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## Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]



February 8, 2024

Company name: KYUSHU LEASING SERVICE CO., LTD.  
 Stock exchange listing: Tokyo and Fukuoka Stock Exchanges  
 Securities code: 8596  
 URL: <https://www.k-lease.co.jp>  
 Representative: Seiji Isoyama, President and CEO  
 Contact: Ryoichi Kojima, Managing Executive Officer, General Manager, General Planning Department  
 Phone: +81-92-431-2530  
 Scheduled date of filing quarterly securities report: February 9, 2024  
 Scheduled date of commencing dividend payments: –  
 Availability of supplementary explanatory materials on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and analysts)

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

### 1. Consolidated Financial Results for the Nine Months Ended December 31, 2023 (April 1, 2023 - December 31, 2023)

(1) Consolidated Operating Results (Cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2023	24,311	(11.2)	3,874	(26.0)	3,820	(27.0)	2,605	(56.1)
December 31, 2022	27,387	55.0	5,239	99.7	5,231	98.2	5,939	216.1

(Note) Comprehensive income: Nine months ended December 31, 2023: 2,655 million yen [(43.4)%]

Nine months ended December 31, 2022: 4,691 million yen [235.4%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2023	114.56	–
December 31, 2022	261.31	–

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	191,826	39,894	20.6
As of March 31, 2023	175,514	37,889	21.4

(Reference) Equity: As of December 31, 2023: 39,550 million yen

As of March 31, 2023: 37,556 million yen

## 2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	11.00	—	14.50	25.50
Fiscal year ending March 31, 2024	—	12.50	—		
Fiscal year ending March 31, 2024 (Forecast)				17.50	30.00

(Note) Revision to the forecast for dividends announced most recently: Yes

For more details on the revision to the forecast for dividends, please refer to the “Notice Concerning Revisions of Consolidated Full-Year Financial Results Forecast (upward revision) and Dividend Forecast (increase) for the Fiscal Year Ending March 31, 2024” released today (February 8, 2024).

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023 - March 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	Yen
Full year	33,000	(10.3)	4,500	(17.8)	4,500	(17.0)	3,000 (48.8)	131.91

(Note) Revision to the financial results forecast announced most recently: Yes

For more details on the revision to the consolidated financial results forecast, please refer to the “Notice Concerning Revisions of Consolidated Full-Year Financial Results Forecast (upward revision) and Dividend Forecast (increase) for the Fiscal Year Ending March 31, 2024” released today (February 8, 2024).

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review: None  
(Changes in specified subsidiaries resulting in changes in the scope of consolidation):
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: None
  - 2) Changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares):

December 31, 2023:	25,952,374 shares
March 31, 2023:	25,952,374 shares
  - 2) Total number of treasury shares at the end of the period:

December 31, 2023:	3,206,670 shares
March 31, 2023:	3,214,539 shares
  - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Nine months ended December 31, 2023:	22,742,667 shares
Nine months ended December 31, 2022:	22,728,426 shares

(Note) Treasury shares include the Company shares held by Custody Bank of Japan, Ltd. (Trust Account E) as trust property for the “Board Benefit Trust (BBT)” and the “Japanese employee stock ownership plan (J-ESOP).”

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

**\* Explanation of the proper use of financial results forecast and other notes**

Financial results forecasts and other forward-looking statements contained herein are based on information available as of this report’s publication and certain assumptions that are deemed reasonable, and these forecasts are not guarantees of future performance. Actual results may differ significantly due to various factors. For the assumptions underlying the forecasts herein and cautionary notes on the use of these financial results forecasts, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 3 of the Attachments.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the nine months ended December 31, 2023 (from April 1 to December 31, 2023), the trend toward normalization in socioeconomic activities is steadily progressing. The business performance of domestic companies has also remained steady due in part to benefits from the weaker yen and a recovery in inbound tourism demand resulting from the lifting of entry restrictions, showing a moderate continuous recovery in the Japanese economy. In the lease industry to which the Company belongs, the total lease transaction volume from April to December 2023 was 3,225,700 million yen, up 8.5% year on year (source: “Lease Statistics” by JAPAN LEASING ASSOCIATION, a public interest incorporated association).

