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Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 [Japanese GAAP]



May 10, 2023

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 general shareholders' meeting: June 29, 2023
 Scheduled date of commencing dividend payments: June 8, 2023
 Scheduled date of filing securities report: June 30, 2023
 Availability of supplementary explanatory materials on annual financial results: Available
 Schedule of annual financial results briefing session: Not scheduled

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

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

(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, 2023	36,807	24.5	5,477	68.5	5,422	64.4	5,862	175.5
March 31, 2022	29,555	4.6	3,250	(9.5)	3,299	(11.7)	2,127	14.4

(Note) Comprehensive income: Fiscal year ended March 31, 2023: 4,751 million yen [160.7%]

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

	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, 2023	257.89	—	16.5	3.1	14.9
March 31, 2022	93.65	—	6.5	2.1	11.0

(Reference) Equity in earnings of affiliated companies:

Fiscal year ended March 31, 2023: — million yen

Fiscal year ended March 31, 2022: (3) 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, 2023	175,514	37,889	21.4	1,651.72
As of March 31, 2022	169,417	33,467	19.7	1,466.83

(Reference) Equity: As of March 31, 2023: 37,556 million yen

As of March 31, 2022: 33,336 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, 2023	(1,300)	3,619	(1,157)	6,095
March 31, 2022	(19,882)	(81)	20,188	4,947

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, 2022	—	8.00	—	10.50	18.50	439	19.8	1.3
Fiscal year ended March 31, 2023	—	11.00	—	14.50	25.50	605	9.9	1.6
Fiscal year ending March 31, 2024 (Forecast)	—	12.50	—	13.00	25.50		22.3	

(Note) Breakdown for the six months ended September 30, 2022

Ordinary dividend: 9.00 yen

Special dividend: 2.00 yen

Breakdown for the fiscal year ended March 31, 2023

Ordinary dividend: 11.50 yen

Special dividend: 3.00 yen

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	32,000	(13.1)	4,000	(27.0)	4,000	(26.2)	2,600	(55.6)	114.35

* Notes:

(1) Changes in significant subsidiaries during the period under review: Yes

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

Newly included: 1 (TOKYO23 Residential Fund 2 Specific Purpose Company), 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, 2023: 25,952,374 shares

March 31, 2022: 25,952,374 shares

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

March 31, 2023: 3,214,539 shares

March 31, 2022: 3,225,404 shares

3) Average number of shares outstanding during the year:

Year ended March 31, 2023: 22,730,746 shares

Year ended March 31, 2022: 22,721,019 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, 2023 (April 1, 2022 - March 31, 2023)

(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, 2023	26,232	(6.3)	4,572	57.2	4,515	51.2	5,353	167.9
March 31, 2022	27,991	4.9	2,909	(12.2)	2,985	(14.6)	1,997	15.9

	Basic earnings per share	Diluted earnings per share
Year ended	Yen	Yen
March 31, 2023	235.50	—
March 31, 2022	87.93	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2023	161,632	36,830	22.8	1,619.78
As of March 31, 2022	163,586	33,095	20.2	1,456.24

(Reference) Equity: As of March 31, 2023: 36,830 million yen

As of March 31, 2022: 33,095 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, 2023 (from April 1, 2022 to March 31, 2023), socioeconomic activities continued to be heavily impacted by the recurring cycles of outbreak and contraction of the novel coronavirus disease (COVID-19), with the seventh wave of infections peaking in mid-August 2022 followed by the eighth wave reaching its height around early January 2023. However, the trend toward normalization in socioeconomic activities is steadily progressing, as the government has reviewed its measures against the spread of COVID-19 and decided to downgrade the legal status of COVID-19 to a Class 5 infectious disease with effect from May 8, which has placed the disease on par with seasonal influenza. The Japanese economy is picking up moderately, helped by the flexible fiscal policy measures taken to counter the rise in domestic prices against the backdrop of soaring prices of resources and raw materials due to the prolonged situation in Ukraine.

