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## Consolidated Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]



August 10, 2021

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 Ioyama, President and CEO  
 Contact: Ryoichi Kojima, Senior Executive Officer, General Manager, General Planning Department  
 Phone: +81-92-431-2530  
 Scheduled date of filing quarterly securities report: August 11, 2021  
 Scheduled date of commencing dividend payments: —  
 Availability of supplementary explanatory materials on quarterly financial results: Available  
 Schedule of quarterly financial results briefing session: Scheduled

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

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2021 (April 1, 2021 - June 30, 2021)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
June 30, 2021	5,685	(33.5)	889	(25.2)	878	(29.7)	695	(18.1)
June 30, 2020	8,553	43.4	1,190	40.5	1,248	50.5	849	49.8

(Note) Comprehensive income: Three months ended June 30, 2021: 665 million yen [(35.4)%]

Three months ended June 30, 2020: 1,030 million yen [77.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
June 30, 2021	30.62	—
June 30, 2020	37.46	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	154,602	32,498	20.9
As of March 31, 2021	148,523	32,033	21.5

(Reference) Equity: As of June 30, 2021: 32,357 million yen

As of March 31, 2021: 31,885 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, 2021	–	7.50	–	9.00	16.50
Fiscal year ending March 31, 2022	–				
Fiscal year ending March 31, 2022 (Forecast)		8.00	–	8.50	16.50

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

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	28,700	1.6	2,900	(19.3)	2,950	(21.0)	1,900	2.1	83.70

(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):

Newly included: – ( ), Excluded: – ( )

(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

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Principal Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes to accounting policies)” on page 9 of the Attachments.

(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, 2021: 25,952,374 shares

March 31, 2021: 25,952,374 shares

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

June 30, 2021: 3,238,404 shares

March 31, 2021: 3,251,904 shares

3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year):

Three months ended June 30, 2021: 22,705,959 shares

Three months ended June 30, 2020: 22,668,370 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 4 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, 2021, 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). In Japan, while expectations are high for a recovery in economic and social activities on the back of the progress in the rollout of vaccines among the elderly, a highly contagious variant of the disease has been spreading among the younger population in their 20s and 30s, which has made any predictions on when the pandemic will be contained difficult, which, in turn, has led to continuing uncertainty about the future.

Under such circumstances, the Group launched its medium-term management plan, “Co-creation 2024: Challenge for the Future,” covering the period from April 2021 to March 2024. Under the plan, we will uphold our basic policies of “Expanding business foundations” and “Raising the sophistication of corporate structure” to achieve the Group’s corporate philosophy of “Coexistence and co-prosperity” and “Regional contribution.” To this end, we are working to strengthen our initiatives toward environment-related businesses such as renewable energy and strive to develop a wide range of new businesses that will establish new revenue bases. At the same time, in our core businesses of leasing/installment sales, finance and real estate, we will expand our operating assets toward sustainable growth based on an awareness of contributing to regional creation and entering new areas and markets.

Furthermore, in line with this expansion of business scale and business domains, we also strive to reinforce risk management and our governance system while maintaining a healthy balance of risk and return.

As consolidated financial results for the three months ended June 30, 2021, the Company posted net sales of 5,685 million yen (down 33.5% year on year), operating profit of 889 million yen (down 25.2% year on year), ordinary profit of 878 million yen (down 29.7% year on year), and profit attributable to owners of parent of 695 million yen (down 18.1% year on year).

Operating results by business segment are as follows.

#### 1) Leasing/Installment sales

Net sales increased by 1.1% year on year to 4,130 million yen thanks to an increase in new leasing contracts mainly of commercial facilities, but operating profit decreased by 3.4% year on year to 345 million yen. Operating assets as of June 30, 2021 were 68,634 million yen (down 0.7% from the end of the previous fiscal year).

#### 2) Finance

Net sales increased by 14.0% year on year to 377 million yen and operating profit increased by 0.8% year on year to 211 million yen, in line with the increase in interest revenue reflecting the increase in operating assets. Operating assets as of June 30, 2021 were 29,389 million yen (up 7.4% from the end of the previous fiscal year).

#### 3) Real estate

Net sales decreased by 79.4% year on year to 770 million yen and operating profit decreased by 45.8% year on year to 343 million yen, as a result of a reactionary decline to the disposal of a major real estate for sale as part of a replacement of assets held by the Company, which became a major factor for the increase in sales in the previous fiscal year. Due to the acquisition of the real estate for sale, operating assets as of June 30, 2021 were 39,570 million yen (up 12.9% from the end of the previous fiscal year).

