

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, 2020 [Japan GAAP]

August 2, 2019

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

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Scheduled Reportable Date of Quarterly Securities Report: August 7, 2019

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, 2018	Three Months Ended June 30, 2019	YoY
	<i>(Millions of yen)</i>		<i>(Percentage change)</i>
(1) Consolidated business results:			
Revenues	259,397	267,394	3.1%
Operating income	20,598	21,076	2.3%
Ordinary income	22,791	23,920	5.0%
Net income attributable to owners of parent	13,626	13,742	0.8%
Basic earnings per share (<i>Yen</i>)	129.02	130.09	
Diluted earnings per share (<i>Yen</i>)	128.60	129.57	

Notes:

Total comprehensive income

For the three months ended June 30, 2019: ¥14,157 million 637.2%

For the three months ended June 30, 2018: ¥1,920 million (78.9%)

	As of March 31, 2019	As of June 30, 2019
	<i>(Millions of yen)</i>	
(2) Consolidated financial condition:		
Total assets	4,086,513	4,136,636
Net assets	524,372	529,234
Shareholders' equity ratio	10.4%	10.4%

Reference:

Shareholders' equity

As of June 30, 2019: ¥431,644 million

As of March 31, 2019: ¥426,655 million

2. Dividends

	Dividends per Share (<i>Yen</i>)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
Fiscal 2018	—	61.00	—	63.00	124.00
Fiscal 2019	—	—	—	—	—
Fiscal 2019 (Forecast)	—	67.00	—	67.00	134.00

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

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2020 (As of August 2, 2019)

	Full year	YoY
	<i>(Millions of yen)</i>	<i>(Percentage change)</i>
Revenues	1,100,000	3.0%
Operating income	79,300	2.0%
Ordinary income	89,000	3.1%
Net income attributable to owners of parent	54,000	3.3%
Basic earnings per share (Yen)	511.29	

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, 2019:	106,624,620 shares
As of June 30, 2019:	106,624,620 shares
 - 2) Number of shares of treasury stock at the end of the period

As of March 31, 2019:	1,008,592 shares
As of June 30, 2019:	984,563 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2018:	105,613,559 shares
Three months ended June 30, 2019:	105,635,738 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.

1. Qualitative Information Concerning Financial Results for the Three Months of Fiscal Year Ending March 31, 2020

(1) Explanation of Results of Operations

During the three months ended June 30, 2019, revenues increased ¥7,996 million, or 3.1%, to ¥267,394 million, and gross profit increased ¥3,918 million, or 8.8%, to ¥48,252 million, respectively from the same period of the previous consolidated fiscal year, mainly due to factors such as inclusion of the results of SHINKO REAL ESTATE CO., LTD. (“Shinko Real Estate”), which became a consolidated subsidiary in July last year, and the steady progress of the International Business including an increase in dividend income from operational investment securities.

Selling, general and administrative expenses increased ¥3,440 million, or 14.5%, to ¥27,176 million from the same period of the previous consolidated fiscal year, mainly due to the conversion of Shinko Real Estate to a consolidated subsidiary and the business expansion of the Group companies in the Mobility & Fleet Management business.

Non-operating income and loss increased ¥651 million, or 29.7%, to an income of ¥2,844 million from the same period of the previous consolidated fiscal year. This was mainly attributable to an improvement of ¥532 million in gains and losses related to foreign exchange.

Due to the factors mentioned above, ordinary income increased ¥1,129 million, or 5.0%, to ¥23,920 million from the same period of the previous consolidated fiscal year.

Income taxes increased ¥314 million, or 4.3%, to ¥7,650 million, and net income attributable to non-controlling interests increased ¥592 million, or 32.6%, to ¥2,409 million, respectively from the same period of the previous consolidated fiscal year.

As a result, net income attributable to owners of parent increased ¥115 million, or 0.8%, to ¥13,742 million from the same period of the previous consolidated fiscal year.

(Overview of Business Results by Segment)

Business results by segment were as follows.

Revenues for each segment represent “revenues from customers,” and segment income represents the amount for the reportable segment.

The reportable segments have been reclassified from “Leasing and Installment Sales,” “Finance” and “Other,” into “Equipment Leasing,” “Mobility & Fleet Management,” “Specialty Financing” and “International Business” from the three months ended June 30, 2019, and the presentation of segment income has changed from operating income to ordinary income.

In addition, the amount of investment in equity-method affiliates etc. has been added to segment assets.

Year-on-year comparisons shown below have been made with figures in the previous year reclassified into the segmentation after the change.