Meanwhile, instability in the financial markets in the United States and Europe sparked by the collapse of middle-ranking banks in the United States and the rescue of a Swiss mega bank, together with the global tightening of monetary policy driven by inflation worries, is causing a concern of slowdown in the economy outside Japan. Because of this, combined with the prospect of a continuing upward trend in prices in Japan for the time being, the outlook of the Japanese economy remains uncertain.

Under such harsh circumstances, with an aim to create new value and a prosperous future as a Kyushu-based comprehensive financial services company, the Group has continuously been working toward “Expanding business foundations” and “Raising the sophistication of corporate structure” by implementing various measures set forth in the medium-term management plan, “Co-creation 2024: Challenge for the Future,” covering the period from April 2021 to March 2024.

In addition, in accordance with the capital and business alliance agreement with Nishi-Nippon Financial Holdings, Inc. (Nishi-Nippon FH), the Company became an equity-method affiliate of Nishi-Nippon FH on October 5, 2022. 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, striving to improve the sustainability of the region, and thus the corporate value of both companies.

Results for management indicators set as targets in the medium-term management plan as of March 31, 2023

Consolidated	March 2023 Results	March 2024 Target
Operating profit	5.4 billion yen	4.0 billion yen
Operating assets	163.2 billion yen	166.0 billion yen

Regarding consolidated financial results for the fiscal year ended March 31, 2023, all segments generally performed favorably, and the Company posted net sales of 36,807 million yen (up 24.5% year on year), operating profit of 5,477 million yen (up 68.5% year on year), and ordinary profit of 5,422 million yen (up 64.4% year on year), primarily due to the sale of assets for lease (aircrafts) in connection with replacement of operating assets as well as major real estate sales. Profit attributable to owners of parent was 5,862 million yen (up 175.5% year on year), due to the recording of extraordinary income from gain on sale of the shares of Shinoken Group Co., Ltd. in response to a tender offer. Operating assets increased by 6,975 million yen to 163,256 million yen (up 4.5% from the end of the previous fiscal year) as a result of increased efforts to acquire assets for lease and installment sale and also properties of real estate for sale in environment-related areas, in line with the policy to reinforce initiatives in environment-related areas under the medium-term management plan.

Operating results by business segment are as follows.

1) Leasing/Installment sales

Net sales increased by 29.8% year on year to 22,433 million yen and operating profit increased by 197.2% year on year to 3,364 million yen, due to factors such as an increase in new leasing contracts mainly of commercial facilities and proceeds from sale of assets for lease (aircrafts) in connection with replacement of operating assets. Operating assets as of March 31, 2023 were 83,607 million yen (up 2.8% from the end of the previous fiscal year).

2) Finance

Net sales decreased by 2.7% year on year to 1,621 million yen, while operating profit increased by 1.4% year on year to 940 million yen due to a decrease in credit-related costs. Operating assets as of March 31, 2023 were 32,900 million yen (up 1.4% from the end of the previous fiscal year).

3) Real estate

Net sales increased by 22.3% year on year to 11,216 million yen and operating profit increased by 0.0% to 1,487 million yen, primarily due to the recording of proceeds from major real estate sales in connection with the replacement of assets owned. Primarily as a result of the acquisition of properties of real estate for sale, operating assets as of March 31, 2023 were 42,369 million yen (up 12.1% from the end of the previous fiscal year)

4) Fee business

Net sales increased by 9.9% year on year to 438 million yen and operating profit increased by 8.6% year on year to 158 million yen, due to an increase in automobile-related commission income resulting from increased efforts to expand used car business on the back of continuing delays in delivery of new cars, as well as an increase in income from the insurance agency business.

5) Environmental solutions

Net sales increased by 6.3% year on year to 1,064 million yen and operating profit increased by 6.2% year on year to 94 million yen, due to the revenue from the solar power station acquired in the previous fiscal year. Operating assets as of March 31, 2023 were 4,378 million yen (down 6.3% 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 6,096 million yen or 3.6% from the end of the previous fiscal year to 175,514 million yen. This was mainly due to an increase of 2,073 million yen in lease receivables and investments in leases, an increase of 2,252 million yen in installment receivables, an increase of 4,977 million yen in real estate for sale, a decrease of 2,857 million yen in assets for lease, and a decrease of 1,172 million yen in investment securities.

