



# Medium-Term Management Plan 2027

TC Transformation and Sustainable Growth

May 12, 2023

## **Introduction**

### **1. Review of the Previous Medium-Term Management Plan**

### **2. Medium-Term Management Plan 2027**

- (1) Basic Policy
- (2) Management Objectives
- (3) Business Strategy
- (4) Financial Strategy
- (5) Management Base

# Introduction

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The TC Group has continued to transform and grow its business model since its merger in 2009.

During the previous medium-term management plan period, COVID-19, Russia's invasion of Ukraine, and the trend toward carbon neutrality led to the emergence of potential risks and brought new challenges to future growth strategies.

Currently, the P/B ratio (Price Book-value Ratio) has fallen below 1.0, and from the perspective of capital profitability and growth potential, we recognize the need to further transform our portfolio into a highly profitable and stable one.

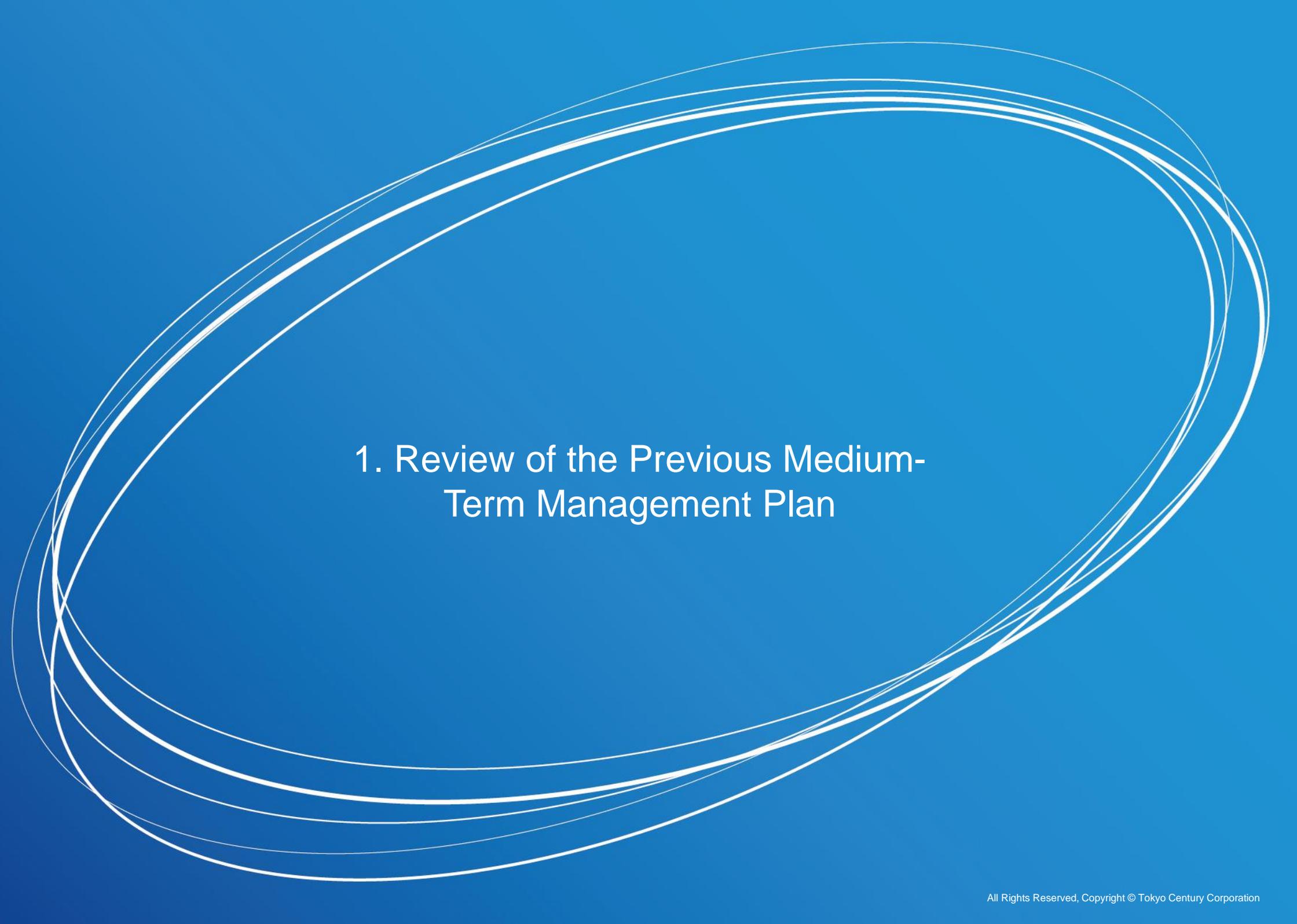
Based on this recognition of issues, in order for the TC Group to continue to be a necessary part of society, we must establish a virtuous cycle of sustainability management by strengthening earning power and promoting environmental, social, and governance (ESG) initiatives, and continue to create value on a sustainable basis.

Under the Medium-Term Management Plan 2027, we will deepen the strengths of our business models and partner strategies that we have built over the years and work to further transform our portfolio, human resources and organizational strategies.

This will help us achieve sustainable growth in the future.

To this end, each officer and employee must not only respond to change but also transform themselves and actively pursue the creation of change.

As a trusted service and business partner, the TC Group will continue to contribute to the realization of a sustainable economy and society and take on the challenge of resolving social issues going forward.



# 1. Review of the Previous Medium- Term Management Plan

- Ordinary income, net income, and ROE were below target; **shareholders' equity ratio achieved target due to an increase in translation adjustments due to the depreciation of the yen.**
- **Ordinary income reached a record high, but significant losses were reported in the aviation business hit by COVID-19 and Russia's invasion of Ukraine. Losses were also reported for operational investment securities in the Asia business and the environment and energy businesses.**
- On the other hand, **our business platform expanded steadily**, including the stable improvement in financial performance of Group companies.

(Billions of yen)

	Targets In the New Fourth Medium-Term Management Plan (FY2022)
Ordinary income	130.0
Net income attributable to owners of parent	80.0
Shareholder's equity ratio	12%
ROE	12%

	FY2020	FY2021	FY2022	Target
Ordinary income	78.1	90.5	106.2	Not Achieved
Net income attributable to owners of parent	49.1	50.3	4.8	Not Achieved
Shareholder's equity ratio	10.2%	11.9%	12.5%	Achieved
ROE	8.7%	8.1%	0.7%	Not Achieved

- **Decrease in ROA despite record ordinary income**
- **Equipment Leasing and Mobility & Fleet Management achieved both profit growth and ROA improvement**

\* ROA: Ordinary income divided by segment assets

(Billions of yen)

		Period for Fourth Medium-Term Management Plan		Period for New Fourth Medium-Term Management Plan					
		FY2019		FY2020	FY2021	FY2022		vs. FY2019	
		Ordinary income	ROA	Ordinary income	Ordinary income	Ordinary income	ROA	Change in Ordinary income	Change in ROA
<b>Total</b>		<b>91.1</b>	<b>2.2%</b>	<b>78.1</b>	<b>90.5</b>	<b>106.2</b>	<b>2.1%</b>	<b>+15.1</b>	<b>-0.1pt</b>
	Equipment Leasing	28.2	2.0%	30.4	33.9	31.7	2.4%	+3.6	+0.4pt
	Mobility & Fleet Management	21.9	3.6%	11.5	19.2	28.0	4.6%	+6.0	+1.0pt
	Specialty Financing	44.4	2.7%	38.3	29.5	57.4	2.3%	+12.9	-0.4pt
	International Business	7.7	1.5%	10.7	19.0	-0.9	-0.2%	-8.7	-1.7pt
	Other	-11.2	—	-12.8	-11.1	-10.0	—	+1.2	—

Evaluation	Results	Challenges
Equipment Leasing	Joint ventures with key partners contributed to profit growth and ROA improvement	Existing businesses stagnated as the overall leasing market shrank
Mobility & Fleet Management	Recorded all-time high ordinary income due to the improving service quality and the tailwind of a used-car market environment	Delays in vehicle deliveries due to supply chain disruptions affected earnings
Specialty Financing	Record all-time high ordinary income driven by capital gains that nimbly capture market conditions and growth in the principal investment business	Risks emerged in an uncertain environment, such as COVID-19 and geopolitical risks, and bad debt expense was recorded
International Business	Recorded all-time high ordinary income of CSI and expanded businesses steadily	Increased volatility in earnings through investing in operational investment securities

## Basic Policies of New Fourth Medium-Term Management Plan

As a company with financial capabilities, establish a global platform for stable business, including viable business with partner companies

Tirelessly create new financial services in response to changes in the business environment and build a solid, high-quality business portfolio

Build the management base supporting the improvement of corporate value over the medium to long term



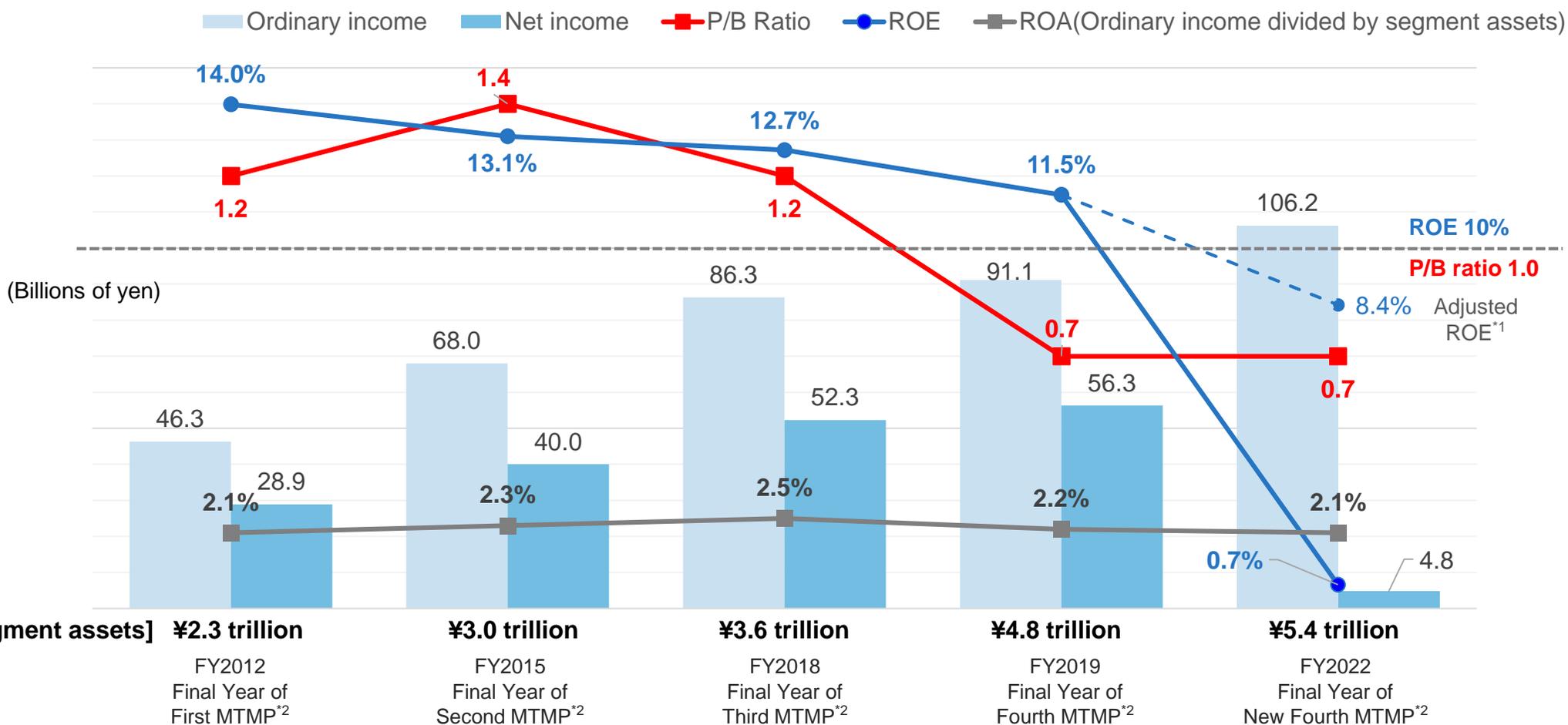
## Results of Key Initiatives

- Cooperation and collaboration with the NTT Group expanded to all operating segments
- Utilized TC's capabilities to expand joint ventures with major partners
- Built global networks and expanded the U.S. business based on CSI

- Growth of Principal Investment business
- Launched asset management business aiming to increase the value of solar power plants
- Created and expanded subscription services

- Promoted road map for sustainability management
- Strengthened fund procurement and liquidity measures
- Promoted a new leasing core system development project
- Built and operated Investment Management Framework

- The Company has been achieving profit growth with size increase, but **ROA and ROE are decreasing**. To recover the P/B ratio above 1.0, **both profit and ROA must improve going forward**.
- Considering the significant loss reported during the previous medium-term management plan period, **portfolio and risk management frameworks must be improved to adapt to uncertain changes in the business environment**.



