Q & A at Investors Meeting on May 16, 2017 (FY2016)

Tokyo Century Corporation

<The Third Medium Term Management Plan>

Q.

Compared with the medium term management plans of other leasing companies, it seems that Tokyo Century's strategy has a lot in common with other companies, including focuses on developing the aviation segment, real estate and others. Could you please clarify little more about any difference in Tokyo Century's business strategy compared to other companies' strategies?

A.

Tokyo Century has a great advantage of having freedom in the business environment being free from the Banking Act.

We believe that a certain leasing companies in Japan are limited in business operations by the Banking Act. Since we are free from the Banking Act by being a general business company, Tokyo Century is aiming to become a "non-banking services company" going beyond leasing by focusing on providing services and expertise while we are engaged in the conventional leasing.

Among our initiatives, the solar power generation business jointly operating with Kyocera Corporation is a good example, which Tokyo Century primarily leads the business as the majority investor and being engaged in the power generation business.

We believe that leasing companies act by being a general business company and leasing companies specialized only in financial services have different business domains respectively, so that their business strategies differ.

Q.

How do you think about a numerical target of achieving 11% in shareholders' equity ratio that is included in the mid-term management plan? Are you planning to achieve the target by non-asset based operations including focusing on the O&D (origination and distribution) business?

A.

We have mentioned the numerical target of shareholders' equity ratio in the mid-term management plan, since we have been targeting towards expanding shareholders' equity as much as possible, because of a large interest-bearing debts that lies in the nature of our business.

Tokyo Century considers ROA and ROE are the key indicators. However, shareholders' equity rate might not temporarily move upward as we expected, due to expansions of operating assets including M&A and others.

However, we totally understand ourselves being in the industry with low shareholders' equity ratio, as well as fully understanding an importance in maintaining strong reliable relationships with financial institutions and others by enhancing our capital, in view of receiving stable funding.

<Equipment Leasing Business>

Q.

Is there any possibility of further increase in gross profit, since gross profit from new transactions in the Equipment Leasing business seem to have been constantly improved.

A.

For the gross profit in the Equipment Leasing business, we have been continuously striving to secure relatively high margins under an environment with long-term low interest rates. Looking ahead, we keep making efforts proactively to improve our profitability through improving our scheme to secure even higher gross profit while maintaining this profit level.

<Domestic Automobile Financing>

Q.

Could you please explain why the Domestic Automobile Leasing business has been in a steady growth?

A.

What makes Tokyo Century outstand among others is the business balance of those three automobile financing companies: Nippon Car Solutions (NCS), automobile leasing company for corporate customers; Orico Auto Leasing (OAL), automobile leasing for individual customers; and Nippon Rent-A-Car Service (NRS), rental car services company.

We understand that NRS has a high growth potentiality, which will be a leading growth driver.

For NCS, Tokyo Century and NTT acquired 60:40 stakes in the company. NCS expects continuous business expansion, due to a prospective growth in sales operations by leveraging the shareholders' networks.

<Aviation Business>

Q.

Regarding the plan to expand the balance of operating assets from ¥280 billion to ¥400 billion in the aviation business, could you please give us its time schedule, if you have any idea?

A.
Our main focus should be how much we can raise the balance of operating assets within the last two years of the third medium term management plan.

Although we have successfully gained our expertise in the aviation business through the joint ventures with CIT, we have an option of promoting the aviation business independently, but jointly promoting the business by partnering blue-chip companies remains as the other option. Considering the market environment, including the aircraft market and the trend of the US dollar interest rates, we will operate the business to achieve ¥400 billion in operating assets with considering its time schedule.

<Costs>

Q.
Your industry peers have revealed a prospective increase in system costs. Is Tokyo Century planning a large system investment in the future?

A.
Although we have not planned extensive system changes in domestic leasing transactions, we are paying attention to Specialty Financing and International Business that are in need of addressing the system from a business management point of view, since their business domains continue to diversify.

We will keep implementing regular system upgrades and periodical system investments to catching up on any business environmental changes, although there is no possibility of booking such costs or a large amount of costs.

<Credit Costs>

Q.
I presume that the contents of operating assets have been shifting from low-risk/low-return trends to middle-risk/middle-return due to diversified businesses, while credit costs remain at a low level. Could you please tell us about credit costs estimation?

A.
Even though credit costs remain at the same level as the previous year, in fact, gain on reversal of allowance for doubtful accounts have occurred, while a certain amount of allowance for doubtful accounts have been transferred. In the fiscal year ended March 2017, considering the shipping business market and others factors, we appropriately provisioned based on our internal rules.

<Procurement Related>

Q.

How do you think about a potential risk that might be impacted by a hike in long-term interest rates and others, especially overseas?

A.

As we consider that a hike in interest rates and a turnover of long-term vs short-term interest rates, are the worst risks for leasing companies. We are well prepared to operate our businesses depending on the fluctuation of market risks.

Apart from the assets-liabilities duration control, we will continue striving to fully maintain and improve a stable capital base.

In addition to interest rates hikes, we need to pay a full attention to securing stable funds procurement. Tokyo Century borrows funds from our main banks as well as various regional banks, so that it is indispensable to keep close and trustful relationships with financial institutions to maintain and develop a stable funding.