#### 4) Fee business

Net sales increased by 12.6% year on year to 126 million yen and operating profit increased by 13.5% year on year to 56 million yen, due to increases in automobile-related commission income and income from the insurance agency business, thanks to our efforts to proactively respond to changes in the external environment.

#### 5) Environmental solutions

Net sales increased by 6.4% year on year to 273 million yen and operating profit increased by 0.0% year on year to 58 million yen, due to increases in the sales of environment-related devices such as LED lighting and equipment related to the COVID-19 pandemic. Operating assets as of June 30, 2021 were 4,540 million yen (down 2.3% 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 6,078 million yen or 4.1% from the end of the previous fiscal year to 154,602 million yen. This was mainly due to an increase of 2,014 million yen in accounts receivable - operating loans and an increase of 4,450 million yen in real estate for sale.

Total liabilities increased by 5,614 million yen or 4.8% from the end of the previous fiscal year to 122,104 million yen. This was mainly due to a decrease of 1,391 million yen in accounts payable - trade and an increase of 7,575 million yen in borrowings.

Total net assets increased by 464 million yen or 1.5% from the end of the previous fiscal year to 32,498 million yen. This was mainly due to an increase of 504 million yen in retained earnings.

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

The consolidated financial results for the three months ended June 30, 2021 witnessed decreases in both sales and profits compared to the same period of the previous fiscal year, mainly as a result of a reactionary decline in net sales in the Real estate segment. Otherwise, the results progressed mostly in accordance with the initial plan and accordingly, no changes have been made to the consolidated financial results forecast for the full year ending March 31, 2022, announced on May 14, 2021.

The financial results forecast is based on information available as of this report's publication and actual results may change due to various factors going forward including the timing of the end of the COVID-19 pandemic.

2. Quarterly Consolidated Financial Statements and Principal Notes  
(1) Quarterly Consolidated Balance Sheets

(Million yen)

	As of March 31, 2021	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	4,722	4,686
Notes and accounts receivable - trade	76	78
Installment receivables	17,713	17,289
Lease receivables and investments in leases	50,266	50,210
Accounts receivable - operating loans	27,375	29,389
Accounts receivable - lease	175	160
Real estate for sale	7,229	11,679
Other	335	341
Allowance for doubtful accounts	(252)	(257)
Total current assets	107,642	113,579
Non-current assets		
Property, plant and equipment		
Assets for lease		
Real estate for rent, net	26,371	26,442
Other, net	2,003	1,961
Total assets for lease	28,374	28,404
Other operating assets	3,801	3,714
Own-used assets	678	671
Total property, plant and equipment	32,854	32,789
Intangible assets	513	475
Investments and other assets		
Investment securities	6,482	6,501
Other	1,030	1,256
Total investments and other assets	7,512	7,758
Total non-current assets	40,881	41,023
Total assets	148,523	154,602

	As of March 31, 2021	As of June 30, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,998	1,659
Short-term borrowings	33,833	40,542
Current portion of bonds payable	100	100
Income taxes payable	457	131
Provisions	347	290
Other	5,003	4,722
<b>Total current liabilities</b>	<b>42,740</b>	<b>47,446</b>
Non-current liabilities		
Bonds payable	200	150
Long-term borrowings	62,164	63,031
Provisions	25	21
Retirement benefit liability	364	350
Asset retirement obligations	337	338
Other	10,656	10,766
<b>Total non-current liabilities</b>	<b>73,749</b>	<b>74,657</b>
<b>Total liabilities</b>	<b>116,490</b>	<b>122,104</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,933	2,933
Capital surplus	835	835
Retained earnings	27,081	27,585
Treasury shares	(1,008)	(1,004)
<b>Total shareholders' equity</b>	<b>29,841</b>	<b>30,349</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,044	2,008
<b>Total accumulated other comprehensive income</b>	<b>2,044</b>	<b>2,008</b>
Non-controlling interests	147	140
<b>Total net assets</b>	<b>32,033</b>	<b>32,498</b>
<b>Total liabilities and net assets</b>	<b>148,523</b>	<b>154,602</b>

