Trust (BBT) was 100,198 shares for the fiscal year ended March 31, 2019 and 102,618 shares for the fiscal year ended March 31, 2020.
3. Net assets per share, basic earnings per share and diluted earnings per share of the fiscal year ended March 31, 2019 are calculated using the amounts which reflect 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.
4. Calculation basis of net assets per share is as follows.

	As of March 31, 2019	As of March 31, 2020
Total net assets (¥ millions)	295,039	311,819
Amounts excluded from total net assets (¥ millions)	33,368	35,950
Of which,share acquisition rights	842	764
Of which, non-controlling interests	32,525	35,186
Net assets attributable to common stock (¥ millions)	261,671	275,869
Number of shares in common stock used in the calculation of net assets per share (thousands shares)	30,145	29,972

5. Calculation basis of basic earnings per share and diluted earnings per share is as follows.

	FY2018 (April 1, 2018 - March 31, 2019)	FY2019 (April 1, 2019 - March 31, 2020)
Basic earnings per share		
Profit attributable to owners of parent (¥ million)	25,515	26,187
Amount not attributable to common stock shareholders (¥ million)	—	—
Profit attributable to owners of parent attributable to common stock (¥ million)	25,515	26,187
Average number of shares during the period (thousands shares)	30,206	30,033
Diluted earnings per share		
Adjustments to profit attributable to owners of parent (¥ millions)	—	—
Increase in the number of shares in common stock (thousands shares)	249	221
Residual securities that are not dilutive and not included in the calculation of diluted earnings per share	————————	————————

Subsequent Events

Conversion to a consolidated subsidiary by acquisition of shares

The Company resolved at a Board of Directors meeting held on January 30, 2020 to acquire 60% of the issued common shares of Yamato Lease Co., Ltd. (President and Chief Executive Officer : Naomi Ogata; hereinafter "YL"), a wholly owned subsidiary of Yamato Holdings Co., Ltd. (Head office: Chuo-ku, Tokyo; Representative Director, Executive Officer and President: Yutaka Nagao; hereinafter "YHD"), and to make YHD a joint venture with the Company. The Company concluded a share transfer agreement with YHD and acquired the shares on April 1, 2020. Following the acquisition, YL became a consolidated subsidiary of the Company.

1. Overview of the business combination

(1) Name and business activities of the acquired company

Acquired company name: Yamato Lease Co., Ltd.

Business activities: Leasing business, primarily focused on trucks, vehicle distribution support business, others (business succession support business, etc.)

(2) Reason for the business combination

By combining the business bases and expertise, etc., of the Fuyo Lease Group and the Yamato Group, the conversion of Yamato Lease Co., Ltd. into a joint venture will enable both companies to strengthen YL's competitive advantage and expand its business domains with a view to further expanding its business. Both companies have also agreed in addition to making YL into a joint venture to begin discussions on producing business synergies by providing and utilizing each other's management resources and strengths, and on the potential for further business alliance.

The Company and YHD recognize that cross-industry partnerships are set to become increasingly important for realizing the sustainable growth of companies by solving issues in the logistics industry. Based on this, both companies have promoted discussion and examination on YL's growth strategies and a business alliance. As a result, both companies have agreed to convert YL into joint venture with potential for powerful alliance effects, combining YHD's business base with Fuyo Lease Group's diverse solutions and expertise in financial risk management functions to increase the sophistication of its solutions and expand its service lineup with a view to expanding its business domains and increasing its corporate value. Looking ahead, both companies aim to expand YL's business by having YL provide diverse transport business providers with Fuyo Lease Group's services and expertise, including increasing the sophistication of financial services, strengthening the vehicle management and maintenance systems, managing logistics facility assets, and BPO (Business Process Outsourcing: services to efficiently carry out a business's administrative work, etc.) that realizes industry workstyle reforms. In doing so, they will expand YL's business and contribute to productivity improvements and sustainable growth for the entire logistics industry.

(3) Business combination date

April 1, 2020

(4) Legal form of the business combination

Acquisition of shares for cash consideration

(5) Name of the company after combination

No change.

(6) Ratio of acquired voting rights

Ratio of voting rights held before the business combination date	-%
Ratio of voting rights acquired on the business combination date	60.00%
Ratio of voting rights held after the acquisition	60.00%

(7) Main grounds for determination of acquiring company

The Company acquired 60.00% of the issued shares of Yamato Lease Co., Ltd. for cash consideration.

2. Acquisition cost of the acquired company and breakdown by type of consideration

Acquisition price	Cash and deposits	¥3,300 million
Acquisition consideration		¥3,300 million

3. Details and amounts of main acquisition-related expenses
Currently unconfirmed.

4. Amount of goodwill generated, reason for the goodwill, amortization method and amortization period
Currently unconfirmed.

5. Amounts of assets received and liabilities assumed on the business combination date and their major components
Currently unconfirmed.

4. Newly Executed Contracts, Operating Assets

(1) Executed contracts volume

Segment by Business		FY2018 (April 1, 2018 - March 31, 2019)		FY2019 (April 1, 2019 - March 31, 2020)		Net Change	
		Executed contracts volume (¥ millions)	Composition (%)	Executed contracts volume (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	372,359	31.3	365,420	26.9	(6,938)	(1.9)
	Operating leases	157,606	13.3	179,078	13.2	21,472	13.6
	Total leases	529,965	44.6	544,499	40.1	14,533	2.7
	Installment sales	32,939	2.8	35,757	2.6	2,818	8.6
	Lease and installment sales total	562,904	47.4	580,256	42.7	17,352	3.1
Financing		611,823	51.5	779,283	57.3	167,459	27.4
Other		12,488	1.1	163	0.0	(12,325)	(98.7)
Total		1,187,217	100.0	1,359,703	100.0	172,486	14.5

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 fiscal year. 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 March 31, 2020		Net Change	
		Balance (¥ millions)	Composition (%)	Balance (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	1,083,530	47.9	1,106,840	46.4	23,309	2
	Operating leases	481,260	21.3	506,765	21.3	25,504	5
	Total leases	1,564,791	69.2	1,613,605	67.7	48,814	3
	Installment sales	96,031	4.2	78,445	3.3	(17,585)	(18)
	Lease and installment sales total	1,660,822	73.4	1,692,051	71.0	31,228	2
Financing		573,736	25.4	665,557	27.9	91,820	16
Other		28,265	1.2	26,383	1.1	(1,882)	(7)
Total		2,262,824	100.0	2,383,992	100.0	121,167	5.4

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