NEXT 10 YEARS: EXCEEDING OUR POTENTIAL

Tokyo Century Corporation Integrated Report 2018

Tokyo Century

Management Philosophy

Solutions to your Pursuits

Creating new values from
Finance × Services × Business Expertise

Tokyo Century

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.

Contents

Editorial Policy
Tokyo Century publishes an integrated report comprising its annual and CSR reports that it previously published separately. The integrated report briefly covers financial information, including management direction, strategies, and a review of operations as well as non-financial information on its initiatives with respect to the environment, society, and governance (ESG). Our objective is to help shareholders, investors, and other stakeholders understand how the Group will create value over the medium to long term.
We compile the integrated report with reference to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) to maintain the perspective of stakeholders.

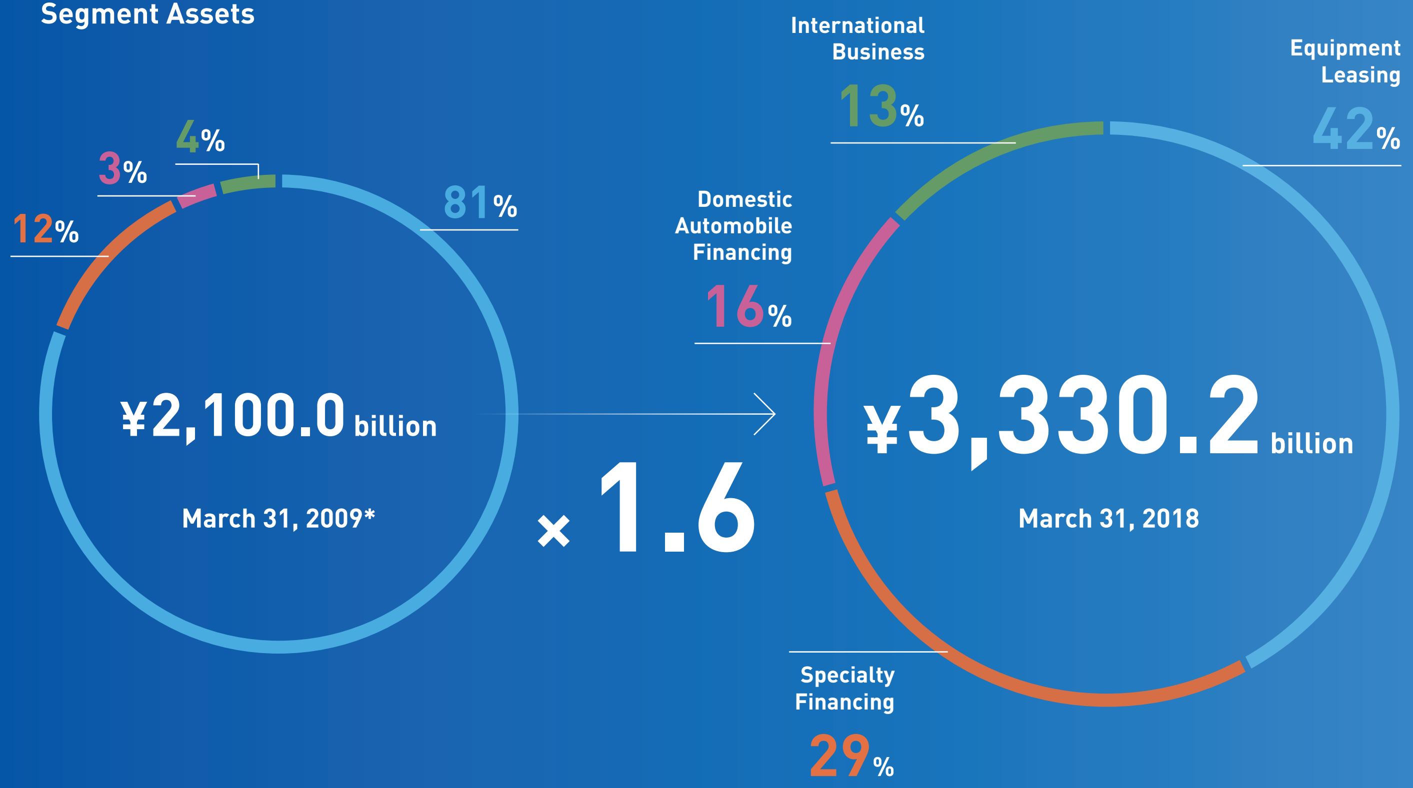
Forward-Looking Statements
Statements in this integrated report with respect to Tokyo Century Group's plans, forecasts, strategies, presumptions, and other statements that are not historical facts are forward-looking statements based on management's assumptions and beliefs grounded on information that was available when the report was written. Actual Group performance may differ considerably from that discussed in the forward-looking statements.

OUR STEADY ACHIEVEMENTS

Growth Momentum Extending Record High Income for Nine Consecutive Years

**Since our founding in 2009, we have been extending record high performance in ordinary income for nine consecutive years.
To contribute to the creation of an environmentally-sound, sustainable economy and society, we work with our partner companies to engage in businesses strongly needed by society, while further expanding our corporate value.**

Segment Assets



* Data for fiscal 2008, the year immediately prior to the merger on April 1, 2009, is a simple aggregation of data for the former Century Leasing System, Inc. and the former Tokyo Leasing Co., Ltd.

Market Capitalization
(Calculations based on closing price)

¥64.0 billion (April 1, 2009) → ×11.0 → ¥702.7 billion (March 30, 2018)

Ordinary Income

¥22.3 billion (FY2008*) → ×3.5 → ¥79.0 billion (FY2017)

Net Income Attributable to Owners of Parent

¥10.0 billion (FY2008*) → ×5.1 → ¥51.3 billion (FY2017)

Dividends

¥32 (FY2009) → ×3.6 → ¥114 (FY2017)

EXCEED.
OUR STRENGTHS
Core Assets that Generate Our Competitive Advantage

Our Commitment Runs through Our Corporate DNA to Assist Partner Companies in Developing Business and Pursuit of Growth

We envision a sustainable future, not through the pursuit of short-term profit, but rather by seeking mutual, medium- to long-term growth with our partner companies. True to this conviction, our highly specialized personnel take on the challenges posed by new businesses that transcend the boundaries of finance. Our business scope has expanded worldwide to 37 countries and regions, and Tokyo Century Group has established a unique position by integrating its businesses with a formidable network of partner companies.

Major Partner Companies

Equipment Leasing

- Fujitsu Limited
- IHI Corporation
- Orient Corporation
- Kawasaki Heavy Industries, Ltd.
- Tsukishima Kikai Co., Ltd.
- Bplats, Inc.
- UNY Co., Ltd.
- Yaskawa Electric Corporation
- mitsuiwa corporation
- BYNAS Co., Ltd.

Specialty Financing

- Kyocera Corporation
- Nippon Tochi-Tatemono Co., Ltd.
- Aviation Capital Group LLC
- GA Telesis, LLC
- Kobe Steel, Ltd.

Domestic Automobile Financing

- Nippon Telegraph and Telephone Corporation
- Orient Corporation
- ANA Holdings Inc.

International Business

- TISCO Financial Group Pcl.
- Uni-President Enterprises Group
- Dalian Bingshan Group
- Bank of the Philippine Islands
- Hitachi Construction Machinery Group
- Lippo Group
- Grab
- China UnionPay Merchant Services Co., Ltd.

1 Meeting the Needs of the Times by Creating Businesses Free from Regulatory Constraints

Tokyo Century is characterized by its capacity to explore new businesses in a management environment free of regulatory constraints. In recent years, we have pursued various businesses that address social needs, such as aviation, solar power generation, environmentally-sound biomass and biogas power generation, and FinTech. Amid the current shift from ownership to usership, we believe that our extensive experience in reusing, reducing and recycling goods will be in strong demand toward creating an environmentally-sound, sustainable economy and society.

Conventional Leasing

- Information and communications equipment
- Factory equipment
- Construction machinery
- Commercial equipment

Pioneering New Business Fields

- Shipping
- Aviation
- Environment and energy
- Real estate
- IoT
- FinTech
- Automobile leasing, car rental
- Ride-hailing, ridesharing

Global Business in 37 Countries and Regions through Alliances with Partner Companies in and outside of Japan

Backed by relationships of trust with about 25,000 customers, Tokyo Century Group is promoting collaborative ventures in and outside of Japan, expanding its network to 37 countries and regions worldwide. Today, in an operating environment in which fewer businesses are self-contained within national borders and a global sensitivity is required more than ever before, many of our partner companies pursue business as global players. Tokyo Century Group maximizes the financial services expertise it has cultivated over the years to take on the challenge of transforming into a new financial services business that opens new domains by advancing its alliances with partner companies in and outside of Japan.

Number of Corporate Customers	About 25,000 companies
Global Network	Centered on the U.S., East Asia and ASEAN regions 37 countries and regions
Global Assets (as of March 31, 2018)	¥995.5 billion

Highly Specialized Professionals and an Organizational Culture that Embraces Challenge

Tokyo Century Group believes that personnel are a company's most valuable asset and a driving force for sustainable growth. To serve as the ideal partner for supporting customers in their pursuits, we seek to create an organization in which personnel can demonstrate professionalism. We derive our strength from personnel who are not only familiar with finance including leasing but are also well informed about the products of partner companies, industry structure, laws and regulations, and business practices, capable of structuring new business schemes globally compatible, as well as an organizational culture that recognizes those who rise to the challenge. We are focused on creating an organization brimming with the spirit of taking on challenges to pioneer new business domains.

Segment Assets

Specialty Financing

¥253.8 billion (As of March 31, 2009) → ×3.8 → ¥975.6 billion (As of March 31, 2018)

International Business

¥78.5 billion (As of March 31, 2009) → ×5.6 → ¥435.7 billion (As of March 31, 2018)

EXCEED.

OUR VALUE CREATION

Tokyo Century's Value Creation Business Model

Social Issues

- Reliable sources of renewable energy
- Promotion of investment in energy-related infrastructure
- Continuous drive for innovation
- Regional revitalization and job creation
- Equitable economic development
- Development of sustainable infrastructure
- Introduction and expansion of environmentally- sound technologies
- Prevention, reduction and reuse of waste
- Climate change education

Social and Corporate Issues

Corporate Issues

- Continuous business innovation
- Capital plan
- Facilities plan
- Earnings growth scenarios

Tokyo Century

Our Commitment Runs through Our Corporate DNA to Assist Partner Companies in Developing Business and Pursuit of Growth

Core Assets that Generate Competitive Advantages

(Core Competence)

1 Ability to meet the needs of the times by creating businesses free from regulatory constraints

2 Global business in 37 countries and regions through alliances with partner companies in and outside of Japan

3 Highly specialized professionals and an organizational culture that embraces challenge

Foundation of Value Creation:
Corporate Governance

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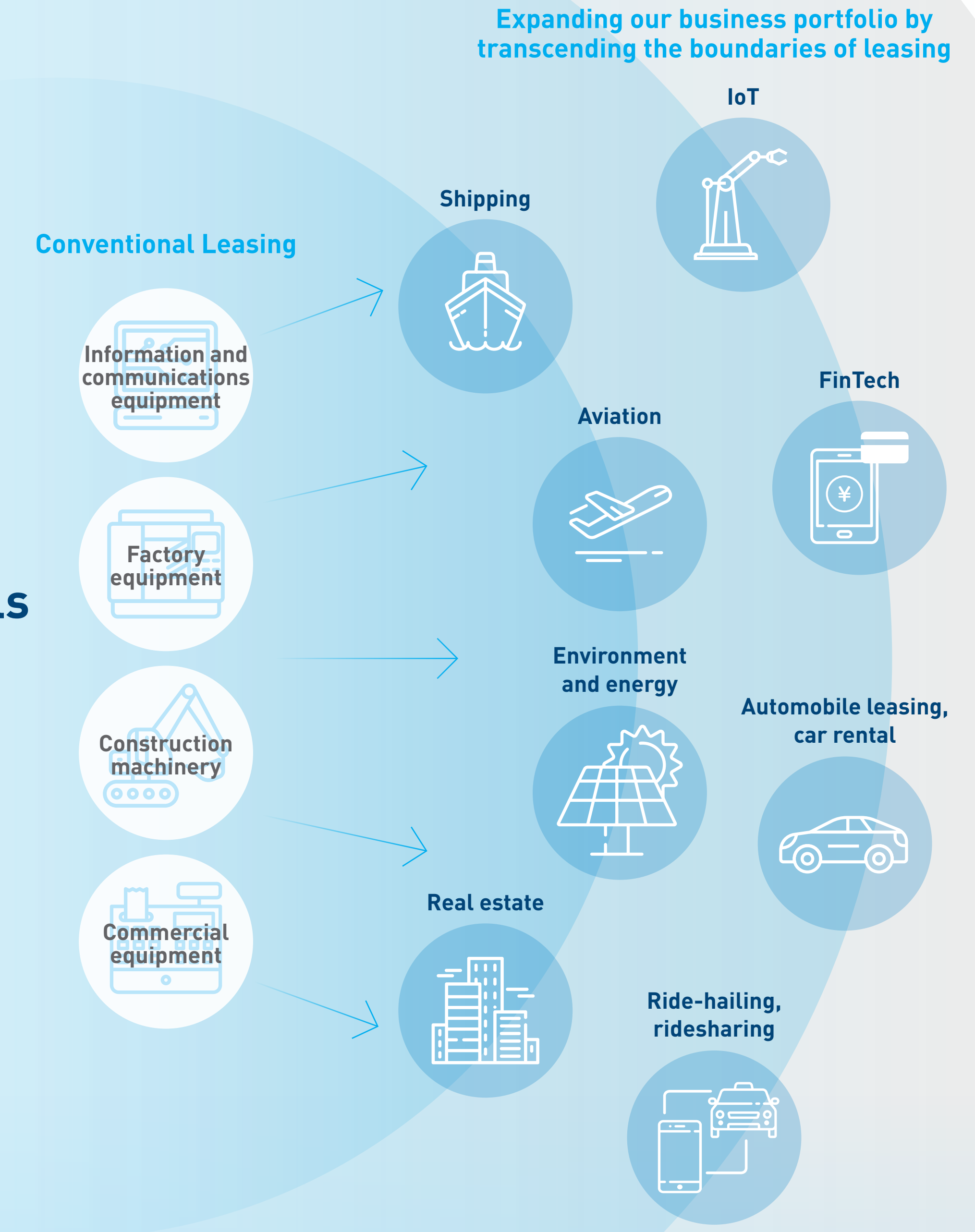
Business Models for Exploring New Domains



Pioneering New Domains

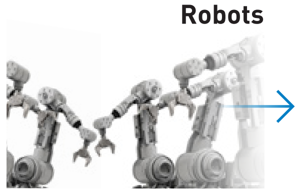
Shift to a New Financial Services Business

Solutions Unique to Tokyo Century

Identifying Market Needs for the Future
(Growth Drivers)

Solutions for the diminishing workforce

Robots



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Solutions for the global expansion in air transport

Aviation

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Solutions for renewable energy

Solar power generation

Biomass and biogas power generation

Focus: pages 14, 15

Solutions for maintaining social infrastructure

PFI business

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Solutions for regional revitalization and inbound demand from foreign visitors

Hotel business

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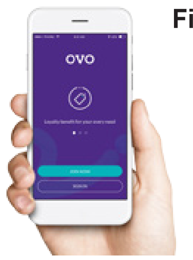
Solutions for rapid technological progress and diversifying lifestyles

FinTech



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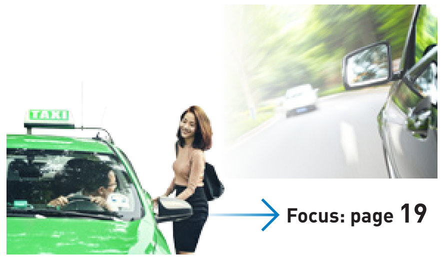
Car rental/car sharing,
Ride-hailing and ridesharing



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Consistently Engaged in Businesses that Society Demands

Outcome

Higher corporate value based on the establishment of new financial services business

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Mutual growth with partner companies

Contributing to the Creation of an Environmentally-Sound, Sustainable Economy and Society

EXCEED. OUR COUNTLESS GROWTH DRIVERS

Growth Drivers for Realizing Our Vision

Social issues have led to increased market needs in various industries, and Tokyo Century Group views these as growth drivers. By meeting the challenges posed by new domains that help solve social issues, we will seek to maintain corporate growth while contributing to the creation of an environmentally- sound, sustainable economy and society.

Solutions for a Diminishing Workforce

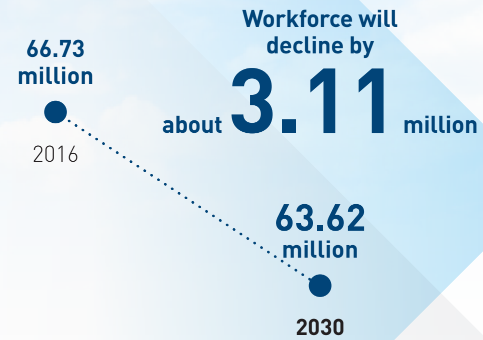
Robot

Meeting Robot Rental Needs

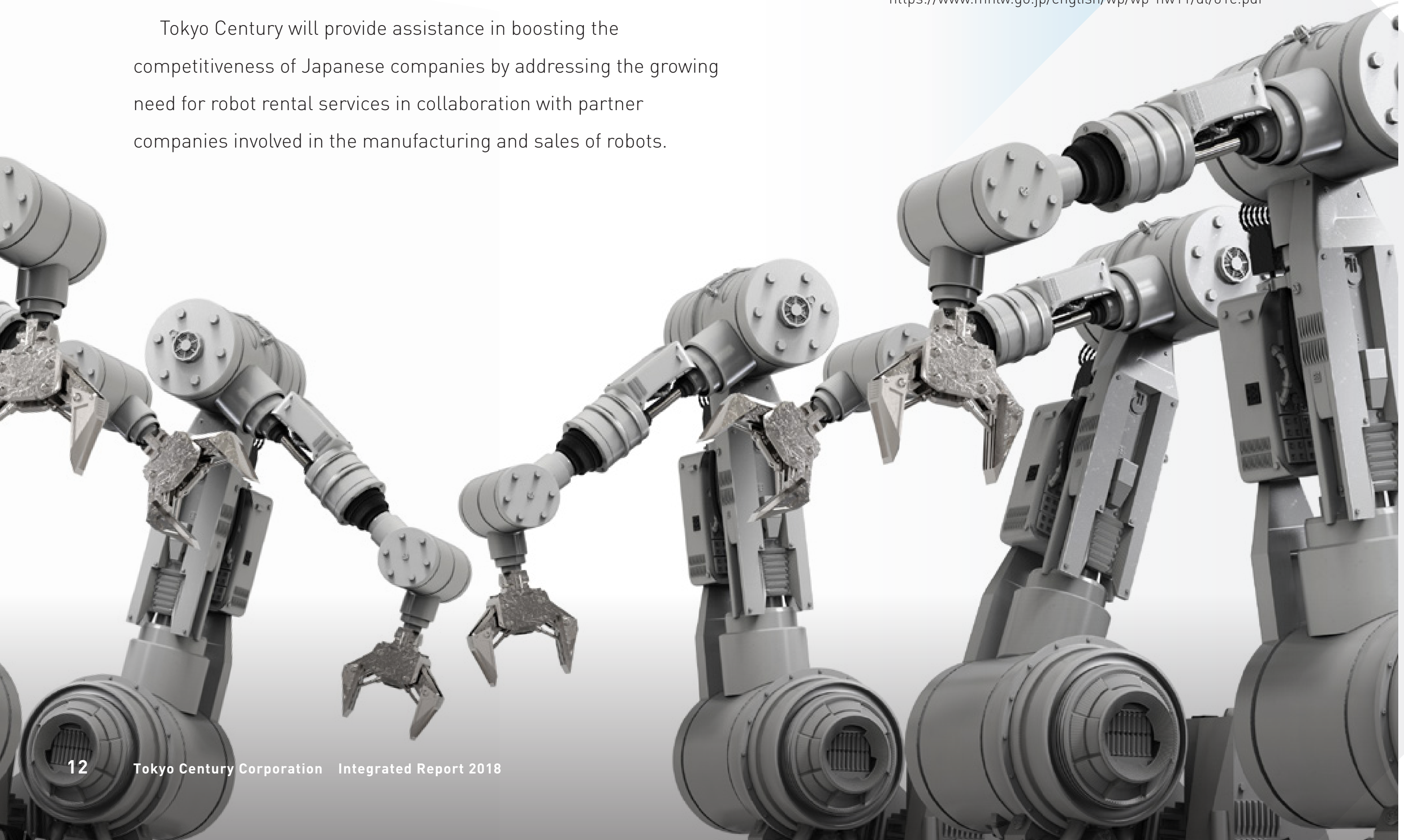
Japanese companies are facing a serious labor shortage. Moreover, the nation's workforce is expected to decline even further, and we believe that companies will accelerate introduction of robots as an alternative to human labor.