Meanwhile, the global tightening of monetary policy driven by inflation worries continues, causing a concern of slowdown in the economy outside Japan. Together with this, following a sharp rise in resource and raw material prices against the backdrop of Russia’s prolonged invasion of Ukraine and the Israeli-Palestinian conflict, it is expected that an upward trend in prices in Japan will continue for the time being. In addition, the number of corporate bankruptcies is on a rising trend along with the arrival of the due date of COVID-19 bailout loans. Future trends in the business environment must be monitored together with the movement of interest rates and foreign exchange.

While such harsh business environments are continuing, the Group’s medium-term management plan, “Co-creation 2024: Challenge for the Future,” of which the basic strategies are “Expanding business foundations” and “Raising the sophistication of corporate structure,” is now in its final year (fiscal year ending March 31, 2024).

Under the medium-term management plan, the Group has positioned the strengthening of environment-related business as the Group’s business growth driver, and is proactively accumulating operating assets and developing new customer bases. At the same time, the Group is striving to expand business operations by promoting sales activities in accordance with regional market characteristics, such as capital investments and real estate-related demand spread throughout the entire Kyushu region, including the Kumamoto area where semiconductor-related industries are increasingly accumulated. In addition, we are expanding business cooperation such as provision of our solutions to the customer base of Nishi-Nippon Financial Holdings, Inc. (Nishi-Nippon FH) in accordance with the capital and business alliance agreement with Nishi-Nippon FH.

Furthermore, the Group issued publicly offered bonds of 5,000 million yen for the first time in July 2023, aiming to build a stable and robust financial foundation through diversification of capital-raising means.

As a result of these efforts, our business performance has fared favorably as shown in the “Notice Concerning Revisions of Consolidated Full-Year Financial Results Forecast (upward revision) and Dividend Forecast (increase) for the Fiscal Year Ending March 31, 2024” disclosed today. For instance, operating assets as of December 31, 2023 were 179,400 million yen, which reached the target of the final year of the medium-term management plan of 166,000 million yen.

Regarding consolidated financial results for the nine months ended December 31, 2023, the Company posted net sales of 24,311 million yen (down 11.2% year on year), operating profit of 3,874 million yen (down 26.0% year on year), ordinary profit of 3,820 million yen (down 27.0% year on year), and profit attributable to owners of parent of 2,605 million yen (down 56.1% year on year), due to a reactionary decline from a pullback following the temporary increase in proceeds from sale of assets for lease (aircrafts) and the recording of gain on sale of investment securities as extraordinary income in the same period of the previous fiscal year. Meanwhile, due to accumulation of operating assets in environment-related areas and steady development of new customer bases, operating assets increased by 16,169 million yen to 179,426 million yen (up 9.9% from the end of the previous fiscal year).

Operating results by business segment are as follows.

1) Leasing/Installment sales

Net sales decreased by 14.3% year on year to 15,272 million yen and operating profit decreased by 58.4% year on year to 1,280 million yen, due to factors such as the recording of proceeds from sale of assets for lease (aircrafts) in the same period of the previous fiscal year despite an increase in new leasing contracts of environment-related areas. Operating assets as of December 31, 2023 were 89,122 million yen (up 6.6% from the end of the previous fiscal year).

2) Finance

Net sales increased by 10.0% year on year to 1,371 million yen and operating profit increased by 13.1% year on year to 835 million yen in line with the increase in interest revenue, etc. due to accumulation of operating assets. Operating assets as of December 31, 2023 were 40,294 million yen (up 22.5% from the end of the previous fiscal year).

3) Real estate

Net sales decreased by 9.5% year on year to 6,468 million yen due to the decrease in proceeds from real estate sales. However, operating profit increased by 26.3% to 1,946 million yen, due to increases in lease revenue and intermediary fee income. Operating assets as of December 31, 2023 were 45,150 million yen (up 6.6% from the end of the previous fiscal year).

4) Fee business

Net sales decreased by 0.1% year on year to 344 million yen and operating profit increased by 25.3% year on year to 174 million yen.

5) Environmental solutions

Net sales increased by 4.6% year on year to 832 million yen and operating profit increased by 31.3% year on year to 135 million yen. As a result of new acquisition of a solar power station, etc., operating assets as of December 31, 2023 were 4,857 million yen (up 10.9% from the end of the previous fiscal year).

