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Consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]

November 6, 2024

Company name: J-LEASE CO., LTD.
Stock exchange listing: Tokyo
Code number: 7187
URL: https://www.j-lease.jp
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Scheduled date of filing semi-annual securities report: November 6, 2024
Scheduled date of commencing dividend payments: December 2, 2024
Availability of supplementary briefing material on semi-annual financial results: Yes
Schedule of semi-annual financial results briefing session: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended September 30, 2024 (April 1, 2024, to September 30, 2024)

(1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2024	7,711	26.7	1,426	29.2	1,414	28.0	920	21.0
September 30, 2023	6,087	16.1	1,104	-9.3	1,105	-8.5	760	-9.4

(Note) Comprehensive income: Six months ended September 30, 2024: ¥920 million [21.0%]
Six months ended September 30, 2023: ¥760 million [-9.4%]

	Basic earnings per share	Diluted profit per share
Six months ended	Yen	Yen
September 30, 2024	51.77	51.32
September 30, 2023	42.80	42.42

(Note) The Company conducted a 2-for-1 stock split of shares of common stock on March 1, 2024. Basic earnings per share and diluted profit per share are calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2024	13,510	5,145	38.1
March 31, 2024	11,586	4,627	39.9

(Reference) Equity: As of September 30, 2024 ¥5,145 million
As of March 31, 2024 ¥4,627 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	35.00	-	22.50	-
Fiscal year ending March 31, 2025	-	22.50			
Fiscal year ending March 31, 2025 (Forecast)			-	22.50	45.00

(Note) Revisions to the forecast for dividends announced most recently : No

The Company conducted a 2-for-1 stock split of shares of common stock on March 1, 2024. The year-end dividend per share for the fiscal year ended March 31, 2024, is stated after taking into account the effect of such stock split, and the total annual dividend is shown as a dash.

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024, to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	16,210	22.6	2,810	7.8	2,810	7.6	1,890	5.6	106.31

(Note) Revisions to the financial results forecast announced most recently :No

*Notes:

(1) Significant changes in the scope of consolidation during the period : Yes

New: One (Company name: AIVS)

Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of semi-annual consolidated financial statements : No

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatement

1) Changes in accounting policies due to revision of accounting standards : No

2) Changes in accounting policies other than 1 : No

3) Changes in accounting estimates : No

4) Retrospective restatement : No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)

September 30, 2024: 17,880,000 shares

March 31, 2024: 17,878,400 shares

2) Number of treasury shares at the end of the period

September 30, 2024: 100,192 shares

March 31, 2024: 100,192 shares

3) Average number of shares outstanding during the period

September 30, 2024: 17,778,474 shares

September 30, 2023: 17,771,608 shares

(Note) The number of treasury stock at the end of the period and the number of treasury stock deducted from the calculation of the average number of shares during the period include the Company's shares held by the Board Benefit Trust (BBT).

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

(Precautions concerning forward-looking statements, etc.)

The forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and are not intended as a promise by the Company that they will be achieved. Moreover, actual results may differ significantly due to various factors. Please refer to "(3) Explanation of future forecast information such as consolidated financial results forecasts" in "1. Qualitative Information on Semi-annual Financial Results under Review" on page 3 of the attachment for the assumptions used for financial results forecasts and precautions regarding the use of the forecasts.

(How to obtain supplementary materials on financial results)

Supplementary materials for financial results are disclosed on TDnet on the same day.

○Table of Contents of Attachments

1. Qualitative Information on Semi-annual Financial Results under Review 2
(1) Explanation of operating results 2
(2) Explanation of financial position 3
(3) Explanation of future forecast information such as consolidated financial results forecasts 3
2. Semi-annual Consolidated Financial Statements and Key Notes 4
(1) Semi-annual consolidated balance sheet 4
(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income 6
(3) Semi-annual consolidated statement of cash flows 8
(4) Notes to semi-annual consolidated financial statements 9
(Notes to assumptions for going concerns) 9
(Notes when there is a significant change in the amount of shareholders' equity) 9
(Segment information) 10
(Significant subsequent events) 11

1. Qualitative Information on Semi-annual Financial Results under Review

(1) Explanation of operating results

During the six months of the consolidated fiscal year under review, Japan's economic environment was expected to continue its gradual recovery under the improving employment and income environment and the effects of various policies. But there remained risks of downward pressure on the domestic economy due to a downturn in overseas economies, such as the effects associated with continued high interest rate levels in Europe and the United States and continued stagnation of the Chinese real estate market, as well as effects of rising prices, the situation in the Middle East, fluctuations in financial and capital markets, and other factors.