Tokyo Century will provide assistance in boosting the competitiveness of Japanese companies by addressing the growing need for robot rental services in collaboration with partner companies involved in the manufacturing and sales of robots.

Workforce in Japan



Source: Created by the Company based on "White Paper on the Labour Economy 2017" (Ministry of Health, Labour and Welfare, Japan).
https://www.mhlw.go.jp/english/wp/wp-hw11/dl/01e.pdf



Solutions for the Global Expansion in Air Transport

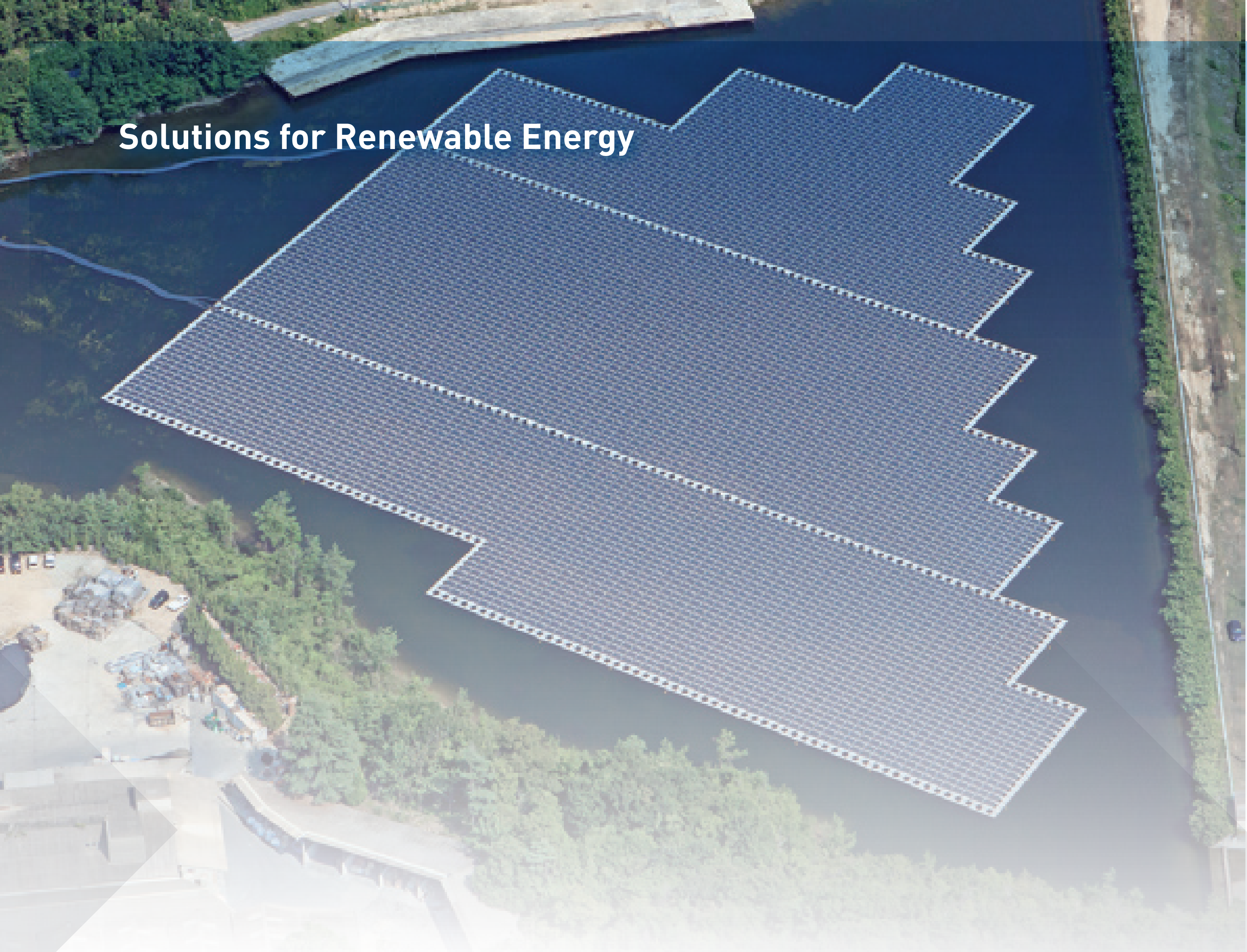
Aviation

Pursuing a Unique Business Model to Become a Top Player in the Industry

Demand for aircraft is expected to rise with the advancing globalization of the economy. Airline companies explore optimal methods for procuring aircraft, including leasing. Tokyo Century provides optimal and diverse procurement methods by operating an aviation business that encompasses the entire product lifecycle, from the introduction of new aircraft to the disassembly of decommissioned aircraft and sales of used components.

Forecast for Passenger Jet Demand Worldwide

Source: Created by the Company based on "Worldwide Market Forecast 2018–2037" (Japan Aircraft Development Corporation)
http://www.jadc.jp/files/topics/134_ext_01_en_0.pdf



Solutions for Renewable Energy

Solar Power Generation

Leading the Industry with Large-Scale Solar Power Generation

Countries around the world are engaged in projects for generating power from renewable energy sources. Tokyo Century is engaged in solar power generation business with partner companies including Kyocera Corporation. As of March 31, 2018, the scale of our solar power generation business has expanded to 75 locations with a total output of up to 236 MW, which ranks us among the top in Japan. We will contribute to the creation of an environmentally-sound, sustainable economy and society by developing environmentally-sound businesses that do not depend on fossil fuels.

Solar Power Generation in Japan

Solar power 39 GW
March 2017

Solar power 64 GW
Fiscal 2030

Capacity will almost **double**

Source: Created by the Company based on "Measures for Attaining the 2030 Energy Mix – Energy Conservation and Renewable Energy" (Agency for Natural Resources and Energy, Japan)
http://www.enecho.meti.go.jp/committee/council/basic_policy_subcommittee/022/pdf/022_006.pdf
(Japanese only)

Biomass and Biogas Power Generation

Contributing to an Environmentally-Sound, Sustainable Society by Making Effective Use of Resources

Tokyo Century is also in alliance with leading partners in other renewable energy businesses such as woody biomass power generation and digestion gas power generation. We are promoting renewable energy by effectively utilizing resources that had previously been discarded such as sludge and waste.

Biomass Power Generation in Japan

3.2 GW
March 2017

6.0 - 7.3 GW
Fiscal 2030

Capacity will almost **double**

Source: Created by the Company based on "Measures for Attaining the 2030 Energy Mix – Energy Conservation and Renewable Energy" (Agency for Natural Resources and Energy, Japan)
http://www.enecho.meti.go.jp/committee/council/basic_policy_subcommittee/022/pdf/022_006.pdf
(Japanese only)

Solutions for Maintaining Social Infrastructure

PFI Business

Addressing the Need to Upgrade Aging Infrastructure

In Japan, aging water and sewage systems built after its period of high economic growth has become a social concern. Some regions have lagged behind in effectively maintaining and upgrading infrastructure. We plan to broadly contribute to society by focusing on businesses that help maintain and develop social infrastructure.

Targeted Size of PFI Business

¥21 trillion
over 10 years
from fiscal 2013 to 2022

Source: Created by the Company based on "Status Report on PFI" (Public Private Partnership/Private Finance Initiative Promotion Office, Cabinet Office, Japan)
http://www8.cao.go.jp/pfi/pfi_jouhou/pfi_genjou/pdf/pfi_genjyou.pdf (Japanese only)

Solutions for Regional Revitalization and Inbound Demand from Foreign Visitors

Hotel Business

Initiatives for Regional Revitalization

Tokyo Century is participating in a project to develop the ANA InterContinental Beppu Resort & Spa, operated by an international hotel known for its five-star properties, under the national policy for revitalizing the local region and promoting tourism. Utilizing this experience, we will seek to play our part in regional revitalization by bolstering the tourism industry and creating jobs.

Estimated Number of Visitors to Japan

Year	Visitors
2017	28.69 million
2030	60 million

Number of visitors will almost double

Source: Created by the Company based on "Foreign Visitors to Japan" (Japan National Tourism Organization) and "Council for the Development of a Tourism Vision to Support the Future of Japan" (Prime Minister's Office)
https://www.jnto.go.jp/eng/ttp/sta/PDF/E2017.pdf
https://www.kantei.go.jp/jp/singi/kanko_vision/dai2/siryou1.pdf
(Japanese only)

(Scheduled to open in the summer of 2019)

Solutions for Rapid Technological Progress and Diversifying Lifestyles

FinTech

Taking on the Challenge of Creating New Business Models that Integrate Finance and IT

Progress in digital technology is transforming conventional modes of finance. Tokyo Century is in alliance with leading companies in Asia to create new financial businesses that meet diversifying needs by integrating finance and IT.

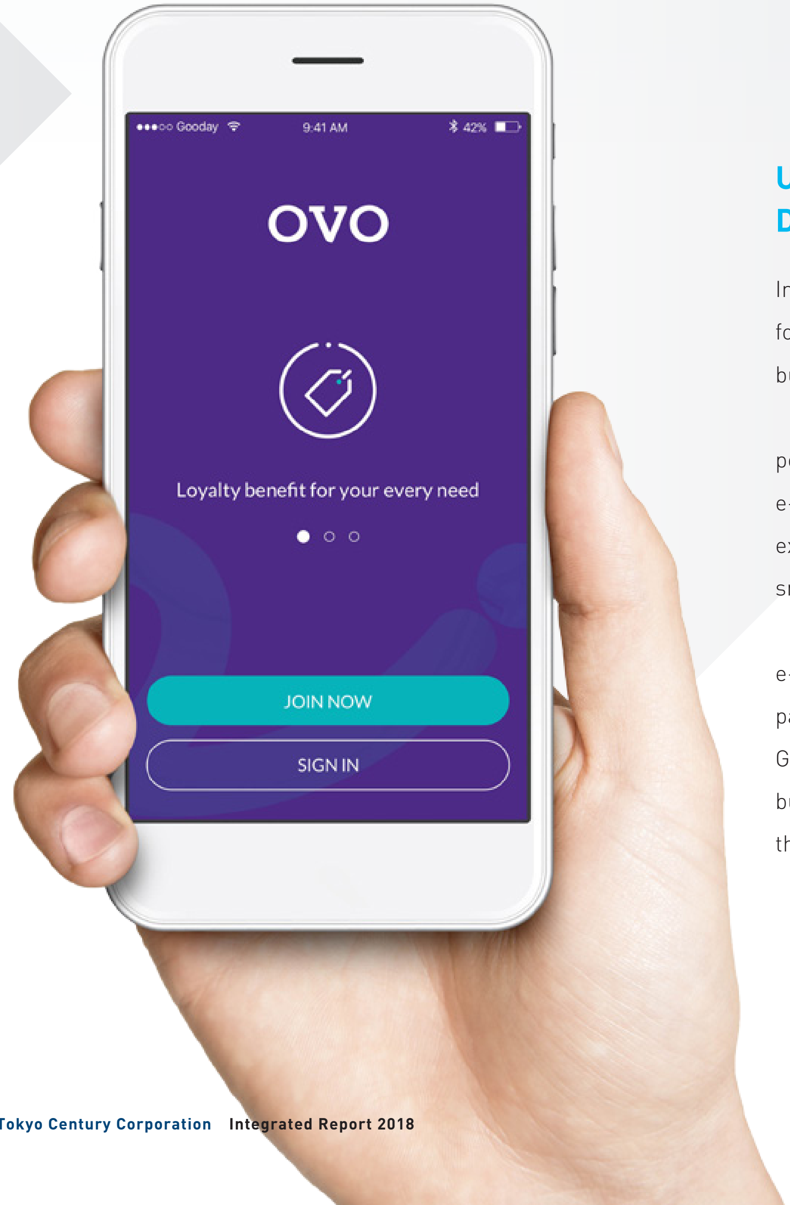
Forecast for the E-commerce Market in Southeast Asia

US$5.5 billion
2015

US$88.1 billion
2025

Market size will expand by approx. **16 times**

Source: Created by the Company based on "e-Conomy SEA Spotlight 2017" (Google Temasek)
https://www.temasek.com.sg/content/dam/temasek-corporate/news-and-views/Stories/google-temasek-sea-e-commerce-report/e-Conomy SEA Spotlight 2017 Full Report.pdf



Utilizing Big Data to Develop New Financing Businesses

In alliance with Indonesia's Lippo Group, we are focusing on expanding our digital and FinTech businesses.

Indonesia accounts for around 40% of the population in the ASEAN region, and its e-commerce market is expected to show exponential growth with the increasing use of smartphones and other mobile devices.

Offered by Lippo Group in Indonesia, OVO is an e-money service that facilitates the settlement of payments via smartphones. Together with Lippo Group, Tokyo Century will create new financing businesses that utilize big data accumulated through the expanding use of OVO.

Car Rental/Car Sharing

Shift in Mobility Needs from Ownership to Usership

The automobile leasing and car rental industries are facing a sea change caused by an awareness among individual users of ownership shifting to usership, and car rental needs have grown with the increase in foreign visitors to Japan.

Tokyo Century is developing car rental and car sharing services to address diversifying lifestyles and rising inbound demand from foreign visitors.

Forecast for the Car Rental Market in Japan

¥580 billion
2012

¥670 billion
2020

Market size will expand by approx. **1.2 times**

Source: Created by the Company based on "Personal Car Leasing Market 2015" (Yano Research Institute)
https://www.yano.co.jp/press/press.php/001431 (Japanese only)

Forecast for the Car Sharing Market in Japan

¥7.0 billion
2012

¥29.5 billion
2020

Market size will expand by approx. **4 times**

Source: Created by the Company based on "Personal Car Leasing Market 2015" (Yano Research Institute)
https://www.yano.co.jp/press/press.php/001431 (Japanese only)

Ride-Hailing and Ridesharing

New Modes of Transport Are Rapidly Spreading around the World

The ride-hailing and ridesharing markets are expected to grow in Southeast Asia, where car ownership is low and public transport services remain inadequate compared to developed countries. Tokyo Century has partnered with Grab, the largest ride-hailing platform in Southeast Asia, to develop the automobile financing business for the rapidly expanding ride-hailing and ridesharing businesses.

Forecast for the Ride-Hailing Market in Southeast Asia

US$2.5 billion
2015

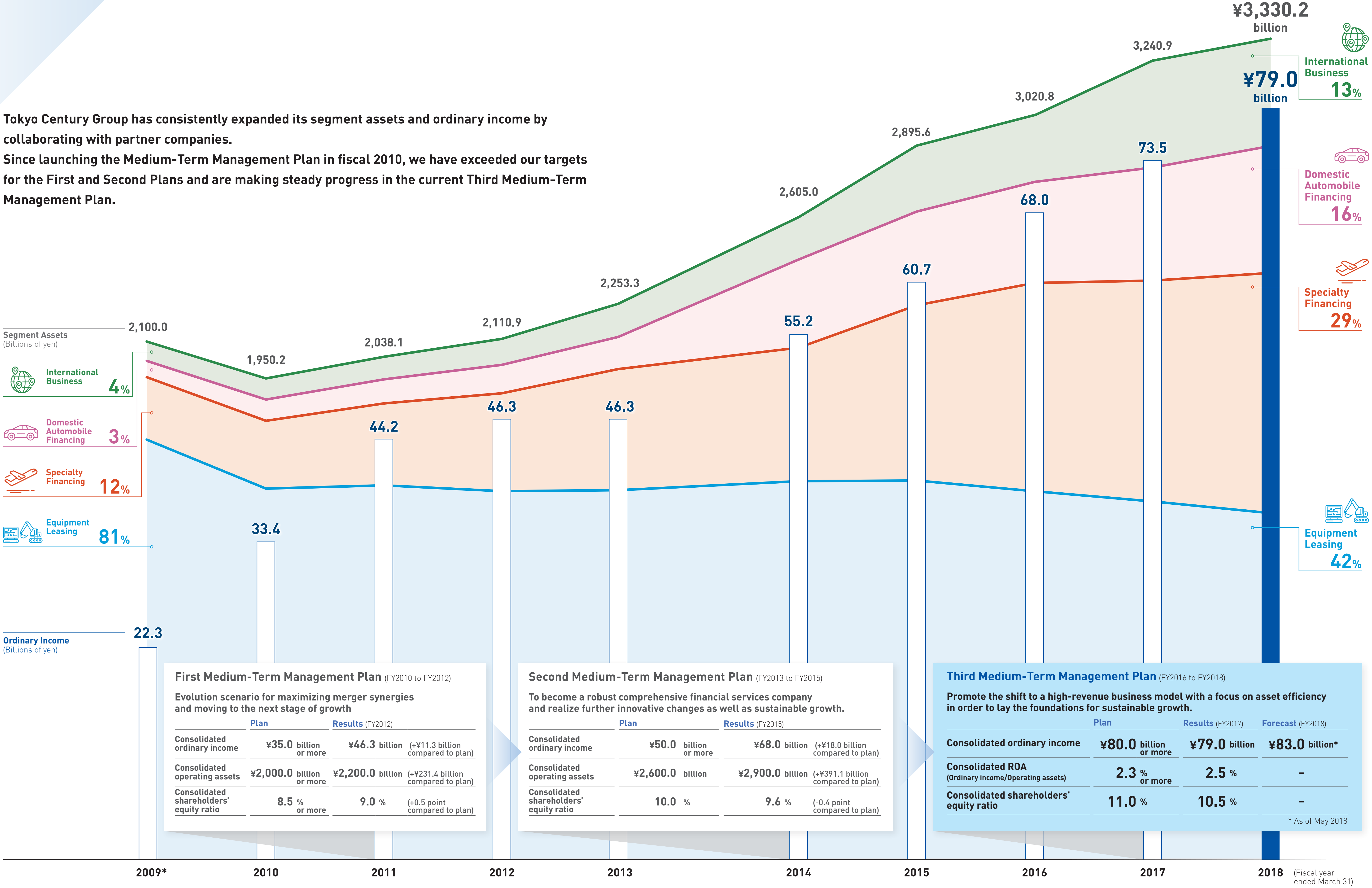
US$20.1 billion
2025

Market size will expand by approx. **8 times**

Source: Created by the Company based on "e-Conomy SEA Spotlight 2017" (Google Temasek)
https://www.temasek.com.sg/content/dam/temasek-corporate/news-and-views/Stories/google-temasek-sea-e-commerce-report/e-Conomy SEA Spotlight 2017 Full Report.pdf

Tokyo Century's Trajectory of Growth

Tokyo Century Group has consistently expanded its segment assets and ordinary income by collaborating with partner companies.
Since launching the Medium-Term Management Plan in fiscal 2010, we have exceeded our targets for the First and Second Plans and are making steady progress in the current Third Medium-Term Management Plan.



First Medium-Term Management Plan (FY2010 to FY2012)

Evolution scenario for maximizing merger synergies and moving to the next stage of growth

	Plan	Results (FY2012)
Consolidated ordinary income	¥35.0 billion or more	¥46.3 billion (+¥11.3 billion compared to plan)
Consolidated operating assets	¥2,000.0 billion or more	¥2,200.0 billion (+¥231.4 billion compared to plan)
Consolidated shareholders' equity ratio	8.5 % or more	9.0 % (+0.5 point compared to plan)

Second Medium-Term Management Plan (FY2013 to FY2015)

To become a robust comprehensive financial services company and realize further innovative changes as well as sustainable growth.

