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Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]



August 6, 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
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 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on financial results: Available
 Schedule of financial results briefing session: Not scheduled

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 - June 30, 2024)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|--------------------|-------------|--------|------------------|------|-----------------|------|---|------|
| Three months ended | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| June 30, 2024 | 14,053 | 101.8 | 1,879 | 56.2 | 1,902 | 57.1 | 1,134 | 38.3 |
| June 30, 2023 | 6,963 | (30.6) | 1,203 | 5.7 | 1,210 | 7.5 | 819 | 3.7 |

(Note) Comprehensive income: Three months ended June 30, 2024: 1,453 million yen [73.8%]

Three months ended June 30, 2023: 836 million yen [8.1%]

| | Basic earnings per share | Diluted earnings per share |
|--------------------|--------------------------|----------------------------|
| Three months ended | Yen | Yen |
| June 30, 2024 | 50.28 | — |
| June 30, 2023 | 36.06 | — |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2024 | 195,156 | 41,153 | 20.8 |
| As of March 31, 2024 | 193,398 | 40,142 | 20.6 |

(Reference) Equity: As of June 30, 2024: 40,577 million yen

As of March 31, 2024: 39,786 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, 2024 | — | 12.50 | — | 17.50 | 30.00 |
| Fiscal year ending March 31, 2025 | — | | | | |
| Fiscal year ending March 31, 2025 (Forecast) | | 17.00 | — | 17.00 | 34.00 |

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(% 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 | 34,500 | 3.0 | 4,800 | 3.5 | 4,700 | 2.3 | 3,200 | 141.85 |

(Note) Revision to the financial results forecast announced most recently: None

*** Notes:**

- (1) Significant changes in the scope of consolidation during the period under review: None
- (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: Yes
 - 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):

| | |
|-----------------|-------------------|
| June 30, 2024: | 25,952,374 shares |
| March 31, 2024: | 25,952,374 shares |
 - 2) Total number of treasury shares at the end of the period:

| | |
|-----------------|------------------|
| June 30, 2024: | 3,392,800 shares |
| March 31, 2024: | 3,392,800 shares |
 - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

| | |
|-----------------------------------|-------------------|
| Three months ended June 30, 2024: | 22,559,574 shares |
| Three months ended June 30, 2023: | 22,738,010 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).”

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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 three months ended June 30, 2024 (from April 1 to June 30, 2024), the Japanese economy underwent a gradual recovery due to the effects of various policies, including improved employment and income situations, although recovery in consumer spending stalled to some extent. In addition, the economy of Kyushu, the main foothold of the Group, saw brisk capital investments, mainly in semiconductor-related industries, urban development represented by the Tenjin Big Bang, and increased inbound tourism demand, resulting in ripple effects on the local economy. In the leasing industry to which the Company belongs, the total lease transaction volume from April to June 2024 was 1,161,300 million yen, up 15.1% year on year (source: “Lease Statistics” by JAPAN LEASING ASSOCIATION, a public interest incorporated association).

Meanwhile, the business environment surrounding the Company is expected to remain uncertain due to the continued soaring prices of resources and raw materials caused by unstable overseas situations, as well as concerns that a rise in interest rates accompanying the revision of domestic monetary policy will have a significant impact on economic activities and overall social life.

Seizing these environmental changes as an opportunity for growth, the Group has launched its medium-term management plan, “Co-creation 2027: Create the Future with the Power of Connection,” covering the period from April 2024 to March 2027.

As its long-term vision through 2030, the Group aims to become an accompanying corporate group that provides innovative comprehensive financial services and solutions to respond to changes in management issues and social conditions, working closely with corporate clients and local communities.

In the medium-term management plan “Co-creation 2027,” the Company has established the three basic policies, “Establishing a solid revenue foundation,” “Creating new business fields,” and “Strengthening the management foundation,” to realize and put this vision into practice. The Company will focus on providing comprehensive financial services and solutions that are high-value-added and innovative, and will strive to increase the corporate value of the Group by taking on the challenges of sustainable growth and addressing social issues through co-creation with our corporate clients and local communities.

