# Q&A at Investors Meeting on November 7, 2017 (FY2017/2Q)

**Tokyo Century Corporation**

**<Operating Assets>**

Q.
Could you please tell us about the company's self-evaluation of growth of operating assets and profitability by operating segments?

A.
The balance of operating assets decreased ¥80.7 billion in Equipment Leasing from the fiscal year ended March 31, 2017, due the unreflected assets of large transactions which were expected to be booked in the first half of fiscal 2017 and replacement of less profitable business portfolio to aim for asset efficiency. Considering these impacts, the actual decline could have been half of the forementioned figure. We aim at a medium-term growth since we have been taking several initiatives primarily developing new business areas, including robot business and others.

In Specialty Financing, we foresee a respectable growth given the committed projects in the environment and energy business and others. We also expect considerable profit contributions as a result of the strategic alliance with Aviation Capital Group (ACG).

Domestic Automobile Financing will remain steady.

In International Business, businesses in the U.S. have been steadily progressing more than it was expected. In terms of profit, the ordinary income in the East Asia and ASEAN region remained on the same level. Operating assets has been progressing slightly slower, due to the upfront investments reflecting our alliance strategy. However, we predict it will enhance the company's growth in the near future.

Achieving over ¥3 trillion in total operating assets, we will aim at building our business portfolio towards higher profitability while focusing on increasing the balance of operating assets.

Q.
What is your forecast on the operating assets at the end of the third medium-term management plan?

A.
Although it is depending on future business environment, we anticipate that our operating assets will be around ¥3.4 to ¥3.5 trillion. The company's front-line staff is also strongly aware of achieving our main focus on high-profitable businesses to achieve our ROA target.

**<Equipment Leasing>**

Q.

Regarding the capital alliance and business partnership with Bplats, Inc. (Bplats) concerning the services which accommodate subscription system, is it a part of your initiatives to change the company's asset portfolio and profitability of the conventional leasing business?

A.

The company's initiative with Bplats is currently undertaken by Equipment Leasing. Since we consider that this business scheme is like service scheme rather than leasing scheme, we plan to operate this scheme under a special business line in the future in instead of Equipment Leasing.

Going forward, Tokyo Century intends to actively form and promote specific service schemes along with manufacturers, as the services incorporating pay-per-use fee system are likely to be highly advantageous for manufacturers. But at the same time, we need to have a screening ability of equipment based on risks before forming schemes incorporating this fee system.

Q.

Could you please give us your outlook for the balance of operating assets in Equipment Leasing?

A.

We need to observe the current leasing market carefully how it is going to change. In general, in line with lower market interest rates and increasing competition in the market, profitability has been declining. We have to take several effective actions company-wide, including our subsidiaries and affiliates otherwise it is impossible to achieve our ROA target, if we maintain the existing low-profitable lease assets in our business portfolio. We believe it is crucial to maintain and improve ROA by replacing low-profitability assets in view of better asset efficiency. Although the balance of operating assets declined in the first half, we will retain the current operating assets at least, while focusing on asset efficiency towards operating businesses based on improved portfolio with higher profitability.

**<Specialty Financing>**

Q.

Could you please tell us about the perspective of ACG which is related to your aviation business, how it is going to contribute to Tokyo Century in the next fiscal year and beyond in view of profits?

A.

As shown on page 21 in Consolidated Financial Results for the Six Months of Fiscal Year Ending March 31, 2018, ACG enjoyed a net income of around ¥10 billion for the last two fiscal years. Regarding the aircraft leasing business, ACG's management team predicts that the business will be dominated by top ranked companies in the industry in the future accompanying further growth. We also expect to reach ¥20 billion level in net income in the future.

Regarding ACG's profit contribution to Tokyo Century, we predict additional profits from maintenance and sales of aircraft and others through our strategic business partnership, apart from the profit in proportion to our acquisition of its membership interests.

Q.

Do you have any plan to increase the membership interests in ACG from 20% since it could be possible to add?

A.

Considering that ACG has been maintaining the high credit rating among the industry peers and has sufficient capital procurement power, we will review our membership ratio depending on ACG's business growth in the future.

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