



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

February 5, 2019

Company	Fuyo General Lease Co., Ltd.	Stock Exchange Listing	First Section, Tokyo
Ticker	8424	Head office	Tokyo
(URL https://www.fgl.co.jp/)			
President & CEO	Yasunori Tsujita		
Inquiries, Person in Charge	Soichi Hosoi	Managing Director	Tel: +81-3-5275-8800
Date of issue of quarterly Securities Report	February 13, 2019 (planned)	Date of payout of dividend	—
Supplementary materials to quarterly results: Available			
Quarterly results presentation: Not conducted			

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

1. Consolidated Operating Results for the First Nine Months of Fiscal 2018

(April 1, 2018 - December 31, 2018)

(1) Consolidated Operating Results

(Percentage figures represent year-on-year changes.)

	Total Revenues		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%
First nine months of FY2018	456,595	5.9	25,377	1.7	27,660	4.7	17,551	6.8
First nine months of FY2017	431,315	17.1	24,941	21.2	26,420	18.7	16,432	16.1

Note: Comprehensive income

First nine months of FY2018

¥13,336 million (48.1)%

First nine months of FY2017

¥25,690 million 79.1%

	Basic Earnings per Share	Diluted Earnings per Share
	(¥)	(¥)
First nine months of FY2018	580.66	575.86
First nine months of FY2017	544.03	539.23

* The presentation has been changed from the first quarter ended June 30, 2018, and Total Revenues and Operating Profit for the first nine months of FY2017 represent figures and year-on-year changes after the reclassification reflecting this change. For details, please see “1. Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to the Consolidated Financial Statements (Additional Information) (Changes in Presentation)” on P.11 of Supplementary Materials.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ millions)	(¥ millions)	%	(¥)
December 31, 2018	2,543,092	287,240	10.0	8,433.59
March 31, 2018	2,430,536	282,574	10.2	8,242.50

Reference: Shareholders' Equity

December 31, 2018

¥254,197 million

March 31, 2018

¥249,112 million

* The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. from the first quarter ended June 30, 2018, and Total Assets as of March 31, 2018 represents a figure after the reclassification reflecting this change. For details, please see “1. Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to the Consolidated Financial Statements (Additional Information)” on P.11 of Supplementary Materials.

2. Cash Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2017	—	68.00	—	78.00	146.00
FY 2018	—	78.00	—		
FY 2018 (planned)				78.00	156.00

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

3. Forecast for Fiscal 2018 (April 1, 2018 - March 31, 2019)

(Percentage figures represent comparisons with fiscal 2017 full-year results)

	Total Revenues		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Basic Earnings per Share
	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥ millions)	%	(¥)
Full Year	600,000	1.6	34,000	3.9	37,500	6.5	23,000	4.8	761.01

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

* Because the presentation has been changed from the first quarter ended June 30, 2018, comparisons with fiscal 2017 full-year results for Total Revenues and Operating Profit were calculated by comparing with the figures for the year-ago period after the reclassification reflecting this change.

*Other Information

(1) Changes to the consolidation status of major subsidiaries during the period: Yes

New: 1 Company INVOICE INC.

(2) Accounting procedures specific to preparation of quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

(i) Changes in accounting policies due to revisions to accounting standards: None

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior period financial statements after error corrections: None

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

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

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

(ii) Number of shares of treasury stock

December 31, 2018 146,739 shares March 31, 2018 64,939 shares

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

December 31, 2018 30,227,048 shares December 31, 2017 30,205,977 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) (104,600 shares as of December 31, 2018 and — shares as of March 31, 2018). Furthermore, shares of treasury stock that are deducted in the calculation of the average number of shares during the period (first nine months) include the following Company's shares held by Board Benefit Trust (BBT) (89,194 shares as of December 31, 2018 and — shares as of December 31, 2017).

***Quarterly financial results are exempt from the quarterly review by certified public accountants or an audit corporation.**

*Appropriate Use of Earnings Forecast and Other Important Information

(Caution Concerning Forward-Looking Statements)

Earnings forecasts and other forward-looking statements in this report are based on certain assumptions that are deemed reasonable and information available to the Company at the time of this report's preparation. Therefore the Company does not guarantee the achievement of any projections. Actual results may differ significantly from these forecasts for a number of reasons.

