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## Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



August 8, 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 filing quarterly securities report: August 9, 2023  
 Scheduled date of commencing dividend payments: –  
 Availability of supplementary explanatory materials on quarterly financial results: Available  
 Schedule of quarterly 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, 2023 (April 1, 2023 - June 30, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2023	6,963	(30.6)	1,203	5.7	1,210	7.5	819	3.7
June 30, 2022	10,031	76.4	1,138	27.9	1,126	28.3	791	13.8

(Note) Comprehensive income: Three months ended June 30, 2023: 836 million yen [ 8.1%]

Three months ended June 30, 2022: 773 million yen [16.3%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	36.06	—
June 30, 2022	34.81	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	179,195	38,369	21.2
As of March 31, 2023	175,514	37,889	21.4

(Reference) Equity: As of June 30, 2023: 38,044 million yen

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

## 2. Dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	11.00	—	14.50	25.50
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		12.50	—	13.00	25.50

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

## 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

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

**\* Notes:**

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

June 30, 2023:	25,952,374 shares
March 31, 2023:	25,952,374 shares
  - 2) Total number of treasury shares at the end of the period:

June 30, 2023:	3,212,539 shares
March 31, 2023:	3,214,539 shares
  - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Three months ended June 30, 2023:	22,738,010 shares
Three months ended June 30, 2022:	22,726,970 shares

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

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

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

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

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the three months ended June 30, 2023 (from April 1 to June 30, 2023), the trend toward normalization in socioeconomic activities is steadily progressing, as the legal status of the novel coronavirus disease (COVID-19) was shifted to a Class 5 infectious disease with effect from May 8, which has placed the disease on par with seasonal influenza. The business performance of domestic companies has also remained steady, showing a moderate recovery in the Japanese economy. In the lease industry to which the Company belongs, the total lease transaction volume from April to June 2023 was 1,008,900 million yen, up 4.0% year on year (source: “Lease Statistics” by JAPAN LEASING ASSOCIATION, a public interest incorporated association).

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

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

In addition to a focus on the environment-related business which is positioned as a business growth driver in the medium-term management plan, we will expand business cooperation by, for example, providing the Company’s solutions to the customer base of Nishi-Nippon Financial Holdings, Inc. (Nishi-Nippon FH) in accordance with the capital and business alliance agreement with Nishi-Nippon FH. Thus, we are striving for achieving the targets of the final year of the medium-term management plan (operating profit: 4,000 million yen and operating assets: 166,000 million yen).

Regarding consolidated financial results for the three months ended June 30, 2023, the Company posted net sales of 6,963 million yen (down 30.6% year on year), due to the recording of proceeds from major real estate sales in connection with the replacement of assets owned in the same period of the previous fiscal year. However, due to steady accumulation of each segment’s operating assets in environment-related and other areas, the Company posted operating profit of 1,203 million yen (up 5.7% year on year), and ordinary profit of 1,210 million yen (up 7.5% year on year), and profit attributable to owners of parent was 819 million yen (up 3.7% year on year). In addition, operating assets increased by 3,554 million yen to 166,810 million yen (up 2.2% from the end of the previous fiscal year).

Operating results by business segment are as follows.

#### 1) Leasing/Installment sales

Net sales increased by 5.3% year on year to 4,843 million yen and operating profit increased by 17.2% year on year to 458 million yen, due to factors such as an increase in new leasing contracts of commercial facilities and environment-related areas. Operating assets as of June 30, 2023 were 84,985 million yen (up 1.6% from the end of the previous fiscal year).

#### 2) Finance

Net sales increased by 0.7% year on year to 440 million yen and operating profit increased by 0.7% year on year to 259 million yen in line with the increase in interest revenue, etc. due to accumulation of operating assets. Operating assets as of June 30, 2023 were 33,610 million yen (up 2.2% from the end of the previous fiscal year).

### 3) Real estate

Net sales decreased by 73.2% year on year to 1,213 million yen due to the recording of proceeds from major real estate sales in connection with the replacement of assets owned in the same period of the previous fiscal year. However, operating profit increased by 11.8% to 508 million yen, due to increases in lease revenue and intermediary fee income. Operating assets as of June 30, 2023 were 43,609 million yen (up 2.9% from the end of the previous fiscal year) as a result of the increase of real estate for rent.

### 4) Fee business

Net sales increased by 0.8% year on year to 149 million yen and operating profit increased by 7.1% year on year to 78 million yen, due to steady streams of automobile-related commission income and income from the insurance agency business.

### 5) Environmental solutions

Net sales increased by 0.4% year on year to 305 million yen, while operating profit decreased by 25.3% year on year to 62 million yen due to output restrictions of solar power generation. As a result of new acquisition of a solar power station, operating assets as of June 30, 2023 were 4,605 million yen (up 5.2% 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 3,681 million yen or 2.1% from the end of the previous fiscal year to 179,195 million yen. This was mainly due to an increase of 639 million yen in lease receivables and investments in leases, an increase of 804 million yen in installment receivables, an increase of 709 million yen in accounts receivable - operating loans, and an increase of 1,173 million yen in real estate for rent.

Total liabilities increased by 3,200 million yen or 2.3% from the end of the previous fiscal year to 140,825 million yen. This was mainly due to an increase of 6,044 million yen in borrowings and a decrease of 2,192 million yen in income taxes payable.