1) Equipment Leasing

Revenues decreased ¥6,705 million, or 5.0%, to ¥126,495 million, and segment income decreased ¥258 million, or 3.5%, to ¥7,123 million, respectively from the same period of the previous consolidated fiscal year. The decrease in segment income was mainly due to a decline of gain on sales of leased equipment. The balance of segment assets increased ¥11,658 million, or 0.8%, to ¥1,384,492 million from the end of the previous consolidated fiscal year.

2) Mobility & Fleet Management

Revenues increased ¥4,900 million, or 6.3%, to ¥83,124 million, and segment income decreased ¥49 million, or 1.2%, to ¥4,218 million, respectively from the same period of the previous consolidated fiscal year. The decrease in segment income was mainly due to a decline of gain on sales of vehicles. The balance of segment assets increased ¥14,896 million, or 2.5%, to ¥607,567 million from the end of the previous consolidated fiscal year.

3) Specialty Financing

Revenues increased ¥6,143 million, or 21.8%, to ¥34,279 million, and segment income increased ¥166 million, or 1.5%, to ¥11,213 million, respectively from the same period of the previous consolidated fiscal year. The increase in segment income was mainly due to inclusion of the results of Shinko Real Estate and gain on solar power sales, although there was a reactionary drop to an increase in aircraft-related commission income in the same period of the previous consolidated fiscal year. The balance of segment assets decreased ¥23,834 million, or 2.1%, to ¥1,118,564 million from the end of the previous consolidated fiscal year.

4) International Business

Revenues increased ¥3,591 million, or 18.2%, to ¥23,344 million, and segment income increased ¥1,190 million, or 59.5%, to ¥3,189 million, respectively from the same period of the previous consolidated fiscal year. The increase in segment income was mainly due to growth in dividend income from operational investment securities. The balance of segment assets increased ¥3,335 million, or 0.7%, to ¥516,243 million from the end of the previous consolidated fiscal year.

(2) Explanation of Financial Conditions

Total assets at the end of the three months under review increased ¥50,122 million, or 1.2%, to ¥4,136,636 million from the end of the previous consolidated fiscal year. Total liabilities increased ¥45,260 million, or 1.3%, to ¥3,607,401 million, and interest-bearing debts increased ¥91,565 million, or 3.0%, to ¥3,132,800 million, respectively from the end of the previous consolidated fiscal year.

Total net assets increased ¥4,862 million, or 0.9%, to ¥529,234 million from the end of the previous consolidated fiscal year, mainly due to an increase in retained earnings of ¥7,089 million and a decrease in net unrealized holding gains on securities of ¥2,754 million.

As a result, the shareholders' equity ratio remained unchanged compared to the end of the previous consolidated fiscal year at 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, 2019.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash on hand and in banks	99,058	110,611
Accounts receivable - installment sales	195,761	194,536
Lease receivables and investment assets	1,565,671	1,570,531
Loans	549,980	522,609
Operational investment securities	295,970	285,864
Accounts receivable - leases	34,598	33,622
Short-term investment securities	620	490
Inventories	10,667	9,700
Other current assets	92,175	129,000
Allowance for doubtful accounts	(3,377)	(3,656)
Total current assets	2,841,127	2,853,311
Non-current assets		
Property and equipment		
Leased assets	773,055	778,852
Advances for purchases of property for lease	15,985	33,515
Other operating assets	89,406	88,895
Construction in progress	55,372	59,993
Own assets in use	18,742	19,151
Total property and equipment	952,562	980,408
Intangible assets		
Computer programs leased to customers	1,216	2,732
Goodwill	32,711	32,192
Other intangible assets	12,186	13,644
Total intangible assets	46,115	48,569
Investments and other assets		
Investments in securities	183,219	188,116
Claims provable in bankruptcy or rehabilitation	1,348	1,374
Deferred tax assets	12,729	14,316
Long-term loans and other assets	50,050	50,827
Allowance for doubtful accounts	(1,144)	(1,152)
Total investments and other assets	246,205	253,481
Total non-current assets	1,244,883	1,282,460
Deferred assets	503	863
Total assets	4,086,513	4,136,636

