

Consolidated Financial Report for the First Three Months of the Fiscal Year Ending March 31, 2018 (Fiscal 2017)

(Member of Financial Accounting Standards Foundation)
August 2, 2017

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 Date of issue of quarterly Securities Report August 10, 2017 (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 Three Months of Fiscal 2017 (April 1, 2017 - June 30, 2017)

(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 three months of FY2017	141,950	15.5	8,743	19.2	9,639	16.2	6,060	5.6
First three months of FY2016	122,932	(4.8)	7,333	8.2	8,293	(0.8)	5,740	14.3

Note: Comprehensive income

First three months of FY2017
¥7,247 million 63.6%

First three months of FY2016
¥4,430 million 3.9%

	Basic Earnings per Share	Diluted Earnings per Share
	(¥)	(¥)
First three months of FY2017	200.73	198.92
First three months of FY2016	190.22	188.62

(2) Consolidated Financial Position

	Total Assets	Net Assets	Shareholders' Equity Ratio	Net Assets per Share
	(¥ millions)	(¥ millions)	%	(¥)
June 30, 2017	2,334,995	264,125	10.0	7,695.52
March 31, 2017	2,300,090	259,192	9.9	7,547.33

Reference: Shareholders' Equity

June 30, 2017 ¥232,375 million

March 31, 2017 ¥227,843 million

2. Cash Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Full Year
	(¥)	(¥)	(¥)	(¥)	(¥)
FY 2016	—	60.00	—	70.00	130.00
FY 2017	—	—	—	—	—
FY 2017 (planned)	—	68.00	—	68.00	136.00

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

3. Forecast for Fiscal 2017 (April 1, 2017 - March 31, 2018)

(Percentage figures represent comparisons with fiscal 2016 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	530,000	4.5	31,000	8.3	33,000	5.2	20,500	2.6	679.06

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

*Other Information

- (1) Changes to the consolidation status of major subsidiaries during the period: None
- (2) Accounting procedures specific to preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - (i) Changes in accounting policies due to revisions to accounting standards: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement of prior period financial statements after error corrections: None
- (4) Number of outstanding shares at period-end (common shares)
 - (i) Number of outstanding shares at period-end (including treasury stock)

June 30, 2017	30,287,810 shares	March 31, 2017	30,287,810 shares
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 - (ii) Number of shares of treasury stock

June 30, 2017	91,600 shares	March 31, 2017	99,224 shares
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 - (iii) Average number of shares during the period (first three months)

June 30, 2017	30,194,259 shares	June 30, 2016	30,179,103 shares
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***This consolidated financial report is not subject to quarterly review.**

*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, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	50,990	31,333
Installment sales trade receivables	129,663	128,406
Lease receivables and investment assets	1,048,607	1,090,039
Accounts receivable - operating loans	305,886	294,719
Accounts receivable - other loans to customers	77,486	83,033
Operational investment securities	145,343	151,240
Other operating assets	2,381	2,293
Lease and other trade receivables	15,160	14,825
Short-term investment securities	—	15
Deferred tax assets	2,533	2,292
Other	29,671	28,116
Allowance for doubtful receivables	(3,519)	(3,111)
Total current assets	1,804,206	1,823,204
Fixed assets		
Tangible fixed assets		
Leased assets		
Leased assets	320,637	331,728
Advances on purchases of property and equipment for lease	11,730	14,325
Total leased assets	332,367	346,053
Own-used assets		
Own-used assets	18,137	20,078
Total own-used assets	18,137	20,078
Total tangible fixed assets	350,505	366,132
Intangible fixed assets		
Leased assets		
Software leased to customers	572	543
Total leased assets	572	543
Other intangible fixed assets		
Goodwill	7,797	7,404
Other	4,208	4,139
Total other intangible fixed assets	12,005	11,544
Total intangible fixed assets	12,578	12,088

(¥ millions)

