

Forms and sells investment funds for operating lease business

This report is an English translation of part of the report issued on October 21, 2022.
For inquiries concerning the report, please contact info@stock-r.org

【5834 SBI Leasing Services Sector : Securities and Commodities Futures】

Fiscal Year	Net sales (mn yen)	YoY (%)	Operating profit (mn yen)	YoY (%)	Ordinary profit (mn yen)	YoY (%)	Profit (mn yen)	YoY (%)	EPS (yen)	BPS (yen)	DPS (yen)
Mar.2021	11,998	-	396	-	-671	-	-7,646	-	-1,934.3	335.8	0.0
Mar.2022	29,556	2.5x	3,280	8.3x	2,813	-	10,363	-	1,460.3	1,851.7	0.0
Mar.2023 f	37,169	25.8	4,290	30.8	3,817	35.6	2,608	-74.8	359.5	-	10.0

Note: Consolidated basis. Figures for the fiscal year ending March 2023 are the company's forecasts.
It conducted 1-to-200 stock split on July 22, 2022. Per share indices are adjusted retroactively.

Formation and Sale of Operating Lease Investment Funds

SBI Leasing Services Group consists of the company and a consolidated subsidiary in Singapore. The company forms and sells funds that invest in the operating lease business for aircraft, ships and other assets.

The group's net sales are classified into the fund business and the general aviation business, while the fund business is further classified into Japanese operating lease (JOL) products and Japanese operating lease with call option (JOLCO) products. In fiscal year ended March 2022, JOL products accounted for 86.3% of net sales, JOLCO products for 11.5%, and the general aviation business for 2.2%.

Fund Business

Through a special purpose company, the company acquires large depreciable assets such as aircraft and marine vessels with capital contributions from investors and loans from financial institutions, and leases them to clients including airlines and ship operators in the form of operating leases.

The company is involved in the formation and management of lease business projects, the sale of leased properties to voluntary associations and the sale of equity interest in silent partnerships to investors. It acquires capital gains by selling the leased asset on the market.

The operating lease business tends to be loss-making in the first half of the lease term, as depreciation expenses are incurred in advance of revenues using the declining balance method. Meanwhile, lower depreciation expenses lead to profitability in the second half of the lease term. Upon lease expiration, the leased asset can be sold for recovery of the investment and capital gain. Investors can defer their tax liability by taking the deficit in the first half of the lease.

General Aviation Business

The company provides a series of services ranging from formation and management lease projects with general aviation operators as lessees to selling the leases to investors. It also sells and leases small aircraft, including helicopters, to operators. Specific leasing projects include medevac helicopters and small aircraft for inter-island transport.

SBI Leasing Services (5834 TSE Growth) - - - - - November 8, 2022**Financial Statements**

Statement of income	Fiscal Year	Mar.2021		Mar.2022		Three months to Jun. 2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		11,998	100.0	29,556	100.0	9,511	100.0
Cost of sales		8,646	72.1	24,017	81.3	7,562	79.5
Gross profit		3,352	27.9	5,538	18.7	1,948	20.5
Selling, general and administrative expenses		2,955	24.6	2,258	7.6	708	7.4
Operating profit		396	3.3	3,280	11.1	1,239	13.0
Non-operating income		200	1.7	225	-	78	-
Non-operating expenses		1,268	10.6	692	2.3	93	1.0
Ordinary profit		-671	-	2,813	9.5	1,224	12.9
Profit before income taxes		-6,402	-	10,627	36.0	1,224	12.9
Profit attributable to owners of parent		-7,646	-	10,363	35.1	728	7.7