(2) Explanation of Financial Position

Assets, liabilities and net assets

Total assets at the end of the nine months under review increased by 16,312 million yen or 9.3% from the end of the previous fiscal year to 191,826 million yen. This was mainly due to an increase of 2,848 million yen in lease receivables and investments in leases, an increase of 2,913 million yen in installment receivables, an increase of 7,393 million yen in accounts receivable - operating loans, and an increase of 2,528 million yen in real estate for rent.

Total liabilities increased by 14,307 million yen or 10.4% from the end of the previous fiscal year to 151,932 million yen. This was mainly due to an increase of 7,900 million yen in bonds payable, an increase of 6,910 million yen in borrowings, and a decrease of 1,795 million yen in income taxes payable.

Total net assets increased by 2,005 million yen or 5.3% from the end of the previous fiscal year to 39,894 million yen. This was mainly due to an increase of 1,961 million yen in retained earnings.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The Company has reviewed the consolidated financial results forecast by taking into account its performance for the nine months ended December 31, 2023. As a result, the full-year financial results forecast for the fiscal year ending March 31, 2024, which was announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]” on May 10, 2023, has been revised.

Please refer to the “Notice Concerning Revisions of Consolidated Full-Year Financial Results Forecast (upward revision) and Dividend Forecast (increase) for the Fiscal Year Ending March 31, 2024” disclosed today for details.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of December 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	6,095	5,186
Notes and accounts receivable - trade	124	44
Installment receivables	22,773	25,686
Lease receivables and investments in leases	56,067	58,915
Accounts receivable - operating loans	32,900	40,294
Accounts receivable - lease	304	301
Real estate for sale	14,467	12,537
Other	471	1,147
Allowance for doubtful accounts	(343)	(383)
Total current assets	132,861	143,731
Non-current assets		
Property, plant and equipment		
Assets for lease		
Real estate for rent, net	25,806	28,335
Other, net	5,506	5,335
Total assets for lease	31,313	33,670
Other operating assets	3,487	3,499
Own-used assets	567	552
Total property, plant and equipment	35,369	37,722
Intangible assets	384	539
Investments and other assets		
Investment securities	5,418	8,178
Other	1,480	1,655
Total investments and other assets	6,898	9,833
Total non-current assets	42,652	48,095
Total assets	175,514	191,826

(Million yen)

	As of March 31, 2023	As of December 31, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,376	3,283
Short-term borrowings	29,545	42,696
Current portion of bonds payable	200	500
Income taxes payable	2,465	670
Provisions	437	364
Other	5,892	6,156
Total current liabilities	40,916	53,670
Non-current liabilities		
Bonds payable	1,800	9,400
Long-term borrowings	84,879	78,639
Provisions	37	39
Retirement benefit liability	331	366
Asset retirement obligations	415	436
Other	9,245	9,380
Total non-current liabilities	96,708	98,261
Total liabilities	137,624	151,932
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,933	2,933
Capital surplus	811	811
Retained earnings	34,179	36,140
Treasury shares	(996)	(993)
Total shareholders' equity	36,927	38,891
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	628	658
Total accumulated other comprehensive income	628	658
Non-controlling interests	332	344
Total net assets	37,889	39,894
Total liabilities and net assets	175,514	191,826



(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	27,387	24,311
Cost of sales	20,080	18,220
Gross profit	7,307	6,091
Selling, general and administrative expenses	2,067	2,216
Operating profit	5,239	3,874
Non-operating income		
Dividend income	85	39
Foreign exchange gains	–	14
Other	20	18
Total non-operating income	106	72
Non-operating expenses		
Interest expenses	58	49
Bond issuance costs	–	34
Shareholders related costs	30	23
Other	25	18
Total non-operating expenses	114	127
Ordinary profit	5,231	3,820
Extraordinary income		
Gain on sale of investment securities	3,404	3
Total extraordinary income	3,404	3
Extraordinary losses		
Restructuring cost	139	–
Total extraordinary losses	139	–
Profit before income taxes	8,495	3,823
Income taxes – current	2,630	1,127
Income taxes – deferred	(82)	69
Total income taxes	2,548	1,196
Profit	5,947	2,626
Profit attributable to non-controlling interests	8	20
Profit attributable to owners of parent	5,939	2,605

