

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 Six Months of Fiscal Year Ending March 31, 2019 [Japan GAAP]

November 5, 2018

Name of Listed Company: Tokyo Century Corporation Stock Exchange Listing: Tokyo
 Securities Code: 8439
 (URL: <https://www.tokyocentury.co.jp/en/>)
 Representative: Shunichi Asada, President & CEO, Representative Director
 Contact: Koichi Baba, Director and Senior Managing Executive Officer Phone: +81-3-5209-6710
 Scheduled Reportable Date of Quarterly Securities Report: November 9, 2018
 Scheduled Payment Date of Dividends: December 4, 2018
 Preparation of Supplementary Reference Documents: Yes
 Holding of Quarterly Earnings Announcement: Yes (for institutional investors and analysts)

(Amounts less than one million yen are omitted.)

1. Consolidated Performance

	Six Months Ended September 30, 2017	Six Months Ended September 30, 2018	YoY
	<i>(Millions of yen)</i>		<i>(Percentage change)</i>
(1) Consolidated business results:			
Revenues	484,063	513,639	6.1%
Operating income	36,875	37,859	2.7%
Ordinary income	38,030	42,215	11.0%
Net income attributable to owners of parent	22,779	25,062	10.0%
Basic earnings per share (<i>Yen</i>)	215.75	237.30	
Diluted earnings per share (<i>Yen</i>)	215.12	236.47	

Notes:

Total comprehensive income

For the six months ended September 30, 2018:	¥25,640 million	3.8%
For the six months ended September 30, 2017:	¥24,712 million	388.0%

	As of March 31, 2018	As of September 30, 2018
	<i>(Millions of yen)</i>	
(2) Consolidated financial condition:		
Total assets	3,755,127	3,950,818
Net assets	456,036	504,042
Shareholders' equity ratio	10.5%	10.4%

Reference:

Shareholders' equity

As of September 30, 2018:	¥411,423 million
As of March 31, 2018:	¥395,992 million

2. Dividends

	Dividends per Share (Yen)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
Fiscal 2017	—	52.00	—	62.00	114.00
Fiscal 2018	—	61.00	—	61.00	122.00
Fiscal 2018 (Forecast)	—	—	—	61.00	122.00

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

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2019 (As of November 5, 2018)

	Full year	YoY
	(Millions of yen)	(Percentage change)
Revenues	1,050,000	3.7%
Operating income	76,000	3.1%
Ordinary income	83,000	5.0%
Net income attributable to owners of parent	51,500	0.3%
Basic earnings per share (Yen)	487.74	

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, 2018:	106,624,620 shares
As of September 30, 2018:	106,624,620 shares
 - 2) Number of shares of treasury stock at the end of the period

As of March 31, 2018:	1,036,352 shares
As of September 30, 2018:	1,009,413 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2017:	105,583,585 shares
Six months ended September 30, 2018:	105,614,263 shares

These quarterly financial results are outside the scope of quarterly review by certified public accountant or audit firm.

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) and were also posted on the Company's website. The Company plans to hold an earnings announcement for institutional investors and analysts on Tuesday, November 6, 2018.

1. Qualitative Information Concerning Financial Results for the Six Months of Fiscal Year Ending March 31, 2019

(1) Explanation of Results of Operations

During the six months ended September 30, 2018, revenues increased ¥29,576 million, or 6.1%, to ¥513,639 million, and gross profit increased ¥8,623 million, or 10.8%, to ¥88,224 million, respectively from the same period of the previous consolidated fiscal year, mainly due to the steady progress of the Specialty Financing business, including the increase in proceeds from sales of operational investment securities and the conversion of SHINKO REAL ESTATE CO., LTD. (“Shinko Real Estate”) into a consolidated subsidiary, also assisted by the business expansion of the Group companies in the Domestic Automobile Financing business.

Selling, general and administrative expenses increased ¥7,639 million, or 17.9%, to ¥50,364 million from the same period of the previous consolidated fiscal year, mainly due to the business expansion of the Group companies in the Domestic Automobile Financing business.

Non-operating income and loss increased ¥3,200 million, or 277.2%, to an income of ¥4,355 million from the same period of the previous consolidated fiscal year. This was mainly attributable to an increase of ¥3,721 million, or 699.1%, in equity in earnings of affiliates from the same period of the previous consolidated fiscal year, as a result of reflecting the business results of Aviation Capital Group LLC, a leading U.S.-based commercial aircraft lessor, in which we invested in December 2017 (shareholding ratio: 20%).

Due to the factors mentioned above, ordinary income increased ¥4,184 million, or 11.0%, to ¥42,215 million from the same period of the previous consolidated fiscal year.

Income taxes increased ¥1,103 million, or 9.1%, to ¥13,182 million, and net income attributable to non-controlling interests increased ¥538 million, or 15.9%, to ¥3,914 million, respectively from the same period of the previous consolidated fiscal year.