(Method of Obtaining Supplementary Explanation Materials)

The materials are disclosed on the Timely Disclosure network (TDnet) on the same day as the date of this report.

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1. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(¥ millions)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	54,822	80,934
Installment sales trade receivables	116,697	101,741
Lease receivables and investment assets	1,098,722	1,072,638
Accounts receivable - operating loans	296,405	293,176
Accounts receivable - other loans to customers	84,149	88,202
Operational investment securities	177,881	194,174
Other operating assets	7,626	8,220
Lease and other trade receivables	16,759	18,858
Short-term investment securities	15	—
Other	27,574	55,372
Allowance for doubtful receivables	(2,806)	(2,742)
Total current assets	1,877,848	1,910,575
Fixed assets		
Tangible fixed assets		
Leased assets		
Leased assets	375,312	430,213
Advances on purchases of property and equipment for lease	3,504	13,364
Total leased assets	378,816	443,578
Other operating assets	19,671	29,572
Own-used assets	1,885	1,881
Total tangible fixed assets	400,373	475,032
Intangible fixed assets		
Software leased to customers	373	299
Other intangible fixed assets		
Goodwill	6,226	17,744
Other	4,201	4,237
Total other intangible fixed assets	10,427	21,981
Total intangible fixed assets	10,801	22,280

(¥ millions)

	As of March 31, 2018	As of December 31, 2018
Investments and other assets		
Investment in securities	90,454	83,852
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,022	742
Net defined benefit asset	53	13
Deferred tax assets	3,149	3,928
Other	46,451	45,944
Allowance for doubtful receivables	(445)	(354)
Total investments and other assets	140,686	134,126
Total fixed assets	551,861	631,440
Deferred assets		
Deferred organization expenses	0	0
Business commencement expenses	825	1,075
Total deferred assets	826	1,075
Total assets	2,430,536	2,543,092

(¥ millions)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	26,464	37,328
Short-term loans from bank and other financial institutions	467,340	477,453
Current portion of bonds payable	20,000	30,000
Current portion of long-term loans from bank and other financial institutions	221,381	238,252
Commercial paper	473,700	491,200
Payables under fluidity lease receivables and installment sales trade receivables	18,900	18,900
Current portion of payables under fluidity long-term lease receivables and installment sales trade receivables	30,338	27,619
Lease obligations	34,873	27,092
Income taxes payable	5,880	1,946
Deferred profit on installment sales	1,625	1,469
Provision for bonuses	1,707	1,055
Provision for directors' bonuses	139	141
Provision for future lease payments	2	2
Provision for loss on guarantees	72	68
Other	28,620	32,557
Total current liabilities	1,331,046	1,385,087
Long-term liabilities		
Bonds Payable	90,000	105,000
Long-term loans from bank and other financial institutions	606,666	643,911
Payables under fluidity long-term lease receivables and installment sales trade receivables	36,626	37,406
Lease obligations	462	642
Deferred tax liabilities	16,618	14,442
Net defined benefit liability	1,533	1,686
Accrued retirement benefits for directors and corporate auditors	169	119
Provision for share-based remuneration for directors (and other officers)	—	92
Provision for automobile maintenance costs	381	515
Provision for loss on guarantees	992	953
Asset retirement obligations	1,027	1,732
Other	62,436	64,262
Total long-term liabilities	816,915	870,764
Total liabilities	2,147,962	2,255,851

(¥ millions)

	As of March 31, 2018	As of December 31, 2018
Net assets		
Shareholders' equity		
Common stock	10,532	10,532
Capital surplus	10,416	9,193
Retained earnings	187,673	200,490
Treasury stock, at cost	(224)	(841)
Total Shareholders' equity	208,397	219,375
Accumulated other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	39,265	33,338
Deferred gains (losses) on hedges	(92)	(363)
Foreign currency translation adjustment	1,551	1,847
Remeasurements of defined benefit plans	(10)	0
Total accumulated other comprehensive income	40,714	34,822
Share acquisition rights	924	858
Non-controlling interests	32,537	32,184
Total net assets	282,574	287,240
Total liabilities and net assets	2,430,536	2,543,092

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

Consolidated Statements of Income

For the nine months ended December 31, 2018

(¥ millions)