In the industry of real estate for rent, occupancy demand is firm, and in addition, the use of rent guarantees for commercial properties, such as offices and tenants, remains on an increasing trend.

In this environment, the Group continued its risk control efforts through the strengthening of its credit screening and credit management, as well as its human capital management, by thoroughly and carefully responding to customers (real estate companies, lessors, and lessees) based on close ties to local communities.

In April 2024, moreover, the Company made AIVS, a software development and other services company, a wholly-owned subsidiary, and included it in the scope of consolidation from May 2024.

As a result, net sales for the six months of the fiscal year under review were 7,711,267 thousand yen (up 26.7% year-on-year), operating profit came to 1,426,833 thousand yen (up 29.2% year-on-year), ordinary profit was 1,414,859 thousand yen (up 28.0% year-on-year), and profit attributable to owners of parent posted 920,479 thousand yen (up 21.0% year-on-year).

Operating results by segment are as follows.

From the semi-annual period of the fiscal year under review, the business segments indicated as reporting segments have been changed. Comparisons and analyses to the semi-annual period of the previous fiscal year are based on the new business segments.

(Guarantee-related business)

For sales, the residential rent guarantee business far exceeded the Company's plan. New transactions increased due to the success of various strategies, including allocation of human resources to the Tokyo metropolitan area, human resource development, and alliances with outside companies and industry groups. The Company also sought to expand its community-based services, which is one of its strengths, and opened Toyama and Shiga branches in July 2024. In the business rent guarantees, sales remained steady while the high frequency of move-ins and move-outs during the pandemic and post-pandemic periods tailed off and competitors increased.

In terms of expenses, while administrative fees for real estate companies increased due to intensifying competition, and bad-debt-related expenses, etc. increased, the Company continued appropriate risk control through credit screening and management, etc., and hired human resources as planned.

In the medical expense guarantee business, the Company continued to expand sales channels and strengthen marketing efforts, resulting in an increase in new transactions such as in public hospitals and Red Cross hospitals.

As a result, net sales of the guarantee-related business for the six months of the fiscal year under review were 7,161,119 thousand yen (up 19.0% year-on-year) and operating profit was 1,515,781 thousand yen (up 36.2% year-on-year).

(Real-estate-related business)

In the real estate brokerage and property management business and the real estate leasing business, the Company focused on providing services to foreign nationals, and the weak yen and other factors increased their demand for Japanese real estate, resulting in an increase in brokerage projects for sales and purchases, etc. In addition, the Company worked to further strengthen marketing at the Tokyo branch, which had opened this year, making a favorable progress toward achieving the full-year plan.

As a result, net sales of the real-estate-related business for the six months of the fiscal year under review were 74,362 thousand yen (up 2.7% year-on-year) and operating loss recorded 33,327 thousand yen (operating loss of 8,553 thousand yen for the same period of the previous year).

(IT-related business)

At AIVS, which engages in software development and other activities, the development and sale of environmental inspection systems and other IT services exceeded the plan in terms of both net sales and operating profit.

As a result, the IT-related business posted net sales of 541,464 thousand yen and operating loss of 47,316 thousand yen for the six months of the fiscal year under review.

(2) Explanation of financial position

1) Status of assets, liabilities, and net assets

Total assets at the end of the semi-annual period of the fiscal year under review were up 1,924,459 thousand yen from the end of the previous fiscal year to 13,510,880 thousand yen. This was mainly due to an increase of 772,530 thousand yen in goodwill resulting from the acquisition of a subsidiary, an increase of 283,552 thousand yen in accounts receivable - other, an increase of 274,351 thousand yen in cash and deposits, an increase of 187,891 thousand yen in advances paid of collection, an increase of 168,265 thousand yen in deferred tax assets, a decrease of 495,620 thousand yen in accrued guarantee, and an increase of 173,648 thousand yen in allowance for doubtful accounts.

Liabilities grew 1,406,194 thousand yen from the end of the previous fiscal year to 8,365,557 thousand yen. This was mainly due to an increase of 1,172,469 thousand yen in long-term borrowings, an increase of 177,935 thousand yen in provision for retirement benefits for directors (and other officers), an increase of 136,060 thousand yen in accounts payable - trade, an increase of 129,994 thousand yen in the current portion of long-term borrowings, an increase of 118,081 thousand yen in advances received, a decrease of 410,000 thousand yen in short-term borrowings, and a decrease of 136,633 thousand yen in accounts payable - other.

