

These consolidated financial results are an English translation of excerpts from the Japanese “*Kessan Tanshin*” including attachments filed with the Tokyo Stock Exchange, solely for the convenience of readers outside Japan.

This report has been prepared in accordance with accounting principles and practices generally accepted in Japan. Amounts less than ¥1 million have been omitted unless otherwise stated.

Consolidated Financial Results (*Kessan Tanshin*) for the Three Months of Fiscal Year Ending March 31, 2018 [Japan GAAP]

August 4, 2017

Name of Listed Company: Tokyo Century Corporation

Stock Exchange Listing: Tokyo

Securities Code: 8439

(URL: <https://www.tokyocentury.co.jp>)

Representative: Shunichi Asada, President & CEO, Representative Director

Contact: Koichi Baba, Managing Executive Officer

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Scheduled Reportable Date of Quarterly Securities Report: August 4, 2017

Scheduled Payment Date of Dividends: —

Preparation of Supplementary Reference Documents: Yes

Holding of Quarterly Earnings Announcement: None

(Amounts less than one million yen are omitted.)

1. Consolidated Performance

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2017	YoY
	<i>(Millions of yen)</i>		<i>(Percentage change)</i>
(1) Consolidated business results:			
Revenues	221,814	238,807	7.7%
Operating income	17,317	18,275	5.5%
Ordinary income	17,827	19,091	7.1%
Net income attributable to owners of parent	10,076	10,921	8.4%
Basic earnings per share (<i>Yen</i>)	95.46	103.45	
Diluted earnings per share (<i>Yen</i>)	95.24	103.14	

Notes:

Total comprehensive income

For the three months ended June 30, 2017: ¥9,112 million (146.3%)

For the three months ended June 30, 2016: ¥3,700 million (-65.0%)

	As of March 31, 2017	As of June 30, 2017
	<i>(Millions of yen)</i>	
(2) Consolidated financial condition:		
Total assets	3,579,882	3,572,143
Net assets	404,818	407,178
Shareholders' equity ratio	9.9%	10.0%

Reference:

Shareholders' equity

As of June 30, 2017: ¥356,820 million

As of March 31, 2017: ¥354,701 million

2. Dividends

	Dividends per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
Fiscal 2016	—	47.00	—	53.00	100.00
Fiscal 2017	—				
Fiscal 2017 (Forecast)		52.00	—	53.00	105.00

Note: Revisions to the most recently announced forecast of dividends: None

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2018 (As of August 4, 2017)

	Full year	YoY
	(Millions of yen)	(Percentage change)
Revenues	980,000	0.4%
Operating income	74,000	2.8%
Ordinary income	76,000	3.4%
Net income attributable to owners of parent	45,000	3.1%
Basic earnings per share (Yen)	426.31	—

Note: Revisions to the most recently announced forecast of consolidated results: None

Notes

- (1) Changes in status of significant subsidiaries during the period under review (changes in status of specified subsidiaries resulting in change in scope of consolidation): None
- (2) Adoption of special accounting treatments for quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements
 - 1) Changes in accounting policies due to reforms of accounting standards: None
 - 2) Changes in accounting policies other than item 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatements: None
- (4) Number of shares of common stock issued
 - 1) Number of shares issued at the end of the period (including treasury stock)

As of March 31, 2017:	106,624,620 shares
As of June 30, 2017:	106,624,620 shares
 - 2) Number of shares of treasury stock at the end of the period

As of March 31, 2017:	1,067,233 shares
As of June 30, 2017:	1,045,300 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2016:	105,556,131 shares
Three months ended June 30, 2017:	105,577,954 shares

These quarterly financial results are outside the scope of quarterly review.

Explanation related to forward-looking statements and other items warranting special mention

(Regarding forward-looking statements)

The statements concerning future performance presented in this document are prepared based on currently available information and certain preconditions that Tokyo Century Corporation and its Group companies believe to be reasonable at the publication of this document. Actual results may be substantially different from any projections presented herein due to various factors.