	As of March 31, 2017	As of June 30, 2017
Investments and other assets		
Investment in securities	83,449	84,602
Claims provable in bankruptcy, claims provable in rehabilitation and other	879	697
Net defined benefit asset	139	125
Deferred tax assets	642	637
Other	47,789	47,349
Allowance for doubtful receivables	(356)	(295)
Total investments and other assets	132,544	133,118
Total fixed assets	495,628	511,338
Deferred assets		
Deferred organization expenses	0	0
Business commencement expenses	253	452
Total deferred assets	254	453
Total assets	2,300,090	2,334,995

(¥ millions)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	30,174	20,575
Short-term loans from bank and other financial institutions	456,620	459,054
Current portion of bonds payable	300	300
Current portion of long-term loans from bank and other financial institutions	210,914	214,008
Commercial paper	419,700	448,200
Payables under fluidity lease receivables and installment sales trade receivables	21,500	18,900
Current portion of payables under fluidity long-term lease receivables and installment sales trade receivables	33,968	34,684
Lease obligations	49,728	45,931
Income taxes payable	5,511	2,552
Deferred tax liabilities	134	284
Deferred profit on installment sales	1,812	1,717
Provision for bonuses	1,635	878
Provision for directors' bonuses	141	34
Provision for future lease payments	2	1
Provision for loss on guarantees	85	201
Other	23,413	23,398
Total current liabilities	1,255,645	1,270,725
Long-term liabilities		
Bonds Payable	90,000	100,000
Long-term loans from bank and other financial institutions	566,093	577,354
Payables under fluidity long-term lease receivables and installment sales trade receivables	51,835	41,550
Lease obligations	41	38
Deferred tax liabilities	14,806	15,503
Net defined benefit liability	1,744	1,710
Accrued retirement benefits for directors and corporate auditors	142	150
Provision for automobile maintenance costs	350	337
Provision for loss on guarantees	1,107	1,098
Asset retirement obligations	534	606
Other	58,595	61,793
Total long-term liabilities	785,252	800,144
Total liabilities	2,040,897	2,070,870

(¥ millions)

	As of March 31, 2017	As of June 30, 2017
Net assets		
Shareholders' equity		
Common stock	10,532	10,532
Capital surplus	10,416	10,416
Retained earnings	169,942	173,878
Treasury stock, at cost	(342)	(316)
Total Shareholders' equity	190,548	194,510
Accumulated other comprehensive income		
Net unrealized gains(losses) on available-for-sale securities	35,314	36,970
Deferred gains(losses) on hedges	(109)	(113)
Foreign currency translation adjustment	2,137	1,047
Remeasurements of defined benefit plans	(47)	(39)
Total accumulated other comprehensive income	37,294	37,865
Subscription rights to shares	842	828
Non-controlling interests	30,506	30,921
Total net assets	259,192	264,125
Total liabilities and net assets	2,300,090	2,334,995

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

Consolidated Statements of Income

For the three months ended June 30, 2017

(¥ millions)

	FY2016 (April 1, 2016 - June 30, 2016)	FY2017 (April 1, 2017 - June 30, 2017)
Total revenues	122,932	141,950
Total costs	109,208	126,210
Gross profit	13,723	15,739
Selling, general and administrative expenses	6,389	6,996
Operating profit	7,333	8,743
Other income		
Interest income	7	5
Dividend income	384	338
Gain on investments in silent partnership	—	58
Equity in earnings of affiliates	239	288
Bad debt recovered	179	47
Reversal of allowance for doubtful receivables	220	307
Reversal of provision for loss on guarantees	48	—
Other	122	45
Total other income	1,202	1,090
Other expenses		
Interest expenses	78	87
Bond issuance cost	6	3
Foreign exchange losses	70	41
Loss on investments in partnership	10	8
Loss on investments in silent partnership	0	—
Other	75	52
Total other expenses	241	194
Ordinary profit	8,293	9,639
Extraordinary gains		
Gain on sale of marketable and investment securities	0	0
Total extraordinary gains	0	0