\*1 Adjusted ROE for FY2022 excludes Russia-related losses

\*2 MTMP indicates "Medium-Term Management Plan"

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## 2. Medium-Term Management Plan 2027

### (1) Basic Policy

- Continue our “Management Philosophy Structure” below and set **themes for the Medium-Term Management Plan 2027** separately

## Management Philosophy

**The Tokyo Century Group will work alongside customers in pursuit of their growth as a highly specialized and unique financial services company and will contribute to the creation of an environmentally sound, sustainable economy and society.**

### Management Policy

- We will provide the best products and services around the world to contribute to the success of our customers’ businesses while pursuing all possibilities by collaborating with customers and uniting the overall strengths of the Group.
- We will strive to raise our corporate value over the medium to long term by pioneering new business fields and realizing sustainable growth.
- We will cultivate a corporate culture that allows diverse human resources to fully demonstrate their skills and personalities, and we will build a company where all officers and employees can hone their expertise and experience growth as well as a sense of pride.
- We will always be mindful of our social responsibility as a corporation and conduct our business activities with vigor and sincerity as we fulfill our role of creating a sustainable economy and society.

## Corporate Slogan

- **Solutions to your Pursuits**
- **Creating new values from Finance x Services x Business Expertise**

# **Transform Ourselves and Bring About Change**

## **TC Transformation and Sustainable Growth**

**In order to continue sustainable growth in the future,  
we aim to be a corporate group that brings about creative change  
by deepening our strengths and transforming ourselves.**

## Portfolio Transformation (PX)

Pursuing a highly profitable and stable portfolio

## Human Resources and Organizational Transformation (HRX)

Securing and developing human resources that can bring about change and improving an organization

# TCX

## TC Transformation

Aiming at changing the four elements for sustainable growth in the future

## Green Transformation (GX)

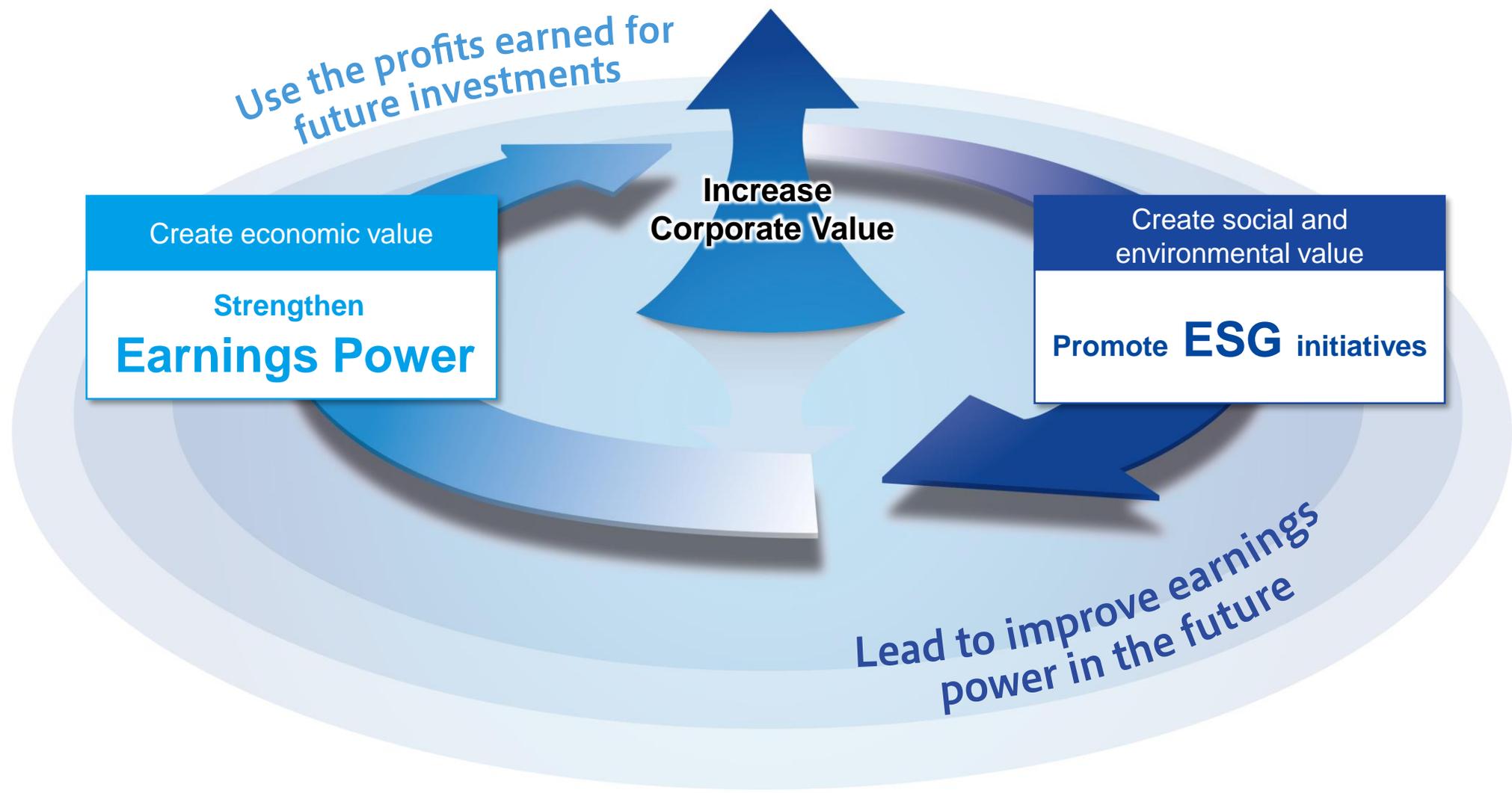
Striving efforts as a focus area on a Companywide basis

## Digital Transformation (DX)

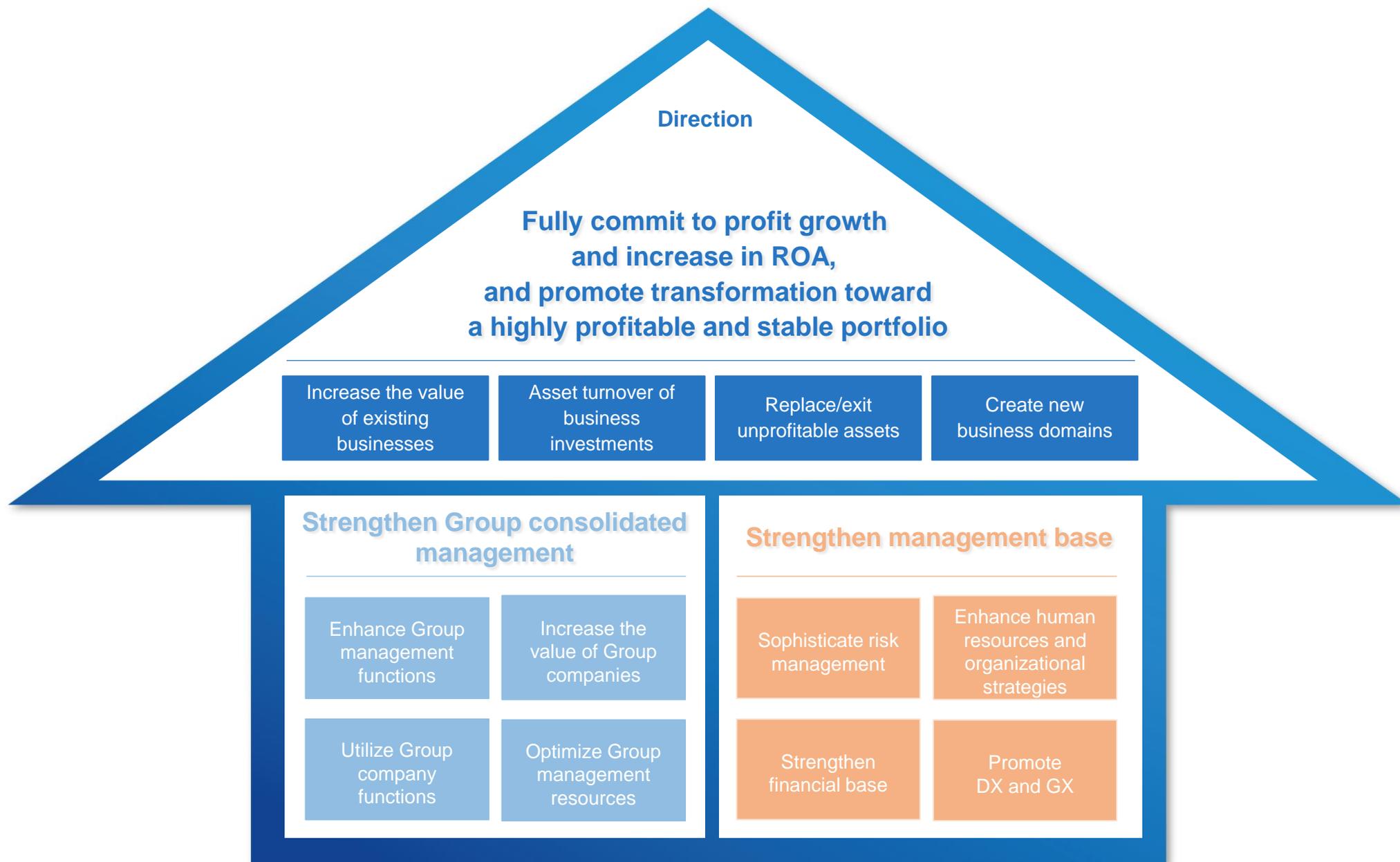
Creating change utilizing digital technologies

- Ensure the effectiveness of each strategy with a focus on the promotion of sustainable management

Sustainable Management Promotion Cycle



- Promote transformation into a highly profitable and stable portfolio



## ■ Promote ESG initiatives for the improvement of medium- to long-term corporate value



### Contribute to the creation of a sustainable economy and society

- Strengthen initiatives on the carbon neutrality of the TC Group by FY2040
- Create businesses across operating segments under common themes for the whole company, such as renewable energy and carbon neutrality



### Expand human capital investment and contribute to social infrastructure development for the resolution of social issues

- Improve employee engagement by creating a corporate culture that enables diverse personnel to showcase their unique abilities and establishing an environment where officers and employees can enhance their expertise
- Promote initiatives to resolve social issues, such as contributions to the development of social infrastructure



### Strengthen the effectiveness of governance

- Strengthen the monitoring function of the Board of Directors
- Enhance the group governance structure



## 2. Medium-Term Management Plan 2027 (2) Management Objectives

**Net income of ¥100.0 billion, ROE of 10%, and P/B ratio of 1.0 or more**

- Align financial targets with net income-based figures
- Recognize the current cost of equity at 10% and aim to reduce it
- Set non-financial targets to promote ESG initiatives

Medium-Term Management Plan 2027

Financial KPI <sup>*1</sup>	
Net income attributable to owners of parent (Billions of yen)	<b>100.0</b>
ROA Net income divided by total assets	<b>1.4%</b>
ROE	<b>10%</b>