Regarding consolidated financial results for the three months ended June 30, 2024, the Company recorded a significant year-on-year increase in sales and profit due to the posting of proceeds from real estate sales at consolidated subsidiaries and steady increases in proceeds from sale of leased properties and real estate intermediary income. The Company posted net sales of 14,053 million yen (up 101.8% year on year), operating profit of 1,879 million yen (up 56.2% year on year), ordinary profit of 1,902 million yen (up 57.1% year on year), and profit attributable to owners of parent of 1,134 million yen (up 38.3% year on year). All of these figures are record highs for the three months ended June 30. Meanwhile, due to steady performance of new contracts executed in the leasing/installment sales and finance businesses, despite a decrease in the real estate business, operating assets increased by 1,693 million yen to 183,763 million yen (up 0.9% from the end of the previous fiscal year).

Operating results by business segment are as follows.

1) Leasing/Installment sales

Net sales increased by 21.1% year on year to 5,867 million yen and operating profit increased by 12.8% year on year to 517 million yen, due to steady performance of new leasing contracts especially in environment-related areas such as low-carbon facilities, as well as proceeds from sale of leased properties. Operating assets as of June 30, 2024 were 93,447 million yen (up 3.2% from the end of the previous fiscal year).

2) Finance

Net sales increased by 7.4% year on year to 473 million yen and operating profit increased by 10.6% year on year to 286 million yen in line with the increase in interest revenue, etc. due to accumulation of operating assets. Operating assets as of June 30, 2024 were 44,080 million yen (up 5.7% from the end of the previous fiscal year).

3) Real estate

Net sales increased by 497.8% year on year to 7,256 million yen and operating profit increased by 111.8% to 1,077 million yen due to real estate intermediary income in Kyushu area in addition to proceeds from real estate sales at consolidated subsidiaries. Operating assets as of June 30, 2024 were 41,008 million yen (down 8.7% from the end of the previous fiscal year).

4) Fee business

Net sales increased by 9.4% year on year to 163 million yen and operating profit increased by 19.5% year on year to 93 million yen due to steady streams of automobile-related commission income and income from the insurance agency business.

5) Environmental solutions

Net sales decreased by 6.8% year on year to 284 million yen, while operating profit increased by 7.7% year on year to 67 million yen due to the steady electricity sales. Operating assets as of June 30, 2024 were 5,227 million yen (up 6.1% 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 three months under review increased by 1,757 million yen or 0.9% from the end of the previous fiscal year to 195,156 million yen. This was mainly due to an increase of 2,243 million yen in lease receivables and investments in leases, an increase of 750 million yen in installment receivables, an increase of 2,387 million yen in accounts receivable - operating loans, and a decrease of 3,846 million yen in real estate for sale.

Total liabilities increased by 746 million yen or 0.5% from the end of the previous fiscal year to 154,002 million yen. This was mainly due to an increase of 1,823 million yen in borrowings, and a decrease of 590 million yen in income taxes payable, and a decrease of 450 million yen in other current liabilities.

Total net assets increased by 1,011 million yen or 2.5% from the end of the previous fiscal year to 41,153 million yen. This was mainly due to an increase of 718 million yen in retained earnings.

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

No changes have been made to the consolidated financial results forecast for the full year ending March 31, 2025, announced on May 8, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Million yen)

| | As of March 31, 2024 | As of June 30, 2024 |
|---|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,087 | 4,632 |
| Notes and accounts receivable - trade | 86 | 83 |
| Installment receivables | 25,756 | 26,507 |
| Lease receivables and investments in leases | 60,265 | 62,508 |
| Accounts receivable - operating loans | 41,262 | 43,650 |
| Accounts receivable - lease | 285 | 417 |
| Real estate for sale | 10,207 | 6,360 |
| Other | 444 | 666 |
| Allowance for doubtful accounts | (396) | (404) |
| Total current assets | 142,998 | 144,423 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Assets for lease | | |
| Real estate for rent, net | 30,356 | 30,276 |
| Other, net | 5,278 | 5,221 |
| Total assets for lease | 35,634 | 35,498 |
| Other operating assets | 3,426 | 3,338 |
| Own-used assets | 555 | 562 |
| Total property, plant and equipment | 39,617 | 39,399 |
| Intangible assets | 548 | 529 |
| Investments and other assets | | |
| Investment securities | 8,639 | 9,283 |
| Other | 1,594 | 1,520 |
| Total investments and other assets | 10,234 | 10,804 |
| Total non-current assets | 50,399 | 50,733 |
| Total assets | 193,398 | 195,156 |

