

February 17, 2020

Dear Shareholders and Investors,



A handwritten signature in black ink, which appears to read "Shiro Aoki".

President & CEO,
Representative Director
Tokyo Century Corporation

I would like to express my sincere gratitude to our shareholders and investors for your exceptional support extended to us.

Tokyo Century, as of February 6, 2020, disclosed news releases “Announcement Regarding the Conclusion of Capital and Business Alliance Agreement with Nippon Telegraph and Telephone (“NTT”)”, “Announcement Regarding the Issuance of New Shares Through Third-Party Allotment and Expected Change in Major Shareholders” and “New Fourth Medium-Term Management Plan for Fiscal 2020-22” along with consolidated financial results for the nine months of fiscal year ending March 31, 2020.

FY2019 marks the 10th anniversary since the merger, and also a profound turning point of year for the company with major events, including the conversion of Aviation Capital Group (“ACG”), a U.S. commercial aircraft lessor, to a wholly owned subsidiary, and response to various management issues.

Capital and Business Alliance with NTT

Tokyo Century and NTT have been in business collaborations through integration of automobile leasing operations of both companies and launched Nippon Car Solutions Co., Ltd. (Shareholding ratio: Tokyo Century 59.5%; NTT 40.5%) in 2005, and that has led to strengthen mutual business expansion and relationship of trust. The conclusion of the capital and business alliance agreement resulted from mutual consultation between the two with a view to further reinforcing the relationship. NTT will acquire 10% shares of common stock issued by Tokyo Century through the third party allotment as explained later.

As the first step of the business alliance, Tokyo Century and NTT will establish a new company (NTT TC Leasing Co., Ltd. (planned), "NTT TC Leasing") and spin off part of the leasing and global businesses of NTT Finance Corporation ("NTTF") to NTT TC Leasing through the method of absorption-type split upon spin-off in order to enhance and expand the leasing and financial business. To ensure that Tokyo Century will have the same ratio of interest as the NTT Group by acquiring shares equivalent to 50% of the total number of outstanding shares in the new company, and convert it to an equity-method affiliate. The new company will be focusing on business collaborations in prospective growth area that the NTT Group focuses on (global, real estate, renewable energy, and other businesses) as well as the fields including digitization and the Internet of Things by leveraging (IoT): Tokyo Century's excellent capabilities of providing flexible, diverse financial services supported by its capability to provide asset valuation, management services and others; NTT's research and development capabilities; and the leasing business know-how nurtured by NTTF.

Issuance of New Shares Through Third-Party Allotment

Tokyo Century resolved to raise a total of JPY93.8 billion (NTT JPY70.3 billion; ITOCHU JPY23.5 billion) from the scheduled subscribers, NTT and ITOCHU Corporation ("ITOCHE") by issuing new shares through the third-party allotment.

Tokyo Century plans to use, out of the proceeds to be raised through the third-party allotment: JPY60 billion to acquire the shares in aforementioned new company NTT TC Leasing; and JPY33.4 billion (approximate cost of issuance JPY0.4 billion is excluded) as part to make growth investments to build a solid business platform and to develop business collaborations with NTT and ITOCHU.

The issuance of new shares will result in a dilution of 15.38% versus all outstanding shares totaling 106,624,620. However Tokyo Century judged that the proceeds to be raised are essential for the company to achieve the New Fourth Medium-Term Management Plan as described later and sustainable enhancement of its corporate value.

I would appreciate the understanding and support from our shareholders and investors.

New Fourth Medium-Term Management Plan

After the release of the Fourth Medium-Term Management Plan in May 2019, Tokyo Century has formed the New Fourth Medium-Term Management Plan (the “New Medium-Term Plan”) incorporating the conversion of ACG to a wholly owned subsidiary as announced in September 2019, the capital and business alliance with NTT, and the third-party allotment.

The New Medium-Term Plan designed for three years starting 2020, describes that Tokyo Century will focus on deep mining of growth business (aviation, fleet & mobility in and outside Japan, real estate, renewable energy, principal investment, and others) and further strengthening of strategic partnership. In addition, the company has set the targets for FY2022 to achieve: (1) JPY130 billion in ordinary income; (2) JPY80 billion in net income attributable to owners of parent; (3) 12% in shareholders’ equity ratio; and (4) 12% in ROE.

As we have set a new target item, net income attributable to owners of parent, the company will also promote to raise EPS from JPY512, a forecast for fiscal year ending March 31, 2020 to about JPY650, a target for March 31, 2023. In relation to the shareholder returns policy, Tokyo Century will aim for 30% in payout ratio for FY2022 based on stable long-term return of profits.

Due to the consolidation of ACG, segment assets expanded to JPY4,723.2 billion while the consolidated shareholders’ equity ratio as of December 31, 2019 was 8.2%, or down 2.2pt from March 31, 2019 (the end of FY2018). Tokyo Century will achieve the target set for shareholders’ equity ratio and raise its credit ratings by increasing shareholders’ equity and profit during the period of the New Medium-Term Plan.

Once again, I would like to express my deep gratitude and appreciation to our shareholders and investors for significant assistance extended to us and I would appreciate your continued further understanding and support.