Quarterly Consolidated Statements of Comprehensive Income  
 Nine Months Ended December 31

(Million yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	5,947	2,626
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,255)	29
Total other comprehensive income	(1,255)	29
Comprehensive income	4,691	2,655
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,683	2,635
Comprehensive income attributable to non-controlling interests	8	20

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Additional information)

(Transactions of delivering the Company's own stock to employees, etc. through trusts)

The Company introduced a performance-based stock compensation plan (the "Board Benefit Trust (BBT)") for its Directors and Audit & Supervisory Board Members (excluding Outside Directors and Outside Audit & Supervisory Board Members), and an incentive plan (the "Japanese employee stock ownership plan (J-ESOP)") that delivers the Company's shares to employees who have satisfied certain requirements (hereinafter, collectively referred to as the "Trust").

The Company's shares held by the Trust are presented as treasury shares under net assets in the quarterly consolidated balance sheets, and the book value and the number of these treasury shares as of the end of the previous fiscal year were 303 million yen and 1,024,200 shares, respectively, while those as of the end of the third quarter under review were 300 million yen and 1,016,300 shares, respectively.

(Segment information, etc.)

(Segment information)

I. For the nine months ended December 31, 2022 (from April 1, 2022 to December 31, 2022)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment					
	Leasing/ Installment sales	Finance	Real estate	Fee business	Environmental solutions	Total
Net sales						
Net sales to outside customers	17,826	1,246	7,151	344	795	27,364
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	17,826	1,246	7,151	344	795	27,364
Segment profit (loss)	3,081	738	1,541	139	103	5,604

	Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
Net sales				
Net sales to outside customers	23	27,387	—	27,387
Inter-segment net sales or transfers	—	—	—	—
Total	23	27,387	—	27,387
Segment profit (loss)	(3)	5,600	(360)	5,239

(Notes) 1. “Others” include business segments that are not included in reportable segments, including sale of goods.

2. The negative 360 million yen adjustment for segment profit (loss) represents corporate expenses unallocated to reportable segments consisting of general administrative expenses.

3. Segment profit (loss) was adjusted based on operating profit reported on the quarterly consolidated statements of income for the corresponding period.

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

Not applicable.

II. For the nine months ended December 31, 2023 (from April 1, 2023 to December 31, 2023)

1. Information on net sales and profit (loss) by reportable segment

(Million yen)

	Reportable segment					
	Leasing/ Installment sales	Finance	Real estate	Fee business	Environmental solutions	Total
Net sales						
Net sales to outside customers	15,272	1,371	6,468	344	832	24,288
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	15,272	1,371	6,468	344	832	24,288
Segment profit (loss)	1,280	835	1,946	174	135	4,372

	Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
Net sales				
Net sales to outside customers	23	24,311	—	24,311
Inter-segment net sales or transfers	—	—	—	—
Total	23	24,311	—	24,311
Segment profit (loss)	(13)	4,358	(484)	3,874

(Notes) 1. “Others” include business segments that are not included in reportable segments, including sale of goods.

2. The negative 484 million yen adjustment for segment profit (loss) represents corporate expenses unallocated to reportable segments consisting of general administrative expenses.

3. Segment profit (loss) was adjusted based on operating profit reported on the quarterly consolidated statements of income for the corresponding period.

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

Not applicable.

### 3. Supplementary Information

#### Operating assets (Consolidated)

Name of segment		As of March 31, 2023		As of December 31, 2023	
		Year-end amount (Million yen)	Percentage (%)	3rd quarter-end amount (Million yen)	Percentage (%)
Lease/Installment sales	Finance leases	55,327	33.9	58,101	32.4
	Operating leases	5,506	3.4	5,335	3.0
	Total leases	60,834	37.3	63,436	35.4
	Installment sales	22,773	13.9	25,686	14.3
	Total leases and installment sales	83,607	51.2	89,122	49.7
Finance		32,900	20.2	40,294	22.4
Real estate	Operating leases	25,806	15.8	28,441	15.9
	Other	16,562	10.1	16,709	9.3
	Total real estate	42,369	25.9	45,150	25.2
Environmental solutions		4,378	2.7	4,857	2.7
Total		163,256	100.0	179,426	100.0