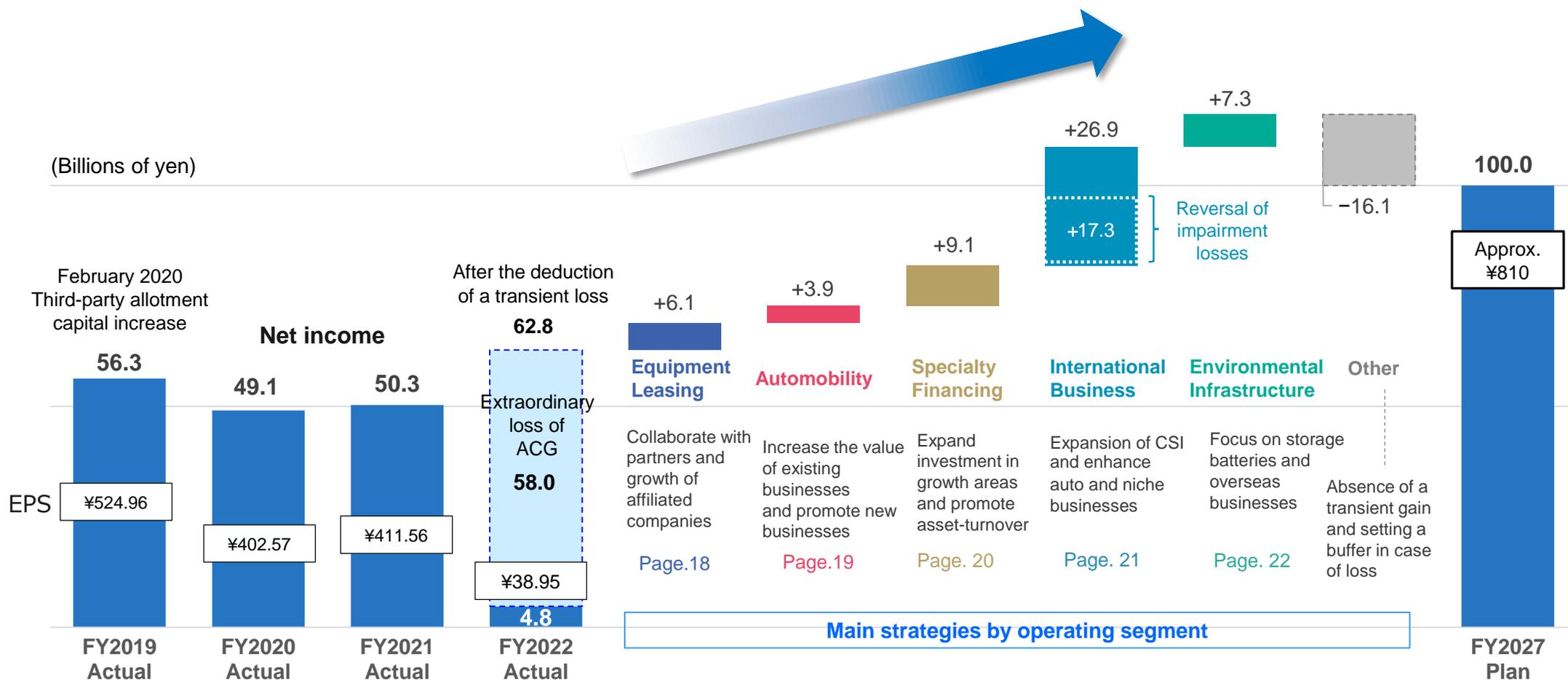
Non-financial KPI	
Initiatives for 50% GHG emissions reduction by FY2030 <sup>*2</sup>	<b>33%~50%</b>
Employee engagement index <sup>*3</sup> (including for participating Group companies)	<b>Maintain/improve ratio of positive response</b>

\*1 FY2027 estimated foreign exchange rate: 1US\$=¥130

\*2 Announced a 50% reduction in GHG emissions by FY2030 (base year: FY2021)

\*3 2022 Employee Engagement Survey conducted by TC (non-consolidated): 63% positive response ratio (aggregated positive responses from multiple choice questions)

- Net income for FY2022 was **¥62.8 billion**, excluding a transient factor of ACG
- Aim to achieve net income targets with a focus on **Specialty Financing and newly established Environmental Infrastructure**, in addition to the **recovery of International Business**

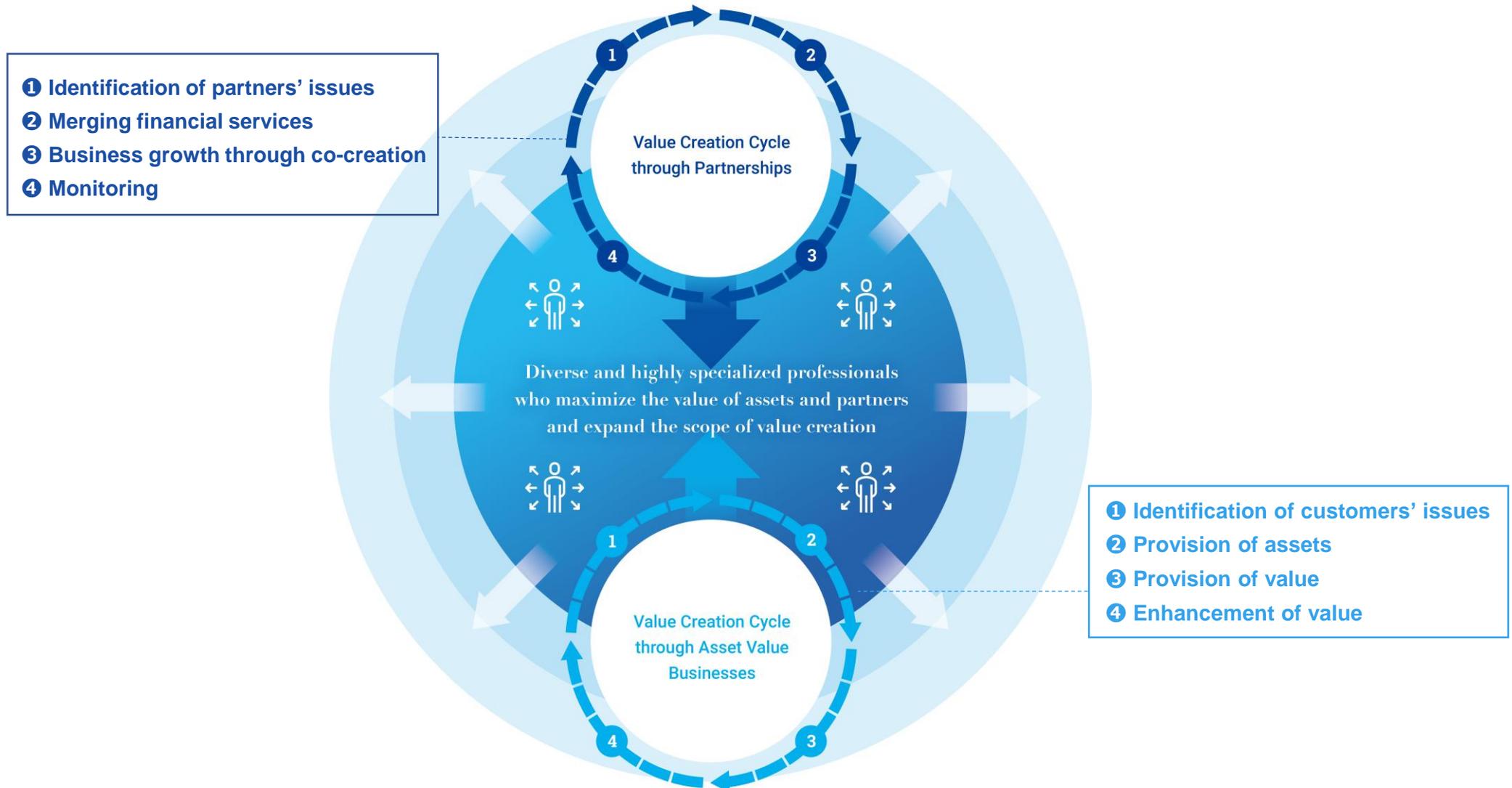


\* Renamed the Mobility & Fleet Management segment to the Automobility segment and established the Environmental Infrastructure segment from April 1, 2023  
 \* ¥62.8 billion after the deduction of transient loss in FY2022: approximate number (EPS equivalent to ¥62.8 billion is ¥509)

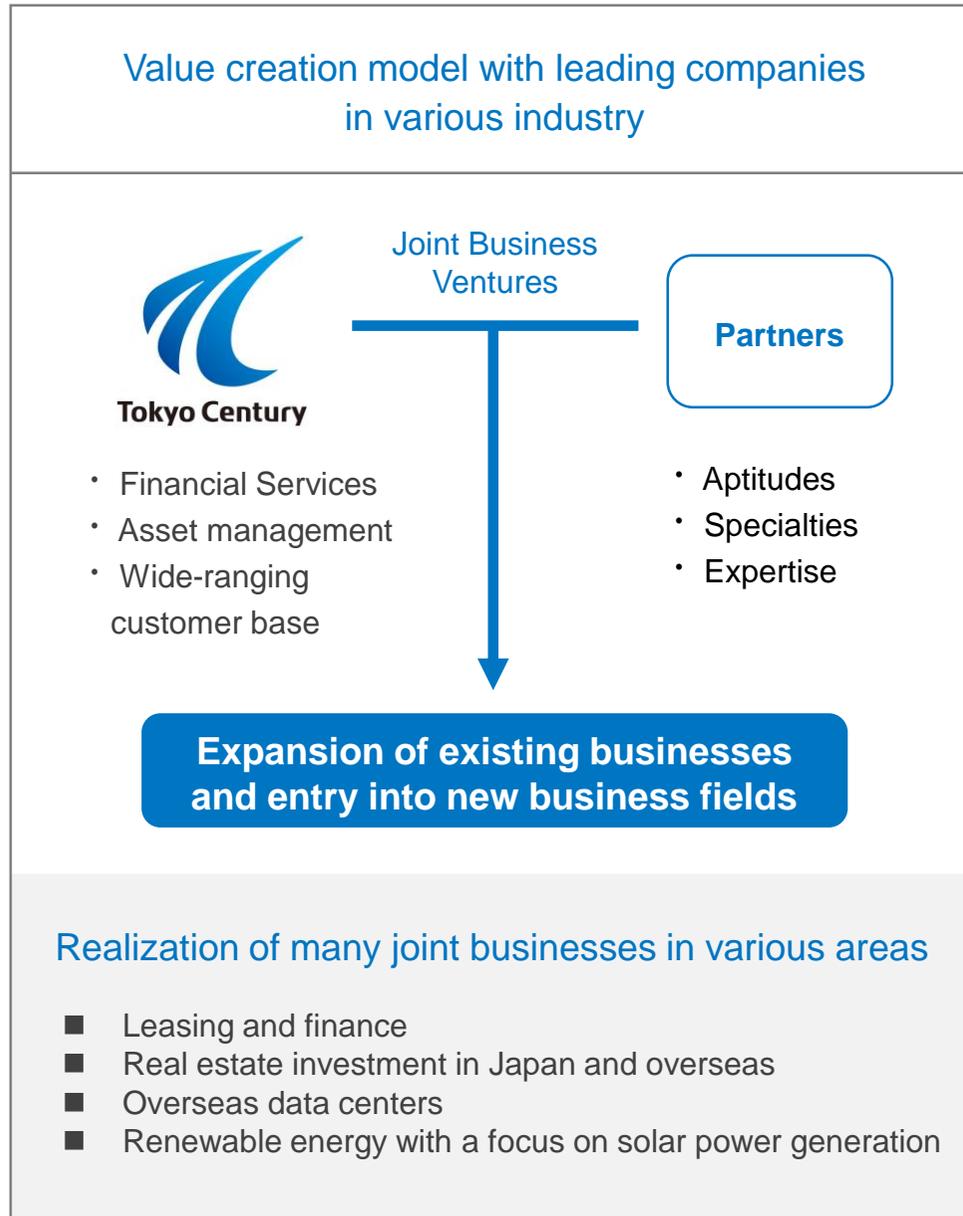


## 2. Medium-Term Management Plan 2027 (3) Business Strategy

- Our strengths lie in the business model that maximizes asset and partner's values and creates value through Finance x Services x Business Expertise.
- In order to achieve even higher profitability in the future, we will deepen this business model **with the aim of becoming an orchestrator who transforms itself and proactively produces business.**