(Methods for obtaining supplementary reference documents for quarterly financial statements)

The supplementary reference documents were disclosed on the TDnet on the same date as this document (Japanese only).

1. Qualitative Information Concerning Financial Results for the Three Months of Fiscal Year Ending March 31, 2018

(1) Explanation of Results of Operations

The Japanese economy in the three months ended June 30, 2017 showed signs of a moderate recovery overall on the back of improvement in corporate earnings, the employment environment and consumer spending. Meanwhile, the U.S. economy showed moderate expansion backed by solid consumer spending and firm business sentiment, despite a lingering uncertainty over the policy path of the administration. As for the European economy, while economic recovery in the U.K. remained stagnant due to the ongoing uncertainty over the impact of Brexit, business confidence picked up in the Euro zone. In China, the economy showed signs of recovery, supported by infrastructure investments and other financial policies.

Under these circumstances, in the second fiscal year of the third three-year medium-term management plan that commenced in fiscal 2016, Tokyo Century Group implemented the following measures to strengthen its sales base and management base.

1) Strengthening of sales base

[Equipment Leasing]

- We and Tsukishima Kikai Co., Ltd. (“Tsukishima Kikai”) have entered into a partnership agreement to promote business expansion of both companies. By applying our expertise gained in the renewable energy business and financial services along with the energy creation business in the waste water treatment field and process equipment business which Tsukishima Kikai excels, we and Tsukishima Kikai are committed to creating an environmentally-sound, sustainable economy and society as well as further expanding business domains.

[Specialty Financing]

- We agreed to participate in the hotel development of ANA InterContinental Beppu Resort & Spa to be constructed in the city of Beppu, Oita Prefecture (scheduled to open in 2019), jointly with IHG ANA Hotels Group Japan LLC and GHS K.K.

[International business]

- Our project of “Introduction of 1.53MW Rooftop Solar Power System in Auto Parts Factories” has been selected for financing program for the Joint Credit Mechanism (JCM) Model Projects in fiscal 2017 offered by the Ministry of the Environment, Japan and the Global Environment Centre Foundation which has been soliciting project proposals as a secretariat. This is the first selected JCM model project that has been undertaken by a Japanese financial services company as a representative participant.

2) Strengthening of management base

- We were selected for the “2017 Competitive IT Strategy Company” designation, which is jointly promoted by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, as one of the 31 companies that were nominated from about 3,500 companies listed on the stock exchange, for the third year running since 2015 in which the program was established.
- We have become a constituent of the FTSE Blossom Japan Index, which is designed to provide market participants with a tool to identify and measure the performance of Japanese companies that demonstrate strong Environmental, Social and Governance (ESG) practices, created by FTSE Russell, a leading global index provider.

With regard to the business results, new transactions volume for the three months ended June 30, 2017 was ¥321,968 million, down 2.1% from the same period of the previous fiscal year, due to a decrease in transactions volume of financing business.

In terms of profits and losses, revenues for the three months ended June 30, 2017 amounted to ¥238,807 million, up 7.7% from the same period of the previous fiscal year, mainly due to the inclusion of profits and losses of CSI Leasing, Inc. from this period. Operating income increased 5.5% to ¥18,275 million, ordinary income increased 7.1% to ¥19,091 million, and net income attributable to owners of parent increased 8.4% to ¥10,921 million. Segment income for the three months ended June 30, 2017 was ¥15,043 million, up 8.2% in Leasing and installment sales, mainly due to the inclusion of profits and losses of CSI Leasing, Inc., ¥3,041 million, down 6.9% in Finance, mainly due to a year-on-year decline in proceeds from sales of operational investment securities and ¥2,049 million, up 0.3% in Other from the same period of the previous fiscal year.

(2) Explanation of Financial Conditions

Assets, Liabilities, and Net Assets

1) Assets

Total assets at the end of the three months under review decreased ¥7,739 million, or 0.2%, to ¥3,572,143 million from total assets at the end of the previous consolidated fiscal year.