Net assets increased by 518,264 thousand yen from the end of the previous fiscal year to 5,145,323 thousand yen. This was mainly due to an increase of 518,224 thousand yen in retained earnings.

As a result, the equity-to-asset ratio decreased 1.8 percentage points from the end of the previous fiscal year to 38.1%.

2) Status of cash flows

During the six months of the fiscal year under review, cash and cash equivalents increased 188,351 thousand yen from the end of the previous fiscal year to 1,626,775 thousand yen. The status of the respective cash flows for the six months of the fiscal year under review are as follows.

(Cash flows from operating activities)

Cash provided by operating activities amounted to 977,432 thousand yen (cash provided of 765,111 thousand yen in the same period of the previous fiscal year). The main factors for the increase include 1,391,052 thousand yen in profit before income taxes, a decrease of 540,993 thousand yen in trade receivables, and an increase of 173,648 thousand yen in allowance for doubtful accounts. The main factors for the decrease include 519,287 thousand yen in income taxes paid, an increase of 282,570 thousand yen in accounts receivable - other, an increase of 187,891 thousand yen in advances paid of collection, and a decrease of 149,788 thousand yen in accounts payable - other.

(Cash flows from investing activities)

Cash used in investing activities amounted to 1,150,597 thousand yen (cash used of 149,624 thousand yen in the same period of the previous fiscal year). The main factors include 828,159 thousand yen in purchase of investments in subsidiaries resulting in change of scope of consolidation, and 284,583 thousand yen in purchase of property, plant and equipment.

(Cash flows from financing activities)

Cash provided by financing activities amounted to 361,515 thousand yen (cash used of 297,165 thousand yen in the same period of the previous fiscal year). The main factors include 1,270,000 thousand yen in proceeds from long-term borrowings, a decrease of 430,000 thousand yen in short-term borrowings, and 402,255 thousand yen in dividends paid.

(3) Explanation of future forecast information such as consolidated financial results forecasts

With regard to the financial results forecast for the fiscal year ending March 31, 2025, there is no change from the consolidated financial results forecast for the full year announced in the “Consolidated Financial Results for the Year Ended March 31, 2024,” dated May 10, 2024.

The financial results forecasts are based on information currently available to the Company and certain assumptions that the Company considers reasonable, and actual results may differ significantly due to various factors.

2. Semi-annual Consolidated Financial Statements and Key Notes

(1) Semi-annual consolidated balance sheet

(Thousand yen)

	Previous fiscal year (March 31, 2024)	Six months ended September 30, 2024 (September 30, 2024)
Assets		
Current assets		
Cash and deposits	1,438,424	1,712,775
Accrued guarantee	1,719,935	1,224,314
Accounts receivable commission	79,093	83,742
Accounts receivable - other	259,946	543,499
Advances paid of subrogation	6,283,984	6,348,980
Advances paid of collection	1,270,587	1,458,478
Accounts receivable - trade	63,913	139,223
Real estate for sale	-	17,823
Work in process	-	59,622
Supplies	15,073	16,206
Other	249,912	333,250
Allowance for doubtful accounts	-2,007,200	-2,183,100
Total current assets	9,373,670	9,754,817
Non-current assets		
Property, plant and equipment	269,737	514,145
Intangible assets		
Goodwill	-	772,530
Other	244,502	271,488
Total intangible assets	244,502	1,044,018
Investments and other assets		
Deferred tax assets	1,339,413	1,507,678
Other	705,379	1,034,250
Allowance for doubtful accounts	-346,281	-344,029
Total investments and other assets	1,698,511	2,197,899
Total non-current assets	2,212,750	3,756,063
Total assets	11,586,421	13,510,880

(Thousand yen)

