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Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [Japanese GAAP]



May 12, 2022

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
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 Scheduled date of general shareholders' meeting: June 29, 2022
 Scheduled date of commencing dividend payments: June 10, 2022
 Scheduled date of filing securities report: June 30, 2022
 Availability of supplementary explanatory materials on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(1) Consolidated Operating Results (% 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
Fiscal year ended March 31, 2022	29,555	4.6	3,250	(9.5)	3,299	(11.7)	2,127
March 31, 2021	28,259	12.2	3,592	4.8	3,735	5.5	1,860

(Note) Comprehensive income: Fiscal year ended March 31, 2022: 1,822 million yen [(31.5)%]

Fiscal year ended March 31, 2021: 2,661 million yen [23.9%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2022	93.65	—	6.5	2.1	11.0
March 31, 2021	82.00	—	6.1	2.6	12.7

(Reference) Equity in earnings of affiliated companies: Fiscal year ended March 31, 2022: (3) million yen

Fiscal year ended March 31, 2021: (21) million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	169,417	33,467	19.7	1,466.83
As of March 31, 2021	148,523	32,033	21.5	1,404.63

(Reference) Equity: As of March 31, 2022: 33,336 million yen

As of March 31, 2021: 31,885 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at year-end
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	(19,882)	(81)	20,188	4,947
March 31, 2021	(1,267)	(2)	665	4,722

2. Dividends

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 31, 2021	—	7.50	—	9.00	16.50	392	20.1	1.2
Fiscal year ended March 31, 2022	—	8.00	—	10.50	18.50	439	19.8	1.3
Fiscal year ending March 31, 2023 (Forecast)	—	9.00	—	9.50	18.50		19.1	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 - March 31, 2023)

(% 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	31,000	4.9	3,500	7.7	3,500	6.1	2,200	96.80

* Notes:

(1) Changes in significant subsidiaries during the period under review: None

(Changes in specified subsidiaries resulting in changes in the scope of consolidation):

Newly included: — (), Excluded: — ()

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(Note) For details, please refer to “3. Consolidated Financial Statements and Principal Notes (5) Notes to Consolidated Financial Statements (Changes in accounting policies)” on page 15 of the Attachments.

(3) Total number of issued and outstanding shares (common shares)

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

March 31, 2022: 25,952,374 shares

March 31, 2021: 25,952,374 shares

2) Total number of treasury shares at the end of the year:

March 31, 2022: 3,225,404 shares

March 31, 2021: 3,251,904 shares

3) Average number of shares outstanding during the year:

Year ended March 31, 2022: 22,721,019 shares

Year ended March 31, 2021: 22,686,431 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).”

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 - March 31, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2022	27,991	4.9	2,909	(12.2)	2,985	(14.6)	1,997	15.9
March 31, 2021	26,672	13.0	3,312	4.8	3,496	5.4	1,723	(24.1)

	Basic earnings per share	Diluted earnings per share
Year ended	Yen	Yen
March 31, 2022	87.93	—
March 31, 2021	75.97	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	163,586	33,095	20.2	1,456.24
As of March 31, 2021	142,763	31,774	22.3	1,399.75

(Reference) Equity: As of March 31, 2022: 33,095 million yen

As of March 31, 2021: 31,774 million yen

* These consolidated financial results are outside the scope of audit 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 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. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Attachments.

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022), economic and social activities continued to be heavily impacted by the recurring cycles of outbreak and contraction of the novel coronavirus disease (COVID-19).

In Japan, while the rollout of COVID-19 vaccines progressed, an outbreak of a highly contagious variant of the disease caused states of emergency to be declared and quasi-emergency measures to be taken intermittently, which resulted in weak consumer spending and manufacturing activities, keeping the Japanese economy in a difficult situation. Although the Japanese economy has begun to show signs of recovery since the states of emergency and quasi-emergency measures were lifted, the end of the COVID-19 pandemic is still not in sight, and this, combined with factors such as soaring prices globally of crude oil and raw materials against the backdrop of Russia's invasion of Ukraine, rising interest rates due to inflationary concerns in the United States, and the progressively weakening of the yen caused by those factors, the outlook for the economy remains uncertain.