- Accelerate collaboration with NTT and other partner companies



Collaboration with **NTT**

**Accelerate co-creation** by further expanding collaboration business in **growth fields**

**Mobility**

**Leasing and Finance**

**Environmental and Energy**

**Data Center**

**Real Estate**

**Collaboration with CSI**

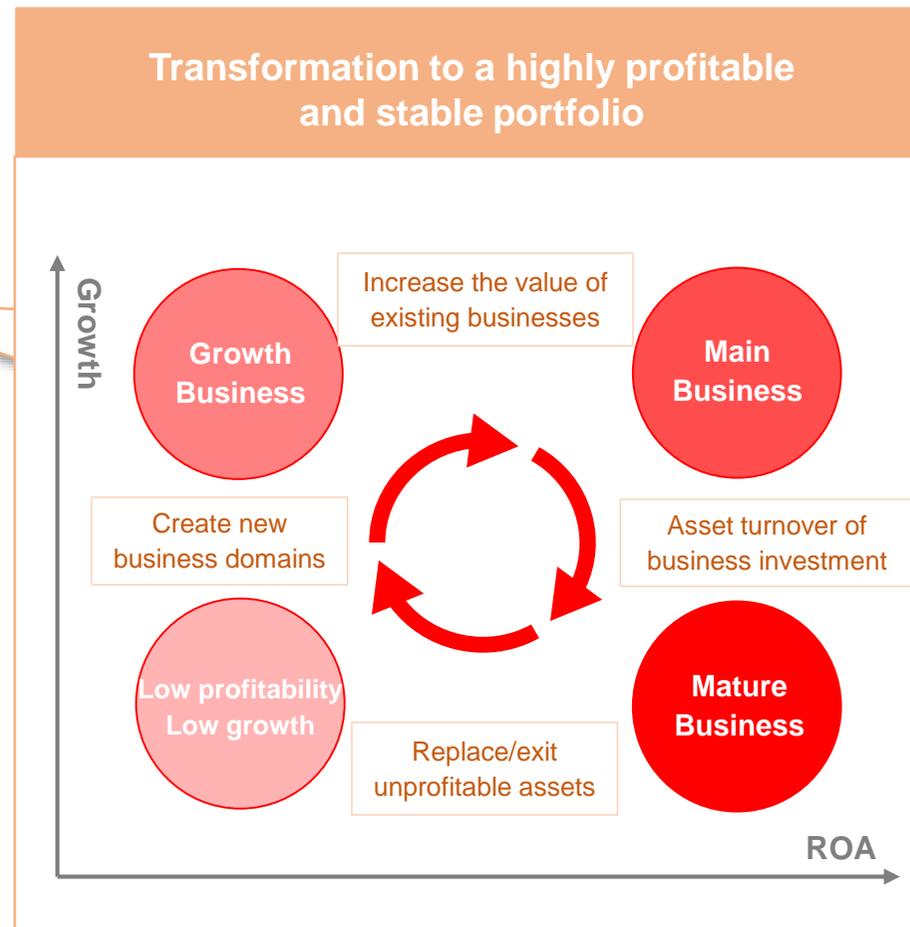
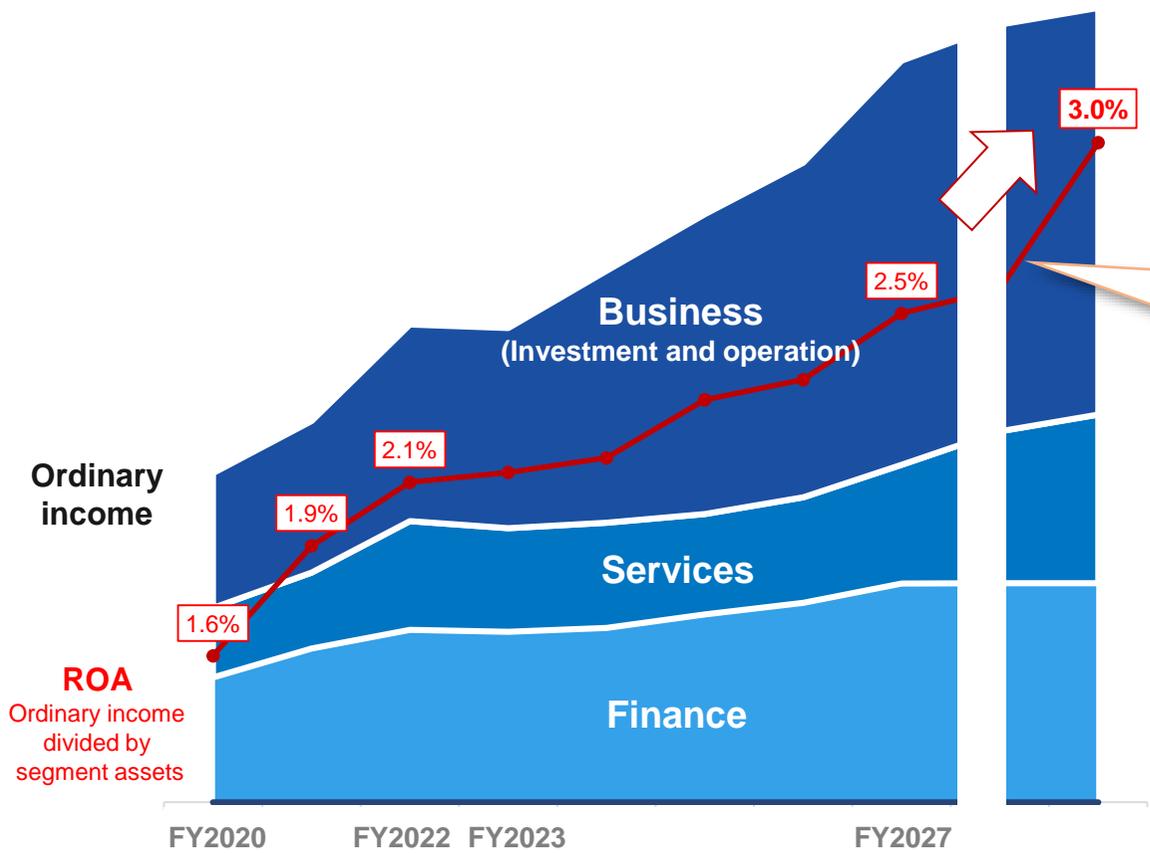
- Promote appropriate portfolio allocation considering the expected rate of return, risk-to-return ratio, capabilities, and growth potential of markets for investment in “Finance” and “Services and Business” categories

	FY2022 ROA	Expected ROA	Key Risks	Equipment Leasing	Automobility	Specialty Financing	International Business	Environmental Infrastructure
Business (Investment and operation)	Approx. 2.2%	4%~	Asset risk Operational risk Investment risk	Environment-related investment	Auto service	Aviation, shipping and real estate	Data center	Solar power generation
Services				Principal investment	IT service	Biomass co-firing power generation		
				Real estate asset management	Auto service	Asset management		
Finance	Approx. 2.3%	3%	Credit risk	Equipment lease	Auto finance	Structured finance	Equipment lease	

\* ROA (ordinary income divided by segment assets) is approximate

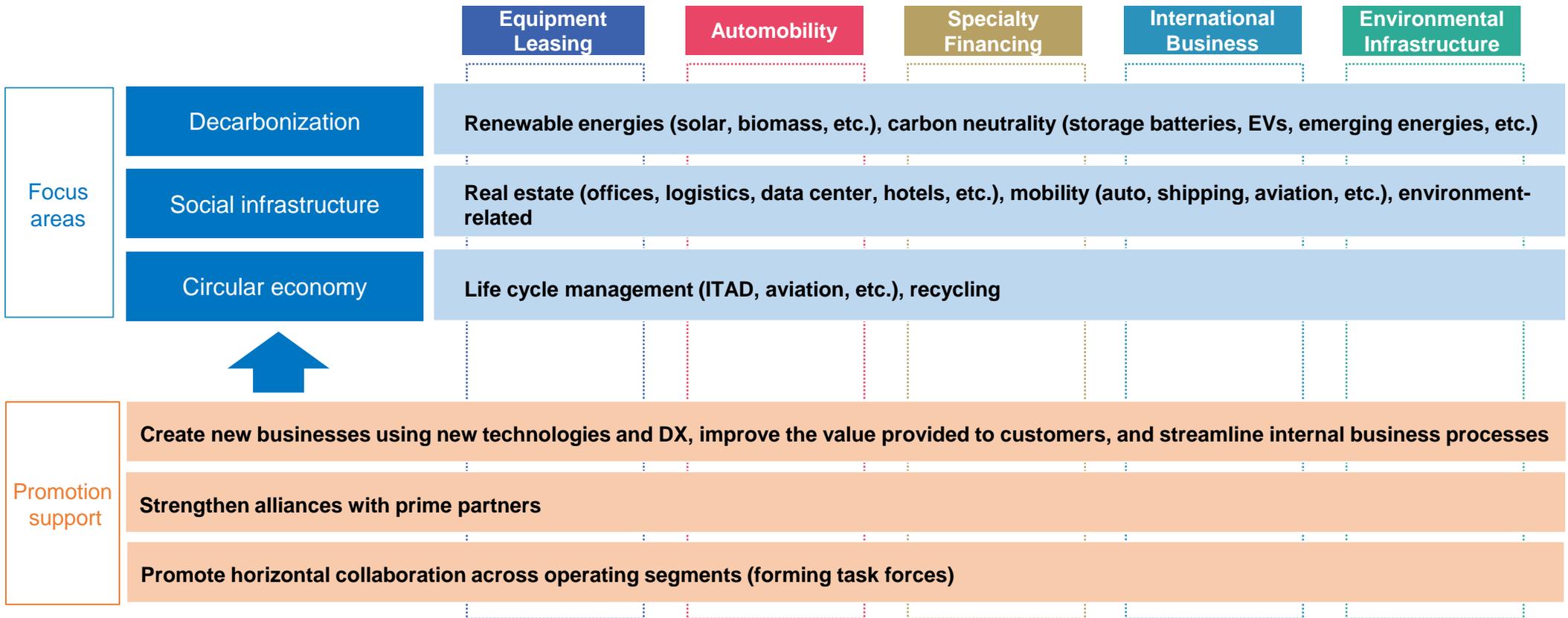
\* Classification based on management accounting categories (if product offerings include multiple categories, classify based on the main product)

- With portfolio restructuring toward growth areas, increase the ratio of investment in “Services” and “Business (investment and operation)” categories to achieve a **ROA of 3.0% quickly**



Previous medium-term management plan **Shaping the Next Decade** → Medium-Term Management Plan 2027 **TC Transformation and Sustainable Growth**

- Focus areas: **decarbonization, social infrastructure, and circular economy**
- **Strengthen connections across operating segments** without being bound by organizational boundaries