	Previous fiscal year (March 31, 2024)	Six months ended September 30, 2024 (September 30, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	-	136,060
Short-term borrowings	1,240,000	830,000
Current portion of long-term borrowings	-	129,994
Lease liabilities	20,865	5,121
Accounts payable of collection	889,270	904,495
Accounts payable - other	826,853	690,220
Income taxes payable	557,388	649,805
Advances received	2,756,230	2,874,311
Provision for bonuses	191,944	206,777
Other	335,400	367,175
Total current liabilities	6,817,953	6,793,962
Non-current liabilities		
Long-term borrowings	-	1,172,469
Lease liabilities	6,184	10,301
Retirement benefit liability	-	44,923
Provision for retirement benefits for directors (and other officers)	6,432	184,367
Provision for share awards for directors (and other officers)	50,118	77,410
Asset retirement obligations	78,194	81,763
Other	480	360
Total non-current liabilities	141,409	1,571,595
Total liabilities	6,959,362	8,365,557
Net assets		
Shareholders' equity		
Share capital	717,708	717,734
Capital surplus	292,708	292,734
Retained earnings	3,749,189	4,267,413
Treasury shares	-132,362	-132,362
Total shareholders' equity	4,627,242	5,145,518
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-184	-195
Total accumulated other comprehensive income	-184	-195
Total net assets	4,627,058	5,145,323
Total liabilities and net assets	11,586,421	13,510,880

(2) Semi-annual consolidated statement of income and semi-annual consolidated statement of comprehensive income

Semi-annual consolidated statement of income

(Thousand yen)

	Six months ended September 30, 2023 (From April 1, 2023, to September 30, 2023)	Six months ended September 30, 2024 (From April 1, 2024, to September 30, 2024)
Net sales	6,087,224	7,711,267
Cost of sales	1,487,775	2,123,315
Gross profit	4,599,449	5,587,951
Selling, general and administrative expenses	3,494,894	4,161,118
Operating profit	1,104,554	1,426,833
Non-operating income		
Interest income	12	283
Dividend income	10	295
Insurance claim income	4,860	3,966
Subsidy income	510	3,976
Other	5,573	11,281
Total non-operating income	10,967	19,803
Non-operating expenses		
Interest expenses	7,957	11,498
Loss on investments in silent partnerships	-	13,662
Other	2,235	6,615
Total non-operating expenses	10,192	31,776
Ordinary profit	1,105,329	1,414,859
Extraordinary losses		
Impairment losses	-	23,807
Other	-	0
Total extraordinary losses	-	23,807
Profit before income taxes	1,105,329	1,391,052
Income taxes - current	324,439	547,388
Income taxes - deferred	20,230	-76,815
Total income taxes	344,669	470,573
Profit	760,659	920,479
Profit attributable to owners of parent	760,659	920,479

Semi-annual consolidated statement of comprehensive income

(Thousand yen)

	Six months ended September 30, 2023 (From April 1, 2023, to September 30, 2023)	Six months ended September 30, 2024 (From April 1, 2024, to September 30, 2024)
Profit	760,659	920,479
Other comprehensive income		
Valuation difference on available-for-sale securities	-28	-11
Total other comprehensive income	-28	-11
Comprehensive income	760,631	920,468
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	760,631	920,468

(3) Semi-annual consolidated statement of cash flows

(Thousand yen)

	Six months ended September 30, 2023 (From April 1, 2023, to September 30, 2023)	Six months ended September 30, 2024 (From April 1, 2024, to September 30, 2024)
Cash flows from operating activities		
Profit before income taxes	1,105,329	1,391,052
Depreciation	91,263	77,774
Impairment losses	-	23,807
Amortization of goodwill	-	33,588
Increase (decrease) in allowance for doubtful accounts	64,968	173,648
Interest and dividend income	-22	-578
Interest expenses	7,957	11,498
Decrease (increase) in trade receivables	373,102	540,993
Decrease (increase) in accounts receivable - other	359,988	-282,570
Increase (decrease) in advances paid of subrogation	-560,639	-58,182
Increase (decrease) in advances paid of collection	-213,559	-187,891
Decrease (increase) in inventories	-36,740	22,471
Increase (decrease) in advances received	126,196	24,234
Increase (decrease) in accounts payable - other	55,720	-149,788
Increase (decrease) in provision for bonuses	-24,705	-1,479
Increase (decrease) in retirement benefit liability	-	2,821
Increase (decrease) in provision for retirement benefits for directors (and other officers)	1,225	6,935
Increase (decrease) in provision for share awards for directors (and other officers)	35,592	27,292
Increase (decrease) in accounts payable of collection	3,709	15,224
Share issuance costs	633	569
Other, net	-162,752	-163,301
Subtotal	1,227,267	1,508,121
Interest and dividends received	22	578
Interest paid	-8,006	-11,979
Income taxes paid	-454,171	-519,287
Net cash provided by (used in) operating activities	765,111	977,432
Cash flows from investing activities		
Purchase of property, plant and equipment	-55,086	-284,583
Purchase of intangible assets	-60,817	-44,587
Purchase of investments in subsidiaries resulting in change of scope of consolidation	-	-828,159
Other, net	-33,720	6,733
Net cash provided by (used in) investing activities	-149,624	-1,150,597
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	37,000	-430,000
Proceeds from long-term borrowings	-	1,270,000
Repayments of long-term borrowings	-3,336	-52,695
Redemption of bonds	-	-5,000
Payments for issuance of shares	-381	-518
Dividends paid	-312,697	-402,255
Repayments of finance lease liabilities	-17,750	-18,015
Net cash provided by (used in) financing activities	-297,165	361,515
Net increase (decrease) in cash and cash equivalents	318,321	188,351
Cash and cash equivalents at beginning of period	1,201,061	1,438,424
Cash and cash equivalents at end of period	1,519,382	1,626,775