■ Efforts toward the medium-term management plan, “Co-creation 2024: Challenge for the Future”

Under such circumstances, in April 2021, the Group launched its medium-term management plan, “Co-creation 2024: Challenge for the Future,” covering the period from April 2021 to March 2024, the basic policies of which are “Expanding business foundations” and “Raising the sophistication of corporate structure.”

Expanding business foundations

We have declared as our priority strategies for the expansion of our business foundations “Reinforcement of initiatives in environment-related areas,” “Further deepening of core businesses,” “Challenge toward new business domains,” and “Contributing to regional creation and entering new markets,” and we are working on various measures toward these ends.

Our declared target of environment-related operating assets of 24 billion yen by March 31, 2024 (up 40% from March 31, 2021) was commended by external credit rating agencies as an extremely aggressive target that would have a positive impact on the environment and society simultaneously. In September 2021, we set this target of environment-related operating assets as our sustainability performance targets (SPTs) and became the first company in Kyushu to raise capital through a sustainability linked loan, where the lending financial institution links the interest rate to the level of achievement of the SPTs. Furthermore, in October, the Company concluded a contract to invest in a ship investment fund whose main investment target is LNG carriers that use liquefied natural gas (LNG) as the main fuel, which has a lower environmental load than coal and petroleum. By expanding environment-related businesses, we will support decarbonization initiatives and environmental load reduction activities by local companies mainly in Kyushu. We will also contribute to the development of regional economy and the achievement of a sustainable society.

Raising the sophistication of corporate structure

We have declared as our priority strategies for raising the sophistication of our corporate structure “Workflow and resources reform,” “Strengthening of the governance structure,” and “Human capital development (turning human resources into human capital)” and are working on various measures toward these ends.

As part of our “workflow and resources reform,” in addition to achieving the digitization of invoices issued to customers, we have also started on the digitization of various types of contract. In terms of strengthening the governance structure, in light of the various principles in the Corporate Governance Code of Tokyo Stock Exchange, Inc., which was revised on June 11, 2021, we have worked on the identification of issues in the Company and on the establishment of the necessary governance frameworks. In addition, to ensure diversity in the promotion, etc. of core personnel, we have established targets for the promotion of women and mid-career hires to management positions and disclosed those targets in our Corporate Governance Report on December 28, 2021.

Results for management indicators set as targets in the medium-term management plan as of March 31, 2022

Consolidated	March 2022 Results	March 2024 Target
Operating profit	3.2 billion yen	4.0 billion yen
Operating assets	156.2 billion yen	166.0 billion yen

In addition, the Company announced on November 25, 2021 that it had entered into the “Basic Agreement on Capital and Business Alliance” with Nishi-Nippon Financial Holdings, Inc. (Nishi-Nippon FH) to discuss and consider the realization of a capital and business alliance. Under that agreement, a contract for a capital and business alliance was concluded on May 12, 2022. It was intended that the Company become an equity-method affiliate of Nishi-Nippon FH by the end of October this year on the assumption that a proposal regarding an agreement for a company split to succeed part of the Company’s business will be approved at the Annual General Meeting of Shareholders scheduled to be held on June 29. The idea is that the two companies, which share the same main foothold, will further deepen their cooperation and provide a wider range of solutions to the needs of customers, leading to the improvement of the sustainability of the region and, by extension, the corporate value of both companies.

Regarding consolidated financial results for the fiscal year ended March 31, 2022, all segments generally performed according to projections, and the Company posted net sales of 29,555 million yen (up 4.6% year on year), but operating profit was 3,250 million yen (down 9.5% year on year) and ordinary profit was 3,299 million yen (down 11.7% year on year), primarily due to a decline in gains on sales of real estate, and profit attributable to owners of parent was 2,127 million yen (up 14.4% year on year), due to a decrease in extraordinary losses. On the other hand, as a result of aggressive sales activities centered on environment-related businesses, operating assets increased by 20,071 million yen to 156,280 million yen (up 14.7% from the end of the previous fiscal year).

Operating results by business segment are as follows.

1) Leasing/Installment sales

Net sales increased by 4.5% year on year to 17,283 million yen thanks to an increase in new leasing contracts mainly of commercial facilities, but operating profit decreased by 13.6% year on year to 1,132 million yen, primarily due to an increase in the allowance for doubtful accounts to prepare for a decline in business performance of customers. Operating assets as of March 31, 2022 were 81,359 million yen (up 17.7% from the end of the previous fiscal year).