Total liabilities increased by 1,674 million yen or 1.2% from the end of the previous fiscal year to 137,624 million yen. This was mainly due to an increase of 1,980 million yen in income taxes payable, an increase of 1,800 million yen in bonds payable, and a decrease of 2,454 million yen in borrowings.

Total net assets increased by 4,422 million yen or 13.2% from the end of the previous fiscal year to 37,889 million yen. This was mainly due to an increase of 5,351 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 6,095 million yen, an increase of 1,148 million yen from the end of the previous fiscal year.

Status of Cash Flows from Operating Activities

Net cash used in operating activities was 1,300 million yen, compared with a cash outflow of 19,882 million yen in the previous fiscal year. The principal cash inflow factors were 1,242 million yen in depreciation and 3,710 million yen in proceeds from sale of assets for lease. The principal cash outflow factors were an increase of 3,740 million yen in real estate for sale, and an increase of 2,452 million yen in installment receivables.

Status of Cash Flows from Investing Activities

Net cash provided by investing activities was 3,619 million yen, compared with a cash outflow of 81 million yen in the previous fiscal year. The principal cash inflow factor was 3,909 million yen in proceeds from sale and redemption of investment securities, and the principal cash outflow factors were 121 million yen in purchase of investment securities and 112 million yen in purchase of intangible assets.

Status of Cash Flows from Financing Activities

Net cash used in financing activities was 1,157 million yen, compared with a cash inflow of 20,188 million yen in the previous fiscal year. The principal cash inflow factor was 2,000 million yen in proceeds from issuance of bonds, and the principal cash outflow factors were net decrease in long-term and short-term borrowings of 2,454 million yen, 509 million yen in dividends paid, 176 million yen in repayments of lease liabilities, and 200 million yen in redemption of bonds.

(4) Future Outlook

While socioeconomic activities are increasingly returning to normal thanks to the revision of government measures against the spread of COVID-19 and the effects of various policies, factors such as the fall in the number of new COVID-19 cases in Japan coming to a halt, a concern of slowdown in the economy outside Japan due to the instability in the financial markets in the United States and Europe and the global tightening of monetary policy driven by inflation worries, and the prospect of a continuing upward trend in prices in Japan for the time being, are leaving the outlook of the Japanese economy uncertain.

Under such harsh circumstances, the Group has entered the final year (year ending March 31, 2024) of its medium-term management plan, “Co-creation 2024: Challenge for the Future,” under which the Group has been working toward “Expanding business foundations” and “Raising the sophistication of corporate structure” over a three year period, with an aim to create new value and prosperous future together with its various stakeholders (shareholders, customers, local communities and society, employees, etc.) as a Kyushu-based comprehensive financial services company.

The Group aims to further deepen cooperation with Nishi-Nippon FH, with which the Company has entered into a capital and business alliance agreement, and make the best use of the know-how, customer base, and network of the Company and Nishi-Nihon FH to achieve the final year targets of the medium-term management plan (operating profit: 4.0 billion yen, operating assets: 166.0 billion yen) without fail, and to boost the Group’s comprehensive strength and put all its efforts into supporting the customers in solving their challenges such as decarbonization by providing solutions that go beyond the scope of finance.

Financial results forecasts for the year ending March 31, 2024 are net sales of 32,000 million yen (down 13.1% year on year), operating profit of 4,000 million yen (down 27.0% year on year), ordinary profit of 4,000 million yen (down 26.2% year on year), and profit attributable to owners of parent of 2,600 million yen (down 55.6% year on year).

