

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, 2021 [Japan GAAP]

November 9, 2020

Name of Listed Company: Tokyo Century Corporation
Securities Code: 8439
(URL: <https://www.tokyocentury.co.jp/en/>)
Representative: Makoto Nogami, President & CEO, Representative Director
Contact: Tatsuya Hirasaki, Managing Executive Officer
Scheduled Reportable Date of Quarterly Securities Report: November 9, 2020
Scheduled Payment Date of Dividends: December 8, 2020
Preparation of Supplementary Reference Documents: Yes
Holding of Quarterly Earnings Announcement: Yes (for institutional investors and analysts)

Stock Exchange Listing: Tokyo

(Amounts less than one million yen are omitted.)

1. Consolidated Performance

	Six Months Ended September 30, 2019	Six Months Ended September 30, 2020	YoY
	<i>(Millions of yen)</i>		<i>(Percentage change)</i>
(1) Consolidated business results:			
Revenues	549,755	592,208	7.7%
Operating income	40,421	42,186	4.4%
Ordinary income	46,392	42,841	(7.7%)
Net income attributable to owners of parent	27,014	27,521	1.9%
Basic earnings per share (<i>Yen</i>)	255.73	225.44	
Diluted earnings per share (<i>Yen</i>)	254.70	224.45	

Notes:

Total comprehensive income

For the six months ended September 30, 2020:	¥24,486 million	6.8%
For the six months ended September 30, 2019:	¥22,921 million	(10.6%)

	As of March 31, 2020	As of September 30, 2020
	<i>(Millions of yen)</i>	
(2) Consolidated financial condition:		
Total assets	5,608,556	5,599,065
Net assets	660,145	675,824
Shareholders' equity ratio	9.9%	10.1%

Reference:

Shareholders' equity

As of September 30, 2020:	¥566,894 million
As of March 31, 2020:	¥554,498 million

2. Dividends

	Dividends per Share (<i>Yen</i>)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
Fiscal 2019	—	67.00	—	69.00	136.00
Fiscal 2020	—	68.00	—	—	—
Fiscal 2020 (Forecast)	—	—	—	68.00	136.00

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

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2021 (As of November 9, 2020)

	Full year	YoY
	<i>(Millions of yen)</i>	<i>(Percentage change)</i>
Revenues	1,200,000	2.9%
Operating income	70,000	(20.8%)
Ordinary income	75,000	(17.7%)
Net income attributable to owners of parent	45,000	(20.1%)
Basic earnings per share <i>(Yen)</i>	368.72	

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, 2020:	123,028,320 shares
As of September 30, 2020:	123,028,320 shares
 - 2) Number of shares of treasury stock at the end of the period

As of March 31, 2020:	984,151 shares
As of September 30, 2020:	946,664 shares
 - 3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2019:	105,637,873 shares
Six months ended September 30, 2020:	122,079,578 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 holds an earnings announcement (audio conference) for institutional investors and analysts on Tuesday, November 10, 2020.

1. Qualitative Information Concerning Financial Results for the Six Months of Fiscal Year Ending March 31, 2021

(1) Explanation of Results of Operations

During the six months ended September 30, 2020, revenues increased ¥42,452 million, or 7.7%, to ¥592,208 million, and gross profit increased ¥6,497 million, or 6.8%, to ¥101,930 million, respectively from the same period of the previous consolidated fiscal year, mainly due to the inclusion of the earnings of Aviation Capital Group LLC (“ACG”), which became a consolidated subsidiary in December 2019.

Selling, general and administrative expenses increased ¥4,732 million, or 8.6%, to ¥59,743 million from the same period of the previous consolidated fiscal year, mainly due to increases associated with credit costs related to the aviation business and the conversion of ACG to a consolidated subsidiary.

Non-operating income and loss decreased ¥5,315 million, or 89.0%, to an income of ¥655 million from the same period of the previous consolidated fiscal year. This was mainly because ACG was excluded from the equity in earnings of affiliates in the period under review as ACG, a former equity-method affiliate, became a consolidated subsidiary in December 2019 and an increase in interest expense.

Due to the factors mentioned above, ordinary income decreased ¥3,550 million, or 7.7%, to ¥42,841 million from the same period of the previous consolidated fiscal year.

Income taxes decreased ¥3,653 million, or 25.3%, to ¥10,797 million, and net income attributable to non-controlling interests decreased ¥842 million, or 18.2%, to ¥3,795 million, respectively from the same period of the previous consolidated fiscal year.

As a result, net income attributable to owners of parent increased ¥507 million, or 1.9%, to ¥27,521 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.