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	248,215	202,291
Short-term borrowings	486,653	479,892
Current portion of bonds	101,935	74,986
Current portion of long-term debt	413,061	478,760
Commercial papers	872,300	916,200
Payables under fluidity lease receivables	75,900	74,801
Current portion of long-term payables under fluidity lease receivables	908	858
Accrued income taxes	11,004	5,790
Deferred profit on installment sales	15,882	15,887
Provision for bonuses	3,569	2,185
Provision for directors' bonuses	318	94
Other provisions	631	631
Other current liabilities	86,309	89,486
Total current liabilities	2,316,691	2,341,867
Long-term liabilities		
Bonds payable	197,497	201,895
Long-term debt	891,113	903,758
Long-term payables under fluidity lease receivables	1,862	1,647
Deferred tax liabilities	30,548	31,350
Provision for directors' retirement benefits	489	439
Provision for automobile inspection costs	1,146	1,186
Other provisions	—	354
Net defined benefit liability	11,032	11,106
Other long-term liabilities	111,758	113,796
Total long-term liabilities	1,245,449	1,265,534
Total liabilities	3,562,141	3,607,401
Net assets		
Shareholders' equity		
Common stock without par value	34,231	34,231
Capital surplus	9,074	9,117
Retained earnings	379,150	386,239
Treasury stock	(2,612)	(2,550)
Total shareholders' equity	419,843	427,037
Accumulated other comprehensive income		
Net unrealized holding gains on securities	15,647	12,892
Net unrealized losses on derivative instruments	(152)	(918)
Translation adjustments	(8,078)	(6,801)
Remeasurements of defined benefit plans	(605)	(565)
Total accumulated other comprehensive income	6,812	4,606
Share subscription rights	1,620	1,514
Non-controlling interests	96,096	96,075
Total net assets	524,372	529,234
Total liabilities and net assets	4,086,513	4,136,636

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

Consolidated Statements of Income
(For the three months ended June 30, 2018 and 2019)

(Millions of yen)

	Three months ended June 30, 2018 (Apr. 1 to Jun. 30 2018)	Three months ended June 30, 2019 (Apr. 1 to Jun. 30 2019)
Revenues	259,397	267,394
Costs	215,063	219,141
Gross profit	44,334	48,252
Selling, general and administrative expenses	23,735	27,176
Operating income	20,598	21,076
Non-operating income		
Interest income	45	49
Dividend income	347	369
Equity in earnings of affiliates	2,193	2,370
Foreign exchange gains	—	75
Rent income	70	71
Other	142	125
Total non-operating income	2,800	3,061
Non-operating expenses		
Interest expense	102	145
Foreign exchange losses	456	—
Cost of lease revenue	23	21
Other	24	51
Total non-operating expenses	607	217
Ordinary income	22,791	23,920
Extraordinary income		
Gain on sales of non-current assets	2	21
Gain on sales of investments securities	25	9
Other	7	17
Total extraordinary income	35	48
Extraordinary losses		
Extra retirement payments	—	99
Loss on disposal of non-current assets	24	41
Other	21	25
Total extraordinary losses	45	166
Income before income taxes	22,780	23,802
Income taxes	7,336	7,650
Net income	15,444	16,151
Net income attributable to non-controlling interests	1,817	2,409
Net income attributable to owners of parent	13,626	13,742

Consolidated Statements of Comprehensive Income
(For the three months ended June 30, 2018 and 2019)

(Millions of yen)

	Three months ended June 30, 2018 (Apr. 1 to Jun. 30 2018)	Three months ended June 30, 2019 (Apr. 1 to Jun. 30 2019)
Net income	15,444	16,151
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(839)	(2,753)
Net unrealized gains (losses) on derivative instruments	605	(561)
Translation adjustments	(11,913)	1,260
Remeasurements of defined benefit plans	64	45
Share of other comprehensive income of affiliates accounted for using equity method	(1,440)	14
Total other comprehensive income	(13,523)	(1,994)
Comprehensive income	1,920	14,157
Comprehensive income attributable to:		
Owners of parent	220	11,536
Non-controlling interests	1,699	2,620

(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.

However, where the amount of tax expenses calculated using the estimated effective tax rate is obviously unreasonable, tax expenses are calculated by multiplying income before income taxes by the effective tax rate designated by law after adjusting for significant differences that are not temporary differences.

Segment Information

(Items relating to changes to reportable segments, etc.)

Under the Group's new "Fourth Medium-Term Management Plan," adopted at the Board of Directors' meeting held on May 9, 2019, the Group has decided to change the reportable segments and others in order to implement a review of business management techniques, taking into consideration factors such as the present organizational structure and changes in the business portfolio.

With this change, the reportable segments have been reclassified from "Leasing and Installment Sales," "Finance" and "Other," into "Equipment Leasing," "Mobility & Fleet Management," "Specialty Financing" and "International Business" from the three months ended June 30, 2019, and the presentation of segment income has changed from operating income to ordinary income.

The details of each reportable segment after the change are shown below.

- | | |
|-----------------------------------|--|
| (1) Equipment Leasing----- | Financial services and viable businesses, etc. on the handling of information and communications equipment, office equipment, industrial machinery, transportation equipment and equipment for commercial and service industries |
| (2) Mobility & Fleet Management-- | Automobile leasing, car rental and car sharing businesses, etc. for corporate customers and individuals |
| (3) Specialty Financing----- | Financial services, viable businesses and investment, etc. mainly focusing on product fields such as shipping, aviation, real estate, and environment and energy, in Japan and overseas |
| (4) International Business----- | Financial services and fleet services businesses, etc. mainly in East Asia, ASEAN, North, Central and South America, |

Segment information for the three months ended June 30, 2018, has been prepared according to the new segment classifications.

