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(Member of Financial Accounting Standards Foundation)

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

July 26, 2024

Company name: Fuyo General Lease Co., Ltd. Listing: Tokyo Stock Exchange
Securities code: 8424
URL: https://www.fgl.co.jp/
Representative: Hiroaki Oda, Representative Director, President & CEO
Inquiries : Takashi Tomita, Managing Executive Officer Telephone: +81-3-5275-8800
Scheduled date to commence dividend payments : —
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing : None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%
June 30, 2024	161,347	2.6	14,949	22.1	16,325	18.0	9,952	6.5
June 30, 2023	157,183	(27.7)	12,243	7.6	13,839	6.2	9,347	13.7

Note: Comprehensive income For the three months ended June 30, 2024: ¥ 14,897 million (13.1)%
For the three months ended June 30, 2023: ¥ 17,133 million 52.7%

	Basic earnings per share	Diluted earnings per share
Three months ended	(¥)	(¥)
June 30, 2024	330.81	330.11
June 30, 2023	311.40	310.21

* During the fiscal year ended March 31, 2024, the Company finalized the provisional accounting treatment for business combinations. As a result, figures for the first quarter ended June 30, 2024 reflect the finalization of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
As of	(¥ millions)	(¥ millions)	%	(¥)
June 30, 2024	3,405,836	484,860	12.9	14,593.57
March 31, 2024	3,390,324	477,326	12.7	14,357.66

Reference: Shareholders' equity
As of June 30, 2024 ¥ 439,130 million As of March 31,2024 ¥ 431,675 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	(¥)	(¥)	(¥)	(¥)	(¥)
FY2023	—	195.00	—	245.00	440.00
FY2024	—				
FY2024(Forecast)		225.00	—	225.00	450.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Forecast for Fiscal 2024 (April 1, 2024 - March 31, 2025)

(Percentage figures represent comparisons with fiscal 2023 full-year results)

	Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥)
Full year	60,000	(0.1)	66,000	(3.4)	45,000	(4.7)	1,496.71

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

*Notes

(1) Significant changes in the scope of consolidation during the period: None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

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

(ⅰ) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
(ⅱ) Changes in accounting policies due to other reasons: None
(ⅲ) Changes in accounting estimates: None
(ⅳ) Restatement: None

Note: For details, please refer to “2. Consolidated financial statements and significant notes thereto, (3) Notes to the consolidated financial statements, Notes on changes in accounting policies” on page 11 of the attached materials.

(4) Number of issued shares (common shares)

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

As of June 30, 2024 30,287,810 shares As of March 31, 2024 30,287,810 shares

(ⅱ) Number of treasury shares at the end of the period

As of June 30, 2024 197,147 shares As of March 31, 2024 221,937 shares

(ⅲ) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2024 30,085,274 shares
Three months ended June 30, 2023 30,017,707 shares

Note: The Company has introduced Board Benefit Trust (BBT). Number of treasury shares includes the following Company's shares held by Board Benefit Trust (BBT) 125,900 shares as of June 30, 2024 and 147,700 shares as of March 31, 2024. Furthermore, treasury shares 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) 131,257 shares for the three months ended June 30, 2024 and 148,253 shares for the three months ended June 30, 2023.

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

(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 the period

Newly executed contract volume in the three months ended June 30, 2024 totaled ¥418,749 million, up 13.9% year on year.

In terms of profits, the Company reported net sales of ¥161,347 million, up 2.6% year on year, operating profit of ¥14,949 million, up 22.1% year on year, ordinary profit of ¥16,325 million, up 18.0% year on year, and profit attributable to owners of parent of ¥9,952 million, up 6.5% year on year.

Operating profit, ordinary profit and profit attributable to owners of parent all rose year on year, updating its respective record high for a three-month period.

In addition, ordinary profit, which is set as a management goal in the medium-term management plan, has been the highest for a three-month period for eight consecutive years since the fiscal year ended March 31, 2018.

Operating results for each business segment are as follows. Please note that net sales for each segment are "revenues 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 26.2% year on year to ¥132,414 million and segment operating assets increased 1.5% from the end of the previous fiscal year to ¥1,872,191 million. Segment net sales increased 1.7% year on year to ¥140,243 million and segment profit increased 24.1% year on year to ¥11,763 million.

Financing

Newly executed contract volume in the Financing segment rose 13.9% year on year to ¥286,266 million, and segment operating assets increased 4.4% from the end of the previous fiscal year to ¥1,038,029 million. Segment net sales rose 21.2% year on year to ¥7,929 million, and segment profit increased 4.4% year on year to ¥4,642 million.

