

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, 2023 [Japan GAAP]

August 5, 2022

Name of Listed Company: Tokyo Century Corporation

Stock Exchange Listing: Tokyo

Securities Code: 8439

(URL: <https://www.tokyocentury.co.jp/en/>)

Representative: Koichi Baba, President & CEO, Representative Director

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Scheduled Reportable Date of Quarterly Securities Report: August 5, 2022

Scheduled Payment Date of Dividends: —

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

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022	YoY
	<i>(Millions of yen)</i>		<i>(Percentage change)</i>
(1) Consolidated business results:			
Revenues	306,101	315,140	3.0%
Operating income	28,233	26,931	(4.6)%
Ordinary income	30,533	31,986	4.8%
Net income attributable to owners of parent	18,552	(19,492)	—%
Basic earnings per share (<i>Yen</i>)	151.85	(159.45)	
Diluted earnings per share (<i>Yen</i>)	151.21	—	

Notes:

Total comprehensive income

For the three months ended June 30, 2022: ¥23,811 million (64.6)%

For the three months ended June 30, 2021: ¥67,325 million 331.0%

	As of March 31, 2022	As of June 30, 2022
	<i>(Millions of yen)</i>	
(2) Consolidated financial condition:		
Total assets	5,663,787	5,755,924
Net assets	795,580	806,276
Shareholders' equity ratio	11.9%	11.9%

Reference:

Shareholders' equity

As of June 30, 2022: ¥683,635 million

As of March 31, 2022: ¥673,024 million

2. Dividends

	Dividends per Share (<i>Yen</i>)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
Fiscal 2021	—	71.00	—	72.00	143.00
Fiscal 2022	—	—	—	—	—
Fiscal 2022 (Forecast)	—	71.00	—	72.00	143.00

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

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2023 (As of August 5, 2022)

	Full year	YoY
	<i>(Millions of yen)</i>	<i>(Percentage change)</i>
Ordinary income	100,000	10.5%
Net income attributable to owners of parent	20,000	(60.2)%
Basic earnings per share (Yen)	163.66	

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: Yes

2) Changes in accounting policies other than item 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatements: None

Note: For details, please refer to “2. Consolidated Financial Statements and Primary Notes (3) Notes to the Consolidated Financial Statements, Changes in Accounting Policies” on page 9 of the Attached Documents.

(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, 2022: 123,028,320 shares

As of June 30, 2022: 123,028,320 shares

2) Number of shares of treasury stock at the end of the period

As of March 31, 2022: 826,799 shares

As of June 30, 2022: 777,221 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2021: 122,174,722 shares

Three months ended June 30, 2022: 122,248,389 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 Monday, August 8, 2022.

1. Qualitative Information Concerning Financial Results for the Three Months of Fiscal Year Ending March 31, 2023

* In this section 1 “Qualitative Information Concerning Financial Results for the Three Months of Fiscal Year Ending March 31, 2023,” the amounts expressed in units of millions have been rounded off to the nearest hundred million.

(1) Explanation of Results of Operations

During the three months ended June 30, 2022, revenues increased ¥9,000 million, or 3.0%, to ¥315,100 million, and gross profit increased ¥2,800 million, or 5.0%, to ¥58,300 million, respectively from the same period of the previous consolidated fiscal year. This was due to increases in the Specialty Financing segment and the Mobility & Fleet Management segment, despite the recording of a loss on operational investment securities in the International Business segment.

Selling, general and administrative expenses increased ¥4,100 million, or 14.8%, to ¥31,400 million from the same period of the previous consolidated fiscal year. This was mainly due to the absence of a gain on reversal of allowance for doubtful accounts in the aviation business posted in the same period of the previous consolidated fiscal year.

Non-operating income and expenses increased ¥2,800 million, or 119.8%, to an income of ¥5,100 million from the same period of the previous consolidated fiscal year. This was mainly caused by an increase in equity in earnings of affiliates.

Due to the factors mentioned above, ordinary income increased ¥1,500 million, or 4.8%, to ¥32,000 million from the same period of the previous consolidated fiscal year.

Aviation Capital Group LLC (hereinafter, “ACG”), a consolidated subsidiary of the Company, complied with the relevant economic sanctions by the United States, the European Union (EU), and other countries affected by Russia’s invasion of Ukraine and terminated all aircraft leased to Russian airline companies. However, due to a countermeasure to these economic sanctions by Russia, the prospect of repatriating such aircraft terminated remains uncertain. In response to this situation, the Group recorded an impairment loss of ¥44,400 million for such aircraft as an extraordinary loss. This was the main factor resulting in extraordinary losses of ¥44,500 million, an increase of ¥44,300 million compared to the same period of the previous consolidated fiscal year.