	Plan	Results (FY2015)
Consolidated ordinary income	¥50.0 billion or more	¥68.0 billion (+¥18.0 billion compared to plan)
Consolidated operating assets	¥2,600.0 billion	¥2,900.0 billion (+¥391.1 billion compared to plan)
Consolidated shareholders' equity ratio	10.0 %	9.6 % (-0.4 point compared to plan)

Third Medium-Term Management Plan (FY2016 to FY2018)

Promote the shift to a high-revenue business model with a focus on asset efficiency in order to lay the foundations for sustainable growth.

	Plan	Results (FY2017)	Forecast (FY2018)
Consolidated ordinary income	¥80.0 billion or more	¥79.0 billion	¥83.0 billion*
Consolidated ROA (Ordinary income/Operating assets)	2.3 % or more	2.5 %	–
Consolidated shareholders' equity ratio	11.0 %	10.5 %	–

* As of May 2018

* Data for fiscal 2008, the year immediately prior to the merger is a simple aggregation of data for the former Century Leasing System, Inc. and the former Tokyo Leasing Co., Ltd.

EXCEED. A Message from the President & CEO

We will fulfill our role as a global company with financial capabilities aiming at the creation of an environmentally-sound, sustainable economy and society.

Shunichi Asada
President & CEO,
Representative Director

A Turning Point for the Leasing Business

Leasing enables customers to level expenses by paying a fixed amount based on the contract term. For this and other benefits, it is a widely used procurement method. On the other hand, insofar as there may be periods during which the customer is not using the asset, I believe we must alter our leasing services in response to such periods of disuse.

Today, the sharing economy is spreading throughout the world, and from the standpoint of the customer, there may come a day when payment based on usage, rather than contract term, will be the accepted standard for the leasing business.

If such thinking gains further traction, I believe the leasing business itself may arrive at a major turning point that requires the provision of finance and services that go a step beyond conventional leasing.

In part to express our determination to keep pace with the changing times and meet diversifying customer needs, we removed the word "lease" from the company name to become Tokyo Century Corporation as of October 1, 2016.

We are transforming our company from a provider of leases and financing centered on the conventional leasing business into a versatile business operator with financial capabilities, pursuing viable business that generates high revenue.

Establishing an Environmentally-Sound, Sustainable Economy and Society

As we grapple with global environmental issues, including climate change and the depletion of natural resources, we will be required to pursue management with an even greater consideration for the global environment.

To begin with, establishing a leasing business requires expertise in secondary markets that enable the reuse of assets. So the formation of an environmentally-sound, sustainable economy and society is something that comes naturally for a leasing company.

For example, there are established secondary markets for our core businesses of automobile leasing and aircraft leasing, and our contracts with customers are mainly operating leases in which the company bears the residual value risk. We are capable of supplying quality "assets" at a reasonable price to the secondary market by adding maintenance and service to maintain the utility value of automobiles and aircraft throughout the term of the lease contract.

From the perspective of spreading renewable energy, we are engaged in an environmentally friendly business that does not use fossil fuels but instead pursues solar power generation at the scale of an industry leader. We are also focused on generating power from sludge digestion gas and biomass to make use of materials that were disposed in the past, such as sludge and waste.

Thus, we believe that our business operations, including leasing and renewable energy, significantly contribute to the creation of an environmentally-sound, sustainable economy and society. We intend to continue exploring viable business aimed at creating an environmentally-sound, sustainable economy and society that is friendly to the environment, by transcending the boundaries of leasing and finance.

Addressing Social Issues through Business

In addition to rapid aging, the Japanese population is becoming concentrated in cities while outlying regions face depopulation. Regenerating local communities is crucial for economic recovery.

As a company, we are constantly seeking ways to assist in the regeneration of local communities. In recent years, we have observed a considerable increase in the number of foreign tourists visiting Japan, and we see tourism as one of the nation's few growth industries.

Against this backdrop, we are working on developing the ANA InterContinental Beppu Resort & Spa, the first onsen resort in the world operated by an international hotel known for its five-star properties.

We think our ability to attract InterContinental, one of the world's leading hotel brands, to Beppu in Oita Prefecture is surely a positive development. Beppu is easily accessible from overseas, with ample tourist attractions including hot springs, which we believe is what captivated InterContinental, known for its strict standards for locating hotels.

We have been involved with the ANA InterContinental Beppu Resort & Spa project for the past few years and are gaining valuable experience for future endeavors. Above all, we feel this is a highly worthy project that allows us to assist the local community in its effort to survive for years to come.

Agriculture is another area we would like to emphasize with respect to revitalizing local regions, where the main challenge has been poor job opportunities caused by a lack of industries. The ideal solution is to establish the primary industries of agriculture, fisheries and forestry to ensure livelihoods, and addressing this issue will revitalize outlying regions. With the belief we have a role to play in this area, we have begun consulting corporate partners on developing agricultural ventures into businesses.

In the course of my work these days, I am always thinking about how our company can contribute to Japanese society. Japan faces a number of issues, including revitalizing local regions, developing tourism and building infrastructure, and there are many opportunities for addressing social issues through our business.

Corporate Slogan

Solutions to your Pursuits

Creating new values from Finance × Services × Business Expertise

Tokyo Century

Management Policy

1. 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.
2. We will strive to raise our corporate value over the medium to long term by pioneering new business fields and realizing sustainable growth.
3. 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.
4. We will always be mindful of our social responsibility as a corporation and will conduct our business activities with vigor and sincerity as we fulfill our role of creating a sustainable economy and society.

Becoming the Corporate Partner of Choice

As a company with financial capabilities that benefits from a flexible business environment, we are pursuing a broad range of viable businesses that generate high revenue, through joint management with corporate partners. The success of this business depends above all on forging relationships of trust with our corporate partners.

For example, the construction of large-scale solar power plants is a project we cannot handle alone due to the considerable amount of funding required. We were able to promote such a project and boost the combined capacity at 75 plants to 236 MW based on our trusted relationship with corporate partners, including Kyocera Corporation, the top manufacturer of solar modules, and financial institutions.

To maintain such collaborative efforts, we will always be a company that earnestly strives to meet the expectations of our corporate partners, both operating companies and financial institutions, by assisting in the successful development of their businesses.

We also believe that the key to gaining recognition from corporate partners is to understand the needs of society and establish a solid track record in developing the FinTech business in Asia as well as the aircraft leasing business.

Our business model is flexible and extremely intriguing, and together with our corporate partners we intend to continue developing new financial services that transcend existing business classifications as a company with financial capabilities.

The Next Medium-Term Management Plan

In the third year of our third medium-term management plan, we are now applying the finishing touches as we come ever closer to attaining our target of at least ¥80.0 billion in consolidated ordinary income. We will do our best to achieve the target to make this fiscal year a milestone for the company's 10th anniversary. Moreover, we will determine the vision and KPIs for our next phase, the fourth medium-term management plan in the latter half of fiscal 2018. As we seek to continuously expand our highly profitable viable business, I think ¥100.0 billion would be a sound target for ordinary income.

FY2018 Consolidated Results Forecast

(Billions of yen)

	FY2017 Result	FY2018 Forecast	Change	% Change
Revenues	1,012.2	1,050.0	37.8	3.7%
Operating income	73.7	76.0	2.3	3.1%
Ordinary income	79.0	83.0	4.0	5.0%
Net income attributable to owners of parent	51.3	51.5	0.2	0.3%

Although elements of uncertainty abound in the external environment, we expect growth in the Asian and U.S. economies. And while we must remain alert to the political and economic climate in China, as it continues to exert increasing impact on the global economy, I am confident that a bright future lies ahead for the company as long as we remain true to our credo of doing business with a creative attitude through relationships of trust with our corporate partners.

Risk Management and Corporate Governance

Tokyo Century Group has always faced diverse risks, including corporate credit risk, interest rate and exchange rate fluctuations, risks related to the items that provide value to real estate, ships, aircraft, automobiles and other assets, information security risk, system and administration risk, trends in capital investment, fluctuations in the price of assets held by the company, and regulatory revisions.

We recognize the importance of an effective corporate governance mechanism for maximizing corporate value. To enable us to swiftly respond to changes in the business environment and make accurate decisions, we endeavor to create a sound and highly transparent management structure.

In April 2018, we established the Sustainability Committee as the organization responsible for the planning, promotion and supervision of sustainable corporate activity and for addressing issues of materiality related to sustainability.

The committee will discuss issues related to the global environment and society at large while also addressing the SDGs (Sustainable Development Goals) to come up with ideas for the next medium-term management plan.

There have been a spate of corporate scandals recently, and we feel the need for reinforcing management oversight. In view of the company's diverse businesses, we pay careful consideration to ensuring diversity and balance in terms of the background and capabilities of our external directors. In this context, we have chosen a former chairman of the Japan Society of Monetary Economics, a former manager of a business company, and a manager of a shipping company, and we expect each of them to play a distinct role. At the same time, we will seek to further strengthen our governance, including the functions of directors.

Our Operating Segments and Initiatives for Further Growth

Equipment Leasing

While Equipment Leasing is our founding business, with a history of over 50 years, today we face the challenge of responding to dramatic changes in the business environment. This operating segment has maintained stable revenues, even under low-interest rates, by leveraging our extensive client base and adding further services to conventional businesses. Also, it has significantly benefited from the expansion in viable business through collaboration with Japan's leading manufacturers. We believe that IT-related equipment, characterized by short product life cycles and the constant need for upgrades, have a particularly high affinity with leasing.

As the era of IoT becomes a reality, we intend to create new business models targeting IT equipment and medical robots based on a business alliance with Bplats, Inc., which provides a subscription platform that can be applied to pay-per-use services based on units of usage and time. We will also expand service-added businesses, primarily in the fields of robotics, power generation and IoT, in collaboration with leading partners.

Specialty Financing

This operating segment is the central core of our business and an engine of growth. We expect the aviation business to expand in Asia and will continue to focus our resources as the main means of modern transport.

Since the cost of a single aircraft at times exceeds ¥10 billion, major airlines are increasingly turning to leasing to procure aircraft. Tokyo Century has made Aviation Capital Group LLC (ACG), a leading U.S.-based commercial aircraft lessor, an equity-method affiliate and plans to expand new aircraft operating lease business mainly through ACG.

Meanwhile, our real estate business is doing extremely well in the U.S., and we intend to invest further in overseas markets by collaborating with corporate partners.

In our environment and energy business, we are achieving steady progress in solar power generation. Led primarily by our power generation business through Kyocera TCL Solar LLC, we have recently also begun to acquire solar power plants in the secondary market and to develop our solar power generation business in Taiwan. We estimate that our total investment in the solar power generation business in Japan and Asia will reach around ¥200 billion.

Domestic Automobile Financing

The Domestic Automobile Financing has steadily generated high profits each year due to the industry-leading scale of our fleet under management and a solid business base ensured by our highly specialized services. The automobile industry is expected to undergo a major transformation. Self-driving research and the spread of ridesharing will possibly advance in Japan. In a time such as this, our fleet of about 640,000 managed vehicles and broad range of services from automobile leasing for corporate customers and individuals to car rental will give us a significant advantage. Automobile leasing includes providing outsourcing services that require highly specialized expertise and quality, and car rental business responds to inbound demands from foreign visitors. They represent the cutting edge of our viable business with great potential for further growth. We expect the spread of the sharing economy will provide a tailwind.

International Business

Until now, the Specialty Financing has represented a primary driver of growth. In the future, we hope the International Business will also become a major driver for even greater growth. We will expand this business by demonstrating the synergies created by combining the client base of our corporate partners around the world with the expertise offered by Tokyo Century Group. In particular, we anticipate that the FinTech business, currently under development in Asia with our corporate partner, will become a pillar of revenue for the International Business. In China, we have launched an e-commerce and financial joint venture with China UnionPay Merchant Services Co., Ltd., the largest card payment service operator in that country. In Indonesia, where the use of electronic money is on the rise, we plan to expand our FinTech business through an alliance with Lippo Group. Through our alliance with Grab, the largest ride-hailing platform in Southeast Asia, we will also make a concentrated effort to expand our automobile leasing and financing services for local drivers.

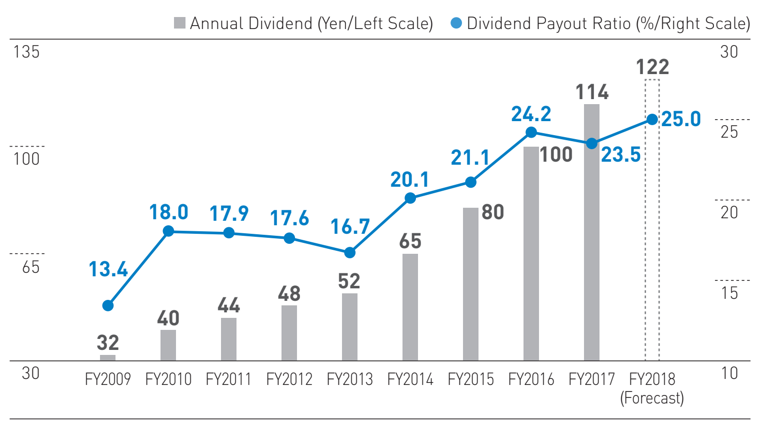
Capital Policy and Shareholder Returns

For fiscal 2017, we decided to increase annual dividends by ¥9 per share above our forecast at the beginning of the fiscal year to ¥114 (payout ratio: 23.5%), as net income attributable to owners of parent rose to ¥51.3 billion, exceeding our forecast at the start of the term. In fiscal 2018, we plan to pay an annual dividend of ¥122 (payout ratio: 25.0%), a further increase of ¥8 per share, in line with the forecasted growth in net income attributable to owners of parent, and a year-on-year rise in the payout ratio of 1.5 percentage points.

Return on Equity (ROE) has become widely established as a key management indicator. Since there is a correlation between ROE and PBR, we think that an evaluation based on ROE would be easy to understand from the investor's perspective as well.

Dividend and Dividend Payout Ratio

Aiming for a steady increase in revenue by prioritizing investment in growth businesses while paying due consideration to increasing dividends



Tokyo Century has an ROE track record that is overwhelmingly superior to industry peers, including nine consecutive years of ROE above 12%. We intend to maintain ROE at high levels and meet the expectation of investors well into the future.

With respect to our dividend policy, we will follow our basic principle of providing stable long-term returns to shareholders while seeking to achieve sustainable growth in profit to improve our payout ratio.

Thanks to the business expansion in our four operating segments, our market capitalization has grown 11-fold over the past nine years since 2009, when the company was established through a merger.

Tokyo Century is categorized under "Other Financial Services" in the Tokyo Stock Exchange's 33 industry categories, and our PBR is higher in comparison with other companies in the category. We believe this is due to the relatively high proportion of our viable business, which can be viewed as a service business instead of a financial business. We want investors to recognize our business with a PBR as commensurate with a service business that transcends the borders of industry sectors. To that end, we will make further efforts to develop novel financial services businesses.

Demonstrating Our Unique Financial Capabilities that Go Beyond Leasing

Tokyo Century Group has benefited from excellent customers as a unique entity capable of developing versatile businesses free from regulation in areas bordering banks, trading companies and manufacturers.

We are advancing in step with the ongoing drastic shift from "Ownership" to "Usership" toward our goal of developing novel financial services business that transcend leasing, by integrating Finance, Services and Business Expertise to become a company with financial capabilities.

Building on our robust operating base in Equipment Leasing, Specialty Financing, in which we showcase our high level of expertise. Domestic Automobile Financing, in which we boast one of the broadest product lineups in the industry while we have been achieving remarkable growth in International Business, in which we maintain operations in 37 countries and regions around the world through partnerships with leading companies. These four operating segments constitute the four solid pillars of Tokyo Century Group.

By combining the capabilities of the entire Group, we will supply the best products and services around the world to assist our customers and corporate partners in pursuit of their growth.

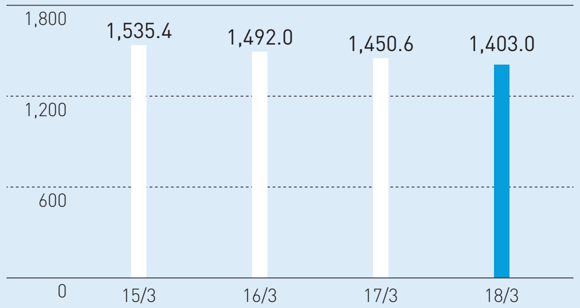
We look forward to the continued support and patronage of our stakeholders for Tokyo Century Group.

EXCEED. Equipment Leasing

Leveraging the Group's comprehensive capabilities and extensive customer base to create high-revenue businesses that transcend the boundaries of leasing

Balance of Segment Assets

(Billions of yen)



Business Overview

We cater to a variety of customer needs by providing financial services centered on leasing and installment sales for all types of equipment and machinery, including information and communications equipment, factory equipment, medical equipment, construction machinery, and commercial equipment.

Current Status

Strengths

- Extensive customer base of about 25,000 companies
- Availability of major partners to jointly pursue viable business that transcends leasing
- Comprehensive capabilities for accurately identifying social trends and business opportunities, and transforming them into new businesses

Opportunities

- Spread of new digital businesses, including IoT, big data, AI and robotics spurred by advances in digital technology
- Growth in markets for renewable energy
- Changing trends of the times from selling goods to providing valuables services

Challenges

- Seek further expansion in viable business in collaboration with major partners
- Achieve a higher level of contribution to an environmentally-sound, sustainable economy and society (expansion of rental, reuse and recycling businesses)
- Secure and cultivate highly competitive human resources and experts who will lead businesses with high added value

Operational Strengths

We have established a customer base of about 25,000 companies by taking advantage of the networks of our major shareholders. Moreover, we stand in the top ranks of the industry in domestic market share, led by our strength in information and communications equipment leasing.

By leveraging our customer base, we also provide a platform for supporting businesses in Specialty Financing, Domestic Automobile Financing and International Business, which represent promising areas of growth for Tokyo Century Group.

Furthermore, we engage in numerous collaborative businesses with leading manufacturers and dealers in Japan, including the financing subsidiaries of Fujitsu Limited and IHI Corporation as our consolidated subsidiaries.

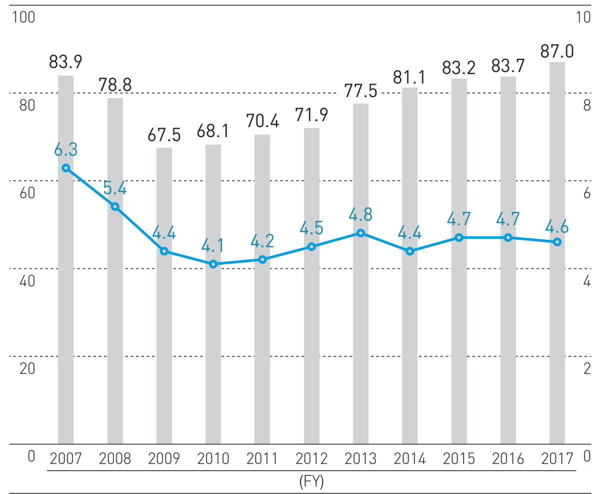
By forging business alliances with corporate partners and managing joint ventures, we create services with high added value to meet the diverse needs of our customers.

Share of Leasing Transactions in Japan

	FY2014	FY2015	FY2016
1st	Sumitomo Mitsui Finance and Leasing 12.8%	Sumitomo Mitsui Finance and Leasing 13.8%	Sumitomo Mitsui Finance and Leasing 15.9%
2nd	ORIX 12.1%	**Tokyo Century 12.7%**	**Tokyo Century 12.7%**
3rd	**Tokyo Century 11.8%**	Mitsubishi UFJ Lease & Finance 11.8%	Mitsubishi UFJ Lease & Finance 11.5%

Source: Created by the Company based on figures announced by Nikkei Inc.