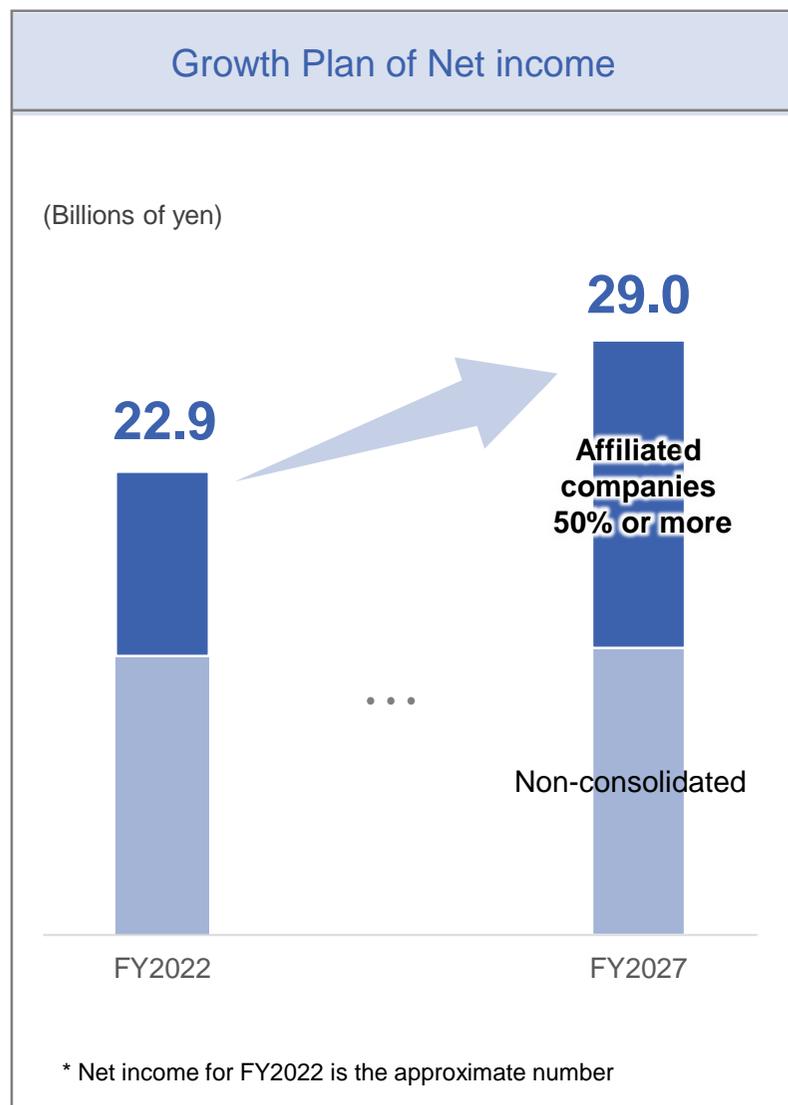


Our Materiality to be achieved with the growth of focus areas

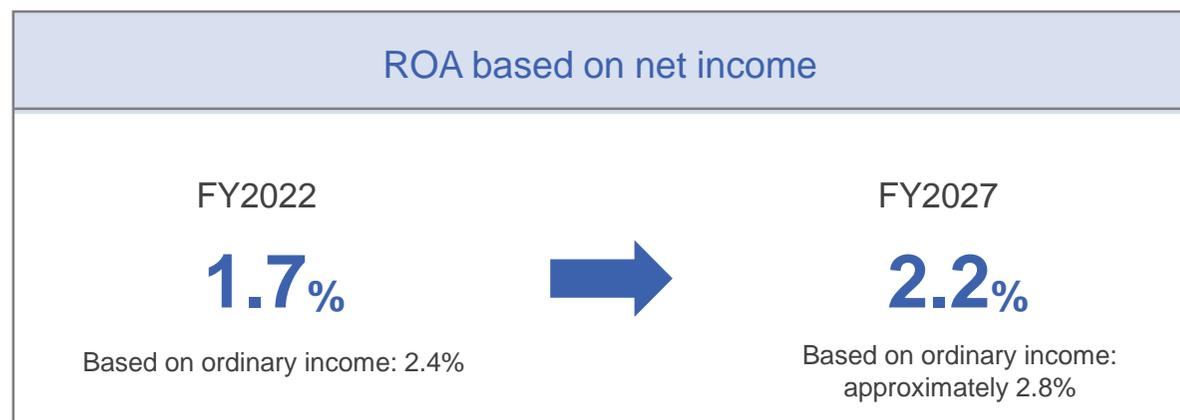
Contribution to decarbonized society 	Contribution to social infrastructure development 	Sustainable resource use 	Creation of new business driven by technical innovation 	Enhanced work environment, leading to strengthening of human resources 
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Shared Platform: Utilize diverse partnerships to create new values

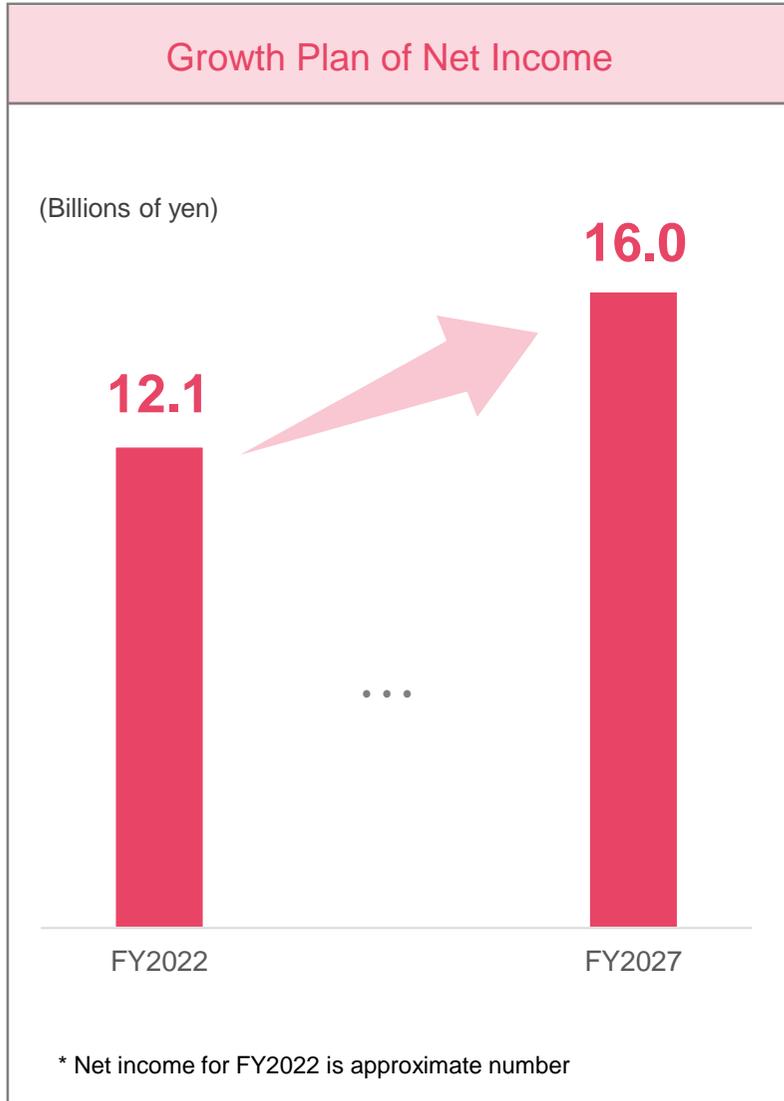
### Invest in growth areas and aim for earnings growth of affiliated companies through collaboration with partners



- #### Growth Strategies
- Reinforce earnings power, such as increasing the value of the leasing business
  - Enhance integrated group management
  - Expand in growth markets and areas with high potential for collaboration with close partners, such as logistics facilities, storage batteries, and renewable energies
  - Pursuit of partnerships and alliance strategies
  - Further improve asset efficiency



# Aim for “Top Mobility Service Company” by deepening existing areas and promoting next-generation businesses



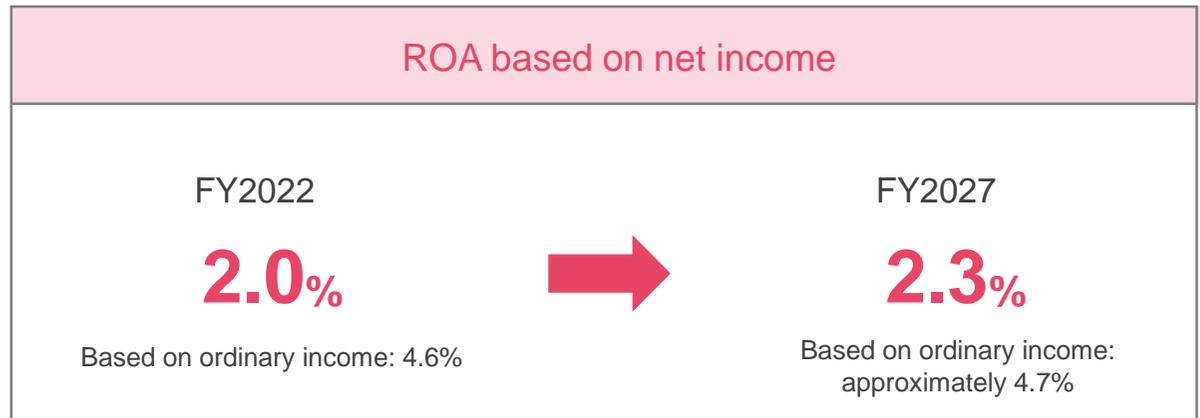
### Growth Strategies

**Existing Business Area**

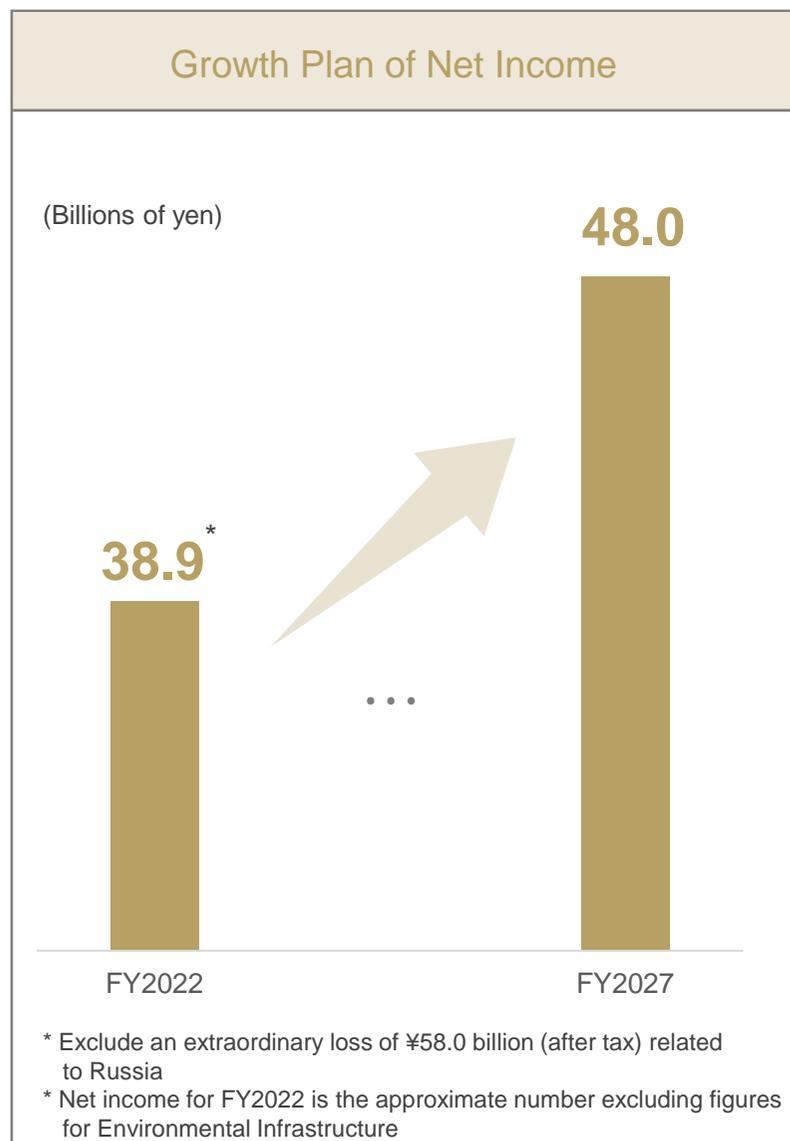
- Further deepen the auto business for corporations by increasing the value of existing businesses
- Take overwhelming market share in the auto business for individuals
- Achieve dramatic increase in profit margin through further improvement in the quality of car rental services and price optimization

**Next-generation Area**

- Increase handling of EVs and strengthen the EV value chain, such as charging services and battery reuse
- Expand into new areas such as data business, advanced maintenance, logistics, and parking services



In addition to the recovery of ACG, expand investments in growth areas such as real estate and business investment, and also promote asset turnover