Other

Newly executed contract volume in the Other segment fell 99.4% year on year to ¥68 million, and segment operating assets decreased 2.0% from the end of the previous fiscal year to ¥38,024 million. Segment net sales rose 3.1% year on year to ¥13,174 million, and segment profit increased 12.1% year on year to ¥2,199 million.

(2) Analysis of financial position for the period

As of June 30, 2024, operating assets totaled ¥2,948,244 million, up 2.5% from the end of the previous fiscal year. Total assets amounted to ¥3,405,836 million, up 0.5% from the end of the previous fiscal year.

As of June 30, 2024, indirect procurement decreased 0.7% from the end of the previous fiscal year to ¥1,943,071 million, mainly due to a decrease in long-term borrowings, and direct procurement increased 4.3% from the end of the previous fiscal year to ¥757,077 million, due to the issuance of commercial papers and bonds. As a result, the outstanding balance as of June 30, 2024 increased 0.7% from the end of the previous fiscal year to ¥2,700,149 million. The direct procurement ratio was 28.0%, an increase of 0.9 points from the end of the previous fiscal year.

Total shareholders' equity rose 0.8% from the end of the previous fiscal year to ¥355,887 million due to an increase in retained earnings. Total net assets as of June 30, 2024 amounted to ¥484,860 million, up ¥7,533 million, or 1.6%, from the end of the previous fiscal year. Shareholders' equity ratio was 12.9%, an increase of 0.2 points from the end of the previous fiscal year.

(3) Explanation of consolidated earnings forecasts and other forward-looking statements

No revisions have been made to the consolidated earnings forecasts for the Forecast for Fiscal 2024 announced in Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 on May 8, 2024.

2. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(¥ millions)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	140,804	87,649
Installment receivables	50,984	51,319
Lease receivables and investments in leases	858,731	845,853
Operating loans	339,872	357,765
Accounts receivable - other loans to customers	132,002	127,550
Operational investment securities	491,466	520,114
Other operating assets	31,967	33,998
Accounts receivable - lease	28,620	28,628
Other	94,511	99,325
Allowance for doubtful accounts	(2,536)	(2,746)
Total current assets	2,166,425	2,149,460
Non-current assets		
Property, plant and equipment		
Assets for lease		
Assets for lease	936,038	976,068
Advances for purchase of assets for lease	357	358
Total assets for lease	936,396	976,426
Other operating assets	38,796	38,024
Own-used assets	3,386	3,959
Total property, plant and equipment	978,579	1,018,410
Intangible assets		
Assets for lease	88	84
Other intangible assets		
Goodwill	23,256	22,822
Other	14,290	14,222
Total other intangible assets	37,546	37,045
Total intangible assets	37,634	37,129

(¥ millions)

	As of March 31, 2024	As of June 30, 2024
Investments and other assets		
Investment securities	158,182	152,602
Distressed receivables	26	25
Retirement benefit asset	2,176	2,309
Deferred tax assets	4,229	3,903
Other	42,551	41,543
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	207,163	200,383
Total non-current assets	1,223,378	1,255,923
Deferred assets		
Organization expenses	3	3
Business commencement expenses	517	449
Total deferred assets	521	452
Total assets	3,390,324	3,405,836

(¥ millions)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	36,467	33,886
Short-term borrowings	558,104	568,097
Current portion of bonds payable	35,000	35,000
Current portion of long-term borrowings	422,660	422,404
Commercial papers	276,000	298,700
Payables under securitization of lease receivables	13,000	8,900
Current portion of long-term payables under securitization of lease receivables	2,464	2,016
Lease liabilities	5,841	5,838
Income taxes payable	7,617	1,700
Deferred profit on installment sales	1,078	1,134
Provision for bonuses	3,257	2,314
Provision for bonuses for directors (and other officers)	224	85
Provision for share awards for directors (and other officers)	202	—
Provision for loss on guarantees	19	17
Other	59,374	58,004
Total current liabilities	1,421,313	1,438,100
Non-current liabilities		
Bonds payable	393,495	407,130
Long-term borrowings	976,080	952,568
Long-term payables under securitization of lease receivables	5,790	5,330
Lease liabilities	151	52
Deferred tax liabilities	27,461	29,300
Retirement benefit liability	2,271	2,380
Provision for retirement benefits for directors (and other officers)	253	249
Provision for share awards for directors (and other officers)	638	705
Provision for maintenance costs	931	963
Provision for loss on guarantees	285	281
Asset retirement obligations	5,519	5,561
Other	78,804	78,350
Total non-current liabilities	1,491,684	1,482,874
Total liabilities	2,912,998	2,920,975