Private Capital Investment and Capital Investment Financed by Leasing



Private Capital Investment (Left Scale)
Capital Investment Financed by Leasing (Right Scale)
Source: Japan Leasing Association (as of June 8, 2018)

Business Alliance System for Equipment Leasing

Joint Ventures with Partner Companies

Tokyo Century

- Fujitsu Limited
- IHI Corporation
- NHK Group
- Orient Corporation

Investment

Major Joint Ventures

- Fujitsu Leasing Co., Ltd.
- IHI Finance Support Corporation
- Nanatsujima Biomass Power LLC
- ITEC Leasing Co., Ltd.
- Orico Business Leasing Co., Ltd.

New Viable Businesses based on Robotics, Power Generation and IoT

Kawasaki Heavy Industries, Ltd. / Yaskawa Electric Corporation / mitsuiwa corporation BYNAS Co., Ltd. — Partnership — Tokyo Century

Robot rental business

Tsukishima Kikai Co., Ltd. — Partnership — Tokyo Century

Power generation from digestion gas (biogas) at wastewater treatment plants

Bplats, Inc. — Partnership — Tokyo Century

Subscription-based IoT business

Creating Business with High Added Value that Meets the Needs of Changing Times

Akihiro Naruse
Director and Managing Executive Officer
President, Equipment Leasing Business Development Unit

Core Initiatives for the Medium to Long Term (Our Vision)

Generating Stable Revenue on the Strength of Our Excellent Customer Base

Equipment Leasing is the founding business of Tokyo Century Group, and we have established a stable revenue base centered on leasing, supported by our customer base of about 25,000 companies. Also, we are advancing toward the creation of an environmentally-sound, sustainable economy and society by focusing on secondary businesses derived from leasing, such as the reuse and recycling of leased assets.

Tough business conditions have prevailed in Japan, including contracting markets and a protracted period of low interest rates. It would be difficult to achieve exponential growth based on the conventional leasing business alone. We must therefore develop business models that can serve as new pillars of revenue.

To that end, we are accelerating the pace of our initiatives by holding joint study groups with our customers to accurately grasp their needs and by forming collaborative ventures with partners, including Japan's leading manufacturers and distributors, to create new businesses that meet those needs.

These initiatives have begun to pay off in the form of numerous projects through which we have successfully established business alliances and joint ventures that maximize the respective strengths of Tokyo Century Group and our corporate partners.

Creating New Business Models to Achieve Growth

While maintaining the stable revenue generated by our conventional leasing business as our backbone, we also seek to promote promising new businesses in the areas of robotics, power generation and IoT.

In our drive to develop collaborative ventures with major partners, we have already launched several businesses based on the key concept of service.

In robotics, in 2016, Tokyo Century formed an alliance with Kawasaki Heavy Industries, Ltd. and began a rental business for dispatching its robots. By purchasing the robots and renting them to customers on an as-needed basis, we believe that we are helping to reduce initial investment and boosting productivity. Although the project was launched only recently, we have already received inquiries from companies in and outside of Japan.

In power generation, in May 2017, we signed a partnership agreement with Tsukishima Kikai Co., Ltd., the Japanese industry leader in water purification and wastewater treatment. We plan to develop new power generation businesses based on renewable energy, such as generating power from sludge digestion gas at wastewater treatment plants and other businesses. Moreover, the area of public infrastructure has the potential for offering major business opportunities as the time comes for upgrading antiquated facilities. We intend to collaborate with Tsukishima Kikai Co., Ltd. in maintaining social infrastructure and contributing benefits to local communities.

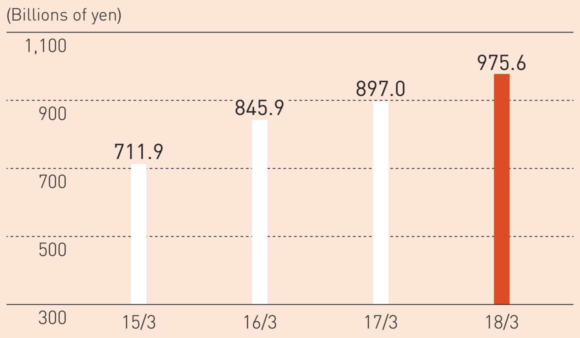
In IoT, in October 2017, we formed a business alliance with Bplats, Inc., which provides a subscription platform befitting the era of IoT that can be applied to pay-per-use services based on units of usage and time. By creating a subscription-based business for IT equipment and medical robots, we intend to serve customers by responding to new needs emerging from the changing times.

Guided by our slogan, "Creating new values from Finance × Services × Business Expertise," we are resolved to break out of our comfort zones of leasing and financing to achieve exponential growth by combining businesses, instead of adding them, to create new ones that transcend the boundaries of leasing.

EXCEED. Specialty Financing

Specialty Financing is the growth engine of Tokyo Century. We are advancing into a new stage as true professionals to make our mark in the world.

Balance of Segment Assets



Business Overview

We seek to develop a variety of specialized products to create promising new business areas beyond financial services, such as leasing and financing, and with a particular focus on shipping, aviation, the environment and energy, and real estate.

Current Status

Strengths

- **Human resources with the expertise and willingness to take on challenges**
- **Business model that integrates finance and business expertise in alliance with excellent corporate partners**
- **Development of top-class global aircraft leasing business following investment in ACG**

Opportunities

- **Significant rise in the number of aircraft passengers**
- **Increased investment opportunities in real estate, as evidenced by hotels needing to meet the rise in international visitors**
- **Growing demand for renewable energy due to heightened awareness of environmental issues**

Challenges

- **Change and strengthen the revenue structure**
  Boost capital gains by accumulating assets to expand stock-based revenue while enlarging business fields to further bolster revenues from fees and businesses
- **Expand and develop a range of business models**
  Seek progress and change in business models for existing products in fields including shipping, aviation, the environment and energy, real estate and structured finance and others while actively taking on the challenge of new business domains

Operational Strengths

Specialty Financing has been driving the rapid growth of Tokyo Century Group by creating businesses that combine Finance, Services and Business Expertise based on our products in such areas as shipping, aviation, the environment and energy, real estate and structured finance.

In the aviation business, we invested in Aviation Capital Group LLC (ACG), a leading U.S.-based commercial aircraft lessor, in 2017, thereby positioning ourselves to become a top player in the aircraft leasing business. In the environment and energy area, we are pursuing solar power generation primarily in alliance with Kyocera Corporation. Total investment is projected to increase to around ¥200 billion, which places us in the top ranks in Japan.

Together with our outstanding partners, we are expanding highly specialized, profitable businesses that integrate finance with business expertise to accelerate corporate growth.

Overview of Business Segments in Specialty Financing

Shipping

- Wide range of financing and services for different vessel types, including bulk carriers, car carriers, container ships and tankers as well as offshore wind turbine installation vessels and offshore vessels
- Creating new businesses in cooperation with core partners

Environment and Energy

- Operating one of Japan's largest solar power generation businesses centered on our alliance with Kyocera Corporation and with a future focus on overseas business development
- Diverse energy-related businesses centered on renewable energy

Aviation

- A 20% membership interest in ACG, a leading U.S.-based commercial aircraft lessor, making it an equity method affiliate
- Active engagement in the aviation business by providing lifecycle management in the aviation market from new and used aircraft to engines and other aircraft parts

Real Estate

- Acquired a 70% stake in Shinko Real Estate Co., Ltd., a comprehensive real estate company, making it a consolidated subsidiary
- Developing the ANA InterContinental Beppu Resort & Spa, the world's first hot spring resort featuring Japan's unique "onsen," scheduled to open in the summer of 2019

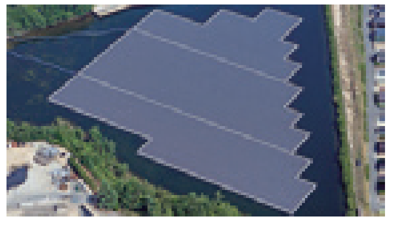
Growth Drivers of Specialty Financing

Aviation

The scope of ACG's business is expected to expand based on a backlog of orders for new aircraft. Furthermore, we will seek significant growth for Tokyo Century's aviation business by promoting life cycle management through business alliance with GA Telesis, LLC, in areas such as component financing.

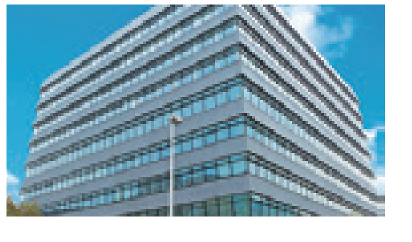
Solar Power Generation

Primarily in alliance with Kyocera Corporation, we have expanded our solar power generation business to reach the top ranks in Japan, operating 75 solar power plants with a capacity of 236 MW. We are seeking further growth by launching solar power businesses overseas in addition to purchasing power plants in the secondary market.



Real Estate

In addition to expanding and bolstering the business of Shinko Real Estate Co., Ltd. by providing growth capital, we will promote collaborative ventures with Shinko Real Estate Co., Ltd. and Nippon Tochi-Tatemono Co., Ltd. to develop Tokyo Century's real estate business.



Providing a High Level of Expertise and Proposal-Making Capabilities to Solve Customer Issues

Koichi Nakajima
Deputy President, Executive Officer
President, Specialty Finance Business Unit I
President, International Business Unit II

Core Initiatives for the Medium to Long Term (Our Vision)

Focus on Developing Viable Businesses in Alliances with Excellent Corporate Partners

Specialty Financing has been driving the Tokyo Century Group's growth as a result of focusing primarily on the five business segments of shipping, aviation, the environment and energy, real estate, and structured finance.

We derive our growth from our personnel, who offer a combination of outstanding expertise and the willingness to take on challenges, and from the development of quality businesses in alliance with excellent corporate partners. Our collaborative relationships have provided access to information crucial to our business, enabling us to gain knowledge of opportunities and risk management for each product.

Due to the success of our business to date, we receive promising proposals from around the world almost every day, highlighting our growing market presence. We will seek to further expand viable businesses that allow us to deal with products throughout their life cycles.

Accelerating Business Development in the Growth Areas of Aviation, the Environment and Energy, and Real Estate

Aviation

In 2017, we acquired a 20% membership interest in ACG, a leading U.S.-based commercial aircraft lessor, making it an equity method affiliate. ACG currently owns and manages 275 aircraft and is ranked at around tenth in the industry, with plans to rise into the top five based on an ample backlog for new aircraft. Tokyo Century will consider extending additional capital to boost ACG's growth. GA Telesis, LLC, an affiliate of Tokyo Century, dismantles used aircraft and repairs engines and other components for sale and reuse. The company plays an important role in the value chain of the aviation business. In Tokyo Century's aviation business, there are revenue opportunities throughout the product life cycle, from the introduction of new aircraft to the disassembly and sale of components from decommissioned aircraft. Moreover, the business contributes to realizing an environmentally-sound, sustainable economy and society by reusing assets.

Environment and Energy

In the environment and energy, we focus on the renewable energy business based on solar power generation through Kyocera TCL Solar LLC, a joint venture with Kyocera Corporation.

Since its founding in 2012 to the end of March 2018, Tokyo Century has launched and operated 75 solar power plants nationwide with a total capacity of 236 MW. In March 2018, operation commenced at Japan's largest floating mega solar plant in the Yamakura Dam reservoir in Chiba Prefecture.

Real Estate

In July 2018, Tokyo Century acquired a 70% stake in Shinko Real Estate Co., Ltd., a comprehensive real estate company, making it a consolidated subsidiary. In the years ahead, we will seek to capitalize on the synergies as quickly as possible by expanding business opportunities in each life stage of real estate, encompassing development, ownership, management and exit, as well as diversifying exit strategies.

We are developing the ANA InterContinental Beppu Resort & Spa, the world's first hot spring resort featuring Japan's unique "onsen", scheduled to open in the summer of 2019. We also plan to take on new businesses to address inbound demand from foreign visitors, regional revitalization, and other issues in alliance with excellent partners.

Shipping

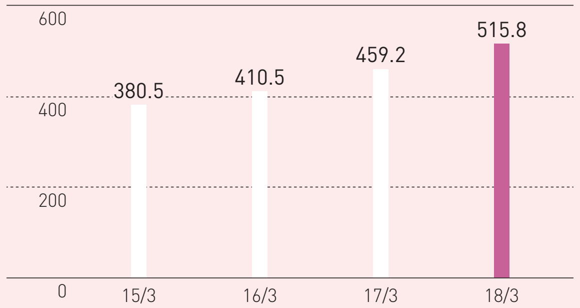
The shipping market is significantly affected by external factors, including demand for steel and electricity. We are therefore preparing to seize the next opportunity by carefully selecting projects in cooperation with our outstanding partners.

We will continue to create new value by integrating finance with business expertise to expand businesses that will drive further growth for Tokyo Century.

EXCEED. Domestic Automobile Financing

Meeting Diverse Needs with an Industry-Leading Lineup and High Standards of Service Quality

Balance of Segment Assets



Business Overview

We boast one of the largest services in Japan, with Nippon Car Solutions Co., Ltd., Nippon Rent-A-Car Service, Inc. and Orico Auto Leasing Co., Ltd., serving both corporate customers and individuals by providing optimal services for the needs of users.

Current Status

Strengths

- Industry-leading lineup of services (automobile leasing for corporate customers and individuals, car rental, car sharing and others)
- Industry-leading standards for service quality
- Development of solutions business in collaboration with Tokyo Century Group and the NTT Group

Opportunities

- Rising car rental demand from inbound visitors
- Expansion in automobile leasing for individuals due in part to shift in mindset from ownership to usership
- Emergence of new automobile businesses including self-driving cars, IoT and car sharing

Challenges

- Reinforce car rental service for corporate customers and loaner car service
- Create new services by generating synergies with Tokyo Century Group
- Establish systems that anticipate the spread of self-driving cars, IoT and car sharing

Operational Strengths

The Domestic Automobile Financing comprises Nippon Car Solutions Co., Ltd., which mainly serves corporate customers, Nippon Rent-A-Car Service, Inc., providing car rental and car sharing services, and Orico Auto Leasing Co., Ltd., which primarily serves individuals. We offer an industry-leading lineup of services in response to diverse modes of automobile use.

By generating synergies from the organic combination of these three companies, and by consistently enhancing the high standards of our service quality, we have continuously expanded the scope of our fleet to about 640,000 vehicles* under management.

We are constantly enhancing the standard of our diverse services to meet customer needs, which are becoming increasingly diversified with the changing times.

* Total for Nippon Car Solutions Co., Ltd., Nippon Rent-A-Car Service, Inc., and Orico Auto Leasing Co., Ltd., as of March 31, 2018

Performance of Tokyo Century Group's Automobile Financing Companies

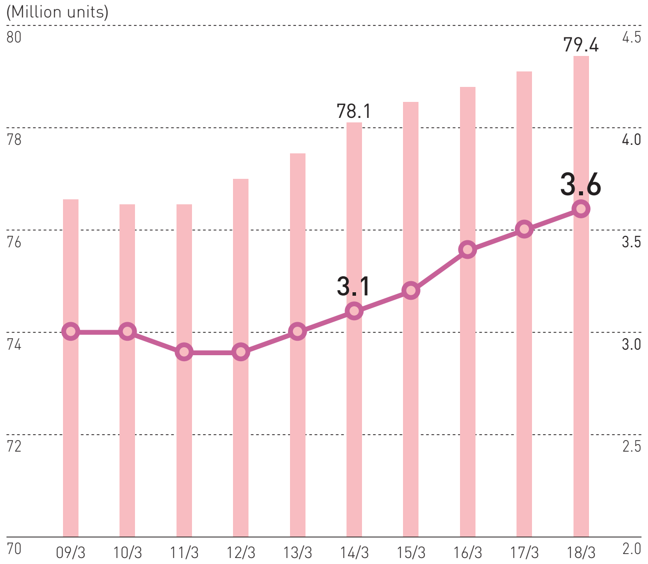
	Ordinary Income (Billions of yen)				Segment Assets (Billions of yen)			
	FY2015	FY2016	FY2017	Average annual increase	March 31, 2016	March 31, 2017	March 31, 2018	Average annual increase
Nippon Car Solutions Co., Ltd.	9.2	10.0	11.0	9.7%	292.5	311.6	334.1	6.9%
Nippon Rent-A-Car Service, Inc.	4.3	4.5	4.6	3.4%	29.1	31.4	35.8	11.0%
Orico Auto Leasing Co., Ltd.	1.1	1.6	2.1	35.5%	96.1	122.4	153.3	26.3%
Total*	14.6	16.0	17.7	10.1%	417.6	465.4	523.2	11.9%

* Total figures for ordinary income and segment assets show the simple sum of the three companies.

Data Related to Automobile Business in Japan

Total Number of Vehicles and Total Number of Leased Vehicles

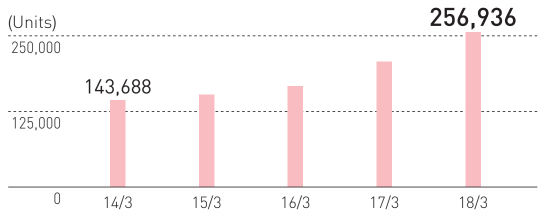
Number of leased vehicles rose by an annual average of 4% from March 31, 2014 to March 31, 2018



Source: Japan Automotive Leasing Association (as of June 30, 2018)
Total Number of Vehicles (Left Scale)
Total Number of Leased Vehicles (Right Scale)

Number of Leased Vehicles for Individuals

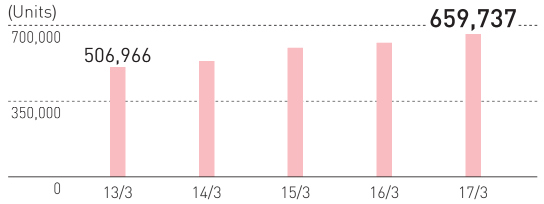
15.6% average annual increase from March 31, 2014 to March 31, 2018



Source: Japan Automotive Leasing Association (as of June 30, 2018)

Fleet Registrations of Cars in Rental Service

7% average annual increase from March 31, 2013 to March 31, 2017



Source: All Japan Rent-A-Car Association (as of June 30, 2018)

Overwhelming the Competition by Pursuing Aggressive Management on the Strength of Our Superior Service Quality

Makoto Nogami
Deputy President, Director and Executive Officer
President, Automobile Finance Business Development Unit

Core Initiatives for the Medium to Long Term (Our Vision)

Securing the Top Position in the Overall Ranking for the Domestic Automobile Financing Business with High Standards of Service Quality that Offer an Accurate Response to the Changing Business Environment

In addition to the high ROA from Domestic Automobile Financing, our solid operations in this area have consistently increased segment assets and boosted revenue. Over the past three years, segment assets for Domestic Automobile Financing have grown at an average annual rate of around 10% and significantly contributed to raising Tokyo Century's consolidated ordinary income. We foresee major changes in the Domestic Automobile Financing business, including self-driving cars, IoT and car sharing, which present an opportunity for us to take on the challenge of creating new services that will boost revenue. We see a high correlation between self-driving cars and car rental/car sharing services. We are convinced that the comprehensive capabilities we possess as a company pursuing ever-higher standards of service quality will provide us with a significant advantage in meeting new needs in the future, such as enabling inbound visitors to reach their destination by simply inputting the location in their cars.

As for IoT, we plan to make use of big data accumulated by event data recorders mounted on our vehicles to eliminate dangerous driving and prevent accidents in a bid to raise the standard of our services even further.

We will strive to enhance the quality of services we have nurtured over the years, such as maintenance and outsourcing related to the automobile business. We will also seek to better serve our customers by honing our services as a concierge to secure our unrivaled position as number one in the overall ranking for the domestic automobile financing business.

Expanding Our Business Scope on the Strength of Our High Standards of Service Quality

Domestic Automobile Financing comprises Nippon Car Solutions Co., Ltd., Nippon Rent-A-Car Service, Inc., and Orico Auto Leasing Co., Ltd., and each company has expanded the scope of its businesses based on their high standards of service quality.