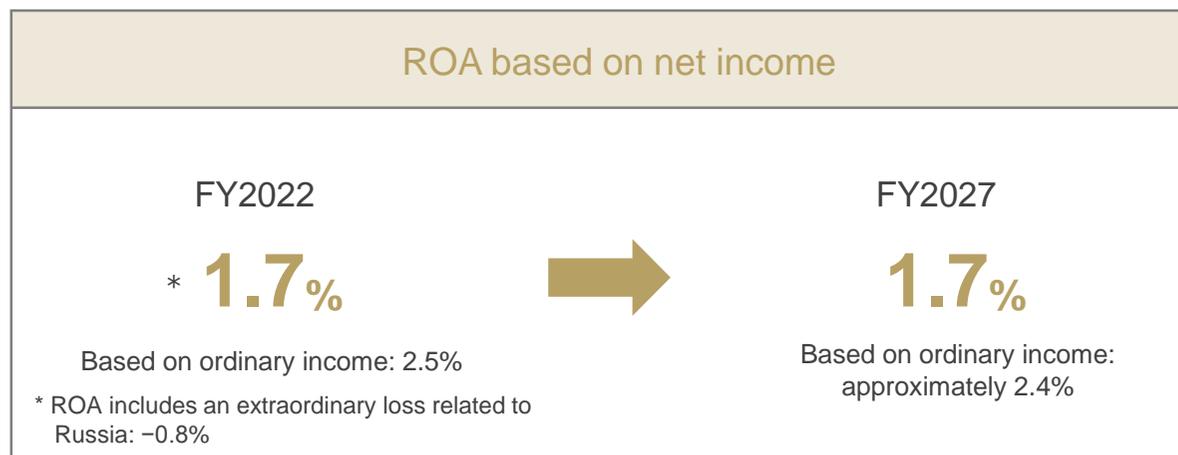


### Growth Strategies

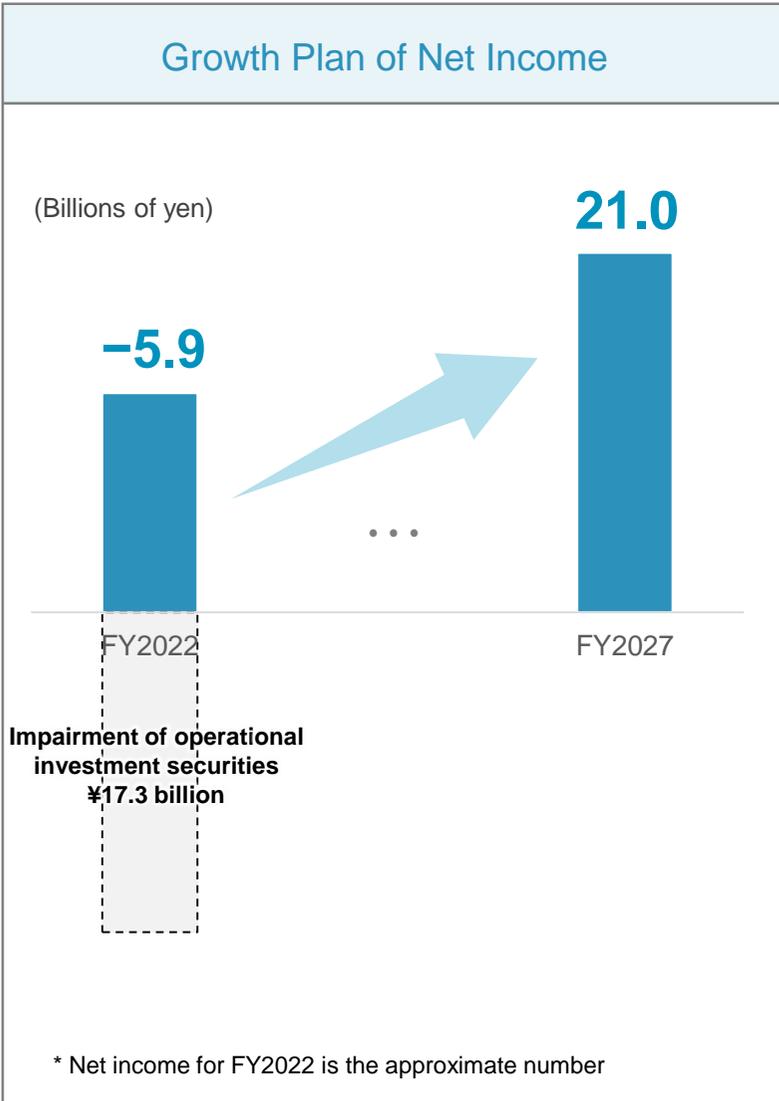
- Aviation**
  - Earnings growth of ACG
  - Promote asset turnover

< ACG builds a good portfolio to improve ROA >

  - Promote the introduction of new technology aircraft and flexible aircraft sales to secure earnings and improve the portfolio risk profile
  - Build profitable assets striking a balance between risk and return diversified in terms of credit and areas
- Real estate**
  - Flexible investment and development in response to market changes
  - Establish a cycle of investment/payback for overseas projects
- Investment Collaboration with AP**
  - Promote collaboration with Advantage Partners (AP), etc.
  - Investment in growth areas, such as carve-outs by large companies and renewable energies



# Global expansion based on CSI and promote auto and niche businesses in North America and Asia Pacific



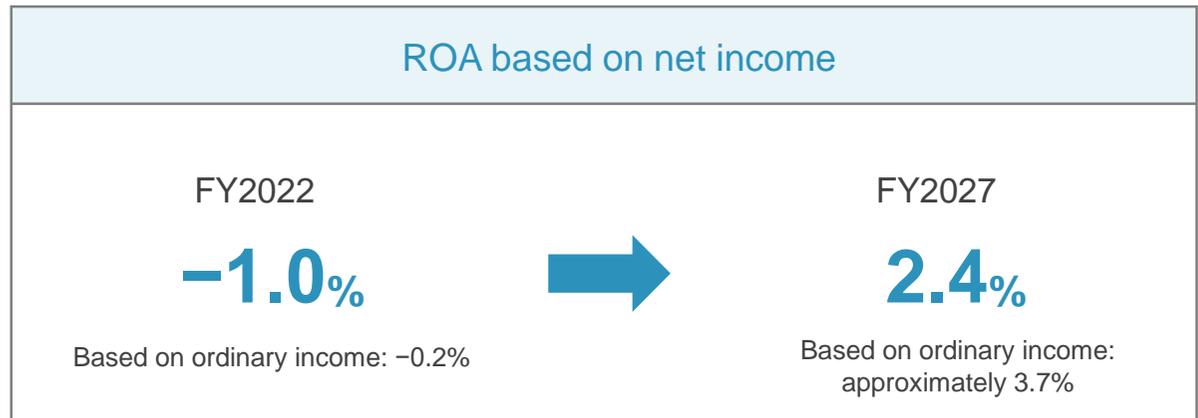
### Growth Strategies

**CSI**

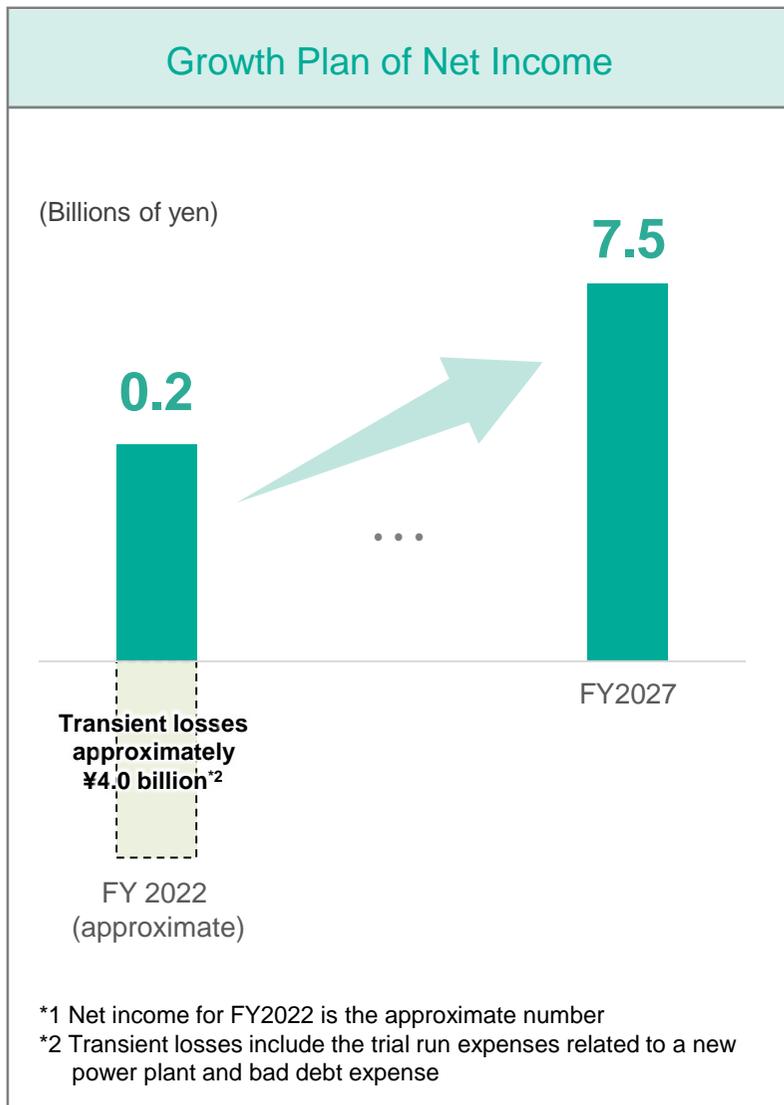
North America  
Asia-Pacific

- Expand operational bases into new markets through M&A and maximize profits
- Promote managed services through collaboration with partners

- Strengthen auto and niche businesses in North America and Asia-Pacific
- Promote data center business



Strengthen the profitability of existing businesses and expand new ones, and drive environment-related businesses throughout the TC Group



### Growth Strategies

**Storage Battery**

- Build and operate new storage battery power plants
- Install storage batteries in existing solar power plants

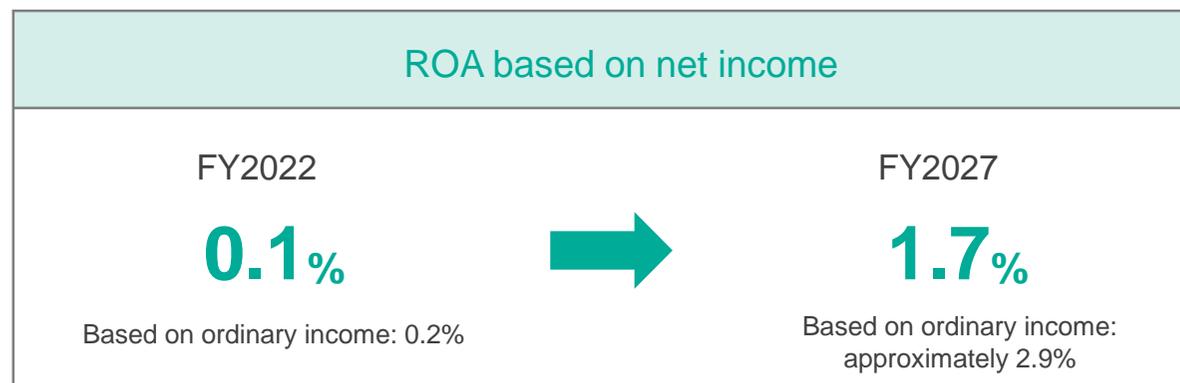
**Overseas Business**

- Solar and wind power generation centering on North America, Europe, and Australia
- Consider flexible options on possession and sale