Total net assets increased by 480 million yen or 1.3% from the end of the previous fiscal year to 38,369 million yen. This was mainly due to an increase of 472 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, 2024, announced on May 10, 2023.

## 2. Quarterly Consolidated Financial Statements and Principal Notes

### (1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2023	As of June 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	6,095	5,661
Notes and accounts receivable - trade	124	60
Installment receivables	22,773	23,577
Lease receivables and investments in leases	56,067	56,706
Accounts receivable - operating loans	32,900	33,610
Accounts receivable - lease	304	278
Real estate for sale	14,467	14,423
Other	471	622
Allowance for doubtful accounts	(343)	(338)
Total current assets	132,861	134,603
Non-current assets		
Property, plant and equipment		
Assets for lease		
Real estate for rent, net	25,806	26,980
Other, net	5,506	5,449
Total assets for lease	31,313	32,429
Other operating assets	3,487	3,693
Own-used assets	567	564
Total property, plant and equipment	35,369	36,686
Intangible assets	384	586
Investments and other assets		
Investment securities	5,418	5,709
Other	1,480	1,609
Total investments and other assets	6,898	7,318
Total non-current assets	42,652	44,591
Total assets	175,514	179,195

(Million yen)

	As of March 31, 2023	As of June 30, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,376	2,125
Short-term borrowings	29,545	37,477
Current portion of bonds payable	200	200
Income taxes payable	2,465	272
Provisions	437	367
Other	5,892	5,735
Total current liabilities	40,916	46,177
Non-current liabilities		
Bonds payable	1,800	1,800
Long-term borrowings	84,879	82,991
Provisions	37	37
Retirement benefit liability	331	345
Asset retirement obligations	415	431
Other	9,245	9,041
Total non-current liabilities	96,708	94,647
Total liabilities	137,624	140,825
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,933	2,933
Capital surplus	811	811
Retained earnings	34,179	34,652
Treasury shares	(996)	(995)
Total shareholders' equity	36,927	37,401
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	628	643
Total accumulated other comprehensive income	628	643
Non-controlling interests	332	325
Total net assets	37,889	38,369
Total liabilities and net assets	175,514	179,195



(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, 2022	For the three months ended June 30, 2023
Net sales	10,031	6,963
Cost of sales	8,231	5,039
Gross profit	1,800	1,923
Selling, general and administrative expenses	661	719
Operating profit	1,138	1,203
Non-operating income		
Dividend income	28	25
Foreign exchange gains	7	19
Other	3	5
Total non-operating income	39	50
Non-operating expenses		
Interest expenses	19	17
Shareholders related costs	30	23
Other	1	2
Total non-operating expenses	51	43
Ordinary profit	1,126	1,210
Extraordinary income		
Gain on sale of investment securities	13	—
Total extraordinary income	13	—
Profit before income taxes	1,140	1,210
Income taxes – current	316	265
Income taxes – deferred	23	123
Total income taxes	340	388
Profit	799	821
Profit attributable to non-controlling interests	8	1
Profit attributable to owners of parent	791	819

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	799	821
Other comprehensive income		
Valuation difference on available-for-sale securities	(25)	14
Total other comprehensive income	(25)	14
Comprehensive income	773	836
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	765	834
Comprehensive income attributable to non-controlling interests	8	1

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

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Additional information)

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

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

The Company's shares held by the Trust are presented as treasury shares under net assets in the quarterly consolidated balance sheets, and the book value and the number of these treasury shares as of the end of the previous fiscal year were 303 million yen and 1,024,200 shares, respectively, while those as of the end of the first quarter under review were 302 million yen and 1,022,200 shares, respectively.

(Segment information, etc.)

(Segment information)

I. For the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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

(Million yen)

	Reportable segment					
	Leasing/ Installment sales	Finance	Real estate	Fee business	Environmental solutions	Total
Net sales						
Net sales to outside customers	4,601	437	4,533	148	304	10,024
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	4,601	437	4,533	148	304	10,024
Segment profit (loss)	391	257	454	73	83	1,260

	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	10,031	—	10,031
Inter-segment net sales or transfers	—	—	—	—
Total	6	10,031	—	10,031
Segment profit (loss)	1	1,261	(123)	1,138

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

2. The negative 123 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, 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.

### 3. Supplementary Information

#### Operating assets (Consolidated)

Name of segment		As of March 31, 2023		As of June 30, 2023	
		Year-end amount (Million yen)	Percentage (%)	1st quarter-end amount (Million yen)	Percentage (%)
Lease/Installment sales	Finance leases	55,327	33.9	55,958	33.6
	Operating leases	5,506	3.4	5,449	3.3
	Total leases	60,834	37.3	61,407	36.9
	Installment sales	22,773	13.9	23,577	14.1
	Total leases and installment sales	83,607	51.2	84,985	51.0
Finance		32,900	20.2	33,610	20.1
Real estate	Operating leases	25,806	15.8	27,091	16.2
	Other	16,562	10.1	16,517	9.9
	Total real estate	42,369	25.9	43,609	26.1
Environmental solutions		4,378	2.7	4,605	2.8
Total		163,256	100.0	166,810	100.0