(¥ millions)

	FY2016 (April 1, 2016 - June 30, 2016)	FY2017 (April 1, 2017 - June 30, 2017)
Extraordinary losses		
Loss on disposal of own-used assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	8,292	9,639
Income taxes	1,994	2,965
Profit after income taxes	6,298	6,674
Profit attributable to non-controlling interests	558	613
Profit attributable to owners of parent	5,740	6,060

Consolidated Statements of Comprehensive Income
For the three months ended June 30, 2017

(¥ millions)

	FY2016 (April 1, 2016 - June 30, 2016)	FY2017 (April 1, 2017 - June 30, 2017)
Profit after income taxes	6,298	6,674
Other comprehensive income		
Net unrealized gains(losses) on available-for-sale securities	(463)	1,652
Deferred gains(losses) on hedges	4	2
Foreign currency translation adjustment	(1,418)	(1,090)
Remeasurements of defined benefit plans	15	15
Share of other comprehensive income of entities accounted for using equity method	(6)	(7)
Total other comprehensive income	(1,868)	573
Comprehensive income	4,430	7,247
(Comprehensive income attributable to)		
Comprehensive income attributable to owners of the parent	3,868	6,631
Comprehensive income attributable to non-controlling interests	562	616

(3) Notes to the Consolidated Financial Statements

Note on the Going-concern Assumption

Not applicable

Note on Significant Changes in Shareholders' Equity

Not applicable

Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements

(Calculation of Tax Expenses)

Tax expenses for certain consolidated subsidiaries of the Company were calculated by multiplying profit before income taxes by the estimated effective tax rates. The tax rate was determined by making a reasonable estimate of the effective tax rate after the adoption of tax effect accounting for profit before income taxes in the fiscal year including the three month period ended June 30, 2017.

2. Newly Executed Contracts, Operating Assets

(1) Executed Contracts Volume

Segment by Business		First three months of FY2016 (April 1, 2016 -June 30, 2016)		First three months of FY2017 (April 1, 2017 -June 30, 2017)		Net Change	
		Executed contracts volume (¥ millions)	Composition (%)	Executed contracts volume (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	92,429	53.1	128,700	47.4	36,270	39.2
	Operating leases	38,029	21.9	32,118	11.9	(5,911)	(15.5)
	Total leases	130,459	75.0	160,818	59.3	30,359	23.3
	Installment sales	12,731	7.3	13,891	5.1	1,160	9.1
	Lease and installment sales total	143,191	82.3	174,710	64.4	31,519	22.0
Financing		30,796	17.7	94,348	34.8	63,552	206.4
Other		2	0.0	2,255	0.8	2,253	—
Total		173,989	100.0	271,315	100.0	97,325	55.9

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 three-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.
- A dash is presented for the percentage year-on-year net change for Other because the value exceeds 1,000%.

(2) Operating Assets

Segment by Business		As of March 31, 2017		As of June 30, 2017		Net Change	
		Balance (¥ millions)	Composition (%)	Balance (¥ millions)	Composition (%)	Amount (¥ millions)	Pct. (%)
Lease and installment sales	Finance leases	1,048,607	51.3	1,090,039	52.0	41,431	4.0
	Operating leases	321,210	15.7	332,271	15.8	11,061	3.4
	Total leases	1,369,818	67.0	1,422,310	67.8	52,492	3.8
	Installment sales	127,850	6.3	126,688	6.1	(1,162)	(0.9)
	Lease and installment sales total	1,497,668	73.3	1,548,999	73.9	51,330	3.4
Financing		528,716	25.9	528,993	25.2	277	0.1
Other		17,180	0.8	19,147	0.9	1,966	11.4
Total		2,043,565	100.0	2,097,140	100.0	53,574	2.6

Note:

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