1) Equipment Leasing

Revenues increased ¥12,774 million, or 5.1%, to ¥262,318 million, and segment income increased ¥51 million, or 0.4%, to ¥14,274 million, respectively from the same period of the previous consolidated fiscal year. The increase in segment income was mainly due to the Company having started to record equity in earnings of affiliates upon having made NTT TC Leasing Co., Ltd. an equity-method affiliate in July 2020, and despite the Company having incurred a reactionary drop in re-leasing income involving major business dealings. The balance of segment assets decreased ¥1,929 million, or 0.1%, to ¥1,469,168 million from the end of the previous consolidated fiscal year.

2) Mobility & Fleet Management

Revenues decreased ¥3,606 million, or 2.1%, to ¥165,723 million, and segment income decreased ¥6,579 million, or 71.1%, to ¥2,670 million, respectively from the same period of the previous consolidated fiscal year. The decrease in segment income was mainly due to a downturn in car rental sales brought about by receding demand particularly with respect to leisure activities amid the spread of COVID-19. The balance of segment assets increased ¥1,448 million, or 0.2%, to ¥632,662 million from the end of the previous consolidated fiscal year.

3) Specialty Financing

Revenues increased ¥27,990 million, or 33.7%, to ¥111,038 million, and segment income increased ¥4,603 million, or 21.2%, to ¥26,289 million, respectively from the same period of the previous consolidated fiscal year. The increase in segment income was mainly due to the inclusion of the earnings of ACG, which became a consolidated subsidiary in December 2019. The balance of segment assets increased ¥56,014 million, or 2.6%, to ¥2,203,896 million from the end of the previous consolidated fiscal year.

4) International Business

Revenues increased ¥3,828 million, or 8.1%, to ¥51,231 million, and segment income increased ¥311 million, or 5.7%, to ¥5,814 million, respectively from the same period of the previous consolidated fiscal year. The increase in segment income was mainly due to a decrease in interest expense against a backdrop where central banks of

respective nations eased monetary policy. The balance of segment assets decreased ¥43,174 million, or 8.5%, to ¥467,404 million from the end of the previous consolidated fiscal year.

(2) Explanation of Financial Conditions

Total assets at the end of the six months under review decreased ¥9,490 million, or 0.2%, to ¥5,599,065 million from the end of the previous consolidated fiscal year. Total liabilities decreased ¥25,169 million, or 0.5%, to ¥4,923,241 million, and interest-bearing debts increased ¥71,566 million, or 1.7%, to ¥4,349,814 million, respectively from the end of the previous consolidated fiscal year.

Total net assets increased ¥15,679 million, or 2.4%, to ¥675,824 million from the end of the previous consolidated fiscal year, mainly due to an increase in retained earnings of ¥18,976 million, an increase in net unrealized holding gains on securities of ¥4,742 million, and a decrease in translation adjustments of ¥10,943 million.

As a result, the shareholders' equity ratio increased 0.2 of a percentage point compared to the end of the previous consolidated fiscal year to 10.1%.

(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 20, 2020.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash on hand and in banks	259,652	242,544
Accounts receivable - installment sales	182,847	167,256
Lease receivables and investment assets	1,678,546	1,634,396
Loans	504,644	486,628
Operational investment securities	281,268	278,425
Accounts receivable - leases	45,322	58,071
Short-term investment securities	1,585	7,453
Inventories	8,227	9,416
Other current assets	149,233	148,787
Allowance for doubtful accounts	(3,243)	(3,540)
Total current assets	3,108,085	3,029,439
Non-current assets		
Property and equipment		
Leased assets	1,864,189	1,887,305
Advances for purchases of property for lease	140,503	114,919
Other operating assets	82,126	92,112
Construction in progress	86,372	81,020
Own assets in use	18,750	20,566
Total property and equipment	2,191,942	2,195,925
Intangible assets		
Computer programs leased to customers	2,891	2,507
Goodwill	56,153	53,306
Other intangible assets	56,475	51,433
Total intangible assets	115,521	107,247
Investments and other assets		
Investments in securities	97,714	166,277
Claims provable in bankruptcy or rehabilitation	7,761	9,858
Deferred tax assets	26,946	25,137
Long-term loans and other assets	61,555	64,002
Allowance for doubtful accounts	(4,325)	(2,914)
Total investments and other assets	189,652	262,361
Total non-current assets	2,497,116	2,565,533
Deferred assets	3,354	4,092
Total assets	5,608,556	5,599,065