(Million yen)

| | As of March 31, 2024 | As of June 30, 2024 |
|---|----------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 2,261 | 2,626 |
| Short-term borrowings | 44,998 | 52,133 |
| Current portion of bonds payable | 500 | 500 |
| Income taxes payable | 1,033 | 443 |
| Provisions | 442 | 357 |
| Other | 5,944 | 5,493 |
| Total current liabilities | 55,179 | 61,553 |
| Non-current liabilities | | |
| Bonds payable | 9,300 | 9,150 |
| Long-term borrowings | 78,064 | 72,753 |
| Provisions | 92 | 95 |
| Retirement benefit liability | 419 | 435 |
| Asset retirement obligations | 435 | 436 |
| Other | 9,764 | 9,577 |
| Total non-current liabilities | 98,076 | 92,448 |
| Total liabilities | 153,256 | 154,002 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 2,933 | 2,933 |
| Capital surplus | 811 | 811 |
| Retained earnings | 36,583 | 37,301 |
| Treasury shares | (1,277) | (1,277) |
| Total shareholders' equity | 39,051 | 39,769 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 735 | 808 |
| Total accumulated other comprehensive income | 735 | 808 |
| Non-controlling interests | 355 | 575 |
| Total net assets | 40,142 | 41,153 |
| Total liabilities and net assets | 193,398 | 195,156 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Million yen)

| | For the three months ended June 30, 2023 | For the three months ended June 30, 2024 |
|--|---|---|
| Net sales | 6,963 | 14,053 |
| Cost of sales | 5,039 | 11,436 |
| Gross profit | 1,923 | 2,616 |
| Selling, general and administrative expenses | 719 | 736 |
| Operating profit | 1,203 | 1,879 |
| Non-operating income | | |
| Dividend income | 25 | 20 |
| Foreign exchange gains | 19 | 16 |
| Other | 5 | 8 |
| Total non-operating income | 50 | 45 |
| Non-operating expenses | | |
| Interest expenses | 17 | 20 |
| Shareholders related costs | 23 | — |
| Other | 2 | 2 |
| Total non-operating expenses | 43 | 23 |
| Ordinary profit | 1,210 | 1,902 |
| Profit before income taxes | 1,210 | 1,902 |
| Income taxes – current | 265 | 444 |
| Income taxes – deferred | 123 | 76 |
| Total income taxes | 388 | 521 |
| Profit | 821 | 1,380 |
| Profit attributable to non-controlling interests | 1 | 246 |
| Profit attributable to owners of parent | 819 | 1,134 |

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

| | For the three months ended June 30, 2023 | For the three months ended June 30, 2024 |
|--|---|---|
| Profit | 821 | 1,380 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 14 | 72 |
| Total other comprehensive income | 14 | 72 |
| Comprehensive income | 836 | 1,453 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 834 | 1,207 |
| Comprehensive income attributable to non-controlling interests | 1 | 246 |

(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.

(Notes on changes in accounting policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied the Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter, referred to as the "2022 Revised Accounting Standard") from the beginning of the first quarter under review.

Previously, calculated amounts of current income taxes on earnings, etc. (hereinafter, referred to as "Income Taxes, etc.") were recorded in profit or loss in accordance with laws and regulations. Moving forward, Income Taxes, etc., on earnings will be recorded in profit or loss, shareholders' equity, or other comprehensive income according to the transactions, etc., from which it occurred. Concerning Income Taxes, etc., recorded in accumulated other comprehensive income, when a transaction, etc., is recorded in profit or loss that is the reason for said Income Taxes, etc., to be applied, the corresponding amount of tax will be recorded in profit or loss.