As a result, net income attributable to owners of parent increased ¥2,283 million, or 10.0%, to ¥25,062 million from the same period of the previous consolidated fiscal year.

(2) Explanation of Financial Conditions

Total assets at the end of the six months under review increased ¥195,690 million, or 5.2%, to ¥3,950,818 million from the end of the previous consolidated fiscal year. Although finance lease (lease receivables and investment assets) and installment sales receivable decreased through measures focused on asset efficiency improvement, operating lease (leased assets) increased due in part to the business expansion of each Group companies in the Domestic Automobile Financing business and the conversion of Shinko Real Estate into a consolidated subsidiary, as did power generation-related assets centered on solar power generation (other operating assets).

Total liabilities increased ¥147,684 million, or 4.5%, to ¥3,446,775 million, and interest-bearing debts increased ¥190,268 million, or 6.8%, to ¥3,000,949 million, respectively from the end of the previous consolidated fiscal year. This was mainly due to increases in short-term borrowings and long-term debt, as a result of responding to demand for funding, arising in part from the acquisition of equity of Shinko Real Estate.

Total net assets increased ¥48,006 million, or 10.5%, to ¥504,042 million from the end of the previous consolidated fiscal year, mainly due to an increase in retained earnings of ¥18,472 million, and an increase in non-controlling interests of ¥32,147 million.

As a result, the shareholders’ equity ratio decreased 0.1 points compared to the end of the previous consolidated fiscal year to 10.4%.

(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 9, 2018.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash on hand and in banks	82,212	106,130
Accounts receivable - installment sales	210,523	204,917
Lease receivables and investment assets	1,544,595	1,509,797
Loans	548,522	550,489
Operational investment securities	235,531	233,985
Accounts receivable - leases	30,577	29,557
Short-term investment securities	5,550	5,490
Inventories	1,177	9,896
Other current assets	77,471	96,741
Allowance for doubtful accounts	(3,475)	(3,187)
Total current assets	2,732,687	2,743,819
Non-current assets		
Property and equipment		
Leased assets	637,456	766,960
Advances for purchases of property for lease	13,055	14,399
Other operating assets	68,868	79,763
Construction in progress	42,517	48,407
Own assets in use	17,740	18,427
Total property and equipment	779,638	927,959
Intangible assets		
Computer programs leased to customers	354	928
Goodwill	16,885	35,202
Other intangible assets	9,485	9,724
Total intangible assets	26,725	45,855
Investments and other assets		
Investments in securities	165,272	177,294
Claims provable in bankruptcy or rehabilitation	1,379	1,401
Deferred tax assets	9,883	9,089
Long-term loans and other assets	40,311	46,056
Allowance for doubtful accounts	(1,143)	(1,173)
Total investments and other assets	215,702	232,670
Total non-current assets	1,022,067	1,206,485
Deferred assets	373	513
Total assets	3,755,127	3,950,818

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	247,209	183,686
Short-term borrowings	428,850	516,019
Current portion of bonds	70,460	75,101
Current portion of long-term debt	333,063	339,170
Commercial papers	848,000	863,400
Payables under fluidity lease receivables	61,900	72,400
Current portion of long-term payables under fluidity lease receivables	1,301	1,058
Accrued income taxes	11,964	10,434
Deferred profit on installment sales	16,232	16,125
Provision for bonuses	2,893	4,083
Provision for directors' bonuses	231	159
Other provision	594	611
Other current liabilities	85,289	82,894
Total current liabilities	2,107,989	2,165,146
Long-term liabilities		
Bonds payable	194,232	199,984
Long-term debt	870,102	931,523
Long-term payables under fluidity lease receivables	2,771	2,291
Deferred tax liabilities	13,437	28,768
Provision for directors' retirement benefits	248	433
Provision for automobile inspection costs	1,036	1,071
Net defined benefit liability	9,501	11,463
Other long-term liabilities	99,772	106,093
Total long-term liabilities	1,191,101	1,281,629
Total liabilities	3,299,091	3,446,775
Net assets		
Shareholders' equity		
Common stock without par value	34,231	34,231
Capital surplus	9,060	9,073
Retained earnings	339,910	358,383
Treasury stock	(2,682)	(2,613)
Total shareholders' equity	380,520	399,074
Accumulated other comprehensive income		
Net unrealized holding gains on securities	17,745	19,336
Net unrealized losses on derivative instruments	(942)	1,006
Translation adjustments	(579)	(7,408)
Remeasurements of defined benefit plans	(751)	(584)
Total accumulated other comprehensive income	15,472	12,349
Share subscription rights	1,196	1,624
Non-controlling interests	58,847	90,994
Total net assets	456,036	504,042
Total liabilities and net assets	3,755,127	3,950,818

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

Consolidated Statements of Income
(For the six months ended September 30, 2017 and 2018)

(Millions of yen)