2) Finance

Net sales increased by 16.5% year on year to 1,667 million yen and operating profit increased by 11.3% year on year to 927 million yen, in line with the increase in interest revenue, etc., reflecting the increase in operating assets thanks to our increased efforts for expanding environment-related businesses. Operating assets as of March 31, 2022 were 32,453 million yen (up 18.6% from the end of the previous fiscal year).

3) Real estate

Net sales increased by 2.7% year on year to 9,171 million yen, primarily due to an increase in lease revenue, but operating profit decreased by 13.1% year on year to 1,487 million yen, primarily due to a decrease in gains on sales of real estate. Primarily as a result of the acquisition of properties of real estate for sale, operating assets as of March 31, 2022 were 37,792 million yen (up 7.8% from the end of the previous fiscal year).

4) Fee business

Net sales increased by 0.9% year on year to 399 million yen, due to increases in automobile-related commission

income and income from the insurance agency business, and operating profit decreased by 3.7% year on year to 146 million yen.

5) Environmental solutions

Net sales increased by 7.7% year on year to 1,000 million yen and operating profit increased by 1.1% year on year to 88 million yen, due to the revenue from the solar power station acquired in September 2020 and an increase in the sales of environment-related devices such as LED lighting. Operating assets as of March 31, 2022 were 4,675 million yen (up 0.6% from the end of the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year under Review

Assets, liabilities and net assets

Total assets at the end of the fiscal year under review increased by 20,893 million yen or 14.1% from the end of the previous fiscal year to 169,417 million yen reflecting the increase in operating assets. This was mainly due to an increase of 3,728 million yen in lease receivables and investments in leases, an increase of 2,806 million yen in installment receivables, an increase of 5,078 million yen in accounts receivable - operating loans, and an increase of 5,796 million yen in assets for lease.

Total liabilities increased by 19,459 million yen or 16.7% from the end of the previous fiscal year to 135,950 million yen. This was mainly due to an increase of 20,880 million yen in borrowings.

Total net assets increased by 1,433 million yen or 4.5% from the end of the previous fiscal year to 33,467 million yen. This was mainly due to an increase of 1,746 million yen in retained earnings.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review were 4,947 million yen, an increase of 224 million yen from the end of the previous fiscal year.

Status of Cash Flows from Operating Activities

Net cash used in operating activities was 19,882 million yen, compared with a cash outflow of 1,267 million yen in the previous fiscal year. The principal cash inflow factors were 3,194 million yen in profit before taxes and 1,144 million yen in depreciation. The principal cash outflow factors were 6,994 million yen in acquisition of assets for lease, an increase of 5,078 million yen in accounts receivable - operating loans, an increase of 1,827 million yen in real estate for sale an increase of 3,938 million yen in lease receivables and investments in leases, and an increase of 2,910 million yen in installment receivables.

Status of Cash Flows from Investing Activities

Net cash used in investing activities was 81 million yen, compared with a cash outflow of 2 million yen in the previous fiscal year. The principal cash inflow factor was 111 million yen in proceeds from sales and redemption of investment securities, and the principal cash outflow factor was 171 million yen in purchase of investment securities.

Status of Cash Flows from Financing Activities

Net cash provided by financing activities was 20,188 million yen, compared with a cash inflow of 665 million yen in the previous fiscal year. The principal cash inflow factor was a net increase in long-term and short-term borrowings of 20,880 million yen, and the principal cash outflow factors were 403 million yen in dividends paid, 172 million yen in repayments of lease obligations, and 100 million yen in redemption of bonds.

(4) Future Outlook

Economic and social activities both in Japan and abroad continued to be heavily impacted by the recurring cycles of outbreak and contraction of the novel coronavirus disease (COVID-19). The outlook for economic and social activities both in Japan and abroad is expected to remain uncertain due to soaring prices globally of crude oil and raw materials against the backdrop of Russia's invasion of Ukraine, rising interest rates due to inflationary concerns in the United States, and the progressive weakening of the yen caused by those factors.