(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, 2020	For the three months ended June 30, 2021
Net sales	8,553	5,685
Cost of sales	6,760	4,166
Gross profit	1,793	1,518
Selling, general and administrative expenses	603	628
Operating profit	1,190	889
Non-operating income		
Dividend income	23	25
Gain on sale of investment securities	49	—
Foreign exchange gains	22	0
Other	3	2
Total non-operating income	98	28
Non-operating expenses		
Interest expenses	15	14
Share of loss of entities accounted for using equity method	5	3
Other	18	22
Total non-operating expenses	40	40
Ordinary profit	1,248	878
Extraordinary income		
Gain on sales of real estate for rent	—	4
Gain on sale of shares of subsidiaries and associates	—	76
Total extraordinary income	—	80
Profit before income taxes	1,248	958
Income taxes – current	255	123
Income taxes – deferred	139	134
Total income taxes	395	257
Profit	853	701
Profit attributable to non-controlling interests	4	5
Profit attributable to owners of parent	849	695

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Million yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Profit	853	701
Other comprehensive income		
Valuation difference on available-for-sale securities	176	(36)
Deferred gains or losses on hedges	0	—
Total other comprehensive income	176	(36)
Comprehensive income	1,030	665
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,025	659
Comprehensive income attributable to non-controlling interests	4	5

### (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.

(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 first quarter under review. The application of this accounting standard has only minimal impact on the quarterly 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 first quarter 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 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 315 million yen and 1,061,600 shares, respectively, while those as of the end of the first quarter under review were 311 million yen and 1,048,100 shares, respectively.

(Accounting estimates regarding the effects of the spread of COVID-19)

Economic and social activities both in Japan and abroad continue to be heavily impacted by the spread of COVID-19 and it is currently difficult to predict when the pandemic will be contained. However, the Company, on the assumption that its impact will continue for some time even after the current fiscal year, has made accounting estimates including allowances for doubtful accounts. These estimates contain uncertainties and the amount of losses may change should any changes occur in the status of COVID-19 and its effects on the economy.

It should be noted that there have been no material changes to the assumptions used in the accounting estimates regarding the effects of the spread of COVID-19 stated in (Additional information) of the Annual Securities Report of the previous fiscal year.

(Segment information, etc.)

(Segment information)

I. For the three months ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

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	4,083	331	3,749	112	256	8,533
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	4,083	331	3,749	112	256	8,533
Segment profit (loss)	357	209	634	49	58	1,308

	Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
Net sales				
Net sales to outside customers	19	8,553	—	8,553
Inter-segment net sales or transfers	—	—	—	—
Total	19	8,553	—	8,553
Segment profit (loss)	1	1,310	(120)	1,190

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

2. The negative 120 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, 2021 (from April 1, 2021 to June 30, 2021)

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	4,130	377	770	126	273	5,678
Inter-segment net sales or transfers	—	—	—	—	—	—
Total	4,130	377	770	126	273	5,678
Segment profit (loss)	345	211	343	56	58	1,014

	Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in quarterly consolidated statements of income (Note 3)
Net sales				
Net sales to outside customers	7	5,685	—	5,685
Inter-segment net sales or transfers	—	—	—	—
Total	7	5,685	—	5,685
Segment profit (loss)	0	1,015	(125)	889

- (Notes) 1. “Others” include business segments that are not included in reportable segments, including sale of goods.  
2. The negative 125 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. Matters pertaining to changes in reportable segments

The Company has applied the Accounting Standard for Revenue Recognition, etc., effective from the beginning of the first quarter under review, as stated in “Change 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 three months ended June 30, 2021.

### 3. Supplementary Information

#### Operating assets (Consolidated)

Name of segment		As of March 31, 2021		As of June 30, 2021	
		Year-end amount (Million yen)	Percentage (%)	1st quarter-end amount (Million yen)	Percentage (%)
Lease/Installment sales	Finance leases	49,420	36.3	49,383	34.7
	Operating leases	2,003	1.5	1,961	1.4
	Total leases	51,423	37.8	51,345	36.1
	Installment sales	17,713	13.0	17,289	12.2
	Total leases and installment sales	69,137	50.8	68,634	48.3
Finance		27,375	20.1	29,389	20.7
Real estate	Operating leases	26,371	19.3	26,442	18.6
	Other	8,677	6.4	13,127	9.2
	Total real estate	35,048	25.7	39,570	27.8
Environmental solutions		4,647	3.4	4,540	3.2
Total		136,208	100.0	142,135	100.0