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	252,967	177,225
Short-term borrowings	461,855	392,340
Current portion of bonds	146,872	252,254
Current portion of long-term debt	611,849	635,418
Commercial papers	825,223	737,371
Payables under fluidity lease receivables	73,800	54,700
Current portion of long-term payables under fluidity lease receivables	859	859
Accrued income taxes	24,785	10,271
Deferred profit on installment sales	14,954	13,028
Provision for bonuses	3,668	4,266
Provision for directors' bonuses	273	167
Other provisions	694	694
Other current liabilities	117,945	113,781
Total current liabilities	2,535,749	2,392,380
Long-term liabilities		
Bonds payable	752,147	696,537
Long-term debt	1,404,636	1,579,757
Long-term payables under fluidity lease receivables	1,002	572
Deferred tax liabilities	31,435	35,644
Provision for directors' retirement benefits	523	460
Provision for automobile inspection costs	1,234	1,226
Other provisions	169	234
Net defined benefit liability	11,507	11,732
Other long-term liabilities	210,004	204,693
Total long-term liabilities	2,412,661	2,530,861
Total liabilities	4,948,411	4,923,241
Net assets		
Shareholders' equity		
Common stock without par value	81,129	81,129
Capital surplus	56,016	56,078
Retained earnings	421,580	440,556
Treasury stock	(2,550)	(2,454)
Total shareholders' equity	556,175	575,309
Accumulated other comprehensive income		
Net unrealized holding gains (losses) on securities	4,315	9,058
Net unrealized gains (losses) on derivative instruments	(510)	(1,095)
Translation adjustments	(4,953)	(15,896)
Remeasurements of defined benefit plans	(529)	(481)
Total accumulated other comprehensive income	(1,677)	(8,414)
Share subscription rights	2,191	2,504
Non-controlling interests	103,454	106,425
Total net assets	660,145	675,824
Total liabilities and net assets	5,608,556	5,599,065

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

Consolidated Statements of Income
(For the six months ended September 30, 2019 and 2020)

(Millions of yen)

	Six months ended September 30, 2019 (Apr. 1 to Sep. 30, 2019)	Six months ended September 30, 2020 (Apr. 1 to Sep. 30, 2020)
Revenues	549,755	592,208
Costs	454,323	490,278
Gross profit	95,432	101,930
Selling, general and administrative expenses	55,011	59,743
Operating income	40,421	42,186
Non-operating income		
Interest income	116	97
Dividend income	519	434
Equity in earnings of affiliates	5,597	1,767
Rent income	142	146
Other	226	676
Total non-operating income	6,602	3,122
Non-operating expenses		
Interest expense	389	1,637
Foreign exchange losses	47	641
Cost of lease revenue	83	79
Other	110	109
Total non-operating expenses	631	2,467
Ordinary income	46,392	42,841
Extraordinary income		
Gain on sales of investments securities	848	1,848
Other	50	20
Total extraordinary income	899	1,869
Extraordinary losses		
Loss on valuation of investment securities	959	2,483
Other	227	112
Total extraordinary losses	1,187	2,595
Income before income taxes	46,104	42,115
Income taxes	14,451	10,797
Net income	31,652	31,317
Net income attributable to non-controlling interests	4,638	3,795
Net income attributable to owners of parent	27,014	27,521

Consolidated Statements of Comprehensive Income
(For the six months ended September 30, 2019 and 2020)

(Millions of yen)

	Six months ended September 30, 2019 (Apr. 1 to Sep. 30, 2019)	Six months ended September 30, 2020 (Apr. 1 to Sep. 30, 2020)
Net income	31,652	31,317
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(750)	4,560
Net unrealized gains (losses) on derivative instruments	(183)	(340)
Translation adjustments	(7,278)	(10,362)
Remeasurements of defined benefit plans	111	54
Share of other comprehensive income of affiliates accounted for using equity method	(631)	(743)
Total other comprehensive income (losses)	(8,731)	(6,831)
Comprehensive income	22,921	24,486
Comprehensive income attributable to:		
Owners of parent	17,911	20,783
Non-controlling interests	5,009	3,702

(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.

Additional Information

(Accounting Estimates regarding the Spread of COVID-19)

At the end of the previous consolidated fiscal year, we made the assumption that, "although there will be regional differences in terms of the stagnation of economic activity and slump in consumption due to the spread of COVID-19, these will gradually recover from the second half of the fiscal year ending March 31, 2021." However, against the backdrop that COVID-19 is spreading again in some areas, including the U.S. and Europe, we have updated our assumption and accordingly now presume that, "although there will be regional differences, the effect on economic activity and consumption will continue in the second half of the fiscal year ending March 31, 2021 due to the spread of COVID-19, and gradually recover from the fiscal year ending March 31, 22 onward."