The core competence of Nippon Car Solutions Co., Ltd. is concentrated in the expertise accumulated over the years by providing high-quality maintenance for the NTT Group, a major shareholder. In serving commercial vehicles such as delivery vans for convenience stores that operate 24 hours a day, all year round, the company also provides a loss-prevention system for avoiding problems. It also boasts the industry's highest quality in the areas of event data recorders and business process outsourcing (BPO). The company has shown steady performance, extending its earnings record with ordinary income exceeding ¥10.0 billion. We believe it will continue to grow on the back of its high-quality services.

Nippon Rent-A-Car Service, Inc.'s strengths lie in its widely recognized brand and quality service characterized by its slogan, "Safe and Clean." In the past few years, the company has received a boost in its business by market growth as well as the rapid expansion in car rental services catering to foreign visitors to Japan. Following the abolition of its franchise system, direct operation by Nippon Rent-A-Car Service Inc. began in January 2018 with the aim of providing a uniform level of quality services nationwide. Recently, a series of new services has been launched to meet customer needs, such as car sharing and parking lot reservation platform in collaboration with akippa Inc., and we expect the company will continue to lead growth of Domestic Automobile Financing.

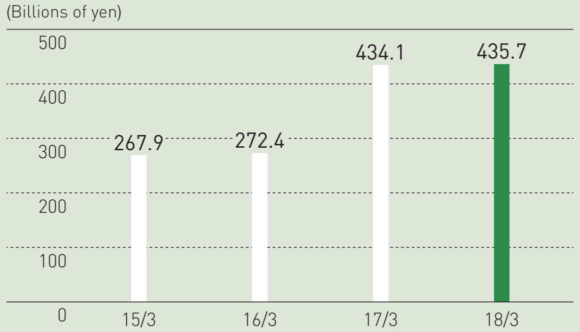
Orico Auto Leasing Co., Ltd. has demonstrated dramatic growth in the decade since it was founded, with over 100,000 vehicles under management and ordinary income exceeding ¥2.0 billion.

Of the 52 million vehicles registered by individuals in Japan, leased vehicles account for only 0.4%, at 200,000. The market has the potential for explosive growth as more drivers become aware of the economic benefits of automobile leasing. Orico Auto Leasing Co., Ltd. will seek to solidify its top position in the individual automobile leasing business by providing quality maintenance services through its alliance with Nippon Car Solutions Co., Ltd. and by bolstering the foundation of Koala Club, its unique agency organization.

EXCEED. International Business

Expanding business in 37 countries and regions around the world by forging strategic alliances with corporate partners

Balance of Segment Assets



Business Overview

We provide specialized services that address unique local needs by partnering with leading local companies and financial institutions overseas.

Current Status

Strengths

- One of the industry's most extensive global networks
- FinTech business utilizing the customer bases and ecosystems of corporate partners
- Quick decision-making in response to the changing business environment

Opportunities

- Rising demand for financial services due to Asian economic development
- Collaboration with emerging digital platform operators that own big data
- Expansion into business areas such as vendor finance with leading companies in and outside of Japan that utilize CSI's expertise

Challenges

- Cultivating and securing personnel to lead the overseas and FinTech businesses
- Harnessing big data to expand the FinTech business
- Strengthening the management of overseas businesses

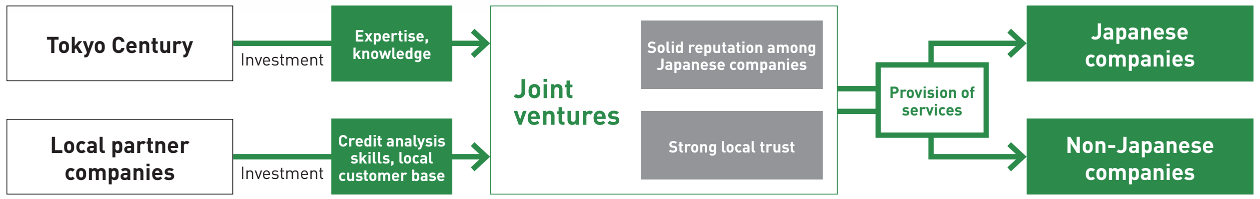
Operational Strengths

While pursuing strategic alliances with leading local companies and financial institutions overseas, we leverage our strengths in IT equipment leasing, automobile leasing and FinTech business based on big data to expand our business in 37 countries and regions.

In IT equipment leasing, we provide world-class IT solutions through CSI Leasing, Inc. (CSI), with its original business model and networks spanning the U.S., Central and South America, and Europe.

In the continuously growing economies of Asia, we are seeking to create new markets by focusing on viable businesses unique to Tokyo Century, such as FinTech business based on big data, along with our partners.

Business Model for International Business



Expanding non-Japanese Businesses through Strategic Alliances

U.S.
- World-class IT solutions based on the expertise and global network of CSI, which has strengths in IT equipment

Thailand
- Leasing business with TISCO Financial Group, a leading local banking group
- Joint vendor financing venture with Hitachi Construction Machinery Group

Philippines
- Leasing business with Bank of the Philippine Islands, a leading bank

India
- Leasing business with TATA Capital

China
- Joint leasing company with Dalian Bingshan Group, the largest refrigeration and air-conditioning equipment manufacturer in China
- Investment in a government-affiliated leasing company in Suzhou City, China
- Strategic business agreement with China UnionPay Merchant Services Co., Ltd. (China UMS), the largest card payment service operator in China

Taiwan
- Leasing business with Uni-President Enterprises Group, the largest food and distribution company group in Taiwan

Indonesia
- Joint vendor financing venture with Hitachi Construction Machinery Group
- Strategic partnership agreement on FinTech and other businesses with Lippo Group, a major conglomerate

Strategic partnership with Grab, the largest ride-hailing platform providing services across eight countries in Southeast Asia, to promote expanding automobile financing-related businesses

Constructing Viable Businesses in Anticipation of the Digital Revolution

Yasushi Yoshino
Senior Managing Executive Officer
President, International Business Development Unit

Core Initiatives for the Medium to Long Term (Our Vision)

Expanding Overseas Business through Strategic Alliances

We promote strategic alliances to expand our overseas business by integrating our financial services expertise with the strengths of our corporate partners, including their customer base. The overseas business environment is constantly changing, which makes quick decisions and business development important elements for business expansion.

International Business is roughly divided between our U.S. and Asian operations. The U.S. business is centered on CSI, which has strengths in IT solutions, and Tokyo Century (USA) Inc., which operates our mainstay automobile financing business. In addition to accelerating alliances with our corporate partners, we can further expand our business through M&A in the surrounding areas.

In Asia, where high economic growth continues to be a driving force, we work with partners to provide automobile financing and serve Japanese and non-Japanese companies with leasing and finance. We are also focused on developing FinTech business based on big data. In alliance with digital platform operators that own big data, we plan to create businesses targeting the fast-growing digital economy.

Using Digital Technologies to Create Promising Viable Businesses

One management strategy of our third medium-term management plan is to expand our overseas businesses by promoting alliance strategies. In fiscal 2017, we expanded our investment in the digital economy as a promising area of growth.

In Southeast Asia, we have allied with Grab, the region's largest ride-hailing platform, to provide an automobile rental and financial services for registered drivers. Ride-hailing services are expected to continue expanding in many parts of Southeast Asia, where car ownership is low and taxi services lack quality. Grab acquired the Southeast Asian operations of its greatest rival Uber, which presents us with opportunities to extend our alliance with Grab in the region.

We entered the FinTech business through an alliance with Indonesia's Lippo Group and joint investment in an operator of electronic money and loyalty programs. Lippo Group maintains a vast customer base due to its diverse businesses, including department stores, supermarkets, hospitals and e-commerce and others. We intend to achieve exponential growth by focusing on financial services based on big data accumulated by Lippo Group's electronic money and loyalty programs.

In China, we have partnered with China UMS, the country's largest card payment service operator that operates a financial service platform for its member merchants. We use this platform to provide an e-commerce leasing service for as many as 7.22 million member merchants.

Under the alliance strategy, we have been expanding the scope of our International Business by establishing mutually beneficial alliances with our partners. Our track record of existing business alliances has lent persuasion and credibility to our dealings with clients and gives us confidence.

We will continue to pursue alliances with corporate partners while integrating new digital technologies such as AI and big data with our financial services in order to develop viable businesses for digital disruption.

EXCEED. Feature

Achieving Advances in the E-Money and FinTech Businesses

Collaborative Venture with Indonesia's Lippo Group

In Indonesia, which has the largest population in the ASEAN region, Tokyo Century Group has joined with Lippo Group to focus on developing the e-money and FinTech businesses as the next growth drivers. Here, Senior Managing Executive Officer Yasushi Yoshino introduces our collaborative venture with Lippo Group.

Yasushi Yoshino

Senior Managing Executive Officer
President, International Business Development Unit

Since joining Tokyo Century in 2012, Yasushi Yoshino has concluded business alliances in East Asia and ASEAN countries including China and the Philippines. In 2016, a strategic partnership agreement was signed with Indonesia's Lippo Group on digital and FinTech businesses to develop advanced businesses for the digital economy.

Indonesian Economy Growing Further with the Spread of E-Money

Indonesia has a population of more than 260 million, accounting for roughly 40% of the ASEAN region, and its economy continues to grow at an annual rate of over 5%, with room for further expansion.

Of the 40% of Indonesians aged 15 and older with bank accounts, only slightly less than 10% have a credit card, making cash the predominant means of settlement. On the other hand, smartphone ownership exceeds 100 million, leading to a rapid expansion in electronic settlement using smartphones.

Strategic Alliance with Lippo Group

Given this business environment, we see significant potential in smartphone-based FinTech businesses in Indonesia. Consequently, in November 2016, we signed a strategic partnership agreement with Lippo Group to pursue our alliance in the digital and Fintech businesses.

Lippo Group is a leading conglomerate that operates Matahari, Indonesia's largest department store chain, along with other businesses encompassing real estate, retail, IT and media, hospitals, finance and others. The group has recently focused on digital businesses such as e-commerce and e-money in anticipation of the digital economy.

Launch of B-to-B E-Commerce Business

As the first move in our strategic partnership, we invested approximately US$17 million to acquire the shares in PT. Big Ecommerce Bersama, the holding company for Lippo Group's B-to-B e-commerce company, thereby making it an equity method affiliate of Tokyo Century.

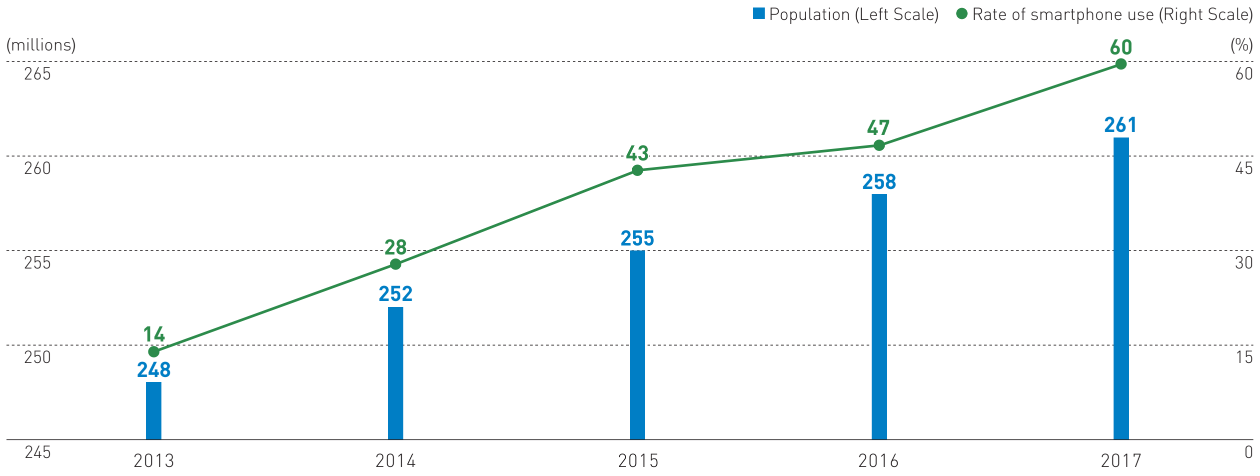
We aim to expand the customer base through the networks of Lippo Group and Tokyo Century and leverage our expertise in financial services to create and provide new value in Indonesia.

Maximizing Lippo Group's Competitive Edge in the E-Money Business

Lippo Group has been involved in social infrastructure projects in Indonesia, including developing housing and commercial facilities, establishing hospitals, and constructing network environments. Its stores grew alongside its work on town development, giving Lippo Group the largest share in the number of department stores in the country and ranking it among the leaders in commercial facilities and supermarkets as well. Its Matahari department store chain boasts overwhelming brand power with a recognition rating of 98%.

E-money is gaining attention in Indonesia as an alternative means for providing financial services to those who do not have bank accounts. By taking advantage of its brick-and-mortar stores and extensive customer base built upon its diversified portfolio, Lippo Group is striving to spread the use of e-money and further expand its business domains.

Indonesian Population and Ratio of Smartphone Use



Source: Created by the Company based on data from Consumer Barometer with Google and the International Monetary Fund

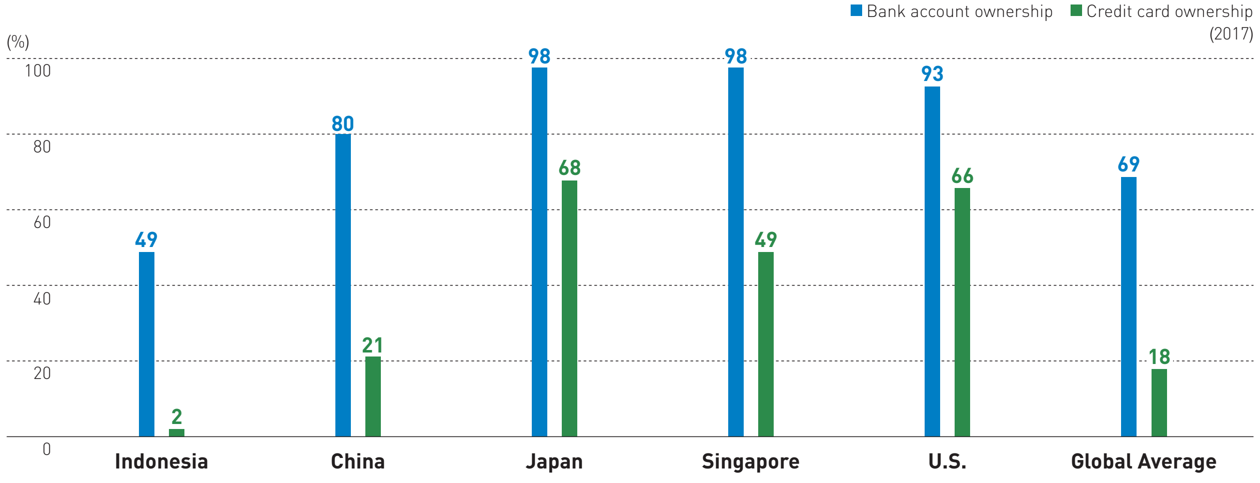
Business Development Based on Big Data Collected by the OVO E-Money Service

OVO is an e-money service used to settle payments by smartphone. The service allows OVO members to pay for products purchased at member stores by using the app to read QR codes and barcodes. It can also be used to transfer money between bank accounts, pay utility bills, and settle payments between individual users. OVO is very similar to having a bank account, so, in Japan, rather than using e-money, it can be used for a number of purposes by those without a bank account. It also offers a unique loyalty program and alliances with leading partners that set it apart from other companies. Loyalty programs have been widely established at Lippo Group shopping malls and supermarkets, with membership having already reached 10 million. Members are currently being encouraged to switch to OVO, which boasts a membership exceeding 9 million.

Looking ahead, we will introduce new services by making use of OVO's settlement data and conducting one-to-one marketing aligned with the personal preferences of consumers.

Tokyo Century is also planning to set up a FinTech finance company targeting OVO users, member stores, and e-commerce site suppliers. Considering that bank accounts and credit cards currently have a limited reach, we believe there is a potentially strong demand for financial services, and in the event that OVO becomes Indonesia's largest e-money service, we expect the scope of business for the FinTech finance company to expand as a consequence. This could also enable us to create new financing opportunities for providing diverse financial services to OVO's member stores and e-commerce site suppliers using a credit checking model based on their daily transaction data.

Ownership of Bank Accounts and Credit Cards (against population aged 15 and older)



Source: Created by the Company based on data from The World Bank

Lippo Group and Tokyo Century plan to leverage our mutual strengths to provide seamless marketing and financial services, thereby constructing an unprecedented business model. We intend to carve out a solid position for ourselves in Indonesia as a cutting-edge FinTech finance company for the age of digital disruption, while also exploring opportunities to develop similar services elsewhere in Asia.

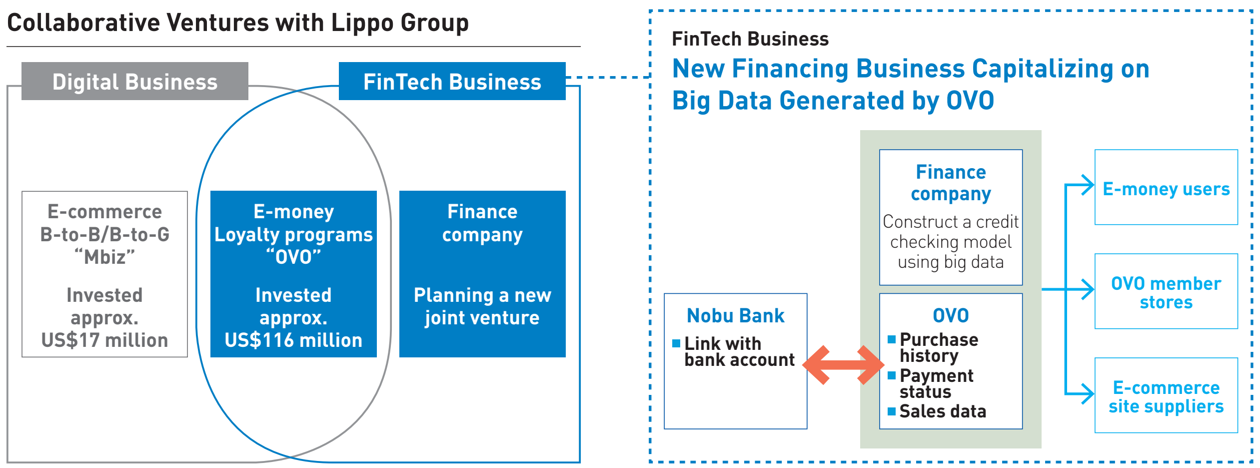
Exploring Growth Opportunities by Creating Synergies with Grab

Tokyo Century signed a strategic partnership agreement with Grab in December 2016. Grab and its group companies operate a ridesharing business that matches drivers with passengers via smartphones using mobile applications and digital platforms in eight Southeast Asian countries: Singapore, Malaysia, the Philippines, Indonesia, Thailand, Vietnam, Myanmar and Cambodia, making it the largest ride-hailing group in the Southeast Asian region.

In addition to its ridesharing business, Grab operates the GrabPay settlement service. In Indonesia, the project has already started to incorporate GrabPay into the OVO app. Grab's services are used in everyday situations, such as commuting to work or school, which is where we see Grab deriving its strength.

Going forward, we will seek to further deepen our alliance with Lippo Group through such means including the exchange of personnel to achieve significant growth for our FinTech business in Indonesia.

Alliance with Indonesia's Lippo Group



Foundations of Corporate Value

Establishment of the Sustainability Committee

The Sustainable Development Goals (SDGs), comprising 17 goals and 169 targets for realizing a sustainable world, were adopted at the United Nations Summit in 2015, placing the spotlight on initiatives taken by companies toward attaining the SDGs.

Tokyo Century has squarely addressed the SDGs by establishing the Sustainability Committee and Sustainability Management Office in April 2018 as a Group-wide organization for promoting and supervising sustainable corporate activities. The committee will seek to deepen its discussion on formulating management strategies that incorporate initiatives for solving global environmental issues and challenges faced by society as a whole.