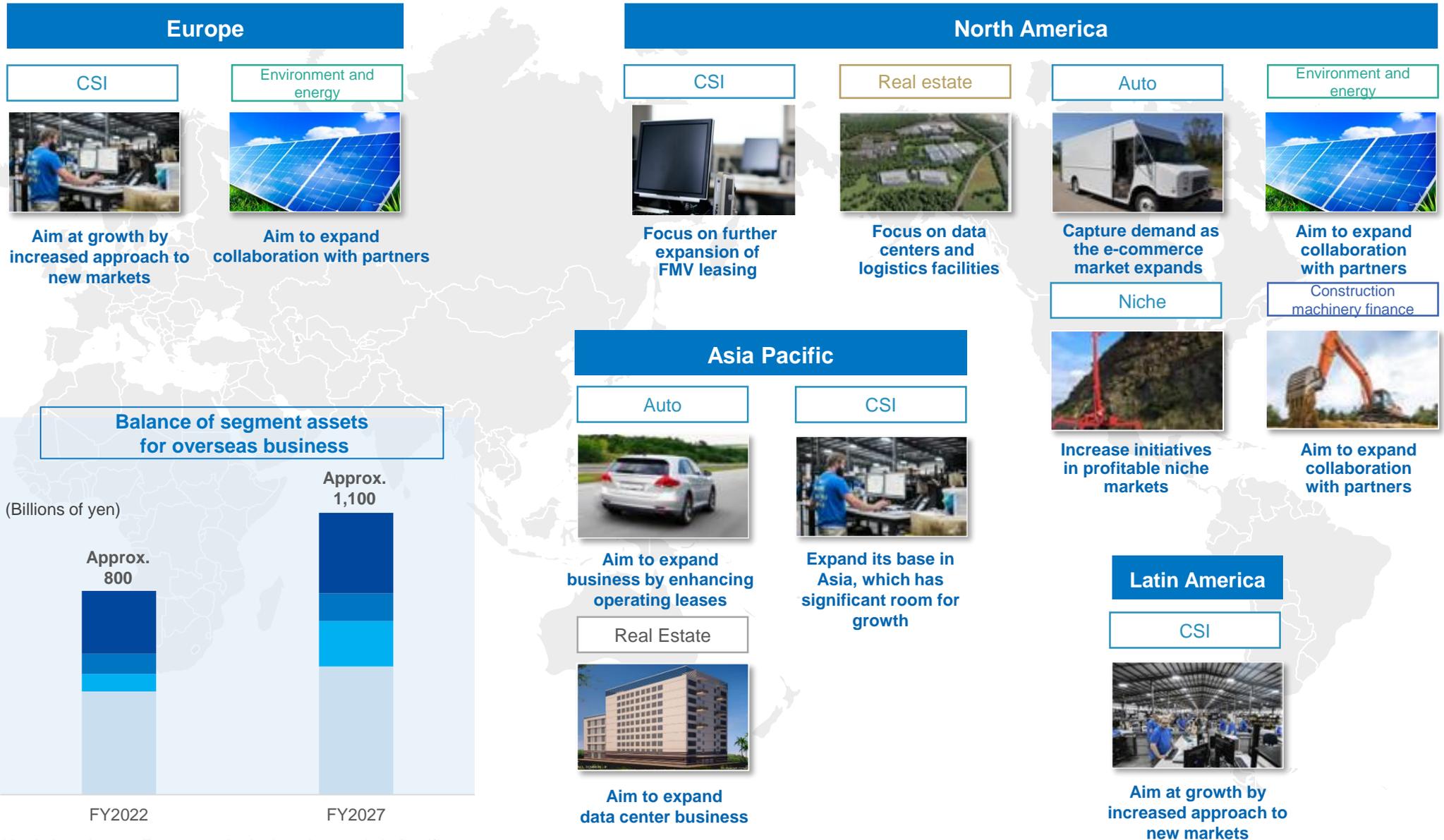
**Other focus areas**

- Asset Management
- New Energy
- Business Investment
- Green Transition

**Main partners**



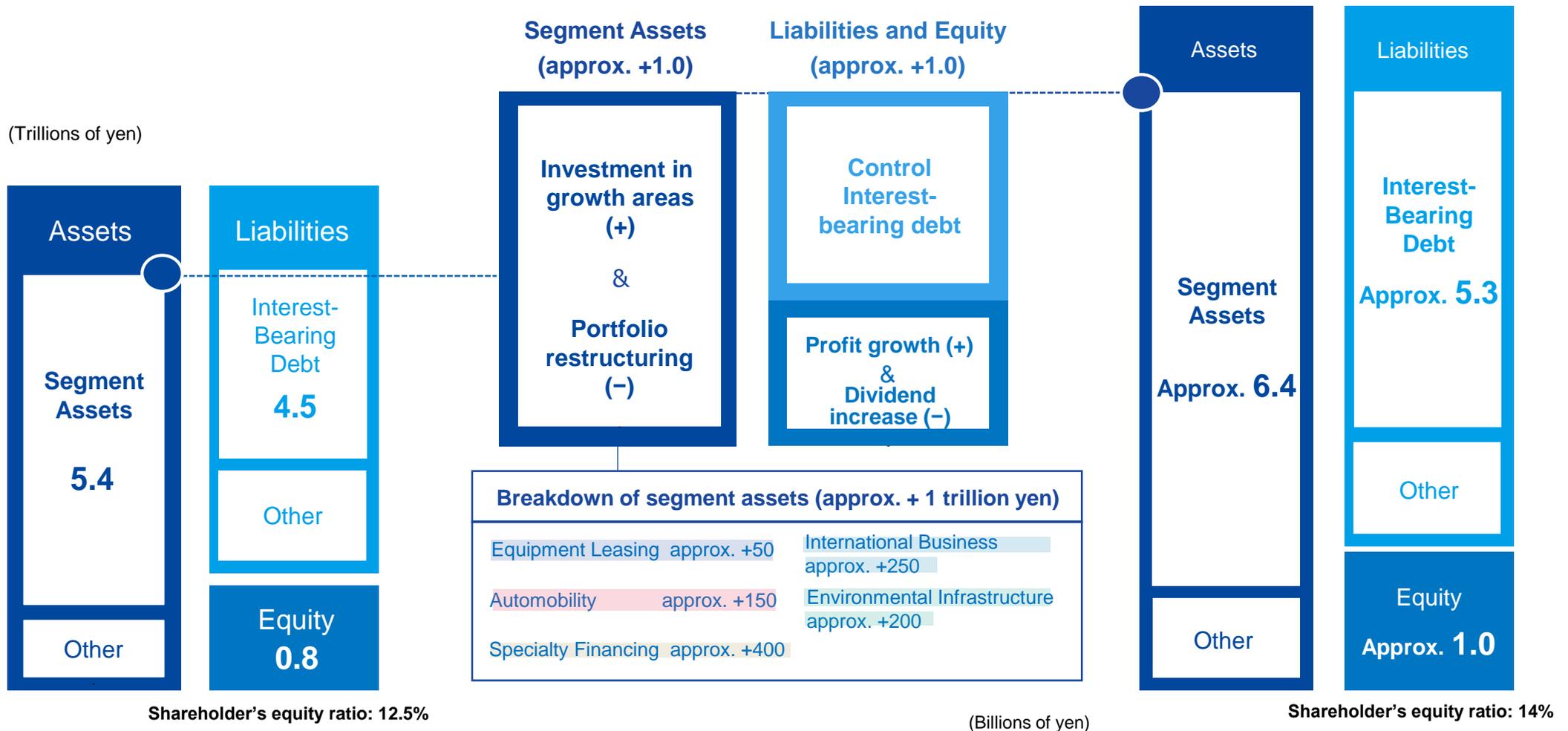
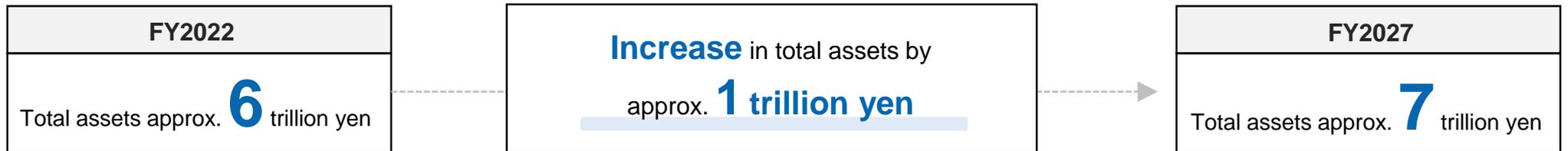
- Aim at growth by expansion of overseas businesses, such as CSI's business that expands to all regions, as well as environment and energy, real estate, and auto businesses in Europe, the Americas, and Asia Pacific





## 2. Medium-Term Management Plan 2027 (4) Financial Strategy

■ Improve capital efficiency by **strengthening balance sheet management**

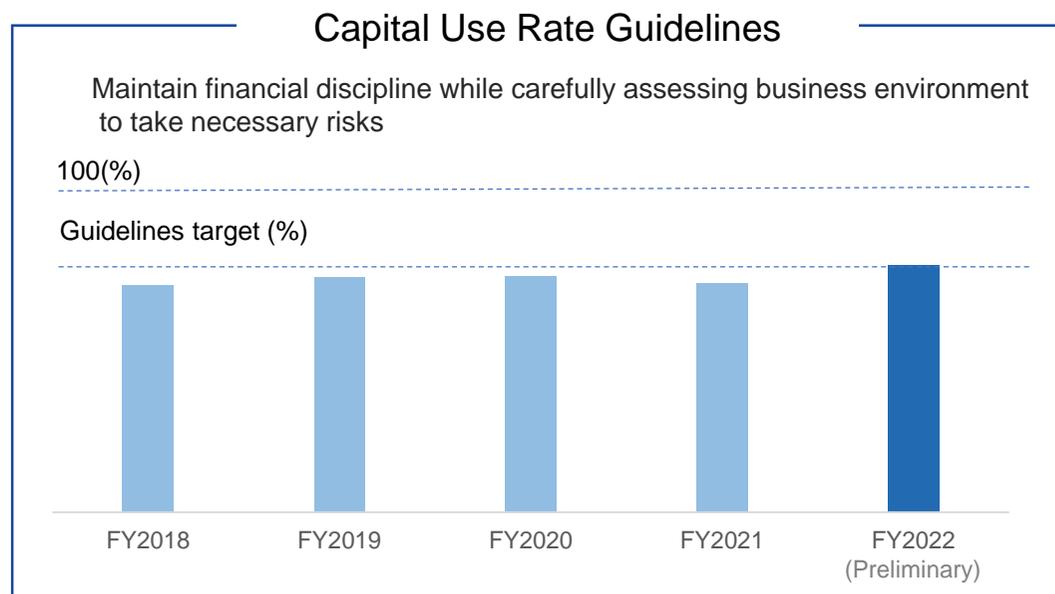


- Build a risk control framework aimed at an efficient allocation of management resources with comprehensive **Enterprise Risk Management (ERM)**

**I Control appropriate total risk volume corresponding to economic capital and diversify business portfolio risks**

(Specific initiatives and issues)

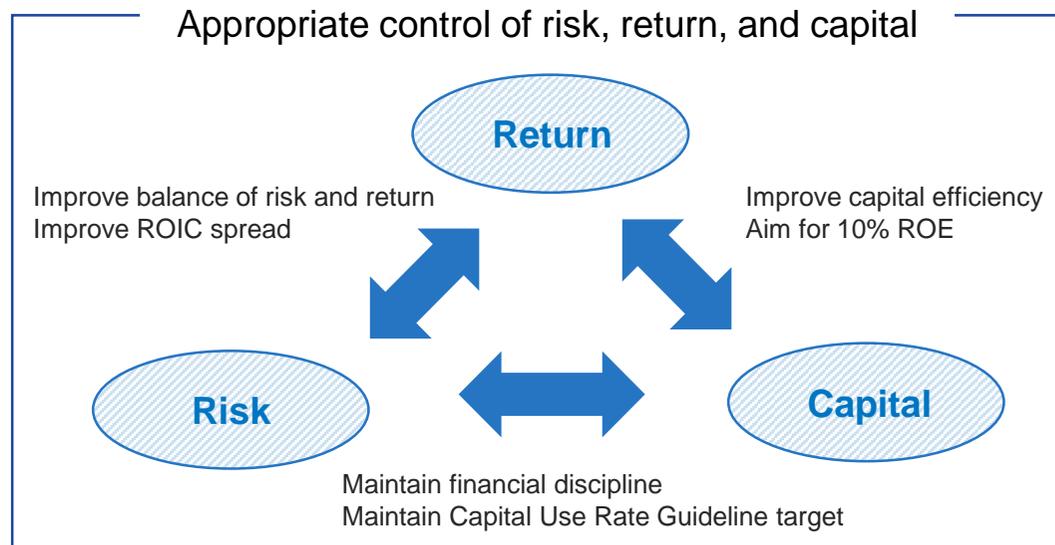
- Continue management with Capital Use Rate Guidelines  
(Capital use rate = Total risk amount / Consolidated economic capital)
- Introduce risk limits for specific categories
- Allocate economic capital by operating segment, etc.