We have not significantly changed our accounting estimates upon having updated the aforementioned assumption.

(Aircraft Purchase Committed by a Consolidated Subsidiary of the Company)

As of August 17, 2020, Aviation Capital Group LLC, a wholly owned subsidiary of the Company, had commitments to purchase 129 aircraft (mainly narrow-body) from Boeing, Airbus and other institutions scheduled for delivery through 2025. The estimated aggregate remaining payments for the purchase of aircraft is ¥658,618 million.

Boeing 737 MAX aircraft which are being grounded due to restrictive orders from regulatory authorities are also included in these 129 aircraft. Timing of delivery and remaining payment amounts may be changed depending on timing of re-certification and ungrounding of the aircraft. In addition, the purchase agreements with Boeing and Airbus contain certain cancellation clauses which allow the purchaser to cancel commitments if delivery of aircraft is delayed beyond a specified time period.

Segment Information

I. Six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019)

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

(Millions of yen)

	Reportable Segment					Other (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	249,544	169,329	83,047	47,403	549,325	430	549,755	—	549,755
Intersegment revenues /transfers	251	517	112	3	885	54	939	(939)	—
Total	249,795	169,847	83,160	47,407	550,210	484	550,695	(939)	549,755
Segment income	14,222	9,249	21,685	5,502	50,660	183	50,843	(4,451)	46,392

Notes: 1. "Other" includes casualty insurance agency business and business-processing services business, which are not included in any reportable segment.

2. 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. Six months ended September 30, 2020 (from April 1, 2020 to September 30, 2020)

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

(Millions of yen)

	Reportable Segment					Other (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	262,318	165,723	111,038	51,231	590,312	1,895	592,208	—	592,208
Intersegment revenues /transfers	604	482	96	—	1,184	393	1,577	(1,577)	—
Total	262,923	166,206	111,135	51,231	591,497	2,289	593,786	(1,577)	592,208
Segment income	14,274	2,670	26,289	5,814	49,048	180	49,229	(6,387)	42,841

Notes: 1. "Other" includes casualty insurance agency business and business-processing services business, which are not included in any reportable segment.

2. 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

In Specialty Financing, an impairment loss of ¥2,803 million has been recorded on aircraft assets.

Significant Subsequent Events

1. Issuance of Senior Unsecured Notes of Aviation Capital Group LLC

On July 10, 2020, Aviation Capital Group LLC, a subsidiary of the Company, issued US\$1,000 million worth of US dollar based senior unsecured notes under Rule 144A and Regulation S of the US Securities Act.

(1) Principal amount

US\$1,000 million

(2) Format

US dollar based senior unsecured notes (compliant with Rule 144A and Regulation S of the US Securities Act)

(3) Coupon rate

5.50% per annum

(4) Maturity

December 2024

(5) Ratings

Kroll: A-

Moody's: Baa2

S&P: BBB-

2. Issuance of Bonds of the Company

The Company issued the 27th and 28th Unsecured Bonds (with limited inter-bond pari passu clause) on October 22, 2020. Below is an overview of the issued Bonds.

	27th Unsecured Bonds	28th Unsecured Bonds
Total amount of issuance	¥20,000 million	¥10,000 million
Issuance price	¥100 per face value of ¥100	
Interest rate	0.02% annually	0.44% annually
Redemption amount	¥100 per face value of ¥100	
Maturity date	October 20, 2023 (3-year bond)	October 22, 2030 (10-year bond)
Redemption method	Lump-sum redemption at maturity	
Closing date	October 22, 2020	
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

Balance of Segment Assets (as of September 30, 2020)

(Millions of yen)

Classification		As of March 31, 2020		As of September 30, 2020	
		Amount	Share (%)	Amount	Share (%)
Reportable Segment	Equipment Leasing	1,471,097	30.8	1,469,168	30.7
	Mobility & Fleet Management	631,214	13.2	632,662	13.2
	Specialty Financing	2,147,881	45.0	2,203,896	46.0
	International Business	510,578	10.7	467,404	9.8
	Total for Reportable Segments	4,760,772	99.7	4,773,131	99.7
Other		12,201	0.3	13,728	0.3
Total		4,772,973	100.0	4,786,860	100.0

(Reference)

(Millions of yen)

	Fiscal 2019	Q2 Fiscal 2020
Business guarantees	110,890	127,514