We are resolved to maintain our focus on addressing SDGs and other social agendas through our business while enhancing the disclosure of information about our activities.

We will promote social development and environmental preservation as our contribution to an environmentally-sound, sustainable economy and society.

Koichi Baba

Director and Senior Managing Executive Officer
President, Corporate Planning Unit
President, Accounting Unit
Chairman, Sustainability Committee

Through its leasing business for information and communications equipment and automobiles, Tokyo Century has pursued businesses that efficiently utilize resources, such as asset management, resale, re-lease and disposal based on prevailing laws and regulations.

Recent movements have arisen to promote the use of environmentally-sound renewable energy. By becoming a power producer that generates electricity through solar power, biomass and sludge digestion gas, Tokyo Century has sought to expand the use of clean energy that does not depend on fossil fuels.

Due to the nature of our business, there is a high affinity between Tokyo Century's businesses and strategies and the SDGs. And as a company seeking to contribute to a sustainable economy and society, we believe that we are uniquely positioned to practice sustainability.

With respect to workstyle reforms, we formulated the Work Style Reform Action Plan in March 2018, which upholds goals such as maintaining the ratio of annual leave taken at over 70%. We plan to further accelerate business growth by nurturing a corporate culture that allows diverse personnel to flourish and by promoting a sound work-life balance.

For the Fourth Medium-Term Management Plan, which will start in fiscal 2019, we will strive to become a company that achieves sustainable growth by creating new business opportunities from the perspective of promoting social development and preserving the global environment.

EXCEED. Management Interview

Human Resources and Organizational Culture Behind Success with Partners

Tokyo Century places priority on providing working environments that encourage diverse personnel to thrive and has adopted a flat organizational structure that is conducive to career development. Managing Executive Officer Mahoko Hara has gained a wealth of experience from her extensive career in global markets. Here, she shares her views on the strengths of our human resources, diversity and organizational revitalization, which provide a competitive edge for Tokyo Century.

Mahoko Hara

Managing Executive Officer
President, Specialty Finance Business Development Unit
Deputy President, Specialty Finance Business Unit I
Deputy President, International Business Unit II

Mahoko Hara handled a variety of duties including structured finance and securitization at banks and a securities company before joining Tokyo Century in 2011. Since that time, she has been on the frontlines of the global market, leading projects such as the acquisition of a leasing company in the U.S. and alliance and acquisition of membership interest in a leading U.S.-based commercial aircraft lessor.

New Ideas Born from Diversity and Professionalism

Individuals with diverse backgrounds thrive at Tokyo Century, which attracts professionals in finance and trading, as well as aviation and energy, with experience of doing business in Asia.

One of our strengths lies in the way new ideas are born every day from the interaction of diverse, highly specialized personnel with distinct perspectives. Versatile thinking and unconventional ideas that take advantage of our flexible business environment are crucial to creating viable businesses that can meet the broad array of contemporary needs.

Growing Importance of Globally Minded Personnel

While we have experienced rapid growth in our global businesses centered on partnerships with leading overseas companies, we still have a long way to go in the development of personnel who can negotiate on equal terms in a global setting. I want our younger employees to engage in a variety of projects and gain ample experience during their overseas assignments to become professionals who thrive in the global market.

To gain an equal footing in the global market, we must broaden the scope of our personal skills, which include being able to engage in incisive, wide-ranging topics of conversation and demonstrating significant cultural experience in addition to having broad insight beyond the knowledge required in business.

We must therefore expand our perspectives and take an interest in various pursuits, keeping our antennas alert as we go about our business each day.

Organizational Culture that Leads to Successful Partnerships

Tokyo Century is developing viable businesses in alliances with partner companies. The primary key to success is building relationships of trust. Prior to agreeing on an alliance or capital investment, we must follow the crucial process of engaging in repeated discussions until both sides are satisfied with the strategy and mission. Moreover, the vision must be shared not only among top management but also at the working level. I believe that the emphasis on communication in our organizational culture is behind Tokyo Century Group's many successful partnerships.

Overseas companies in particular have commended Tokyo Century for its prompt decision making. We seek to maintain agility at the management level while simultaneously delegating a certain degree of authority to accelerate our decision making.

A relaxed environment that facilitates daily communication is also important. Tokyo Century's flat organization allows even first-year employees to speak directly with managers. We are fostering an environment that accelerates communication by eliminating elaborate meetings insofar as possible and actively discussing issues via e-mail.

Adding Further Vigor to Our Organization

I have the impression that many overseas businesspersons work even harder than the Japanese while at the same time placing greater value on their family and private lives. Perhaps they are benefiting from workstyles and organizational cultures that enable them to balance work and private life.

To bring out the best performance from all employees, Tokyo Century needs to learn from all kinds of initiatives to further enhance its programs for supporting flexible workstyles that cater to individual lifestyles.

We also recognize promoting women's careers as a key issue. Since women tend to miss out on work for certain periods of time due to childbirth and parenting, we should offer women the opportunity to set high goals and take on various challenges before they experience those life events. By deciding on their career paths at an early stage, they can fully demonstrate their abilities and expand their fields of business.

Initiatives on diversity lean toward numerical targets such as increasing the number of female managers or actively hiring foreign staff. However, it is important to recognize the reason why companies should respect diversity. Instead of promoting diversity to meet numerical targets, we should consider the roles played by employees with various backgrounds and how they can contribute to the company and society. Having done so, we must discuss ways to provide comfortable working environments for everyone. That is what promoting diversity means, and I believe this will lead to sustainable growth for Tokyo Century.

Diverse Workstyles and Human Resources Development

Basic Policy

Tokyo Century Group believes that personnel are a company's most valuable asset and a driving force for sustainable growth. In order to encourage each and every employee to demonstrate their abilities and individuality, we support self-directed career and ability development through various Group-wide initiatives. Tokyo Century will foster a corporate culture in which diverse, globally aware professionals can flourish, and create a workplace that raises operational efficiency based on flexible workstyles.

Diverse Workstyles

Promoting Diversity and the Workstyle Reform Action Plan

Tokyo Century Group upholds its Management Policy of cultivating a corporate culture that allows diverse human resources to fully demonstrate their skills and personalities. It also pursues initiatives based on its Basic Diversity Policy under the leadership of the Diversity Promotion Office. In March 2016, we formulated the Action Plan for the Promotion of Women's Active Participation and have set quantitative targets to be achieved by March 31, 2020. We provide programs to accommodate the individual needs of employees and enable them to balance their work and private lives, such as the hourly paid leave program introduced in April 2017, which allows employees to adjust their work hours in one-hour increments. We promote not only women's careers but also strive to create a workplace that promotes hiring, cultivating and appointing diverse personnel, regardless of race, religion, gender, age, sexual orientation, disability or nationality, so as to allow each individual to shine.

In March 2018, we formulated the Workstyle Reform Action Plan for creating a working environment that supports the diverse and flexible workstyle of each individual employee.

Action Plan for the Promotion of Women's Active Participation Quantitative Targets

(to be achieved by March 31, 2020)

1 Increase the percentage of women in new hires to at least 30%
Status as of April 2018 **46%**

2 Increase the percentage of women in managerial positions to at least 10%
Status as of March 31, 2018 **6.7%**

3 Increase the percentage of childcare leave taken by men to 100%
Status as of FY2017 **146%***

4 Increase the percentage of annual leave taken to at least 70%
Status as of FY2017 **74.7%**

Workstyle Reform Action Plan Results

1 Maintain the average monthly overtime work within 10 hours
Result for FY2017 **6.9 hours**

2 Maintain the percentage of annual leave taken at 70% or more
Result for FY2017 **74.7%**

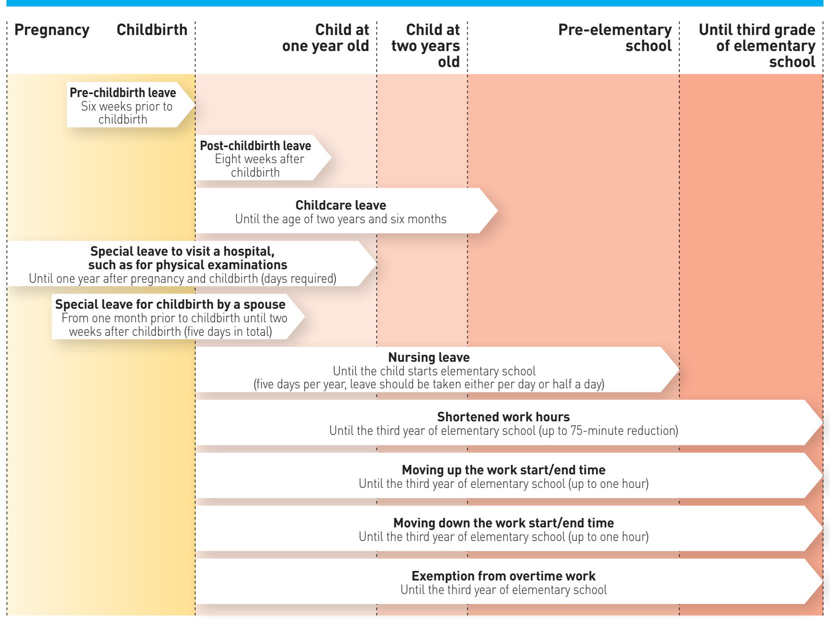
3 Increase the percentage of childcare leave taken by men to 100% by March 31, 2020
Result for FY2017 **146%***

4 Reduce the number of employees leaving work to care for family members to zero by March 31, 2020
Result for FY2017 **2 persons**

*Percentage of male employees whose spouses gave birth between FY2015 and FY2017 and took childcare leave in FY2017

Enhancing Support for Balancing Work and Private Life

We promote the creation of a workplace environment where employees can balance their work and private life by actively supporting those who bear children and engage in childcare and nursing.



Nursing

Family care leave
Up to a total of one year
(number of applications is not limited)

Nursing Leave
Up to five days per year, leave should be taken either per day or half a day

Shortened work hours
Three years from the start date
(up to two hours, but the number of applications is not limited)

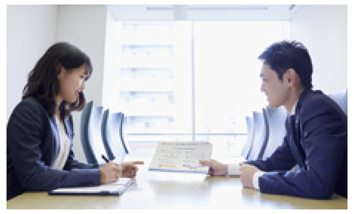
Moving up the work start/end time
Three years from the start date
(up to one hour, but the number of applications is not limited)

Moving down the work start/end time
Three years from the start date
(up to one hour, but the number of applications is not limited)

Exemption from overtime work
Until care for the family member is no longer required

Human Resources Development

Initiatives for Developing Human Resources



Tokyo Century Group provides a variety of educational programs that meet the needs of employees in accordance with their years of employment and career plans. Each year we conduct a total of 15,000 hours of training.

For the first nine years, employees receive their basic education on the job while also participating in training geared to each year of employment, aimed at systematically acquiring the knowledge and skills required by their jobs. Training for managers is designed to clarify the required roles, knowledge and skills as well as to enhance their management capabilities. We actively support employee personal development initiatives by organizing seminars on career planning and sales skill development, programs for subsidizing educational costs and incentive payments and plans for developing globally minded personnel.

External Evaluation

Recognized as a 2018 "White 500" Organization

Tokyo Century was among the "White 500" organizations certified under the 2018 Certified Health and Productivity Management Organization Recognition Program* of the Ministry of Economy, Trade and Industry. Our ratio of employees receiving regular health checkups, one of the evaluation criteria, has been maintained at 100% since fiscal 2014, while our ratio of employees taking paid leave was 74.7% in fiscal 2017.

* A program that recognizes corporations and organizations, including large enterprises as well as small- and medium-sized ventures, that engage in outstanding health management practices based on initiatives addressing the needs of local communities and health enhancing activities led by the Nippon Kenko Kaigi.

2018 健康経営優良法人 Health and productivity ホワイト500

Received the Platinum Kurumin Certification from the Ministry of Health, Labour and Welfare

The Kurumin system is sponsored by the Ministry of Health, Labour and Welfare under the Act on Advancement of Measures to Support Raising Next-Generation Children. The ministry recognizes companies that have achieved the objectives of their General Employer Action Plans, such as helping employees balance their work and private life. Tokyo Century was granted the Platinum Kurumin certification as a company pursuing a higher level of initiatives.

プラチナくるみん 子育てサポートしています

Selected as a FY2016 Nadeshiko Brand

The Nadeshiko Brand was inaugurated in fiscal 2012 as a joint initiative by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. The initiative annually recognizes companies for excellence in empowering women. Tokyo Century was selected for promoting diversity as part of its management policy and actively engaging in and disclosing information on initiatives for empowering women in the workplace.

NADESHIKO BRAND 2017

EXCEED. Corporate Governance Roundtable Discussion

Fulfilling our Role as a Global Company with Financial Capabilities Aiming at Creating New Business Domains

(From left to right)

Yukito Higaki
Director (External Director)

Yoshinori Shimizu
Director (External Director)

Masao Yoshida
Director (External Director)

Tokyo Century recognizes corporate governance as a key management concern and has appointed prominent experts from various fields as external directors and external corporate auditors to provide objective guidance and advice.
For this report, we asked three of our external directors to share their views on Tokyo Century's current governance and future management issues.

How do you evaluate the current state of corporate governance at Tokyo Century?

Shimizu: Frankly speaking, I think Tokyo Century's corporate governance is functioning effectively. Due in part to its history of having grown by pursuing financing as its primary business, its risk-related management and systems are quite robust. If anything, I sometimes feel the company could be more flexible with respect to governance, given the need to respond with agility to changes in the international situation.

Higaki: In the year since my appointment as external director in June 2017, my former impression of Tokyo Century has completely changed. Under President Asada's firm leadership, I feel that the company is shifting its emphasis from the leasing business to viable business. At Tokyo Century, governance is ensured by clarifying the investment strategies and risks and considering the advice we offer as external directors before decisions are made.

Yoshida: I was appointed at the same time as Mr. Higaki. Even from my standpoint as an external director, I can feel the powerful determination and drive to create new businesses.

At the same time, risks are being assessed based on hard data instead of experience and intuition. Tokyo Century's management system is clearly anchored in quantitative data, enabling level-headed decision making even as it pursues an aggressive management style.

As external directors, how do you ensure effective checks and balances over the Board of Directors?

Shimizu: Board of Directors meetings encourage free, vigorous and constructive discussion, so I make a conscious effort to offer critical opinions from the standpoint of an outsider. Although the board addresses many large-scale investment proposals, we can engage in meaningful discussion thanks to the explanatory information and reference materials we receive beforehand.

Higaki: In the past, Tokyo Century's business was based on leasing and financing, but now there is an intentional drive to focus on services and business operations toward creating entirely new business models.

Amid this business transformation, I believe the experience and risk sensitivity I have gained at a manufacturing company will enable me to offer sound judgement from a perspective that is distinct from conventional financing.

Yoshida: The job of external directors is to clearly express their views from an outside perspective in order to ensure diversity in the discussions. The Board of Directors meets in an atmosphere of free and active exchange, and I strive to participate by actively offering my opinions.

Business expansion requires strengthening risk management and governance. What issues lie ahead?

Shimizu: There are two sides to risk, positive and negative. Managing risk is equivalent to managing revenue, and being too stringent with risk management can lead to lower revenue. Excessive fear of risk can mean missing out on opportunities to raise revenue. Having few bad debts is a good aspect of Tokyo Century, but conversely, the company should conduct a review from the standpoint of whether it's potentially missing any business opportunities.

As for issues, I think the company needs to adopt a global perspective. In the future, the Board of Directors should discuss its agenda from a global viewpoint and through measures such as conducting meetings in English and appointing non-Japanese directors.

Higaki: Reports and resolutions comprise the main agenda of a board meeting, but when it comes to future vision and strategy, I think there should be opportunities for prior discussion, which we may need to address. That's because learning the details of a project at an early stage can lead to deeper discussion on the risks involved.

Yoshida: I agree. While there's no need to discuss every minor project, I think we need an open discussion on policies at an early stage with respect to major issues, such as prior to launching a new business.

Since there's already an environment conducive to an active exchange of views, I believe the opportunity for open discussion will further enhance and enliven deliberations of the Board of Directors. It's important to develop a shared understanding of the company's approach at an early stage.

Shimizu: Just as the spread of smartphones brought about major changes around the world, innovations we aren't able to imagine right now may emerge in the decade ahead. I would welcome an opportunity to discuss the future direction of the company that incorporates our outlook on expected changes.

Yoshida: Various proposals on viable business are presented to the board, and not all of them succeed. It's better to assume that we may be unable to operate the business as planned and consider proposals based on a pessimistic scenario, even if the probability is low.

I try to keep detailed minutes of board discussions. Maintaining a consistent documentation effort will lead to advanced risk management and sustainable growth in the years ahead.

Yoshinori Shimizu
Director (External Director)

Professor Emeritus at Hitotsubashi University. Advisor to Century Tokyo Leasing Corporation (currently Tokyo Century Corporation) since 2010. External Director since 2011. Draws on his knowledge and insight as an expert in economics and finance to offer advice on general management issues.

Masao Yoshida
Director (External Director)

External Director since 2017. Applies his many years of experience in corporate management at Furukawa Electric Co., Ltd. and deep insight to offer sound, objective advice on general management issues.

Yukito Higaki
Director (External Director)

External Director since 2017. Has been involved with corporate management for many years as President of Imabari Shipbuilding Co., Ltd. and draws on a wealth of experience and insight to offer sound, objective advice on general management issues.

What are your views on Tokyo Century's ESG initiatives?

Shimizu: I think management is well aware of ESG. Achieving mutual growth with excellent partners is crucial to Tokyo Century's business, and the ESG perspective is essential to sustainability. So, I feel it's already being nurtured as part of the corporate culture.

Higaki: Tokyo Century established the Sustainability Committee in April to strengthen its ESG efforts. It's important to see solving social issues as a business opportunity, and I hope that active discussion by the Sustainability Committee will lead to the sustainable growth of Tokyo Century. I would like to support this forward-looking initiative by offering my opinions as an external director.

As external directors, how do you envision Tokyo Century's future?

Shimizu: President Asada often says that maintaining face-to-face relationships with customers is important to Tokyo Century. I believe that business expansion was made possible by these relationships of mutual understanding, including with people outside the company, as well as by longstanding transactions based on trust and strong partner relationships.

I hope Tokyo Century will continue to aggressively open up new domains based on the strength of a corporate culture that values communication networks. It can then develop the most advanced business models for transforming the structure of the financial and services industry in ten years.

Yoshida: To continue operating a business, you need human resources with multifaceted capabilities and experience. Management resources consist of the quantity and quality of human resources. Currently, the speed of business expansion at Tokyo Century seems to exceed the pace of human resource development.

Since growth is prominent in a global business, the company must focus its efforts on cultivating global human resources, not only through mid-career recruiting, but also through job rotation to achieve further growth.

I believe the addition of varied global human resources to its existing strengths, such as the ability to gather information and extensive networks, would make Tokyo Century an exciting company indeed. I expect human resource strategy will be the cornerstone of the next medium-term management plan.

Higaki: Many large-scale projects are under way. As an external director, I would like to see them through like a parent following the growth of a child to succeed.

The company's growth to date should be credited to President Asada's choice of exceptional personnel. I can only imagine the difficulties he must have faced in appointing personnel immediately following the merger between Tokyo Leasing and Century Leasing System. The company's market capitalization has grown elevenfold since the merger under a free and vigorous culture and an effective system of governance.

In the years ahead, I look forward to the company's development of human networks and global human resources.

Corporate Governance

Tokyo Century Corporation recognizes that effective corporate governance is an important management issue in maximizing corporate value. We also enhance the soundness and transparency of corporate management.

Management Structure

Tokyo Century's management structure reflects shareholder concerns. It centers on the Board of Directors and Board of Corporate Auditors, which consist of directors and corporate auditors, respectively, who are elected by the General Meeting of Shareholders. Our executive officer system accelerates management strategy decisions and further strengthens supervision and execution. One of the 32 executive officers is female.