Revisions concerning the classification of Income Taxes, etc. (taxation on other comprehensive income) follow the transitional treatment set forth in the proviso of paragraph 20-3 of the 2022 Revised Accounting Standard and in the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022). This has no impact on the quarterly 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 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 583 million yen and 1,202,400 shares, respectively, while those as of the end of the first quarter under review were 583 million yen and 1,202,400 shares, respectively.

(Segment information, etc.)

(Segment information)

I. For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 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 | 4,843 | 440 | 1,213 | 149 | 305 | 6,953 |
| Inter-segment net sales or transfers | — | — | — | — | — | — |
| Total | 4,843 | 440 | 1,213 | 149 | 305 | 6,953 |
| Segment profit (loss) | 458 | 259 | 508 | 78 | 62 | 1,367 |

| | Others (Note 1) | Total | Adjustment (Note 2) | Amount recorded in quarterly consolidated statements of income (Note 3) |
|--------------------------------------|--------------------|-------|------------------------|---|
| Net sales | | | | |
| Net sales to outside customers | 10 | 6,963 | — | 6,963 |
| Inter-segment net sales or transfers | — | — | — | — |
| Total | 10 | 6,963 | — | 6,963 |
| Segment profit (loss) | 2 | 1,370 | (166) | 1,203 |

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

2. The negative 166 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 three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

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 | 5,867 | 473 | 7,256 | 163 | 284 | 14,046 |
| Inter-segment net sales or transfers | — | — | — | — | — | — |
| Total | 5,867 | 473 | 7,256 | 163 | 284 | 14,046 |
| Segment profit (loss) | 517 | 286 | 1,077 | 93 | 67 | 2,042 |

| | Others (Note 1) | Total | Adjustment (Note 2) | Amount recorded in quarterly consolidated statements of income (Note 3) |
|--------------------------------------|--------------------|--------|------------------------|---|
| Net sales | | | | |
| Net sales to outside customers | 6 | 14,053 | — | 14,053 |
| Inter-segment net sales or transfers | — | — | — | — |
| Total | 6 | 14,053 | — | 14,053 |
| Segment profit (loss) | 2 | 2,044 | (164) | 1,879 |

- (Notes) 1. “Others” include business segments that are not included in reportable segments, including sale of goods.
2. The negative 164 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.

(Notes on statements of cash flows)

The Company has not prepared quarterly consolidated statements of cash flows for the three months ended June 30, 2024. Depreciation (including amortization of intangible assets) for the three months ended June 30 is as follows.

| | For the three months ended June 30, 2023 | For the three months ended June 30, 2024 |
|--------------|---|---|
| Depreciation | 283 million yen | 284 million yen |

3. Supplementary Information

Operating assets (Consolidated)

| Name of segment | | As of March 31, 2024 | | As of June 30, 2024 | |
|---------------------------|------------------------------------|----------------------------------|-------------------|---|-------------------|
| | | Year-end amount (Million yen) | Percentage (%) | 1st quarter-end amount (Million yen) | Percentage (%) |
| Leasing/Installment sales | Finance leases | 59,476 | 32.7 | 61,717 | 33.6 |
| | Operating leases | 5,278 | 2.9 | 5,221 | 2.9 |
| | Total leases | 64,754 | 35.6 | 66,939 | 36.5 |
| | Installment sales | 25,756 | 14.1 | 26,507 | 14.4 |
| | Total leases and installment sales | 90,511 | 49.7 | 93,447 | 50.9 |
| Finance | | 41,693 | 22.9 | 44,080 | 24.0 |
| Real estate | Operating leases | 30,459 | 16.7 | 30,377 | 16.5 |
| | Other | 14,478 | 8.0 | 10,631 | 5.8 |
| | Total real estate | 44,938 | 24.7 | 41,008 | 22.3 |
| Environmental solutions | | 4,927 | 2.7 | 5,227 | 2.8 |
| Total | | 182,070 | 100.0 | 183,763 | 100.0 |