Income taxes decreased ¥5,700 million, or 61.6%, to ¥3,500 million, and net income attributable to non-controlling interests increased ¥800 million, or 32.7%, to ¥3,400 million, respectively from the same period of the previous consolidated fiscal year.

As a result, net loss attributable to owners of parent amounted to ¥19,500 million, a decrease of ¥38,000 million in income from the same period of the previous consolidated fiscal year.

In addition, for details on the recording of loss on valuation of operational investment securities, please refer to the release “Notice Concerning Loss on Valuation of Operational Investment Securities” dated July 1, 2022, and for details on the impairment loss on aircraft leased to Russian airline companies, please refer to the release “Notice Concerning Recording of Extraordinary Loss (Impairment Loss) for the Fiscal Year Ending March 31, 2023” dated May 12, 2022, respectively.

Average exchange rate during the period for the preparation of consolidated financial statements for the major overseas subsidiaries and affiliates closing accounts in December is ¥116.34/US\$ for the first three months of the fiscal year ending December 31, 2022 (January to March 2022), ¥106.09/US\$ for the first three months of the fiscal year ended December 31, 2021 (January to March 2021).

(Overview of Business Results by Segment)

Business results by segment were as follows.

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

Equipment Leasing

Revenues decreased ¥13,800 million, or 10.1%, to ¥122,800 million, but segment income increased ¥900 million, or 11.6%, to ¥9,100 million, respectively from the same period of the previous consolidated fiscal year. The increase in segment income was mainly due to an increase in equity in earnings of affiliates concerning NTT TC Leasing Co., Ltd. and NITTSU Lease & Finance Co., Ltd. The balance of segment assets decreased ¥32,200 million, or 2.3%, to ¥1,347,600 million from the end of the previous consolidated fiscal year.

Mobility & Fleet Management

Revenues increased ¥4,200 million, or 4.9%, to ¥89,400 million, and segment income increased ¥3,500 million, or 73.4%, to ¥8,300 million, respectively from the same period of the previous consolidated fiscal year. The increase in segment income was mainly because of improved earnings due to a recovery in sales in the car rental business, as well as expanded gains on sales of lease and rental vehicles resulting from a flexible response to the used vehicle market situation. The balance of segment assets decreased ¥1,600 million, or 0.3%, to ¥610,100 million from the end of the previous consolidated fiscal year.

Specialty Financing

Revenues increased ¥12,300 million, or 20.8%, to ¥71,300 million, and segment income increased ¥8,500 million, or 55.2%, to ¥24,000 million, respectively from the same period of the previous consolidated fiscal year. The increase in segment income was mainly caused by increased gain on the sale of operational investment securities and a decline in the impairment loss in the aviation business. The balance of segment assets increased ¥114,100 million, or 4.9%, to ¥2,425,900 million from the end of the previous consolidated fiscal year due mainly to foreign exchange fluctuations.

International Business

Revenues increased ¥6,400 million, or 25.3%, to ¥31,500 million, and segment loss amounted to ¥6,600 million (decline of ¥11,200 million in income), respectively from the same period of the previous consolidated fiscal year. The decrease in segment income was mainly caused by the recording of a loss on operational investment securities held by a consolidated subsidiary. The balance of segment assets increased ¥28,000 million, or 5.0%, to ¥585,000 million from the end of the previous consolidated fiscal year due mainly to foreign exchange fluctuations.

(2) Explanation of Financial Conditions

Total assets at the end of the three months under review increased ¥92,100 million, or 1.6%, to ¥5,755,900 million, and due mainly to foreign exchange fluctuations, segment assets increased ¥109,600 million, or 2.2%, to ¥4,989,000 million from the end of the previous consolidated fiscal year. Total liabilities increased ¥81,400 million, or 1.7%, to ¥4,949,600 million, and interest-bearing debts increased ¥138,800 million, or 3.3%, to ¥4,386,200 million, respectively from the end of the previous consolidated fiscal year.

Total net assets increased ¥10,700 million, or 1.3%, to ¥806,300 million from the end of the previous consolidated fiscal year. This was mainly caused by an increase in translation adjustments of ¥34,300 million, which offset a ¥28,300 million decrease in retained earnings due to the recording of a quarterly net loss and payment of year-end dividends.

As a result, the shareholders' equity ratio was 11.9%, essentially unchanged from the end of the previous consolidated fiscal year.

Exchange rate at the end of the period for the preparation of consolidated financial statements for the major overseas subsidiaries and affiliates closing accounts in December is ¥122.41/US\$ at the end of the first quarter of the fiscal year ending December 31, 2022 (March 31, 2022), ¥115.02/US\$ at the end of the previous consolidated fiscal year (December 31, 2021).

(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 12, 2022.