	FY2017 (April 1, 2017— December 31, 2017)	FY2018 (April 1, 2018— December 31, 2018)
Total revenues	431,315	456,595
Total costs	385,554	408,543
Gross profit	45,761	48,052
Selling, general and administrative expenses	20,820	22,675
Operating profit	24,941	25,377
Other income		
Interest income	33	80
Dividend income	868	1,089
Foreign exchange gains	—	2
Gain on investments in partnership	14	345
Gain on investments in silent partnership	242	336
Equity in earnings of affiliates	560	840
Bad debt recovered	97	57
Reversal of allowance for doubtful receivables	69	—
Reversal of provision for loss on guarantees	—	43
Other	152	178
Total other income	2,039	2,974
Other expenses		
Interest expenses	268	381
Bond issuance cost	7	15
Foreign exchange losses	59	—
Loss on investments in partnership	32	15
Loss on investments in silent partnership	0	3
Other	192	274
Total other expenses	559	690
Ordinary profit	26,420	27,660

(¥ millions)

	FY2017 (April 1, 2017— December 31, 2017)	FY2018 (April 1, 2018— December 31, 2018)
Extraordinary gains		
Gain on sale of marketable and investment securities	0	476
Subsidy income	—	1,861
Gain on reversal of share acquisition rights	—	8
Other	—	2
Total extraordinary gains	0	2,348
Extraordinary losses		
Loss on disposal of own-used assets	8	8
Impairment loss	—	22
Loss on liquidation of subsidiaries and associates	1	0
Loss on reduction of non-current assets	—	1,861
Total extraordinary losses	10	1,893
Profit before income taxes	26,410	28,115
Income taxes	8,238	8,891
Profit	18,172	19,224
Profit attributable to non-controlling interests	1,739	1,672
Profit attributable to owners of parent	16,432	17,551

Consolidated Statements of Comprehensive Income
For the nine months ended December 31, 2018

(¥ millions)

	FY2017 (April 1, 2017— December 31, 2017)	FY2018 (April 1, 2018— December 31, 2018)
Profit	18,172	19,224
Other comprehensive income		
Net unrealized gains (losses) on available-for-sale securities	8,217	(5,929)
Deferred gains (losses) on hedges	7	(269)
Foreign currency translation adjustment	(741)	353
Remeasurements of defined benefit plans	46	22
Share of other comprehensive income of entities accounted for using equity method	(11)	(65)
Total other comprehensive income	7,518	(5,887)
Comprehensive income	25,690	13,336
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of parent	23,936	11,659
Comprehensive income attributable to non-controlling interests	1,754	1,677

(3) Notes to the Consolidated Financial Statements

Note on the Going-concern Assumption

Not applicable

Note on Significant Changes in Shareholders' Equity

During the first nine months of fiscal 2018, capital surplus decreased ¥1,223 million due to the additional acquisition of stock of Accretive Co., Ltd., a consolidated subsidiary of the Company.

Changes to the Consolidation Status of Major Subsidiaries During the Period

During the first nine months of fiscal 2018, the Company acquired 60.00% of the issued shares of Kabushiki Kaisha GI Holdings Accordingly, the aforementioned company and its subsidiary INVOICE INC. are included in the scope of consolidation. INVOICE INC. qualifies as a specified subsidiary of the Company.

Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements

(Calculation of Tax Expenses)

Tax expenses for certain consolidated subsidiaries of the Company were calculated by multiplying profit before income taxes by the estimated effective tax rates. The tax rate was determined by making a reasonable estimate of the effective tax rate after the adoption of tax effect accounting for profit before income taxes in the fiscal year including the third quarter ended December 31, 2018.

Additional Information

(Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting, etc.)

The Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan Statement No. 28, February 16, 2018), etc. from the beginning of the first quarter ended June 30, 2018, and presents deferred tax assets in the category of investments and other assets and deferred tax liabilities in the category of long-term liabilities. To reflect this change, figures in the consolidated financial statements for the fiscal year ended March 31, 2018 were reclassified.