Under such circumstances, the Group will implement its medium-term management plan, "Co-creation 2024: Challenge for the Future," based on our fundamental approach of "Challenge for further growth" and "Construction of resilient management foundations," under the Group's corporate philosophy of "Co-existence and co-prosperity" and "Regional contribution." As a Kyushu-based comprehensive financial services company, together with our various stakeholders (shareholders, customers, local communities and society, employees, etc.), we will work toward "Expanding business foundations" and "Raising the sophistication of corporate structure" in our aim to create new value and an abundant future.

Most recently, amid major changes in social and economic structures and behavioral patterns resulting from the COVID-19 pandemic, many of our customers are under pressure to review their business models in response to factors such as soaring crude oil and raw materials prices and the weakening of the yen. In addition to our efforts to identify our customers' needs appropriately and in a timely manner, we will demonstrate our comprehensive financial services capabilities to the fullest to support our customers to the best of our ability.

*Resilient ⇒ Flexible and tenacious

Financial results forecasts for the year ending March 31, 2023 are net sales of 31,000 million yen (up 4.9% year on year), operating profit of 3,500 million yen (up 7.7% year on year), ordinary profit of 3,500 million yen (up 6.1% year on year), and profit attributable to owners of parent of 2,200 million yen (up 3.4% year on year).

(5) Material Contracts, Etc.

On November 25, 2021, the Company entered into a "Basic Agreement on Capital and Business Alliance" with Nishi-Nippon Financial Holdings, Inc. to discuss and consider the realization of a capital and business alliance. After subsequent discussions on concluding an agreement for a capital and business alliance between the two companies, at the meeting of the Board of Directors held on this date, it was resolved to enter into a capital and business alliance, and an agreement for a capital and business alliance was concluded. For details, please refer to the "Notice Regarding the Conclusion of a Capital and Business Alliance Agreement between KYUSHU LEASING SERVICE CO., LTD. and Nishi-Nippon Financial Holdings, Inc." released on this date.

In addition, at the meeting of the Board of Directors held on this date, it was resolved to succeed part of the Company's business, including the real estate business, to the Company's wholly owned subsidiary, K.L.I.CO.,LTD in an absorption-type company split, and an absorption-type company split agreement was concluded on this date. For details, please refer to the "Notice Regarding the Conclusion of an Agreement for an Absorption-type Company Split Agreement Through the Succession of Part of the Company's Business, Including the Real Estate Business to a Subsidiary of the Company."

2. Basic Policy on Selection of Accounting Standards

The Company has adopted Japanese GAAP for the preparation of its consolidated financial statements to ensure the comparability of consolidated financial statements among companies and across periods. With regard to the adoption of International Financial Reporting Standards (IFRS), the Company's policy is to take appropriate measures after consideration of the situation in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	4,722	4,947
Notes and accounts receivable - trade	76	93
Installment receivables	17,713	20,520
Lease receivables and investments in leases	50,266	53,994
Accounts receivable - operating loans	27,375	32,453
Accounts receivable - lease	175	393
Real estate for sale	7,229	9,490
Other	335	1,254
Allowance for doubtful accounts	(252)	(371)
Total current assets	107,642	122,774
Non-current assets		
Property, plant and equipment		
Assets for lease		
Real estate for rent, net	26,371	26,545
Other, net	2,003	7,625
Total assets for lease	28,374	34,171
Other operating assets		
Leased assets, net	3,051	2,792
Other, net	750	1,067
Total other operating assets	3,801	3,859
Own-used assets	678	660
Total property, plant and equipment	32,854	38,691
Intangible assets	513	406
Investments and other assets		
Investment securities	6,482	6,591
Distressed receivables	37	36
Deferred tax assets	95	83
Other	896	832
Total investments and other assets	7,512	7,543
Total non-current assets	40,881	46,642
Total assets	148,523	169,417