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, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	4,947	6,095
Notes and accounts receivable - trade	93	124
Installment receivables	20,520	22,773
Lease receivables and investments in leases	53,994	56,067
Accounts receivable - operating loans	32,453	32,900
Accounts receivable - lease	393	304
Real estate for sale	9,490	14,467
Other	1,254	471
Allowance for doubtful accounts	(371)	(343)
Total current assets	122,774	132,861
Non-current assets		
Property, plant and equipment		
Assets for lease		
Real estate for rent, net	26,545	25,806
Other, net	7,625	5,506
Total assets for lease	34,171	31,313
Other operating assets		
Lease asset, net	2,792	2,554
Other, net	1,067	933
Total other operating assets	3,859	3,487
Own-used assets	660	567
Total property, plant and equipment	38,691	35,369
Intangible assets	406	384
Investments and other assets		
Investment securities	6,591	5,418
Distressed receivables	36	53
Deferred tax assets	83	388
Other	832	1,038
Total investments and other assets	7,543	6,898
Total non-current assets	46,642	42,652
Total assets	169,417	175,514

(Million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,252	2,376
Short-term borrowings	49,008	29,545
Current portion of bonds payable	200	200
Lease liabilities	399	363
Income taxes payable	484	2,465
Provision for bonuses	140	159
Provision for loss on guarantees	257	277
Other	4,583	5,528
Total current liabilities	57,325	40,916
Non-current liabilities		
Bonds payable	—	1,800
Long-term borrowings	67,871	84,879
Lease liabilities	3,001	2,779
Deferred tax liabilities	361	19
Provision for share awards for directors (and other officers)	25	37
Retirement benefit liability	363	331
Asset retirement obligations	348	415
Long-term leasehold and guarantee deposits received	3,159	3,501
Other	3,492	2,945
Total non-current liabilities	78,624	96,708
Total liabilities	135,950	137,624
Net assets		
Shareholders' equity		
Share capital	2,933	2,933
Capital surplus	835	811
Retained earnings	28,828	34,179
Treasury shares	(999)	(996)
Total shareholders' equity	31,597	36,927
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,739	628
Total accumulated other comprehensive income	1,739	628
Non-controlling interests	130	332
Total net assets	33,467	37,889
Total liabilities and net assets	169,417	175,514

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

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales		
Lease sales	17,001	22,059
Real estate lease revenue	2,379	2,436
Installment sales	484	582
Finance revenue	965	997
Other revenue relating to real estate	6,787	8,728
Other net sales	1,936	2,002
Total net sales	29,555	36,807
Cost of sales		
Lease costs	15,090	17,870
Cost of real estate lease revenue	913	993
Capital costs	605	663
Other cost relating to real estate	6,307	8,155
Other cost of sales	669	666
Total cost of sales	23,587	28,349
Gross profit	5,967	8,457
Selling, general and administrative expenses		
Provision of allowance for doubtful accounts	214	81
Provision for loss on guarantees	44	19
Salaries and allowances	745	787
Bonuses	280	358
Retirement benefit expenses	58	57
Welfare expenses	212	233
Rent expenses	103	112
Taxes and dues	114	194
Depreciation	168	145
Other	775	989
Total selling, general and administrative expenses	2,717	2,979
Operating profit	3,250	5,477
Non-operating income		
Interest income	0	0
Dividend income	121	94
Gain on sale of investment securities	4	–
Other	15	23
Total non-operating income	141	117
Non-operating expenses		
Interest expenses	57	77
Share of loss of entities accounted for using equity method	3	–
Shareholders related costs	21	30
Other	10	65
Total non-operating expenses	93	172
Ordinary profit	3,299	5,422

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Extraordinary income		
Gain on sales of real estate for rent	4	–
Gain on sale of investment securities	–	3,404
Gain on sale of shares of subsidiaries and associates	76	–
Total extraordinary income	80	3,404
Extraordinary losses		
Impairment losses	121	114
Penalty loss	63	–
Reorganization cost	–	139
Total extraordinary losses	185	254
Profit before income taxes	3,194	8,572
Income taxes – current	918	2,872
Income taxes – deferred	148	(161)
Total income taxes	1,066	2,710
Profit	2,127	5,862
Profit attributable to non-controlling interests	(0)	0
Profit attributable to owners of parent	2,127	5,862