(¥ millions)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	10,532	10,532
Capital surplus	1,902	1,902
Retained earnings	342,268	344,810
Treasury shares	(1,532)	(1,358)
Total shareholders' equity	353,171	355,887
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	61,773	60,429
Deferred gains or losses on hedges	(11,953)	(15,888)
Foreign currency translation adjustment	28,268	38,439
Remeasurements of defined benefit plans	415	261
Total accumulated other comprehensive income	78,504	83,242
Share acquisition rights	289	276
Non-controlling interests	45,362	45,453
Total net assets	477,326	484,860
Total liabilities and net assets	3,390,324	3,405,836

(2) Consolidated statements of income and statements of comprehensive income

Consolidated statements of income

for the three months ended June 30, 2024

(¥ millions)

	FY2023 (April 1, 2023 - June 30, 2023)	FY2024 (April 1, 2024 - June 30, 2024)
Net sales	157,183	161,347
Cost of sales	132,034	132,911
Gross profit	25,149	28,436
Selling, general and administrative expenses	12,905	13,487
Operating profit	12,243	14,949
Non-operating income		
Interest income	58	100
Dividend income	314	383
Foreign exchange gains	—	582
Gain on investments in investment partnerships	56	0
Share of profit of entities accounted for using equity method	1,479	1,048
Recoveries of written off receivables	38	18
Reversal of provision for loss on guarantees	26	5
Other	346	187
Total non-operating income	2,320	2,326
Non-operating expenses		
Interest expenses	369	667
Bond issuance costs	21	17
Foreign exchange losses	155	—
Loss on investments in investment partnerships	26	25
Distributions of profit or loss on silent partnerships	132	193
Other	18	46
Total non-operating expenses	725	950
Ordinary profit	13,839	16,325
Extraordinary income		
Gain on sale of investment securities	593	—
Total extraordinary income	593	—
Extraordinary losses		
Loss on valuation of investment securities	29	—
Impairment losses	310	0
Loss on disposal of non-current assets	0	0
Total extraordinary losses	340	1
Profit before income taxes	14,092	16,323
Income taxes	4,196	5,900
Profit	9,895	10,423
Profit attributable to non-controlling interests	548	470
Profit attributable to owners of parent	9,347	9,952

Consolidated statements of comprehensive income
for the three months ended June 30, 2024

(¥ millions)

	FY2023 (April 1, 2023 - June 30, 2023)	FY2024 (April 1, 2024 - June 30, 2024)
Profit	9,895	10,423
Other comprehensive income		
Valuation difference on available-for-sale securities	9,841	(1,332)
Deferred gains or losses on hedges	(4,107)	(3,920)
Foreign currency translation adjustment	722	9,510
Remeasurements of defined benefit plans, net of tax	(29)	(146)
Share of other comprehensive income of entities accounted for using equity method	811	363
Total other comprehensive income	7,238	4,473
Comprehensive income	17,133	14,897
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,588	14,690
Comprehensive income attributable to non-controlling interests	545	206

(3) Notes to the consolidated financial statements

Notes on changes in accounting policies

(Application of the Accounting Standard for Current Income Taxes, etc.)

The Company has applied the Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022; hereinafter, the "Revised Accounting Standard of 2022"), etc. from the beginning of the first quarter ended June 30, 2024.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022).

The impact of applying this standard, etc. on the consolidated financial statements for the three months ended June 30, 2024 is immaterial.

(Application of the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules, etc.)

The Company has applied the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules (ASBJ Practical Solution No. 46, March 22, 2024), etc. from the beginning of the first quarter ended June 30, 2024.

For the first quarter ended June 30, 2024, the Company has applied the treatment in paragraph 7, which allows the Company to not record current taxes related to the global minimum tax rules.

Notes on segment information etc.

Segment information

Ⅰ Three months ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

1. Disclosure of sales and profit (loss) for each reportable segment

(¥ millions)

	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	137,861	6,543	12,778	157,183
Transactions with other segments	178	1,226	562	1,967
Net sales	138,040	7,769	13,340	159,151
Segment profit	9,477	4,447	1,962	15,887

2. Description of nature of differences between amounts of profit (loss) of reportable segments total and consolidated financial statements

(¥ millions)

Profit	Amount
Reportable segments total	15,887
Eliminations	(501)
Corporate expenses (Note)	(3,141)
Operating profit reported on the consolidated statements of income	12,243

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

3. Information about impairment losses of non-current assets or goodwill, etc. for each reportable segment

(Material impairment losses on non-current assets)

There are no material impairment losses on non-current assets.