(Changes in Presentation)

(Consolidated Balance Sheets)

For real estate investment trust, which was included in Investment in securities under Investments and other assets until the fiscal year ended March 31, 2018, the Company changed the management policy as the investment amount was expanding. Accordingly, the Company has changed the presentation to the method where real estate investment trust is presented as Operational investment securities under Current assets from the first quarter ended June 30, 2018 in order to reflect the actual condition of business more appropriately. To reflect this change in presentation, figures in the consolidated financial statements for the fiscal year ended March 31, 2018 were reclassified.

As a result, in the consolidated balance sheets as of March 31, 2018, ¥3,859 million, which was presented in Investment in securities under Investments and other assets, was reclassified as Operational investment securities under Current assets.

Assets for the solar power generation business in the Energy/Environment areas were included in Own-used assets under Tangible fixed assets until the fiscal year ended March 31, 2018. However, due to the increasing significance, the Company has determined to separately present these assets as Other operating assets under Tangible fixed assets from the first quarter ended June 30, 2018 to reflect the actual condition of business more appropriately. To reflect this change in presentation, figures in the consolidated financial statements for the fiscal year ended March 31, 2018 were reclassified. Consequently, in the consolidated balance sheets as of March 31, 2018, ¥19,671 million, which was presented in Own-used assets under Tangible fixed assets, was reclassified as Other operating assets under Tangible fixed assets.

(Consolidated Statements of Income)

For income from real estate investment trust, which was included in Dividend income under Other income, the Company has changed the presentation to the method where this income is presented as Total revenues from the first quarter ended June 30, 2018 as a result of the change of the management policy. To reflect this change in presentation, figures in the consolidated financial statements for the nine-month period ended December 31, 2017 were reclassified.

Consequently, in the consolidated statements of income for the nine-month period ended December 31, 2017, ¥116 million, which was presented in Dividend income under Other income, was reclassified as Total revenues.

2. Newly Executed Contracts, Operating Assets

(1) Executed Contracts Volume

Segment by Business		First nine months of FY2017 (April 1, 2017— December 31, 2017)		First nine months of FY2018 (April 1, 2018— December 31, 2018)		Net Change	
		Executed contracts volume	Composition	Executed contracts volume	Composition	Amount	Pct.
		(¥ millions)	(%)	(¥ millions)	(%)	(¥ millions)	(%)
Lease and installment sales	Finance leases	320,355	38.8	269,874	32.6	(50,481)	(15.8)
	Operating leases	123,507	15.0	94,032	11.4	(29,475)	(23.9)
	Total leases	443,862	53.8	363,906	44.0	(79,956)	(18.0)
	Installment sales	39,879	4.8	25,100	3.0	(14,779)	(37.1)
	Lease and installment sales total	483,742	58.6	389,006	47.0	(94,735)	(19.6)
Financing		337,847	41.0	426,318	51.5	88,470	26.2
Other		3,314	0.4	12,471	1.5	9,156	276.2
Total		824,905	100.0	827,796	100.0	2,891	0.4

Notes:

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

(2) Operating Assets

Segment by Business		As of March 31, 2018		As of December 31, 2018		Net Change	
		Balance	Composition	Balance	Composition	Amount	Pct.
		(¥ millions)	(%)	(¥ millions)	(%)	(¥ millions)	(%)
Lease and installment sales	Finance leases	1,098,722	50.6	1,072,638	48.4	(26,083)	(2.4)
	Operating leases	375,685	17.3	430,513	19.5	54,827	14.6
	Total leases	1,474,408	67.9	1,503,152	67.9	28,743	1.9
	Installment sales	115,072	5.3	100,271	4.5	(14,801)	(12.9)
	Lease and installment sales total	1,589,480	73.2	1,603,423	72.4	13,942	0.9
Financing		563,436	25.9	581,316	26.3	17,879	3.2
Other		19,671	0.9	29,572	1.3	9,900	50.3
Total		2,172,588	100.0	2,214,311	100.0	41,723	1.9

Note:

- The figures for the installment sales segment are the installment sales trade receivables net of the deferred profit on installment sales.
- As stated in “1. Consolidated Financial Statements and Significant Notes Thereto, (3) Notes to the Consolidated Financial Statements (Additional Information) (Changes in Presentation),” the presentation has been changed from the first quarter ended June 30, 2018. With regard to net change, comparisons were made using figures as of March 31, 2018 after the reclassification.