Board of Directors

The Board of Directors consists of 13 directors, of which four are external directors as defined by Article 2-15 of the Corporation Law of Japan. The Board of Directors deliberates on and makes decisions about the policies, strategies, business plans, and other important management issues of Tokyo Century and its Group companies as well as matters specified by prevailing laws, regulations, articles of incorporation, and rules governing the Board of Directors. It also supervises the execution of operations by directors and executive officers. The Board of Directors met a total of 13 times in fiscal 2017.

Tokyo Century Corporation's Articles of Incorporation limit the number of directors to 18 or fewer.

Board of Corporate Auditors

Tokyo Century has adopted the organizational structure of a company with a board of corporate auditors. The Board of Corporate Auditors consists of four corporate auditors, of which three are standing corporate auditors and two are external corporate auditors, as defined by Article 2-16 of the Corporation Law of Japan. The Board of Corporate Auditors meets regularly and rigorously executes independent and fair audits of compliance and the appropriateness of corporate activities including the performance of duties by directors and executive officers. The Board of Corporate Auditors met a total of nine times in fiscal 2017.

Nomination Committee

Tokyo Century's Nomination Committee primarily consists of independent external directors and advises the Board of Directors, deliberates on the nomination of candidates for director and corporate auditor positions, and reports to the Board of Directors.

Compensation Committee

Tokyo Century's Compensation Committee primarily consists of independent external directors and advises the Board of Directors. The committee discusses compensation systems and policies, and it reports to the Board of Directors.

The Nomination and Compensation Committee met once in fiscal 2017. In fiscal 2018, its functions were divided as the committee was separated into two groups in order to further enhance the effectiveness of the Board of Directors.

System for Ensuring the Effectiveness of the Board of Directors and Board of Corporate Auditors

Tokyo Century has established the Board Effectiveness Review Council, which primarily consists of independent external directors and corporate auditors to advise the Board of Directors. The council conducts an analysis and review of the Board of Directors at least once a year, on aspects such as the effectiveness of its supervisory functions, status of deliberations, structure, and operating method, taking into account the self-evaluations submitted by each director. The Board of Directors consults with the council to analyze and evaluate its own effectiveness and discloses a summary of the results.

In fiscal 2017, the Board of Directors was deemed to be adequately and appropriately fulfilling its roles and duties, which are: (1) providing overall direction by setting corporate strategies; (2) creating an environment conducive to appropriate risk taking by top management; and (3) exercising highly effective oversight of top management and directors from an independent and objective standpoint. The council recommended further diversifying the composition of the Board of Directors in line with the expansion of our business domain and scope. Tokyo Century responded by appointing a new external director with experience in corporate management to improve the balance of the board's knowledge, experience, and ability, thereby ensuring appropriateness and adequacy in its diversity and scope.

The operational review of the Board of Directors found that it was accurately judging changes in the business environment, with each director actively participating in the deliberations, and that internal and external directors were well integrated into the process of discussing issues from diverse perspectives. Meanwhile, the council suggested that we continuously expand and enhance our framework of oversight, including monitoring viable businesses and others.

Based on the review's recommendation, Tokyo Century sought to further enhance effectiveness by revising the criteria for the board's agenda in fiscal 2017, with due consideration to the current scope and risks of its business.

Independent external directors were found to be appropriately fulfilling their roles and duties of providing management oversight by actively offering opinions based on their individual knowledge from an independent and objective standpoint during meetings of the Board of Directors, Nomination and Compensation Committee, Board Effectiveness Review Council, and other bodies.

Tokyo Century will continue to improve the functions of the Board of Directors by referring to the results of the effectiveness review.

Independence of Management Oversight Structure

Tokyo Century uses the standards for independent directors and auditors under the Tokyo Stock Exchange Guidelines concerning Listed Company Compliance, etc., when appointing its external directors and auditors. Furthermore, Tokyo Century appoints external directors and auditors who it believes, after considering their extensive background in corporate management, specialized knowledge, and common sense, are able to objectively supervise management.

No conflicts of interest exist between the Company and its external directors or auditors. The four external directors and two external corporate auditors also hold positions at other companies and organizations, as listed on pages 62 to 63.

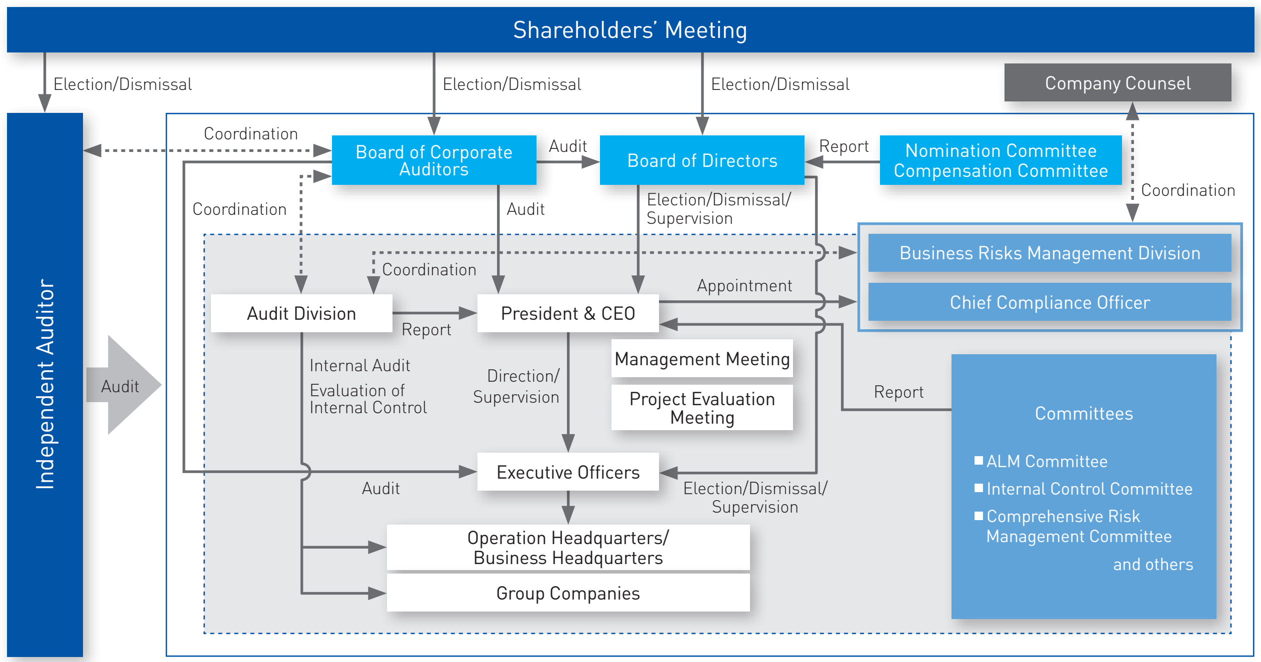
Management Meeting

The Management Meeting consists of the president and officers appointed by the president. Chaired by the president, it meets once a week in principle to deliberate on particularly important matters concerning the execution of operations and makes decisions for the entire Group.

Project Evaluation Meeting

The Project Evaluation Meeting consists of the president and officers appointed by the president. Chaired by the officer in charge of the Credit Supervision Division, it meets once a week in principle to discuss and make decisions about major business transactions being considered by Tokyo Century and Group companies, as well as transactions that warrant complex risk analysis.

System of Corporate Governance and Internal Control (as of June 25, 2018)



Independence of External Directors, External Corporate Auditors, and Reasons for Appointment

(as of June 25, 2018)

External Directors

	Independent Officer	Reasons for Appointment	Shares Held (Thousands)	Years Served	Attendance at Regular Meetings of Board of Directors
Yoshinori Shimizu ■ External Director, Nisshinbo Holdings Inc. ■ Professor Emeritus, Hitotsubashi University	○	Mr. Shimizu possesses highly advanced knowledge as a monetary economics research professional. He applies this expertise in the management of the Company from a macro standpoint and monitors management from an independent perspective. His appointment will contribute to achieving sustainable growth and enhancing the corporate value of Tokyo Century over the medium to long term.	2	7	13 of 13
Masao Yoshida ■ External Director, Furukawa Co., Ltd. ■ External Director, JFE Holdings, Inc.	○	Mr. Yoshida brings a wealth of experience and broad knowledge on management from his lengthy involvement in corporate management at a major electric manufacturing company. He applies this experience in the management of the Company and monitors management from an independent perspective. His appointment will contribute to achieving sustainable growth and enhancing the corporate value of Tokyo Century over the medium to long term.	0	1	11 of 11*
Yukito Higaki ■ President, Imabari Shipbuilding Co., Ltd. ■ President, Shoei Kisen Kaisha, Ltd.	○	Mr. Higaki brings a wealth of experience and broad knowledge on management from his lengthy involvement in corporate management at a major shipbuilding company. He applies this experience in the management of the Company and monitors management from an independent perspective. His appointment will contribute to achieving sustainable growth and enhancing the corporate value of Tokyo Century over the medium to long term.	—	1	11 of 11*
Akio Nakamura ■ Special Partner, Tanabe & Partners	○	Mr. Nakamura served as Tokyo Century's external director from June 2015 to June 2017, bringing ample experience and broad insight to areas such as financial policy and tax affairs in order to offer advice on management issues in general, and to monitor management from an independent and objective standpoint. His reappointment will contribute to achieving sustainable growth and enhancing the corporate value of Tokyo Century over the medium to long term.	0	New appointment	—

* Status of activity since being appointed in June 2017.

External Corporate Auditors

	Independent Officer	Reasons for Appointment	Shares Held (Thousands)	Years Served	Attendance at Regular Meetings of Board of Directors	Attendance at Meetings of Board of Corporate Auditors
Futoshi Okada ■ Auditor, Nippon Car Solutions Co., Ltd. ■ Auditor, Nippon Rent-A-Car Service, Inc. ■ Auditor, TC Property Solutions Corporation ■ Auditor, TC Business Experts Corporation ■ Auditor, TRY Corporation ■ Auditor, Tokyo Century Leasing China Corporation ■ Auditor, Tokyo Century Factoring China Corporation	—	Mr. Okada applies his extensive experience in business management of financial institutions as well as broad knowledge and experience of business operations and overseas business. His appointment will contribute to monitoring management to ensure the appropriateness and adequacy of Tokyo Century's corporate activities.	1	6	13 of 13	9 of 9
Masao Fujieda ■ Representative, Fujieda Masao Tax Accounting Office ■ Auditor, Nip Corporation	○	As a tax accountant, Mr. Fujieda possesses expertise and experience in the areas of tax and accounting. His appointment will contribute to monitoring management to ensure the appropriateness and adequacy of Tokyo Century's corporate activities from an independent and objective standpoint.	—	New appointment	—	—

Committees

Asset Liability Management (ALM) Committee

Tokyo Century created the ALM Committee to identify and minimize the exposure of assets and liabilities to risks including fluctuations in interest and foreign currency exchange rates. The committee is chaired by the president and discusses matters relevant to managing market, liquidity, and other risks and reports to the Management Meeting.

Comprehensive Risk Management Committee

Tokyo Century created the Comprehensive Risk Management Committee to address exposure to a wide array of risks. The committee is chaired by the officer in charge of the Business Risks Management Division and discusses matters such as construction of the risk management system and approaches to measuring risk. It also periodically assesses Tokyo Century's risk exposure and reports to the Management Meeting.

Internal Control Committee

Tokyo Century created the Internal Control Committee to ensure the internal control system functions effectively. The committee is chaired by the officer in charge of the Audit Division and discusses general internal control matters, including evaluation of the effectiveness of the financial reporting system and scope of evaluation and reports to the Management Meeting.

Credit Risk Management Committee

Tokyo Century created the Credit Risk Management Committee to manage credit risk. The committee is chaired by the officer in charge of the Credit Supervision Division and discusses matters including the Group's credit portfolio as a whole and credit risk management and reports to the Management Meeting.

IT and Administration Strategy Management Committee

Tokyo Century created the IT and Administration Strategy Management Committee to address system risk and administration risk. The committee is chaired by the president and discusses matters including IT strategy, IT investment plans, and administrative system plans and reports to the Management Meeting.

Sustainability Committee

Tokyo Century created the Sustainability Committee in April 2018 to plan, promote, and oversee the Group's sustainability activities. The committee is chaired by the officer in charge of the Corporate Planning Division, discusses important issues related to sustainability and reports to the Management Meeting.

Risk Management

Tokyo Century Group has proactively designed appropriate risk countermeasures according to risk scale and likelihood. Our systematic countermeasures to minimize the risk of losses are as follows.

The Board of Directors established the Basic Policy on Risk Management to appropriately manage the company's risks.

To identify and evaluate the overall risks associated with Tokyo Century and effectively address them with a qualitative and quantitative response, we created the Comprehensive Risk Management Committee and conduct overall risk management in accordance with its rules. The system and methods for risk management are discussed by the committee and defined in the Comprehensive Risk Management Rules. The Comprehensive Risk Management Committee reports to the Management Meeting and Board of Directors on the company's overall quantity of risks and the status of risk management, both periodically and as needed. It also verifies and evaluates the effectiveness of risk management and implements continuous revisions.

Credit Risks

The Credit Risk Management Committee sets basic policies in accordance with its rules, measures credit risk, and manages risk. The Project Evaluation Meeting uses a rule-based methodology to assess and decide on projects that require complex analysis, such as major deals and new schemes.

Market and Liquidity Risks

The ALM Committee comprehensively manages and procures funds based on committee rules to address fluctuations in interest and foreign currency exchange rates as well as other market risks and liquidity risk related to funding.

Investment Risks

The Management Meeting and Board of Directors oversee investment policies and status of investments to manage risks associated with equity and other investments.

Asset Risks

Risks associated with assets such as real estate, ships, aircraft, and automobiles are managed by the division responsible for each risk. The Comprehensive Risk Management Committee also manages the quantity and status of risks.

Information Security Risk

The Company manages information security risk based on the Basic Information Security Policy, rules for handling personal information, and a management system based on ISO 27001 standards.

System and Administration Risk

The IT and Administration Strategy Management Committee was established to discuss IT strategy, IT investment, and administrative system to address system risk and administration risk based on the rules of the committee.

Other Operational Risks

The Business Risks Management Division addresses other operational risks by identifying, quantifying, and reviewing risk countermeasures, while the Comprehensive Risk Management Committee comprehensively reviews the Company's overall risk controls.

Our system for responding to large-scale natural disasters and other crisis situations is discussed at the Comprehensive Risk Management Committee and stipulated in the Crisis Management Rules and Business Continuation Plan Rules by the Management Meeting.

Internal Control

Basic Policy for the Internal Control System

All officers, managers, and employees are expected to adhere to the Management Philosophy as a basic policy while performing their work.

Management Philosophy

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.

Guided by our management philosophy, we have established an internal control system with the recognition that creating and using a system to ensure appropriate business execution is an important management responsibility. We will upgrade the system to respond to changes in our internal and external environment.

Compliance

Compliance System

Tokyo Century Group recognizes that thorough compliance is essential for the continued existence of a corporation. Therefore, we aim to establish a management structure that ensures that every officer and employee operates under the principle of fairness and with the highest ethical standards to earn the trust of society.

Specifically, the president of Tokyo Century is responsible for ensuring compliance across the entire Group as the chief compliance executive officer. The Compliance Office plays a role in exercising, promoting, educating, and reviewing compliance matters across the entire Group in accordance with compliance programs under the supervision of the chief compliance officer (CCO), who is appointed by the president.

The head of each division and branch is responsible for promoting compliance at their respective organizations as the compliance officer (CO), handling compliance issues and conducting training in collaboration with the Compliance Office.

At our consolidated subsidiaries, the president or an equivalent officer acts as head of compliance, in order to take control of building, maintaining and managing the compliance of each subsidiary by receiving instructions, guidance and advice from the CCO.

As for non-consolidated Group affiliates, the Compliance Office provides timely guidance and advice on matters such as managing the compliance system.

Every six months, a report on the Group's compliance structure and operation is submitted for review by the Management Meeting and Board of Directors. The results of the review are reflected in compliance promoting measures that are duly implemented.

To ensure rigorous compliance, each year we require all officers and employees to submit a compliance pledge.

As of March 31, 2018, there have been no major compliance violations requiring public disclosure.

Compliance Handbooks

Tokyo Century Group distributes our Compliance Handbook to all officers and employees while providing it on our corporate portal at all times. The Compliance Handbook includes information on internal regulations such as our management philosophy, corporate code of conduct, and compliance management regulations, as well as information on respecting human rights and prohibiting harassment. We also created English and Chinese editions of the handbook in an effort to improve the compliance mindset at our overseas subsidiaries.

Compliance Education

Tokyo Century Group instills a compliance mindset through systematic, ongoing education. Initiatives include rank-based training for new employees and new managers, training via e-learning for all officers and employees, and training at the divisional and branch level by compliance officers using compliance information as instructional material.

Compliance Training during Fiscal 2017

Targets	Subjects	Implemented
New employees (rank-based training)	■ Meaning and significance of compliance ■ The proper mindset in regard to laws and internal rules ■ Compliance determination ■ Compliance-conscious actions ■ Tokyo Century Group's internal reporting system ■ Information security rules, countermeasures and others ■ Threat posed by information leakage and countermeasures ■ Cyberattacks and other issues	April 2017
All officers and employees (e-learning)	■ Revised Personal Information Protection Law ■ Tax compliance ■ Working hour management ■ Sexual harassment	June 2017
New managers (rank-based training)	■ Management and compliance ■ Psychology and causes of legal violations in the context of risk management ■ Proper labor management ■ Prevention of power harassment ■ Potential compliance risks in the workplace ■ Honing compliance sensitivity, and other issues	June 2017
All officers and employees (e-learning)	■ Insider trading regulations ■ Severing ties with antisocial organizations ■ Role of compliance officers and the internal reporting system ■ Prohibition against bribery of foreign government officials ■ Prohibition of harassment, and other issues	February 2018
Compliance officers (newsletter)	■ Internal reporting system and management of information assets ■ Corporate bankruptcies due to compliance violations ■ Sexual harassment, power harassment, and workplace penalty system ■ Personal Information Protection Law – Basics/Applied courses ■ Insider trading regulations	Six times per year Optional training provided for divisions and branches

Internal Reporting System

Tokyo Century Group seeks to detect and resolve risks at an early stage, enhance its self-correcting mechanism, and bolster compliance management by operating the "Consultation/Whistle-Blowing System," an internal reporting system that allows officers and employees to bypass their immediate superiors and directly report compliance violations.

(1) Outline of the Internal Reporting System

We provide three separate reporting channels for reporting: the Compliance Office inside the Company; the office of the corporate lawyer specializing in the issue; and standing corporate auditors, who ensure an independent response.

Contact information can be found on the corporate intranet and in the Compliance Handbook distributed to all officers and employees. Reports can be submitted via any means, including email, telephone, verbal communication, and written.

We accept reports on a broad range of subjects encompassing violations of the Anti-Monopoly Act and bribery violations of the Financial Instruments and Exchange Act that undermine the profit of investors and others, human rights violations and any legal or regulatory breach governing business operations, as well as misconduct with respect to corporate ethics and internal rules. Officers and employees can also seek consultation on any doubts they may have regarding compliance in their daily operations.

Anyone employed by Tokyo Century Group is eligible to report through this system, including directors, officers, permanent employees, contractors, temporary staff, seconded employees, part-time staff, and retired employees. Anonymous reporting is also allowed. We strictly prohibit disciplinary action, retaliation, and other disadvantageous treatment of reporters, and rigorously ensure the anonymity of reporters while maintaining confidentiality concerning the reports.

(2) Investigation of Reported Cases

Any reported case is promptly investigated after consulting the chief compliance officer (CCO) on the necessary response.

Investigations require the protection of the confidentiality of the reporter and persons involved in the case. We prohibit unfair treatment of individuals who cooperate with the investigation as well as the reporter.

Findings of the investigation are reported to the CCO, and in the event that a compliance violation is revealed, we seek to correct and limit any damages while implementing measures against a recurrence.

We also report serious breaches of compliance to the president, who acts as Tokyo Century Group's chief compliance executive officer, and corporate auditors.