(Material change in amount of goodwill)

The business combination with Pacific Rim Capital, Inc. that was concluded on January 6, 2023, was accounted for on a provisional basis, but the acquisition cost allocation was finalized in the third quarter ended December 31, 2023.

With the finalization of this provisional accounting treatment, the amount of the initial allocation of acquisition cost was revised.

As a result, the amount of goodwill in the “Lease and Installment Sales” segment decreased.

(Material gain on bargain purchase)

There is no material gain on bargain purchase.

Ⅱ Three months ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

1. Disclosure of sales and profit (loss) for each reportable segment

(¥ millions)

	Lease and Installment Sales	Financing	Other	Total
Sales				
Revenues from external customers	140,243	7,929	13,174	161,347
Transactions with other segments	199	1,895	644	2,740
Net sales	140,443	9,824	13,819	164,087
Segment profit	11,763	4,642	2,199	18,605

2. Description of nature of differences between amounts of profit (loss) of reportable segments total and consolidated financial statements

(¥ millions)

Profit	Amount
Reportable segments total	18,605
Eliminations	(267)
Corporate expenses (Note)	(3,388)
Operating profit reported on the consolidated statements of income	14,949

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

3. Information about impairment losses of non-current assets or goodwill, etc. for each reportable segment

(Material impairment losses on non-current assets)

There are no material impairment losses on non-current assets.

(Material change in amount of goodwill)

There is no material change in amount of goodwill.

(Material gain on bargain purchase)

There is no material gain on bargain purchase.

Notes on significant changes in shareholders' equity

Not applicable

Notes on the going-concern assumption

Not applicable

Notes on quarterly consolidated statements of cash flows

The Company has not prepared the quarterly consolidated statements of cash flows for the three months ended June 30, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024 are as follows.

(¥ millions)

	FY2023 (April 1, 2023 - June 30, 2023)	FY2024 (April 1, 2024 - June 30, 2024)
Depreciation of assets for lease	11,337	10,444
Depreciation of other operating assets	756	838
Depreciation	835	883
Amortization of goodwill	452	458

Note: During the previous fiscal year, the Company finalized the provisional accounting treatment for business combinations. As a result, information for the first three months of the previous fiscal year reflects the finalization of the provisional accounting treatment.

3. Newly executed contracts, operating assets

(1) Executed contracts volume

Segment by business		For the three months ended June 30, 2023		For the three months ended June 30, 2024		Net change	
		Executed contracts volume (¥ millions)	Composition (%)	Executed contracts volume (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	48,320	13.2	79,240	18.9	30,919	64.0
	Operating leases	52,936	14.4	47,355	11.3	(5,581)	(10.5)
	Total leases	101,257	27.6	126,595	30.2	25,338	25.0
	Installment sales	3,700	1.0	5,819	1.4	2,118	57.3
	Lease and installment sales total	104,957	28.6	132,414	31.6	27,456	26.2
Financing		251,231	68.3	286,266	68.4	35,035	13.9
Other		11,497	3.1	68	0.0	(11,429)	(99.4)
Total		367,686	100.0	418,749	100.0	51,062	13.9

Notes:

1. Operating leases are recorded at the acquisition costs of lease assets. The executed volume of re-lease transactions is not included.
2. The figures for the lease segment are the purchase prices of lease assets acquired during each respective three-month period. The figures for the installment sales segment are the installment receivables net of the deferred profit on installment sales on an execution basis.

(2) Operating assets

Segment by business		As of March 31, 2024		As of June 30, 2024		Net change	
		Balance (¥ millions)	Composition (%)	Balance (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	858,731	29.9	845,853	28.7	(12,878)	(1.5)
	Operating leases	936,126	32.5	976,152	33.1	40,025	4.3
	Total leases	1,794,858	62.4	1,822,006	61.8	27,147	1.5
	Installment sales	49,906	1.7	50,185	1.7	279	0.6
	Lease and installment sales total	1,844,765	64.1	1,872,191	63.5	27,426	1.5
Financing		993,887	34.5	1,038,029	35.2	44,141	4.4
Other		38,796	1.4	38,024	1.3	(772)	(2.0)
Total		2,877,449	100.0	2,948,244	100.0	70,795	2.5

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