**II Promote business management with risk and return considering the capital cost**

(Specific initiatives and issues)

- Review ROIC spread management by operating segment
- Incorporate ROIC spread in performance evaluation and portfolio allocation



## ■ Sophisticate risk management in response to **deepening** business models and changes in the uncertain business environment

### III Establishment and further development of the Investment Management Framework

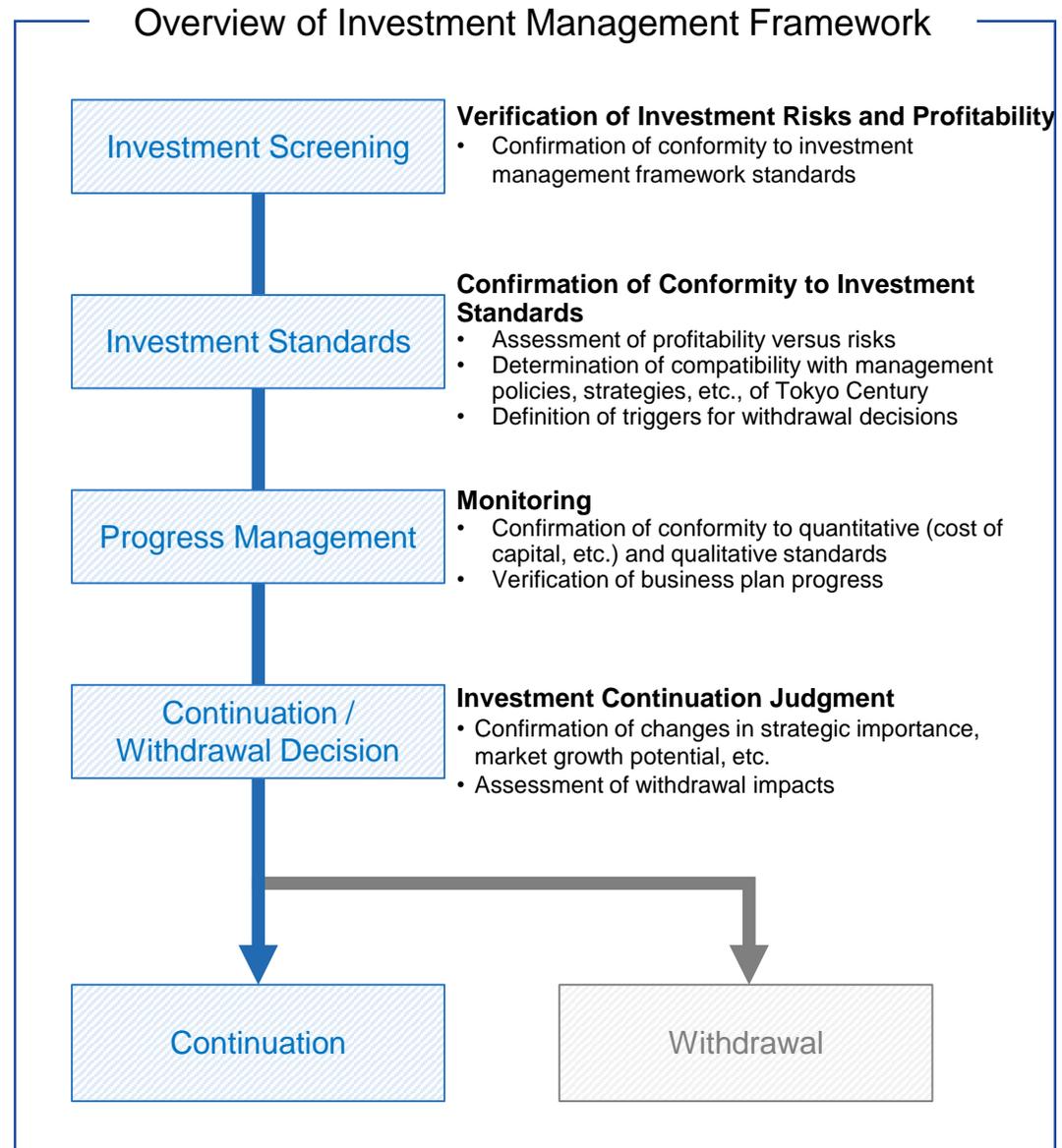
(Specific initiatives and issues)

- Realize appropriate investment assessment and exit control
- Establish investment guidelines and develop investment culture
- Engage in investment deals while anticipating unexpected events

### IV Enhance Country Risk and Global Risk readiness

(Specific initiatives and issues)

- Redefine country risks, recognize geopolitical risks
- Revise the method for setting limits and ratings
- Review overseas exposure management



- Provide **stable, long-term returns to shareholders**, which is our basic policy
- Maintain stable returns to shareholders during the period of the Medium-Term Management Plan 2027 while balancing with growth investment and financial base.
- **Continue to increase dividends per share with profit growth**, targeting a payout ratio of approximately 35% (FY2023 onward)





## 2. Medium-Term Management Plan 2027 (5) Management Base

## ■ Steady implementation of human resources and organizational strategies that support the management and business strategies

### Human Resources Strategy

#### Recruitment and development of human resources that can transform themselves to bring about change

##### ● Strengthen human resource recruitment and development

- ✓ Recruit highly specialized professionals that can lead the transformation of management and business strategies
- ✓ Introduce a human resources system that supports highly specialized professionals
- ✓ Offer learning opportunities for employees to take on new pursuits
- ✓ Develop human resources that can create a business

##### ● Resource allocation and assignment

- ✓ Human resource allocation to growth areas
- ✓ Talent management for strategic resource assignment
- ✓ Appropriate allocation of compensation in line with the Company's growth

##### ● Enhance a safe and secure working environment

- ✓ Foster health awareness and support disease prevention, early detection, and treatment
- ✓ Improve productivity by creating a better work environment that gives employees a sense of fulfillment

### Organizational Strategy

#### Balancing organizational execution capabilities and empowerment of individuals

##### ● Organizational operations

- ✓ Create structures that transcend organizational frameworks in focus areas
- ✓ Promote a system that praises ambition
- ✓ Build a framework for communication and knowledge sharing

##### ● Promote Diversity, Equity and Inclusion

- ✓ Entrench corporate culture that respects human rights
- ✓ Create an environment that enables diverse personnel to showcase their unique abilities

##### ● Corporate Branding

- ✓ Promote internal branding targeting employees
- ✓ Strengthen the brand for human resource recruitment

#### Key KPIs for Human Resources/Organizational Strategy

- **Investment for human resource recruitment and development (non-consolidated):** More than ¥800 million in FY2027 “Training Cost” + “Training Time X Personnel Expenses” + “Recruitment Cost” (FY2022 result: approximately ¥400 million)
- **Ratio of women among new-graduate hires (non-consolidated):** Maintain the ratio of women among new graduates (FY2022 result: 42.1%)
- **Mid-career hires (non-consolidated):** Maintain/improve the ratio of mid-career hires (FY2022 result: 33.5%)

■ The Tokyo Century Group aims to achieve Carbon Neutrality to realize a carbon neutral society

The Tokyo Century Group\*<sup>1</sup> promotes the reduction of greenhouse gas (GHG) emissions\*<sup>2</sup> and aims to achieve **carbon neutrality by fiscal 2040**.

As the interim target toward carbon neutrality, the Tokyo Century Group aims to achieve a 50% reduction in GHG emissions by fiscal 2030 (vs. FY2021\*<sup>3</sup>).

\*1 Major consolidated subsidiaries where personnel are located (**including the biomass co-firing power plant of Shunan Power Corporation**)

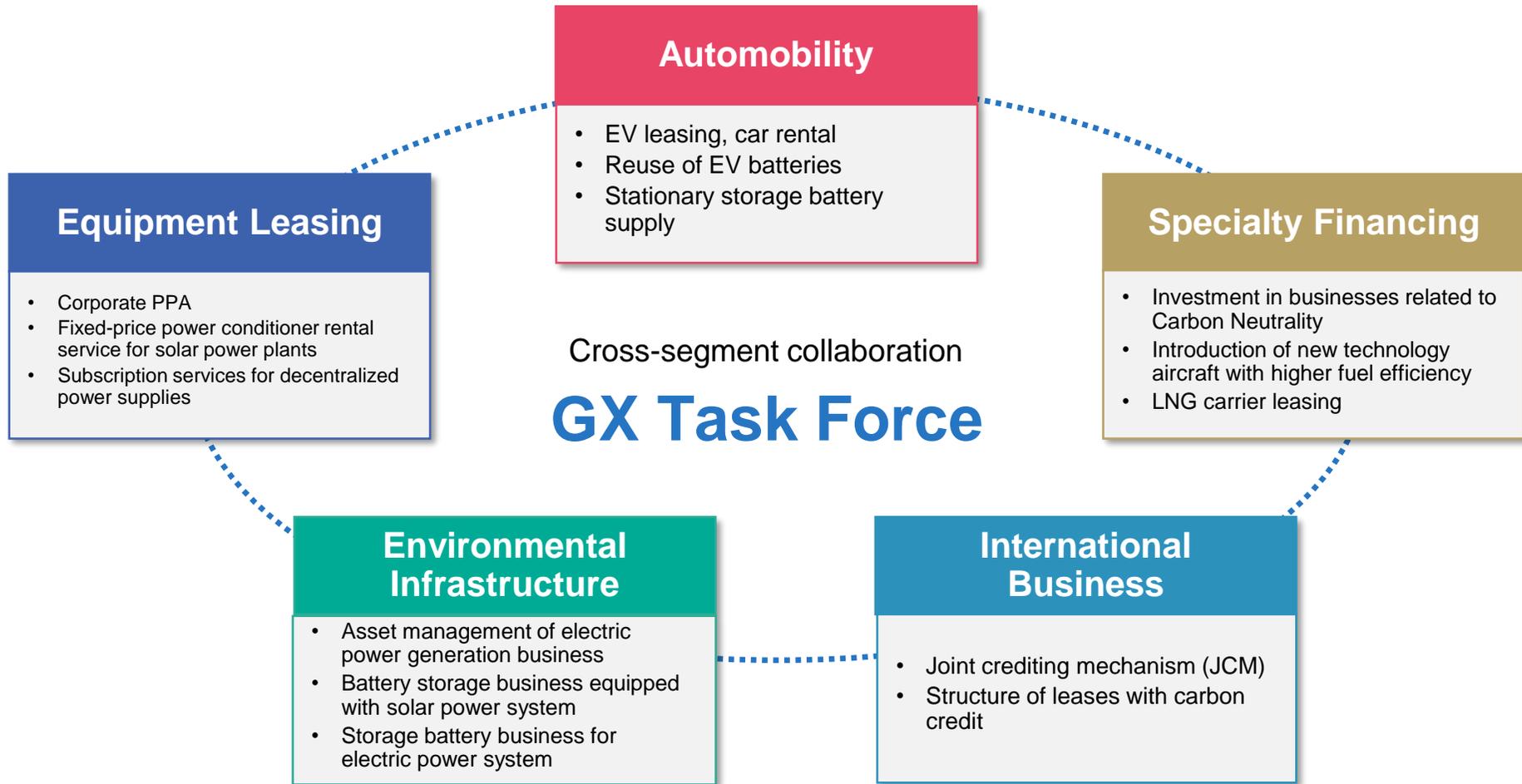
\*2 Direct emissions from Company-owned and controlled resources (**Scope 1**) and indirect emissions from the consumption of purchased electricity, heat, and steam (**Scope 2**)

\*3 Greenhouse gas emissions of 1,365,000 t-CO<sub>2</sub> in fiscal 2021  
(Emissions volume as calculated in relation to carbon-neutrality target = Fiscal 2021 greenhouse gas emissions + Estimated annual greenhouse gas emissions from hotel business and biomass co-firing power plant of Shunan Power)

**Achieved TC's carbon neutrality by strengthening resilience (zero CO2 emissions)**

- Announcement of Carbon Neutrality Policy for FY2040 (50% reduction by FY2030)
- Transition Roadmap for the Shunan Power
- Participation in the GX League
- Support for CDP and TCFD initiatives
- Disclosure of non-financial information / Enhanced ESG engagement

■ Create carbon-neutral-related businesses in each operating segment and promote cross-organizational collaboration



### Future Action Policy

- The Environmental Infrastructure segment was established in April 2023 to consolidate environmental expertise and knowledge distributed among business fields and organizations. The Tokyo Century Group shares and returns them and will create new businesses.
- As environmental business is a common theme in all industries and customers, Tokyo Century will continue to strengthen its efforts not only in the Environmental Infrastructure segment but also in the other segments (launch of GX Task Force).

- **Development of a business base adaptable to the environmental changes that the Company, partner companies and customers will face in the future** through effective use of digital technologies
- **Launch of a DX Task Force** to progress to achieve the target beyond the bounds of the operating segments

## DX Task Force

Established a “DX Task Force” and set common Companywide themes.  
By sharing objectives, measures and goal images across our operating segments, we will move ahead with our initiatives to achieve the target.

 **Value provided to customers**

- Enhance the value of products TC provides through digital technologies and develop a highly profitable business model

 **Human resource development through DX**

- Improve DX literacy
- Cultivate a DX culture suitable for TC, leading to autonomous learning and promotion

 **Field work improvement**

- Reduce workload in the field of sales
- Promote DX in support of sales activities
- Improve operational efficiency by going paperless

 **System replacement**

- Consider improving operational efficiency by deploying core systems to Group companies



## Disclaimer

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- Any statements in this document, other than those of historical facts, are forward-looking statements about the future performance of Tokyo Century Corporation and its Group companies, which are based on management's assumptions and beliefs in light of information currently available, and involve risks and uncertainties. Actual results may differ materially from these forecasts.
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## Inquiries



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