	Six months ended September 30, 2017 (Apr. 1 to Sep. 30, 2017)	Six months ended September 30, 2018 (Apr. 1 to Sep. 30, 2018)
Revenues	484,063	513,639
Costs	404,463	425,415
Gross profit	79,600	88,224
Selling, general and administrative expenses	42,724	50,364
Operating income	36,875	37,859
Non-operating income		
Interest income	56	96
Dividend income	473	537
Equity in earnings of affiliates	532	4,253
Foreign exchange gains	28	—
Rent income	143	146
Other	201	268
Total non-operating income	1,435	5,302
Non-operating expenses		
Interest expense	132	229
Foreign exchange losses	—	563
Cost of lease revenue	73	76
Other	74	78
Total non-operating expenses	280	946
Ordinary income	38,030	42,215
Extraordinary income		
Gain on sales of investments securities	306	55
Other	131	16
Total extraordinary income	438	72
Extraordinary losses		
Loss on disposal of non-current assets	48	61
Loss on step acquisitions	138	—
Other	48	66
Total extraordinary losses	235	128
Income before income taxes	38,233	42,159
Income taxes	12,078	13,182
Net income	26,155	28,976
Net income attributable to non-controlling interests	3,376	3,914
Net income attributable to owners of parent	22,779	25,062

Consolidated Statements of Comprehensive Income
(For the six months ended September 30, 2017 and 2018)

(Millions of yen)

	Six months ended September 30, 2017 (Apr. 1 to Sep. 30, 2017)	Six months ended September 30, 2018 (Apr. 1 to Sep. 30, 2018)
Net income	26,155	28,976
Other comprehensive income		
Net unrealized holding gains (losses) on securities	3,159	1,593
Net unrealized gains (losses) on derivative instruments	(356)	1,829
Translation adjustments	(3,604)	(5,951)
Remeasurements of defined benefit plans	167	184
Share of other comprehensive income of affiliates accounted for using equity method	(809)	(991)
Total other comprehensive income	(1,442)	(3,335)
Comprehensive income	24,712	25,640
Comprehensive income attributable to:		
Owners of parent	21,269	21,939
Non-controlling interests	3,443	3,701

(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.

Additional Information

Since the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and others have been applicable from the beginning of the first quarter of the current consolidated fiscal year, deferred tax assets and deferred tax liabilities are classified under investments and other assets and long-term liabilities, respectively. To reflect this change in description, the reclassification of amounts has been made for the balance sheet for the previous year.

Significant Subsequent Events

The Company issued the 25th Unsecured Bonds (with limited inter-bond pari passu clause) (green bonds) and the 26th Unsecured Bonds (with limited inter-bond pari passu clause) on October 15, 2018. Below is an overview of the issued Bonds.

	25th Unsecured Bonds (Green Bonds)	26th Unsecured Bonds
Total amount of issuance	¥10,000 million	¥10,000 million
Issuance price	¥100 per face value of ¥100	
Interest rate	0.200% annually	0.040% annually
Redemption amount	¥100 per face value of ¥100	
Maturity date	October 13, 2023 (5-year bond)	October 15, 2021 (3-year bond)
Redemption method	Lump-sum redemption at maturity	
Closing date	October 15, 2018	
Collateral	There are no collaterals or guarantees on the Bonds and no assets are specifically reserved for them.	
Use of funds	Redemption of commercial papers	

3. Supplementary Information

(1) Operating Transactions

1) New transactions volume (from April 1, 2018 to September 30, 2018)

(Millions of yen)

Classification		Six months ended September 30, 2018	
		Amount	Change over the same period of the previous year (%)
Leasing and Installment Sales	Finance lease	270,491	112.2
	Operating lease	78,282	95.1
	Subtotal	348,774	107.8
	Installment sales	35,833	90.8
	Total	384,607	106.0
Finance		285,270	102.8
Other		15,228	139.0
Total		685,105	105.2

Notes: 1: For the "Operating lease," the acquisition cost of lease properties is presented, and the said amount does not include re-leasing transaction volume.

2: For the "Finance lease," the cost of acquisition of lease assets acquired during the six months ended September 30, 2018 review is presented. For the "Installment sales," the amount of installment sales receivable, after deducting deferred profit on installment sales, is presented.

2) Balance of Operating Assets (As of September 30, 2018)

(Millions of yen)

Classification		Fiscal 2017		Q2 Fiscal 2018	
		Amount	Share (%)	Amount	Share (%)
Leasing and Installment Sales	Finance lease	1,544,595	47.9	1,509,797	45.3
	Operating lease	637,811	19.7	767,889	23.0
	Subtotal	2,182,406	67.6	2,277,686	68.3
	Installment sales	194,291	6.0	188,791	5.7
	Total	2,376,698	73.6	2,466,478	74.0
Finance		785,074	24.3	785,685	23.6
Other		68,868	2.1	79,763	2.4
Total		3,230,641	100.0	3,331,928	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 2017	Q2 Fiscal 2018
Business guarantees	38,164	52,075