○ Operating assets

The balance of operating assets at the end of the three months under review decreased ¥28,671 million, or 0.9%, to ¥3,187,324 million from the end of the previous consolidated fiscal year, due to decreases of overseas subsidiaries' operating assets which were impacted by the yen's appreciation.

The balance of operating assets by segment is as follows: ¥2,402,364 million for Leasing and installment sales, ¥756,989 million for Finance, and ¥27,970 million for Other.

2) Liabilities

Total liabilities at the end of the three months under review decreased ¥10,098 million, or 0.3%, to ¥3,164,964 million from the end of the previous consolidated fiscal year, mainly due to a decrease in notes and accounts payable - trade of ¥45,655 million, despite an increase in interest-bearing debts.

○ Interest-bearing debts

Total interest-bearing debts increased ¥26,183 million, or 1.0%, to ¥2,759,227 million from the end of the previous consolidated fiscal year.

A breakdown of interest-bearing debts shows that, in short-term funds procurement, interest-bearing debts increased ¥79,892 million, or 6.2%, to ¥1,371,534 million from the end of the previous consolidated fiscal year, due to factors such as procurement of short-term funds by short-term borrowings and an increase in procurement of funds by issuance of commercial papers. Meanwhile, in long-term funds procurement, interest-bearing debts decreased ¥53,709 million, or 3.7%, to ¥1,387,692 million from the end of the previous consolidated fiscal year, due to factors such as a decrease in long-term debt.

3) Net assets

Total net assets increased ¥2,359 million, or 0.6%, to ¥407,178 million from the end of the previous consolidated fiscal year, mainly due to an increase in retained earnings of ¥5,327 million, despite a decrease in translation adjustments of ¥4,549 million. As a result, the shareholders' equity ratio increased 0.1 points from the end of the previous consolidated fiscal year to 10.0%.

(3) Explanation of Future Forecast Information such as Consolidated Results Forecast

We have made no revision to the consolidated results forecast which was announced on May 12, 2017.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash on hand and in banks	83,565	87,117
Accounts receivable - installment sales	216,466	211,318
Lease receivables and investment assets	1,600,637	1,561,656
Loans	539,058	546,161
Operational investment securities	209,712	209,785
Accounts receivable - leases	27,525	24,960
Short-term investment securities	4,052	3,550
Inventories	1,796	1,541
Deferred tax assets	7,074	7,728
Other current assets	81,016	91,558
Allowance for doubtful accounts	(4,104)	(3,920)
Total current assets	2,766,802	2,741,456
Non-current assets		
Property and equipment		
Leased assets	636,820	644,285
Advances for purchases of property for lease	4,561	2,618
Other operating assets	26,823	27,970
Own assets in use	13,419	15,006
Total property and equipment	681,624	689,881
Intangible assets		
Computer programs leased to customers	258	232
Goodwill	13,612	14,098
Other intangible assets	6,806	6,478
Total intangible assets	20,676	20,808
Investments and other assets		
Investments in securities	69,592	78,948
Claims provable in bankruptcy or rehabilitation	1,625	1,596
Deferred tax assets	6,124	5,303
Long-term loans and other assets	34,318	35,041
Allowance for doubtful accounts	(1,072)	(1,182)
Total investments and other assets	110,588	119,707
Total non-current assets	812,890	830,397
Deferred assets	189	289
Total assets	3,579,882	3,572,143