Consolidated Statements of Comprehensive Income

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	2,127	5,862
Other comprehensive income		
Valuation difference on available-for-sale securities	(304)	(1,110)
Total other comprehensive income	(304)	(1,110)
Comprehensive income	1,822	4,751
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,823	4,751
Comprehensive income attributable to non-controlling interests	(0)	0

(3) Consolidated Statements of Changes in Equity

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	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

Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,933	835	28,828	(999)	31,597
Changes during period					
Dividends of surplus			(510)		(510)
Profit attributable to owners of parent			5,862		5,862
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				3	3
Change in ownership interest of parent due to transactions with non-controlling interests		(23)			(23)
Net changes in items other than shareholders' equity					
Total changes during period	—	(23)	5,351	3	5,330
Balance at end of period	2,933	811	34,179	(996)	36,927

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	1,739	1,739	130	33,467
Changes during period				
Dividends of surplus				(510)
Profit attributable to owners of parent				5,862
Purchase of treasury shares				(0)
Disposal of treasury shares				3
Change in ownership interest of parent due to transactions with non-controlling interests				(23)
Net changes in items other than shareholders' equity	(1,110)	(1,110)	202	(908)
Total changes during period	(1,110)	(1,110)	202	4,422
Balance at end of period	628	628	332	37,889

(4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	3,194	8,572
Depreciation	1,144	1,242
Impairment losses	121	114
Loss (gain) on sales of real estate for rent	(4)	—
Increase (decrease) in allowance for doubtful accounts	187	43
Increase (decrease) in provision for bonuses	6	19
Increase (decrease) in provision for loss on guarantees	44	19
Increase (decrease) in provision for share awards for directors (and other officers)	(0)	12
Increase (decrease) in retirement benefit liability	8	(29)
Interest and dividend income	(121)	(94)
Capital costs and interest expenses	663	741
Foreign exchange losses (gains)	(0)	12
Share of loss (profit) of entities accounted for using equity method	3	—
Loss (gain) on sale of investment securities	(4)	(3,405)
Loss (gain) on sale of shares of subsidiaries and associates	(76)	—
Decrease (increase) in installment receivables	(2,910)	(2,452)
Net decrease (increase) in lease receivables and investments in leases	(3,938)	(1,905)
Decrease (increase) in accounts receivable - operating loans	(5,078)	(447)
Decrease (increase) in real estate for sale	(1,827)	(3,740)
Proceeds from sale of assets for lease	16	3,710
Purchase of assets for lease	(6,994)	(804)
Purchase of other operating assets	(433)	(0)
Decrease (increase) in distressed receivables	5	28
Increase (decrease) in trade payables	(745)	123
Other, net	(1,704)	(1,524)
Subtotal	(18,445)	236
Interest and dividends received	121	94
Interest paid	(667)	(740)
Income taxes paid	(891)	(890)
Net cash provided by (used in) operating activities	(19,882)	(1,300)

(Million yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from investing activities		
Purchase of own-used assets	(18)	(55)
Purchase of intangible assets	(13)	(112)
Purchase of investment securities	(171)	(121)
Proceeds from sale and redemption of investment securities	111	3,909
Other, net	10	(0)
Net cash provided by (used in) investing activities	(81)	3,619
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	12,400	(17,900)
Proceeds from long-term borrowings	37,968	63,991
Repayments of long-term borrowings	(29,487)	(48,545)
Proceeds from issuance of bonds	—	2,000
Redemption of bonds	(100)	(200)
Repayments of lease liabilities	(172)	(176)
Dividends paid	(403)	(509)
Proceeds from share issuance to non-controlling shareholders	—	244
Repayments to non-controlling shareholders	(13)	(9)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(50)
Other, net	(3)	(0)
Net cash provided by (used in) financing activities	20,188	(1,157)
Effect of exchange rate change on cash and cash equivalents	0	(12)
Net increase (decrease) in cash and cash equivalents	224	1,149
Cash and cash equivalents at beginning of period	4,722	4,947
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	—	(0)
Cash and cash equivalents at end of period	4,947	6,095

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Changes in scope of consolidation or equity method)

TOKYO23 Residential Fund 2 Specific Purpose Company was included in the scope of consolidation in the fiscal year under review as a result of equity investment, etc. In addition, KK Residence LLC was excluded from the scope of consolidation as a result of the end of effective control. The portion of the statement of income of KK Residence LLC corresponding to the period until the end of effective control is included in the scope of consolidation.