Balance sheet	Fiscal Year	Mar.2021		Mar.2022		Jun. 2022	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets		20,539	50.3	28,036	94.1	14,875	88.9
Cash and deposits		5,385	13.2	8,614	28.9	13,809	82.5
Investments of merchandise		3,736	9.1	11,626	39.0	100	0.6
Aircraft for sale		10,380	25.4	6,674	22.4	-	-
Non-current assets		20,314	49.7	1,759	5.9	1,944	11.6
Property, plant and equipment		19,776	48.4	1,189	4.0	1,163	7.0
Intangible assets		415	1.0	364	1.2	364	2.2
Investments and other assets		121	0.3	206	0.7	416	2.5
Total assets		40,853	100.0	29,795	100.0	16,729	100.0
Current liabilities		23,179	56.7	16,478	55.3	2,521	15.1
Short-term borrowings		18,809	46.0	15,119	50.7	1,000	6.0
Current portion of long-term non-recourse loan		3,282	8.0	-	-	-	-
Non-current liabilities		15,290	37.4	157	0.5	27	0.2
Long-term non-recourse loan		15,242	37.3	-	-	-	-
Net assets		2,383	5.8	13,158	44.2	14,180	84.8
Owners' equity		2,383	5.8	13,141	44.1	14,163	84.7

Statement of cash flows	Fiscal Year	Mar.2021	Mar.2022
		(mn yen)	(mn yen)
Cash flows from operating activities		2,746	-772
Depreciation		1,193	170
Cash flows from investing activities		7,788	26,082
Cash flows from financing activities		-11,407	-22,198
Dividends paid		-	-
Net increase in cash and cash equivalents		-885	3,230
Cash and cash equivalents		5,385	8,614

Note: Non-consolidated

Source: Prepared by Stock Research Center based on the notifiable prospectus.

About Stock Research Center

Stock Research Center is engaged in the preparation of analyst reports, mainly on companies that are not sufficiently covered by analysts, based on a neutral perspective, and broadly disclose the reports to the public with an aim to revitalize the stock market.

Note: Reports prepared by Stock Research Center are created in reference to the Ministry of Economy, Trade and Industry's Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation.



■ Supporting Members

Tokyo Stock Exchange, Inc.	SMBC Nikko Securities Inc.	Daiwa Securities Co. Ltd.
Nomura Securities Co., Ltd.	Mizuho Securities Co., Ltd.	Ernst & Young ShinNihon LLC
KPMG AZSA LLC	ICMG Co., Ltd.	Grant Thornton Taiyo LLC
Deloitte Touche Tohmatsu LLC	SBI SECURITIES Co., Ltd.	BDO Sanyu
Pricewaterhouse Coopers Kyoto	J Trust Global Securities Co., Ltd.	Ichiyoshi Securities Co., Ltd.
A&A Partners	GYOSEI & CO.	Avantia G.P.
TAKARA PRINTING CO., LTD.	PRONEXUS INC.	Japan Securities Dealers Association

The Securities Analysts Association of Japan

Certification by Analysts

Analysts indicated in the reports certify that the content indicated in the report precisely reflects the personal opinions of the analysts on all securities and issuer companies discussed in the report. In addition, it is ensured that the opinions directly or indirectly indicated in the report will have no influence on the analyst's compensation in the past, present, and future upon writing the report.

Disclaimer

- The report is prepared by stock analysts affiliated with the Stock Research Center for the purpose of disclosure to a wide range of investors as reference information and not to recommend or solicit to buy or to sell any particular securities or financial instrument.
- The content and indication of the report is based on disclosed information available publicly and is prepared by adding necessary supplementary information gained through interviews by analysts. The writer of the report is, without exception, prohibited to use insider information, or to acquire such information. The information included in the report is believed to be precise and reliable, but its preciseness is not verified objectively. In addition, the report is not intended to comprehensively include all information required by investors.
- The information included in the report may become outdated due to changes in the financial market, economic environment, etc. There are risks that the prices of stocks featured directly or indirectly in the report will fall below the par value due to fluctuations in stock prices, changes in management/financial conditions of the issuers, fluctuations in exchange rates or interest rates, etc. Past performance does not imply or guarantee future performance.
- The opinions indicated in the report are subject to change without notice and the Stock Research Center has no obligation to update the information or opinions included in the report.
- The Stock Research Center does not bear any responsibility for any results, including direct losses, indirect losses, losses of profit and damages, suffered by investors due to using the report or relying on the report. Final investment decisions shall be made by investors themselves and the sole responsibility concerning the investment lies with the investors that viewed the report.
- The copyright of the report belongs to the Stock Research Center and it may not be copied, reproduced, quoted, etc. in any form without prior consent.