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	215,570	169,915
Short-term borrowings	416,341	452,934
Current portion of bonds	68,242	50,619
Current portion of long-term debt	350,210	331,999
Commercial papers	800,700	859,300
Payables under fluidity lease receivables	59,100	44,800
Current portion of long-term payables under fluidity lease receivables	1,963	1,869
Accrued income taxes	10,730	6,658
Deferred tax liabilities	2,138	1,160
Deferred profit on installment sales	14,975	15,127
Provision for bonuses	2,719	1,680
Provision for directors' bonuses	185	60
Other provision	503	537
Other current liabilities	70,858	81,360
Total current liabilities	2,014,241	2,018,024
Long-term liabilities		
Bonds payable	163,772	175,752
Long-term debt	868,640	838,275
Long-term payables under fluidity lease receivables	4,072	3,677
Deferred tax liabilities	18,065	18,239
Provision for directors' retirement benefits	236	195
Provision for automobile inspection costs	957	964
Net defined benefit liability	9,540	9,635
Other long-term liabilities	95,537	100,201
Total long-term liabilities	1,160,822	1,146,940
Total liabilities	3,175,063	3,164,964
Net assets		
Shareholders' equity		
Common stock without par value	34,231	34,231
Capital surplus	7,821	8,113
Retained earnings	299,671	304,998
Treasury stock	(2,757)	(2,701)
Total shareholders' equity	338,966	344,641
Accumulated other comprehensive income		
Net unrealized holding gains on securities	15,830	17,004
Net unrealized gains (losses) on derivative instruments	473	211
Translation adjustments	564	(3,984)
Remeasurements of defined benefit plans	(1,133)	(1,053)
Total accumulated other comprehensive income	15,734	12,178
Share subscription rights	943	879
Non-controlling interests	49,174	49,478
Total net assets	404,818	407,178
Total liabilities and net assets	3,579,882	3,572,143

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income
(For the three months ended June 30, 2016 and 2017)

(Millions of yen)

	Three months ended June 30, 2016 (Apr. 1 to Jun. 30, 2016)	Three months ended June 30, 2017 (Apr. 1 to Jun. 30, 2017)
Revenues	221,814	238,807
Costs	187,406	200,047
Gross profit	34,408	38,759
Selling, general and administrative expenses	17,091	20,484
Operating income	17,317	18,275
Non-operating income		
Interest income	16	15
Dividend income	247	297
Equity in earnings of affiliates	300	361
Foreign exchange gains	—	86
Income from derivatives other than for trading or hedging	1,120	—
Other	187	180
Total non-operating income	1,872	941
Non-operating expenses		
Interest expense	67	66
Foreign exchange losses	1,196	—
Expenses on derivatives other than for trading or hedging	—	13
Other	98	44
Total non-operating expenses	1,361	124
Ordinary income	17,827	19,091
Extraordinary income		
Gain on bargain purchase	—	81
Gain on step acquisitions	100	38
Gain on sales of investments securities	13	36
Other	15	3
Total extraordinary income	129	160
Extraordinary losses		
Loss on step acquisitions	—	102
Loss on disposal of non-current assets	0	35
Loss on valuation of investment securities	110	—
Other	3	1
Total extraordinary losses	114	139
Income before income taxes	17,842	19,113
Income taxes	5,996	6,418
Net income	11,846	12,694
Net income attributable to non-controlling interests	1,769	1,772
Net income attributable to owners of parent	10,076	10,921

Consolidated Statements of Comprehensive Income
(For the three months ended June 30, 2016 and 2017)

(Millions of yen)

	Three months ended June 30, 2016 (Apr. 1 to Jun. 30, 2016)	Three months ended June 30, 2017 (Apr. 1 to Jun. 30, 2017)
Net income	11,846	12,694
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(2,698)	1,191
Net unrealized gains (losses) on derivative instruments	135	(259)
Translation adjustments	(4,449)	(4,149)
Remeasurements of defined benefit plans	63	98
Share of other comprehensive income of affiliates accounted for using equity method	(1,197)	(462)
Total other comprehensive income	(8,146)	(3,581)
Comprehensive income	3,700	9,112
Comprehensive income attributable to:		
Owners of parent	2,667	7,365
Non-controlling interests	1,032	1,747

(3) Notes to the Consolidated Financial Statements

Notes on Going Concern Assumption

Not applicable

Notes in the Case of Material Changes in Shareholders' Equity

Not applicable

Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements

(Calculation of tax expenses)

We reasonably estimate an effective tax rate after applying tax effect accounting to income before income taxes for the consolidated fiscal year under review, and adopt a method to calculate tax expenses by multiplying income before income taxes by the estimated effective tax rate.