I. Three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018)

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Total	Adjustment (Note 2)	Amount shown on the Consolidated Statements of Income (Note 3)
	Equipment Leasing	Mobility & Fleet Management	Specialty Financing	International Business	Total				
Revenues									
Revenues from customers	133,201	78,224	28,136	19,752	259,315	82	259,397	—	259,397
Intersegment revenues /transfers	213	250	—	12	475	105	580	(580)	—
Total	133,414	78,474	28,136	19,765	259,790	187	259,978	(580)	259,397
Segment income	7,381	4,268	11,046	1,999	24,696	42	24,739	(1,948)	22,791

Notes:

1. "Others" includes casualty insurance agency business and business-processing services business, which are not included in any reportable segment.
2. The adjustment to segment income mainly consists of general and administrative expenses, which are not attributed to reportable segments.
3. Segment income is adjusted to ordinary income shown on the Consolidated Statements of Income.

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

Not applicable

II. Three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019)

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

(Millions of yen)

	Reportable Segment					Others (Note 1)	Total	Adjustment (Note 2)	Amount shown on the Consolidated Statements of Income (Note 3)
	Equipment Leasing	Mobility & Fleet Management	Specialty Financing	International Business	Total				
Revenues									
Revenues from customers	126,495	83,124	34,279	23,344	267,244	150	267,394	—	267,394
Intersegment revenues /transfers	146	262	—	2	410	82	493	(493)	—
Total	126,642	83,386	34,279	23,346	267,655	232	267,887	(493)	267,394
Segment income	7,123	4,218	11,213	3,189	25,745	109	25,854	(1,934)	23,920

Notes:

1. "Others" includes casualty insurance agency business and business-processing services business, which are not included in any reportable segment.
2. The adjustment to segment income mainly consists of general and administrative expenses, which are not attributed to reportable segments.
3. Segment income is adjusted to ordinary income shown on the Consolidated Statements of Income.

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

Not applicable

Significant Subsequent Events

(Issuance of Stock Option: Share Subscription Rights)

At the Board of Directors' meeting on August 2, 2019, pursuant to provisions in Paragraph 1 of Article 236, Paragraph 1 and 2 of Article 238 and Paragraph 1 of Article 240 of the Companies Act, the Board of Directors resolved to issue share subscription rights for stock options under the stock-based compensation scheme for the Company's Directors (excluding External Directors and Part-time Directors), Executive Officers, some of its employees qualified as Executive General Managers, and some of the Directors and Executive Officers of the subsidiaries of the Company.

Amount payable for the share subscription rights and others will be determined on August 19, 2019, the date of the subscription rights to be granted.

(1) Name of the share subscription rights

Tokyo Century Corporation No. 8 Share Subscription Rights

(2) Total number of the share subscription rights (planned)

1,271 units (100 shares per share subscription right)

(3) Class and the number of shares to be acquired upon the exercise of share subscription rights (planned)

Common stock of the Company: 127,100 shares

(4) Title and number of persons eligible for share subscription rights and the number of share subscription rights to be granted (planned)

Directors of the Company: 10; 607 units

Executive Officers of the Company: 22; 595 units

Executive General Managers of the Company: 3; 34 units

Directors and Executive Officers of the subsidiaries of the Company: 5; 35 units

(5) Amount payable for the share subscription rights

To be determined on August 19, 2019, the date of the subscription rights to be granted.

(6) Exercise period of the share subscription rights

The share subscription rights may be exercised between August 20, 2019 and August 19, 2049 (however, if the said final day of the exercise period falls on a Company holiday, the final exercise date shall be the business day preceding this day).

3. Supplementary Information

(1) Operating Transactions

Balance of segment assets (as of June 30, 2019)

(Millions of yen)

Classification		As of March 31, 2019		As of June 30, 2019	
		Amount	Share (%)	Amount	Share (%)
Reportable Segment	Equipment Leasing	1,372,833	37.8	1,384,492	38.0
	Mobility & Fleet Management	592,670	16.3	607,567	16.7
	Specialty Financing	1,142,398	31.5	1,118,564	30.8
	International Business	512,908	14.1	516,243	14.2
	Total for Reportable Segments	3,620,811	99.7	3,626,867	99.7
Others		10,107	0.3	10,251	0.3
Total		3,630,919	100.0	3,637,118	100.0

(Reference)

(Millions of yen)

	Fiscal 2018	Q1 Fiscal 2019
Business guarantees	46,222	54,539