

## **Q & A at Investors Meeting on November 6, 2018 (FY2018)**

**Tokyo Century Corporation**

### **<Business Results for the Second Quarter of Fiscal 2018>**

Q.

Ordinary income in the second quarter progressed steadily, achieved about 50% compared to the plan. How do you see the business results in operating segment-wise?

A.

The Specialty Financing business is the driving force of our business results, especially the aviation business is the growth driver, due to the reflection of the business results of Aviation Capital Group (ACG) as a result of its becoming our equity-method affiliate. With regard to the Domestic Automobile Financing business, although the income of Nippon Rent-A-Car Service (fiscal year-end: December) decreased in the second quarter, that is expected to recover and exceed that of the previous fiscal year, as car rental demand is expected to increase in the second half of the year. In the International Business, CSI Leasing is progressing steadily. The Equipment Leasing business has achieved certain results, including an increase in ROA and others, while its segment assets decreased. Even if there is a negative impact in funding cost due to rising interest rates of US dollar, we foresee we will earn enough profitability to surpass the negativity and recover in this fiscal year.

### **<Segment Assets>**

Q. How do you see the increase in segment assets for the second half of fiscal 2018? If the assets are not expected to increase, will shareholders' return be taken into consideration in some way or other?

A.

Although we are expecting an increase in segment assets, we will increase the assets in consideration of profitability since Tokyo Century has shifted a ROA-oriented management.

## **<Equipment Leasing>**

Q.

Could you please tell us about the ROA outlook for the Equipment Leasing business?

A.

Our ROA has been reasonably improving over the years, although it is not easy to increase just 0.1% of that of the Equipment Leasing business considering the size of its assets. Tokyo Century will continue focusing on improving its ROA through collaborating with partner companies. As an example, we have formed a new initiative jointly with Bplats to respond to market needs by transforming ourselves from a financial service provider to a viable business operator.

## **<Specialty Financing>**

### **1. Aviation Business**

Q.

How will the increased investment in GA Telesis (GAT) influence Tokyo Century's entire aviation business?

A.

In Tokyo Century's aviation business, there are revenue opportunities throughout the product life cycle, from leasing new aircraft to secondary business of decommissioned aircraft by strengthening the collaboration between ACG.

Q.

Establishing an engine leasing joint-venture together with GAT and ANA Trading, and adding the new company in Tokyo Century's aviation business domain, will it lead to improve the ROA of the company's aviation business?

A.

We are not able to give the details of the joint venture as it is currently in preparation. However, we are expecting its profitability since aircraft engines can be used for a long time with maintenance.

Q.

Do you expect that ACG will maintain a low impairment loss also for the second half of fiscal 2018 as same level as year-on-year results of the second quarter?

A.

I expect its impairment loss will decrease in fiscal 2018 compared with the previous year.

Q.

In relation to the investment agreement with ACG, does the agreement specify that Tokyo Century will increase its investment in ACG after a few years?

A.

Unfortunately, we are not able to disclose the details of the agreement. However, we will seek to provide growth capital in accordance with the progress of ACG's expansion in balance sheet.

#### **<Shinko Real Estate>**

Q.

Is there any plan for Shinko Real Estate to effectively apply leverage in an effort to magnify its operation, as the company has not taking leverage so far?

A.

We seek to further expand and bolster the business of Shinko Real Estate by providing with Tokyo Century's extensive customer base and growth capital while Shinko Real Estate provides us a wide range of business opportunities to Tokyo Century.

#### **<Domestic Automobile Business>**

Q.

In relation to some news which I read about an increasing number of traffic accidents caused by rental car users of inbound visitors, has it also impacted NRS's business?

A.

NRS has not experienced a big loss caused by such accidents. NRS minimizes the risk of accidents by deploying recent type of vehicles for securing safety. Since we have taken into account a certain level of potential accidents, because of the nature of the car rental business, there is no significant impact on NRS's business results.

### <The Next (Fourth) Medium Term Management Plan>

Q.

I understand that Tokyo Century is targeting ¥100 billion in ordinary income in the fourth medium term management plan. In that case, assuming that the current target of ¥830 billion in ordinary income, which is laid out in the third medium term management plan is achieved, which of the four operating segments will take a lead in earning ¥170 billion to reach the ¥100 billion?

A.

We see that Specialty Financing will be the key driving force for an income increase, along with a 10% of annual growth being expected by organic growth in Domestic Automobile Financing and International Business.

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