Segment Information

I. Three months ended June 30, 2016 (from April 1, 2016 to June 30, 2016)

1. Information concerning the amount of revenues and income/loss by reportable segment

(Millions of yen)

	Leasing and Installment Sales	Finance	Other	Total
Revenues				
Revenues from customers	207,939	5,917	7,957	221,814
Intersegment revenues/transfers	—	—	121	121
Total	207,939	5,917	8,078	221,936
Segment income	13,908	3,267	2,043	19,219

2. Difference between the total amount of income or loss of reportable segments and the amount on quarterly consolidated statements of income, as well as the main elements of the difference (the items regarding variance adjustment)

(Millions of yen)

Income	Amount
Reportable segments total	19,219
Intersegment eliminations	(121)
Corporate expenses (Note)	(1,781)
Operating income on consolidated statements of income	17,317

Note: Corporate expenses consist of general and administrative expenses not attributed to reportable segments.

3. Information concerning impairment loss on non-current assets, goodwill, etc. by reportable segment

Not applicable

II. Three months ended June 30, 2017 (from April 1, 2017 to June 30, 2017)

1. Information concerning the amount of revenues and income/loss by reportable segment

(Millions of yen)

	Leasing and Installment Sales	Finance	Other	Total
Revenues				
Revenues from customers	226,917	5,743	6,146	238,807
Intersegment revenues/transfers	—	—	420	420
Total	226,917	5,743	6,566	239,228
Segment income	15,043	3,041	2,049	20,134

2. Difference between the total amount of income or loss of reportable segments and the amount on quarterly consolidated statements of income, as well as the main elements of the difference (the items regarding variance adjustment)

(Millions of yen)

Income	Amount
Reportable segments total	20,134
Intersegment eliminations	(420)
Corporate expenses (Note)	(1,438)
Operating income on consolidated statements of income	18,275

Note: Corporate expenses consist of general and administrative expenses, not attributed to reportable segments.

3. Information concerning impairment loss on non-current assets, goodwill, etc. by reportable segment

Not applicable

Significant Subsequent Events

Not applicable

4. Supplementary Information

(1) Operating Transactions

1) New transactions volume (from April 1, 2017 to June 30, 2017)

(Millions of yen)

Classification		Three months ended June 30, 2017	
		Amount	Change over the same period of the previous year (%)
Leasing and Installment Sales	Finance lease	120,376	107.4
	Operating lease	39,077	128.2
	Subtotal	159,454	111.9
	Installment sales	17,629	87.2
	Total	177,084	108.8
Finance		143,364	88.2
Other		1,520	45.3
Total		321,968	97.9

Note: For the “Installment sales,” the amount of installment sales receivable, after deducting deferred profit on installment sales, are presented.

2) Balance of Operating Assets (As of June 30, 2017)

(Millions of yen)

Classification		Fiscal 2016		Q1 Fiscal 2017	
		Amount	Share (%)	Amount	Share (%)
Leasing and Installment Sales	Finance lease	1,600,637	49.8	1,561,656	49.0
	Operating lease	637,078	19.8	644,517	20.2
	Subtotal	2,237,715	69.6	2,206,173	69.2
	Installment sales	201,490	6.3	196,190	6.2
	Total	2,439,206	75.9	2,402,364	75.4
Finance		749,965	23.3	756,989	23.8
Other		26,823	0.8	27,970	0.8
Total		3,215,995	100.0	3,187,324	100.0

Note: For the “Installment sales,” the amount of installment sales receivable, after deducting deferred profit on installment sales, is presented.

(Reference)

(Millions of yen)

	Fiscal 2016	Q1 Fiscal 2017
Business guarantees	42,594	41,705