Effective as of October 1, 2022, an absorption-type merger was implemented between K.L.I.CO.,LTD, which is a consolidated subsidiary, as the company surviving the absorption-type merger and KYUD ASSET CO., LTD., which was a consolidated subsidiary, as the company absorbed in the absorption-type merger. As a result, KYUD ASSET Co., LTD. was excluded from the scope of consolidation.

(Changes in accounting policies)

(Application of the Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter, the "Fair Value Measurement Guidance") effective from the beginning of the fiscal year under review, and will prospectively apply the new accounting policy prescribed by the Fair Value Measurement Guidance in accordance with the transitional treatment provided for in Paragraph 27-2 of the Fair Value Measurement Guidance. As a result of this change, some investment trusts that were previously recorded at acquisition cost as securities whose fair value was deemed to be extremely difficult to determine are now recorded at fair value on the consolidated balance sheets.

The application of this implementation guidance has no material 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 306 million yen and 1,035,100 shares, respectively, while those as of the end of the fiscal year under review were 303 million yen and 1,024,200 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, 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.

For the year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Million yen)

	Reportable segment					
	Leasing/ Installment sales	Finance	Real estate	Fee business	Environmental solutions	Total
Net sales						
Net sales to outside customers	22,433	1,621	11,216	438	1,064	36,774
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	22,433	1,621	11,216	438	1,064	36,774
Segment profit (loss)	3,364	940	1,487	158	94	6,046

	Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
Net sales				
Net sales to outside customers	32	36,807	—	36,807
Inter-segment net sales or transfers	—	—	—	—
Total	32	36,807	—	36,807
Segment profit (loss)	(3)	6,043	(565)	5,477

- (Notes) 1. “Others” include business segments that are not included in reportable segments, including sale of goods.
2. The negative 565 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.

(Per share information)

	For the year ended March 31, 2022	For the year ended March 31, 2023
Net assets per share	1,466.83 yen	1,651.72 yen
Basic earnings per share	93.65 yen	257.89 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)” (1,035,100 shares in the previous fiscal year; 1,024,200 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)” (1,041,050 shares in the previous fiscal year; 1,031,307 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, 2022	For the fiscal year ended March 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (Million yen)	2,127	5,862
Amount not attributable to common shareholders (Million yen)	—	—
Profit attributable to owners of parent relating to common shares (Million yen)	2,127	5,862
Average number of common shares outstanding during the period	22,721,019	22,730,746

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

Item	As of March 31, 2022	As of March 31, 2023
Total net assets (Million yen)	33,467	37,889
Amount deducted from total net assets (Million yen)	130	332
[Of which, non-controlling interests]	[130]	[332]
Net assets at end of period relating to common shares (Million yen)	33,336	37,556
Number of common shares at end of period used for calculating net assets per share	22,726,970	22,737,835

(Significant subsequent events)

Not applicable.

4. Supplementary Information

Operating assets (Consolidated)

Name of segment		As of March 31, 2022		As of March 31, 2023	
		Year-end amount (Million yen)	Percentage (%)	Year-end amount (Million yen)	Percentage (%)
Leasing/Installment sales	Finance leases	53,213	34.0	55,327	33.9
	Operating leases	7,625	4.9	5,506	3.4
	Total leases	60,838	38.9	60,834	37.3
	Installment sales	20,520	13.1	22,773	13.9
	Total leases and installment sales	81,359	52.0	83,607	51.2
Finance		32,453	20.8	32,900	20.2
Real estate	Operating leases	26,545	17.0	25,806	15.8
	Other	11,247	7.2	16,562	10.1
	Total real estate	37,792	24.2	42,369	25.9
Environmental solutions		4,675	3.0	4,378	2.7
Total		156,280	100.0	163,256	100.0