(Million yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,998	2,252
Short-term borrowings	33,833	49,008
Current portion of bonds payable	100	200
Lease liabilities	476	399
Income taxes payable	457	484
Provision for bonuses	133	140
Provision for loss on guarantees	213	257
Other	4,526	4,583
Total current liabilities	42,740	57,325
Non-current liabilities		
Bonds payable	200	—
Long-term borrowings	62,164	67,871
Lease liabilities	3,269	3,001
Deferred tax liabilities	358	361
Provision for share awards for directors (and other officers)	25	25
Retirement benefit liability	364	363
Asset retirement obligations	337	348
Long-term leasehold and guarantee deposits received	3,202	3,159
Other	3,826	3,492
Total non-current liabilities	73,749	78,624
Total liabilities	116,490	135,950
Net assets		
Shareholders' equity		
Share capital	2,933	2,933
Capital surplus	835	835
Retained earnings	27,081	28,828
Treasury shares	(1,008)	(999)
Total shareholders' equity	29,841	31,597
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,044	1,739
Total accumulated other comprehensive income	2,044	1,739
Non-controlling interests	147	130
Total net assets	32,033	33,467
Total liabilities and net assets	148,523	169,417

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

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales		
Lease sales	16,314	17,001
Real estate lease revenue	2,460	2,379
Installment sales	430	484
Finance revenue	806	965
Other incost relating to real estate	6,457	6,787
Other net sales	1,790	1,936
Total net sales	28,259	29,555
Cost of sales		
Lease costs	14,238	15,090
Cost of real estate lease revenue	963	913
Capital costs	612	605
Other cost relating to real estate	5,735	6,307
Other cost of sales	619	669
Total cost of sales	22,168	23,587
Gross profit	6,091	5,967
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	42	214
Provision for loss on guarantees	68	44
Salaries and allowances	726	745
Bonuses	261	280
Retirement benefit expenses	66	58
Welfare expenses	205	212
Rent expenses	101	103
Taxes and dues	117	114
Depreciation	190	168
Other	718	775
Total selling, general and administrative expenses	2,498	2,717
Operating profit	3,592	3,250
Non-operating income		
Interest income	0	0
Dividend income	122	121
Gain on sale of investment securities	107	4
Other	16	15
Total non-operating income	247	141
Non-operating expenses		
Interest expenses	59	57
Share of loss of entities accounted for using equity method	21	3
Other	22	32
Total non-operating expenses	104	93
Ordinary profit	3,735	3,299
Extraordinary profit		
Gain on sales of real estate for rent	—	4
Gain on sale of shares of subsidiaries and associates	—	76
Total extraordinary income	—	80
Extraordinary losses		
Impairment losses	1,237	121
Penalty loss	—	63
Total extraordinary losses	1,237	185
Profit before income taxes	2,498	3,194
Income taxes – current	892	918
Income taxes – deferred	(261)	148

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Total income taxes	630	1,066
Profit	1,868	2,127
Profit attributable to non-controlling interests	7	(0)
Profit attributable to owners of parent	1,860	2,127

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Profit	1,868	2,127
Other comprehensive income		
Valuation difference on available-for-sale securities	792	(304)
Deferred gains or losses on hedges	0	—
Total other comprehensive income	793	(304)
Comprehensive income	2,661	1,822
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,653	1,823
Comprehensive income attributable to non-controlling interests	7	(0)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,933	835	25,589	(1,017)	28,340
Changes during period					
Dividends of surplus			(368)		(368)
Profit attributable to owners of parent			1,860		1,860
Disposal of treasury shares				9	9
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,491	9	1,500
Balance at end of period	2,933	835	27,081	(1,008)	29,841

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of period	1,251	(0)	1,250	150	29,741
Changes during period					
Dividends of surplus					(368)
Profit attributable to owners of parent					1,860
Purchase of treasury shares					9
Net changes in items other than shareholders' equity	792	0	793	(2)	791
Total changes during period	792	0	793	(2)	2,291
Balance at end of period	2,044	—	2,044	147	32,033

Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,933	835	27,081	(1,008)	29,841
Cumulative effects of changes in accounting policies			22		22
Restated balance	2,933	835	27,104	(1,008)	29,864
Changes during period					
Dividends of surplus			(403)		(403)
Profit attributable to owners of parent			2,127		2,127
Disposal of treasury shares				8	8
Net changes in items other than shareholders' equity					
Total changes during period	—	—	1,723	8	1,732
Balance at end of period	2,933	835	28,828	(999)	31,597

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of period	2,044	—	2,044	147	32,033
Cumulative effects of changes in accounting policies					22
Restated balance	2,044	—	2,044	147	32,056
Changes during period					
Dividends of surplus					(403)
Profit attributable to owners of parent					2,127
Disposal of treasury shares					8
Net changes in items other than shareholders' equity	(304)	—	(304)	(17)	(322)
Total changes during period	(304)	—	(304)	(17)	1,410
Balance at end of period	1,739	—	1,739	130	33,467