The impairment loss on aircraft leased to Russian airline companies recorded in the three months under review is taken into account in the consolidated results forecast for the fiscal year ending March 31, 2023. However, the Company and consolidated subsidiary ACG will continue to focus on repatriating our aircraft and other matters. In addition, ACG has insurance coverage for its exposure to Russian airline companies, including such leased aircraft, and has also exercised the right of claims against the insurance company.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash on hand and in banks	240,800	204,208
Accounts receivable - installment sales	153,939	157,136
Lease receivables and investment assets	1,575,049	1,562,397
Loans	407,370	425,418
Operational investment securities	352,044	293,263
Accounts receivable - leases	77,358	78,443
Short-term investment securities	450	300
Inventories	13,341	17,634
Other current assets	150,858	168,600
Allowance for doubtful accounts	(7,640)	(7,963)
Total current assets	2,963,571	2,899,439
Non-current assets		
Property and equipment		
Leased assets	1,991,616	2,055,996
Advances for purchases of property for lease	55,862	69,308
Other operating assets	116,248	114,595
Construction in progress	84,596	84,645
Own assets in use	19,029	19,023
Total property and equipment	2,267,353	2,343,570
Intangible assets		
Computer programs leased to customers	2,086	2,459
Goodwill	53,308	54,518
Other intangible assets	34,824	35,539
Total intangible assets	90,219	92,517
Investments and other assets		
Investments in securities	234,951	298,043
Claims provable in bankruptcy or rehabilitation	17,045	17,592
Deferred tax assets	29,178	41,111
Retirement benefit asset	108	116
Other investments	68,554	71,155
Allowance for doubtful accounts	(10,284)	(10,535)
Total investments and other assets	339,555	417,481
Total non-current assets	2,697,129	2,853,569
Deferred assets	3,087	2,915
Total assets	5,663,787	5,755,924

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	206,112	152,400
Short-term borrowings	252,174	275,594
Current portion of bonds	36,711	34,100
Current portion of long-term debt	745,752	766,333
Commercial papers	371,499	476,346
Payables under fluidity lease receivables	31,300	26,200
Current portion of long-term payables under fluidity lease receivables	142	—
Accrued income taxes	15,269	10,173
Deferred profit on installment sales	12,191	12,498
Provision for bonuses	3,695	2,233
Provision for directors' bonuses	355	133
Other provisions	13	28
Other current liabilities	148,365	146,967
Total current liabilities	1,823,584	1,903,009
Long-term liabilities		
Bonds payable	963,371	981,735
Long-term debt	1,846,430	1,825,923
Deferred tax liabilities	42,101	39,693
Provision for directors' retirement benefits	480	432
Provision for automobile inspection costs	867	849
Other provisions	256	282
Net defined benefit liability	12,034	12,227
Other long-term liabilities	179,080	185,493
Total long-term liabilities	3,044,622	3,046,638
Total liabilities	4,868,206	4,949,647
Net assets		
Shareholders' equity		
Common stock without par value	81,129	81,129
Capital surplus	56,244	56,346
Retained earnings	486,946	458,655
Treasury stock	(2,148)	(2,019)
Total shareholders' equity	622,171	594,111
Accumulated other comprehensive income		
Net unrealized holding gains on securities	23,069	20,043
Net unrealized gains on derivative instruments	7,781	15,155
Translation adjustments	20,055	54,364
Remeasurements of defined benefit plans	(53)	(40)
Total accumulated other comprehensive income	50,853	89,523
Share subscription rights	2,432	2,201
Non-controlling interests	120,123	120,440
Total net assets	795,580	806,276
Total liabilities and net assets	5,663,787	5,755,924

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

Consolidated Statements of Income
(For the three months ended June 30, 2021 and 2022)

(Millions of yen)

	Three months ended June 30, 2021 (Apr. 1 to Jun. 30 2021)	Three months ended June 30, 2022 (Apr. 1 to Jun. 30 2022)
Revenues	306,101	315,140
Costs	250,511	256,795
Gross profit	55,589	58,345
Selling, general and administrative expenses	27,356	31,413
Operating income	28,233	26,931
Non-operating income		
Interest income	15	18
Dividend income	354	714
Equity in earnings of affiliates	2,609	5,966
Other	359	450
Total non-operating income	3,339	7,150
Non-operating expenses		
Interest expense	770	1,063
Foreign exchange losses	221	140
Trial operating cost	—	786
Other	47	105
Total non-operating expenses	1,039	2,096
Ordinary income	30,533	31,986
Extraordinary income		
Gain on sale of non-current assets	1	27
Other	18	—
Total extraordinary income	19	27
Extraordinary losses		
Impairment loss	—	44,354
Other	215	209
Total extraordinary losses	215	44,563
Income (loss) before income taxes	30,337	(12,550)
Income taxes	9,221	3,540
Net income (loss)	21,116	(16,090)
Net income attributable to non-controlling interests	2,563	3,401
Net income (loss) attributable to owners of parent	18,552	(19,492)