(4) Notes to semi-annual consolidated financial statements

(Notes to assumptions for going concerns)

Not applicable.

(Notes when there is a significant change in the amount of shareholders' equity)

Not applicable.

(Segment information)

[Segment information]

Six months ended September 30, 2023 (From April 1, 2023, to September 30, 2023)

1. Information on sales and profit or loss by reporting segment and decomposition of revenue

(Thousand yen)

	Reporting segment				Adjustment (Note) 1	Amount recorded in semi-annual consolidated statement of income (Note) 2
	Guarantee-related business	Real-estate-related business	IT-related business	Total		
Net sales						
Revenue from contracts with customers	849,963	68,739	-	918,703	-	918,703
Other revenue	5,168,521	-	-	5,168,521	-	5,168,521
Sales to external customers	6,018,485	68,739	-	6,087,224	-	6,087,224
Intersegment sales or transfers	-	3,676	-	3,676	-3,676	-
Total	6,018,485	72,415	-	6,090,900	-3,676	6,087,224
Segment profit (loss)	1,113,108	-8,553	-	1,104,554	-	1,104,554

(Notes) 1. The sales adjustment of -3,676 thousand yen represents elimination of intersegment transactions.

2. Segment profit (loss) is adjusted with operating profit in the semi-annual consolidated statement of income.

2. Information on impairment loss on non-current assets and goodwill by reporting segment

Not applicable.

Six months ended September 30, 2024 (From April 1, 2024, to September 30, 2024)

1. Information on sales and profit or loss by reporting segment and decomposition of revenue

(Thousand yen)

	Reporting segment				Adjustment (Note) 1	Amount recorded in semi-annual consolidated statement of income (Note) 2
	Guarantee-related business	Real-estate-related business	IT-related business	Total		
Net sales						
Revenue from contracts with customers	1,006,635	32,011	479,826	1,518,472	-	1,518,472
Other revenue	6,154,484	38,310	-	6,192,794	-	6,192,794
Sales to external customers	7,161,119	70,321	479,826	7,711,267	-	7,711,267
Intersegment sales or transfers	-	4,040	61,638	65,679	-65,679	-
Total	7,161,119	74,362	541,464	7,776,946	-65,679	7,711,267
Segment profit (loss)	1,515,781	-33,327	-47,316	1,435,137	-8,304	1,426,833

(Notes) 1. The sales adjustment of -65,679 thousand yen represents elimination of intersegment transactions.

2. Segment profit (loss) is adjusted with operating profit in the semi-annual consolidated statement of income.

2. Information on impairment loss on non-current assets and goodwill by reporting segment

(Significant changes in the amount of goodwill)

With the acquisition of shares of AIVS and inclusion of it in the scope of consolidation on April 30, 2024, goodwill increased 806,118 thousand yen in the semi-annual period of the fiscal year under review. The amount of such goodwill is the amount calculated based on the provisional accounting treatment because the allocation of the acquisition cost has not been completed as of the end of the semi-annual period of the fiscal year under review.

(Significant impairment losses on non-current assets)

The Company recorded impairment losses on property, plant and equipment in the guarantee-related business segment. The amount of recorded impairment losses for the semi-annual period of the fiscal year under review was 23,807 thousand yen.

3. Matters related to changes in reporting segments, etc.

The Group added the “IT-related business” to its reporting segments from the first quarter of the fiscal year under review, following the inclusion in the scope of consolidation of AIVS, which had become a subsidiary through the acquisition of shares.

(Significant subsequent events)

Not applicable.