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	2,498	3,194
Depreciation	1,314	1,144
Impairment loss	1,237	121
Loss (gain) on sales of real estate for rent	—	(4)
Increase (decrease) in allowance for doubtful accounts	30	187
Increase (decrease) in provision for bonuses	0	6
Increase (decrease) in provision for loss on guarantees	68	44
Increase (decrease) in provision for share awards for directors (and other officers)	5	(0)
Increase (decrease) in retirement benefit liability	(26)	8
Interest and dividend income	(123)	(121)
Capital costs and interest expenses	672	663
Foreign exchange losses (gains)	0	(0)
Share of loss (profit) of entities accounted for using equity method	21	3
Loss (gain) on sales of investment securities	(107)	(4)
Loss (gain) on sale of shares of subsidiaries and associates	—	(76)
Decrease (increase) in installment receivables	(1,450)	(2,910)
Net decrease (increase) in lease receivables and investments in leases	(1,136)	(3,938)
Decrease (increase) in accounts receivable - operating loans	(2,078)	(5,078)
Decrease (increase) in real estate for sale	1,412	(1,827)
Proceeds from sales of assets for lease	—	16
Purchase of assets for lease	(1,098)	(6,994)
Purchase of other operating assets	(439)	(433)
Decrease (increase) in distressed receivables	23	5
Increase (decrease) in trade payables	431	(745)
Other, net	(969)	(1,704)
Subtotal	287	(18,445)
Interest and dividend received	125	121
Interest paid	(674)	(667)
Income taxes paid	(1,006)	(891)
Net cash provided by (used in) operating activities	(1,267)	(19,882)

(Million yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from investing activities		
Purchase of own-used assets	(17)	(18)
Purchase of intangible assets	(10)	(13)
Purchase of investment securities	(207)	(171)
Proceeds from sale and redemption of investment securities	222	111
Other, net	9	10
Net cash provided by (used in) investing activities	(2)	(81)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	400	12,400
Proceeds from long-term borrowings	28,700	37,968
Repayments of long-term borrowings	(27,454)	(29,487)
Redemption of bonds	(434)	(100)
Repayments of lease liabilities	(168)	(172)
Dividends paid	(367)	(403)
Repayments to non-controlling shareholders	—	(13)
Other, net	(9)	(3)
Net cash provided by (used in) financing activities	665	20,188
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	(604)	224
Cash and cash equivalents at beginning of period	5,327	4,722
Cash and cash equivalents at end of period	4,722	4,947

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable

(Changes in accounting policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the fiscal year under review. The application of this accounting standard has only minimal impact on the consolidated financial statements.

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. effective from the beginning of the fiscal year under review, and in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement and paragraph 44-2 of “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc. into the future.

The application of this accounting standard has no impact on the consolidated financial statements.

(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 consolidated balance sheets, and the book value and the number of these treasury shares as of the end of the previous fiscal year were 315 million yen and 1,061,600 shares, respectively, while those as of the end of the fiscal year under review were 306 million yen and 1,035,100 shares, respectively.

(Segment information, etc.)

(Segment information)

1. Overview of reportable segments

The Company's reportable segments are segments that are regularly reviewed by the Board of Directors to determine the allocation of management resources and assess business results.

The Company services a wide range of customers, conducting leasing and installment sales, finance for corporate lending, real estate business, including the sale and leasing of real estate, and a fee business, which includes soliciting life insurance and introducing automotive leases. It has classified "Leasing/installment sales," "Finance," "Real estate," "Fee business," and "Environmental solutions" as its reportable segments according to the type of services offered.

2. Method of calculation of net sales, income (loss), assets, liabilities, and other items by reportable segment

The method of accounting for reported business segments is generally the same as described in "Important Matters Concerning the Basis for Preparation of Consolidated Financial Statements."