Consolidated Statements of Comprehensive Income
(For the three months ended June 30, 2021 and 2022)

(Millions of yen)

	Three months ended June 30, 2021 (Apr. 1 to Jun. 30 2021)	Three months ended June 30, 2022 (Apr. 1 to Jun. 30 2022)
Net income (loss)	21,116	(16,090)
Other comprehensive income		
Net unrealized holding gains (losses) on securities	190	(2,786)
Net unrealized gains on derivative instruments	767	7,473
Translation adjustments	44,212	31,107
Remeasurements of defined benefit plans	22	14
Share of other comprehensive income of affiliates accounted for using equity method	1,016	4,094
Total other comprehensive income	46,209	39,902
Comprehensive income	67,325	23,811
Comprehensive income attributable to:		
Owners of parent	64,071	19,177
Non-controlling interests	3,254	4,634

(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.

Changes in Accounting Policies

Starting at the beginning of the first quarter of the consolidated fiscal year under review, the Company applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; the "Fair Value Measurement Guidance"). In accordance with the transitional treatment stipulated in Paragraph 27-2 of the Fair Value Measurement Guidance, the Company will prospectively apply the new accounting policies pursuant to the Fair Value Measurement Guidance.

There is no impact of applying the guidance on quarterly consolidated financial statements.

(Additional Information)

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

As of March 31, 2022, consolidated subsidiary Aviation Capital Group LLC had commitments to purchase 109 aircraft (mainly narrow-body) from Boeing, Airbus and other institutions scheduled for delivery through 2028. The estimated aggregate remaining payments for the purchase of aircraft is ¥682,488 million.

Segment Information

II. Three months ended June 30, 2021 (from April 1, 2021 to June 30, 2021)

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

	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 (Note 4)	136,602	85,178	58,994	25,127	305,903	197	306,101	–	306,101
Intersegment revenues/transfers	103	236	38	–	378	205	584	(584)	–
Total	136,705	85,415	59,033	25,127	306,281	403	306,685	(584)	306,101
Segment income	8,123	4,796	15,493	4,608	33,022	117	33,139	(2,606)	30,533

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.

4. Revenues from contracts with customers included in revenues for the three months ended June 30, 2021 for each of the reportable segments, i.e. Equipment Leasing, Mobility & Fleet Management, Specialty Financing and International Business, were ¥274 million, ¥3,577 million, ¥11,267 million and ¥520 million, respectively.

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

In Specialty Financing, an impairment loss of ¥4,631 million has been recorded on aircraft leased assets.

II. Three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

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

	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 (Note 4)	122,780	89,362	71,254	31,495	314,893	246	315,140	–	315,140
Intersegment revenues/transfers	87	225	41	11	365	76	441	(441)	–
Total	122,867	89,588	71,296	31,507	315,259	323	315,582	(441)	315,140
Segment income (loss)	9,065	8,319	24,043	(6,607)	34,821	139	34,961	(2,975)	31,986

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 (loss) mainly consists of general and administrative expenses, which are not attributed to reportable segments.

3. Segment income (loss) is adjusted to ordinary income shown on the Consolidated Statements of Income.

4. Revenues from contracts with customers included in revenues for the three months ended June 30, 2022 for each of the reportable segments, i.e. Equipment Leasing, Mobility & Fleet Management, Specialty Financing and International Business, were ¥533 million, ¥3,440 million, ¥12,044 million and ¥2,025 million, respectively.

million, respectively.

2. Information concerning impairment loss on non-current assets, goodwill, etc. by reportable segment
In Specialty Financing, an impairment loss of ¥44,354 million for aircraft leased to Russian airline companies was recorded as an extraordinary loss.

3. Supplementary Information

(1) Operating Transactions

Balance of Segment Assets (as of June 30, 2022)

(Millions of yen)

Classification		As of March 31, 2022		As of June 30, 2022	
		Amount	Share (%)	Amount	Share (%)
Reportable Segment	Equipment Leasing	1,379,734	28.3	1,347,550	27.0
	Mobility & Fleet Management	611,769	12.5	610,136	12.2
	Specialty Financing	2,311,842	47.4	2,425,901	48.7
	International Business	557,055	11.4	585,038	11.7
	Total for Reportable Segments	4,860,402	99.6	4,968,627	99.6
Other		18,999	0.4	20,420	0.4
Total		4,879,401	100.0	4,989,048	100.0

(Reference)

(Millions of yen)

	Fiscal 2021	Q1 Fiscal 2022
Business guarantees	170,334	165,436