3. Information on net sales, profit (loss), assets, liabilities, and other items by reportable segment

For the year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Million yen)

	Reportable segment					
	Leasing/ Installment sales	Finance	Real estate	Fee business	Environmental solutions	Total
Net sales						
Net sales to outside customers	16,531	1,431	8,926	395	929	28,213
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	16,531	1,431	8,926	395	929	28,213
Segment profit (loss)	1,310	833	1,712	151	87	4,095

	Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
Net sales				
Net sales to outside customers	45	28,259	—	28,259
Inter-segment net sales or transfers	—	—	—	—
Total	45	28,259	—	28,259
Segment profit (loss)	(7)	4,087	(495)	3,592

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

2. The negative 495 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 consolidated statements of income for the corresponding period.

For the year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(Million yen)

	Reportable segment					
	Leasing/ Installment sales	Finance	Real estate	Fee business	Environmental solutions	Total
Net sales						
Net sales to outside customers	17,283	1,667	9,171	399	1,000	29,521
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	17,283	1,667	9,171	399	1,000	29,521
Segment profit (loss)	1,132	927	1,487	146	88	3,782

	Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
Net sales				
Net sales to outside customers	34	29,555	—	29,555
Inter-segment net sales or transfers	—	—	—	—
Total	34	29,555	—	29,555
Segment profit (loss)	(21)	3,760	(509)	3,250

- (Notes) 1. “Others” include business segments that are not included in reportable segments, including sale of goods.
2. The negative 509 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 consolidated statements of income for the corresponding period.

4. Matters pertaining to changes in reportable segments

The Company has applied the Accounting Standard for Revenue Recognition, etc., effective from the beginning of the fiscal year under review, as stated in “Changes in accounting policies,” and due to the change in the accounting treatment of revenue recognition, it has similarly changed the method of calculating the profit (loss) of business segments.

This change in calculation method has had only minimal impact on the “Net sales to outside customers” and “Segment profit (loss)” of each business segment for the fiscal year under review.

(Per share information)

	For the year ended March 31, 2021	For the year ended March 31, 2022
Net assets per share	1,404.63 yen	1,466.83 yen
Basic earnings per share	82.00 yen	93.65 yen

- (Notes) 1. Data on diluted earnings per share is not presented above, as there were no potential shares with a dilutive effect.
2. “Number of common shares at end of period used for calculating net assets per share” does not include the Company shares held by a stock benefit trust as trust property for the “Board Benefit Trust (BBT)” and the “Japanese employee stock ownership plan (J-ESOP)” (1,061,600 shares in the previous fiscal year; 1,035,100 shares in the fiscal year under review).
“Average number of common shares outstanding during the period” used in the calculation of basic earnings per share does not include the Company shares held by a stock benefit trust as trust property for the “Board Benefit Trust (BBT)” and the “Japanese employee stock ownership plan (J-ESOP)” (1,075,638 shares in the previous fiscal year; 1,041,050 shares in the fiscal year under review).
3. The basis for calculating basic earnings per share is as follows.

Item	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	1,860	2,127
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common shares (Million yen)	1,860	2,127
Average number of common shares outstanding during the period	22,686,431	22,721,019

4. The basis for calculating net assets per share is as follows.

Item	As of March 31, 2021	As of March 31, 2022
Total net assets (Million yen)	32,033	33,467
Amount deducted from total net assets (Million yen)	147	130
[Of which, non-controlling interests]	[147]	[130]
Net assets at end of period relating to common shares (Million yen)	31,885	33,336
Number of common shares at end of period used for calculating net assets per share	22,700,470	22,726,970

(Significant subsequent events)

Not applicable.

4. Supplementary Information

Operating assets (Consolidated)

Name of segment		As of March 31, 2021		As of March 31, 2022	
		Year-end amount (Million yen)	Percentage (%)	Year-end amount (Million yen)	Percentage (%)
Lease/Installment sales	Finance leases	49,420	36.3	53,213	34.0
	Operating leases	2,003	1.5	7,625	4.9
	Total leases	51,423	37.8	60,838	38.9
	Installment sales	17,713	13.0	20,520	13.1
	Total leases and installment sales	69,137	50.8	81,359	52.0
Finance		27,375	20.1	32,453	20.8
Real estate	Operating leases	26,371	19.3	26,545	17.0
	Other	8,677	6.4	11,247	7.2
	Total real estate	35,048	25.7	37,792	24.2
Environmental solutions		4,647	3.4	4,675	3.0
Total		136,208	100.0	156,280	100.0