Anti-Corruption Initiatives

Tokyo Century Group engages in fair, equitable, and transparent transactions across all its business activities and strives to prevent corruption.

We prohibit bribery by means of offering entertainment, cash, or any other benefits to domestic or overseas public officials for the purpose of eliciting favors, offering rewards for favors received, or obtaining unfair business advantages, either directly or indirectly through agents, consultants, or any other third party.

Japanese, English, and Chinese language versions of our "Guidelines on Offering Entertainment to Public Officials" have been published to ensure awareness among national staff at Tokyo Century's overseas subsidiaries.

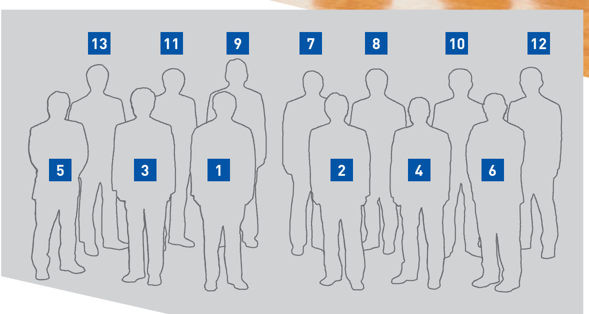
We also seek to ensure public safety and promote sound economic activity by setting and practicing rules for identification before concluding agreements with business partners to prevent money laundering and financing of terrorism, which foster organized crime, and to sever ties with antisocial organizations.

Rigorous adherence to anti-corruption initiatives among officers and employees of Tokyo Century Group is ensured by incorporating them into our Compliance Handbook and by featuring the issue in e-learning and other internal training.

The status of our initiatives is reported to the Management Meeting and Board of Directors for review as part of Tokyo Century Group's system and ongoing operations for compliance.

Management Organization

(As of July 1, 2018)



1 Chairman & Co-CEO,
Representative Director
Toshihito Tamba

2 President & CEO,
Representative Director
Shunichi Asada

3 Director
(External Director) *1, *2
Yoshinori Shimizu

4 Director
(External Director) *1, *2
Masao Yoshida

5 Director
(External Director) *1, *2
Yukito Higaki

6 Director
(External Director) *1, *2
Akio Nakamura

7 Deputy President,
Director and Executive Officer
Makoto Nogami

8 Director and Senior Managing
Executive Officer
Masataka Yukiya

9 Director and Senior Managing
Executive Officer
Koichi Baba

10 Director and Managing
Executive Officer
Osamu Tamano

11 Director and Managing
Executive Officer
Seiichi Mizuno

12 Director and Managing
Executive Officer
Akihiro Naruse

13 Director and
Executive Officer
Ko Nakagawa

*1. External director as stipulated by Article 2-15 of the Corporation Law of Japan
*2. Designated independent officer as stipulated by the Tokyo Stock Exchange

Environment

Basic Policy

Recognizing that addressing environmental issues is a key social responsibility, Tokyo Century Group seeks to contribute to the creation of an environmentally-sound, sustainable economy and society. In all areas of its business, the Group acts with due consideration for environmental concerns, from preventing environmental pollution, reducing greenhouse gas emissions, and mitigating and adapting to the effects of climate change to preserving biodiversity and ecosystems. Our environmental management system encompasses all Group companies, with the president and CEO serving as chief executive and the president of the Risk Management Unit serving as environmental manager. The system involves the planning, implementation, operation, and inspection of environmental initiatives in accordance with the PDCA cycle. The system also involves periodic management reviews on the state of initiatives to promote continuous improvement in this area.

Environmental Performance Report

In accordance with its Basic Environmental Policy, Tokyo Century Group has adopted an ISO 14001-compliant environmental management system for reducing its impact on the environment. The system is implemented while calculating and continually monitoring our annual CO_2 emissions. The following statistics represent the data points managed through Tokyo Century Group's environmental management system.

Environmental Performance Report (April 1, 2017 to March 31, 2018)

Environmental Objective	Item (Unit)	FY2015 Result	FY2016 Result	FY2017 Result	Change	FY2018 Target
Reduce use of electricity	Electricity used (kWh)	1,870,991	1,893,603	1,830,539	−63,064	1,950,000
	CO_2 emitted (t-CO_2)	1,029	1,096	1,075	−21	1,145
Reduce use of paper*[1]	Office-use paper (thousands of sheets)	15,517	16,525	16,144	−381	17,000
Improve fuel efficiency	Fuel consumed (L)	106,777 (rental cars: 24,477)	96,309 (rental cars: 24,471)	80,406 (rental cars: 23,095)	−15,903	100,000
	Fuel efficiency (km/L)	13.5	13.5	13.8	+0.3	13.5
	CO_2 emitted (t-CO_2)	247	225	191	−34	232
Reduce CO_2 emissions through solar power generation business of Kyocera TCL Solar LLC	Annual electricity generated (MWh)	67,011	111,487	149,681	+38,194	
	Annual reduction in CO_2 (t) (comparison with conventional thermal power generation)	21,075	35,063	47,075	+12,012	
Promote refurbishing business	Annual pre-owned PCs sold (units)	233,162	272,925	291,003	+18,078	

*1. Number of sheets purchased is converted into A4 equivalent sheets multiplied by 2 for A3, 0.75 for B5, and 1.5 for B4.

Medium- and Long-Term initiatives

Environmental Objective	Item (Unit)	Medium-Term Objective (March 31, 2020)	Long-Term Objective
Reduce use of electricity	Electricity used (kWh)	1,950,000	By FY2030, reduce annual electricity use per unit of head office floor space by 20% (73.18 kWh/m² or below)*[2] compared to FY2009 (=91.48 kWh/m²)
	Annual CO_2 emissions (t-CO_2)	1,145	By FY2030, reduce annual CO_2 emissions (t-CO_2) from electricity use per unit of head office floor space by 20% (0.043/t-CO_2m² or below) compared to FY2009 (=0.054/t-CO_2m²)

*2. Tokyo Century Corporation participates in the Japan Leasing Association's plan for achieving a low carbon society in the leasing industry and has set long-term objectives accordingly.

Environmental Accounting

Tokyo Century Corporation uses environmental accounting to accurately assess the impact of environmental protection costs on its business activities and increase the efficiency and effectiveness of its environmental management. The following statistics apply only to Tokyo Century Corporation.

Environmental Accounting (April 1, 2017 to March 31, 2018)

Category	Type of Initiative	Environmental Protection Costs (Millions of yen)	Environmental Protection Effects (Reduced Annual CO_2 Emissions) (t-CO_2)
(1) Costs within our business areas		40	4
Pollution control costs and energy savings costs	Switching sales fleet to low-emission cars Upgrading network equipment	(1) (39)	(1) (3)
(2) Upstream/downstream costs	Waste treatment	13	—
(3) Management costs	ISO 14001 certification maintenance/management Management office operation and environmental CSR operations	5	—
Total [(1) + (2) + (3)]		58	4

Environmental Management System

Tokyo Century Group recognizes that taking action to address environmental issues is a social obligation. We seek continuous improvement by operating our system based on ISO 14001, the international standard for environmental management systems, and by periodically conducting management reviews.

Environmental Initiatives

Participating as a Guest Speaker at the Open Seminar on Joint Crediting Mechanism (JCM) Hosted by the Ministry of the Environment

Tokyo Century presented a lecture at the open seminar on the JCM*, jointly organized by the Ministry of the Environment and the Institute for Global Environmental Strategies (IGES). We are the first Japanese financial services company to be selected as a representative participant of the JCM. Tokyo Century Group is committed to accelerating its initiatives of high social significance, including greenhouse gas (GHG) reduction and energy self-sufficiency improvements by leveraging the JCM and others.

*Joint Crediting Mechanism:
A bilateral mechanism to realize CO_2/GHG emission reductions in developing countries by promoting leading low carbon technologies and incorporating part of reduced CO_2 emissions as emission reductions achieved by Japan.

"Learning Together" Seminar on Preventing Global Warming

Our consolidated subsidiary Kyocera TCL Solar LLC co-sponsored a "Learning Together" Seminar on Preventing Global Warming in Otsu City, Shiga Prefecture. Kyocera TCL Solar LLC operates one of Japan's largest solar power generation projects in terms of business scale and has contributed to reducing CO_2 equivalent to about 47,075 tons in fiscal 2017.

Society

Basic Policy

Tokyo Century Group pursues initiatives to address the needs of an environmentally-sound, sustainable economy and society while drawing on expertise cultivated in its leasing business by rigorously applying re-sale and recycling to the entire lifecycle of an asset, from installation to disposal.

As part of our social contribution activities, we donate money to nonprofit organizations and other groups that serve the public interest. We actively engage with local communities in Japan as well as overseas by participating in volunteer activities, offering food aid and others.

Participation in the UN Global Compact

Tokyo Century Corporation signed the United Nations Global Compact (UNGC) in April 2018. We support the 10 principles in four areas of the UNGC related to human rights, labour, environment and anti-corruption and will consistently strive to contribute to the creation of an environmentally-sound, sustainable economy and society.

WE SUPPORT UN GLOBAL COMPACT

Social Contribution Activities

Supporting Families with Hospitalized Children

CSI Leasing, Inc. (CSI) has been supporting Ronald McDonald House Charities (RMHC)* for 21 years. CSI employees primarily prepare and serve meals to families staying at RMHC facilities four times a year. CSI has received the Heart and Sole Award from RMHC in recognition of its many years of service and financial support.

* RMHC provides vital resources and compassionate care to children and their families being served by leading hospitals worldwide. They provide a home away from home for families so they can stay close to their hospitalized child at little or no cost.

Joined Volunteer Activities Along With Member Companies of the U.S. Equipment Leasing and Finance Association

Tokyo Century (USA) Inc., Tokyo Century Corporation's subsidiary in the U.S., has been teaming up with member companies of the U.S. Equipment Leasing and Finance Association in community service projects. Employees helped pack meals delivered to areas in need of food under the "Feeding Children Everywhere" project and participated in activities at a nonprofit facility for children with life-threatening illnesses as part of the "Give Kids the World Village" project.

Volunteer Work at a Meal Center

Tokyo Century Leasing (Singapore) Pte. Ltd., Tokyo Century's local subsidiary in Singapore, volunteered at a Willing Hearts meal center, a charity organization located in suburban Singapore.

Willing Hearts is wholly managed by volunteers and a few dedicated staff and its mission is to cook and distribute meals to over 5,000 low income family beneficiaries daily.

Financial Literacy Lectures for High School Students in Indonesia

PT. Century Tokyo Leasing Indonesia (CTI), Tokyo Century's local subsidiary in Indonesia, organized the Month of Financial Literacy and Inclusion* incorporating a CSR program and delivered a lecture at a senior high school in Bekashi City.

Through this initiative, CTI introduced nonbank financial products and business to participants.

* Ensuring that everyone is able to access and use financial services to seize opportunities for economic activity and mitigate financial instability.

External Recognition

FTSE4Good Index

Tokyo Century has been selected as a constituent of the FTSE4Good Index, a major global index for socially responsible investment.

FTSE4Good

FTSE Blossom Japan Index*

The FTSE Blossom Japan Index is designed as a tool to measure the performance of Japanese companies that demonstrate strong environmental, social and governance (ESG) practices. Tokyo Century has been a constituent of the index since 2017.

FTSE Blossom Japan

*The Government Pension Investment Fund (GPIF) of Japan has selected the index as a benchmark for passive ESG investments.

MSCI Japan ESG Select Leaders Index*

The MSCI Japan ESG Select Leaders Index is based on the MSCI Japan IMI Top 500 Index and is composed of companies that have demonstrated outstanding ESG performance. Tokyo Century has been a constituent of the index since 2017.

MSCI 2018 Constituent MSCI Japan ESG Select Leaders Index

*The Government Pension Investment Fund (GPIF) of Japan has selected the index as a benchmark for passive ESG investments.

2018 Competitive IT Strategy Company

Competitive IT Strategy Companies are recognized for their strategic utilization of IT to achieve business innovation and strengthen competitiveness. Companies from the roughly 3,500 listed in Japan are selected for each industry sector. Tokyo Century has been selected for four consecutive years, since fiscal 2015.

2018 攻めのIT経営銘柄 Competitive IT Strategy Company

JPX-Nikkei Index 400

This stock index is composed of companies that are highly appealing for investors and meet the requirements of global investment standards, including ROE, an indicator of capital efficiency. Tokyo Century has been selected to the index since its launch in 2014.

JPX-NIKKEI 400

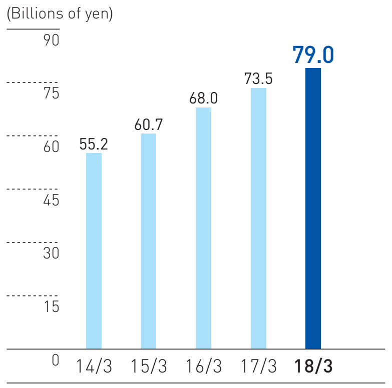
Performance Highlights

Financial Information

Ordinary Income

¥79.0 billion

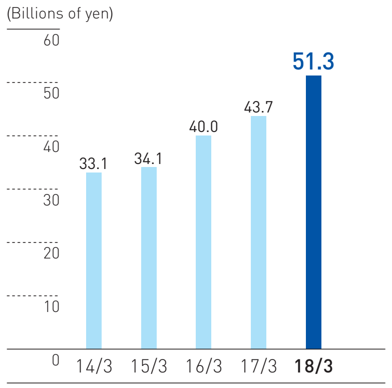
(+¥5.5 billion YoY)



Net Income Attributable to Owners of Parent

¥51.3 billion

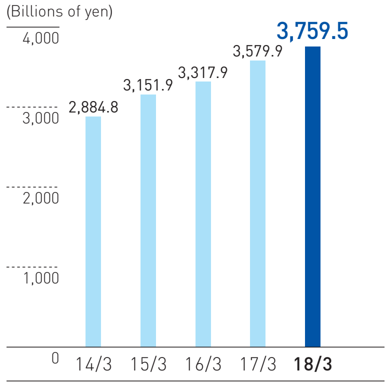
(+¥7.7 billion YoY)



Total Assets

¥3,759.5 billion

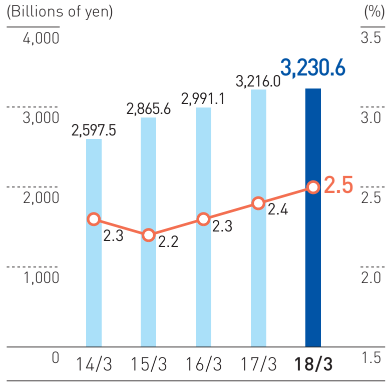
(+¥179.6 billion YoY)



Operating Assets and ROA*1

¥3,230.6 billion/2.5%

(+¥14.6 billion YoY) (+0.1 points YoY)



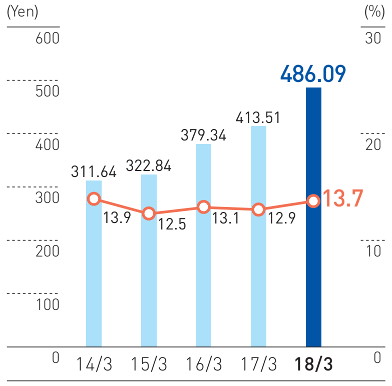
■ Operating Assets (Left Scale)
○ ROA (Right Scale)

*1. Ratio of ordinary income to operating assets

Net Income per Share and ROE

¥486.09/13.7%

(+¥72.58 YoY) (+0.8 points YoY)

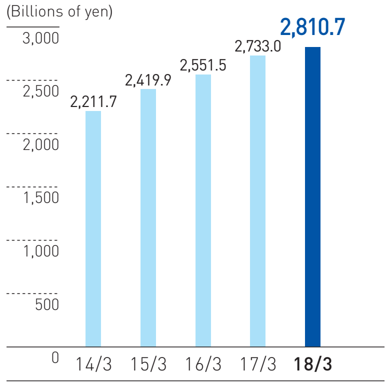


■ Net Income per Share (Left Scale)
○ ROE (Right Scale)

Interest-Bearing Debt

¥2,810.7 billion

(+¥77.6 billion YoY)

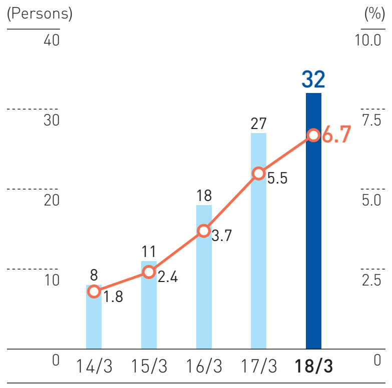


Non-Financial Information

Ratio of Female Managers (Non-Consolidated)

6.7%

(+1.2 points YoY)

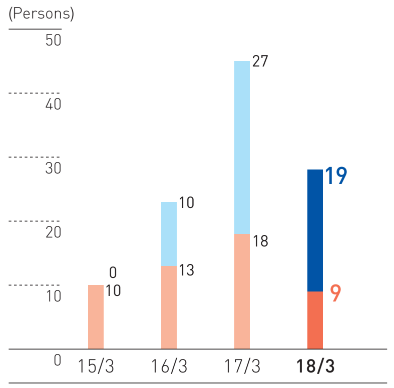


■ Number of Female Managers (Left Scale)
○ Percentage of Female Managers (Right Scale)

Eligible Employees Who Have Taken Childcare Leave (Non-Consolidated, by Gender)

Number of female employees: 9/9 (100%)

Number of male employees: 19/13 (146%)*2



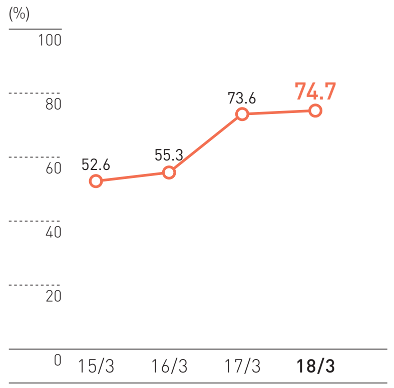
■ Number of Male Employees
■ Number of Female Employees

*2. Percentage of male employees whose spouses gave birth in fiscal 2015, 2016 or 2017, and who took childcare leave in fiscal 2017.

Ratio of Eligible Employees Who Have Taken Paid Annual Leave

74.7%

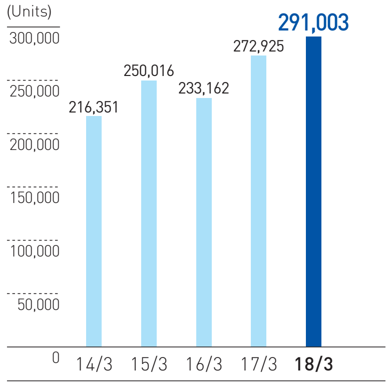
(+1.1 points YoY)



Pre-Owned Personal Computers Sold

291,003 units

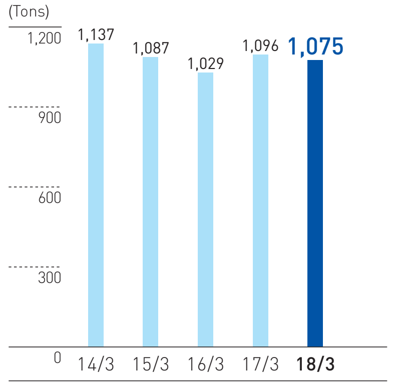
(+18,078 units YoY)



Reduction in CO_2 Emissions due to Reduction in Electricity Consumption

1,075 metric tons

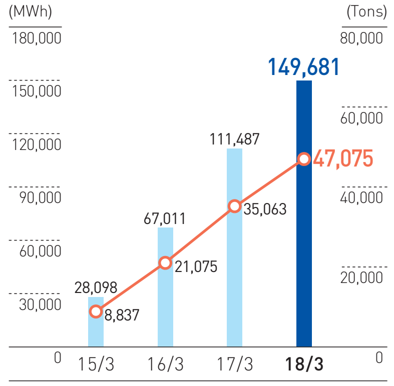
(-21 tons YoY)



Reduction of CO_2 by Solar Power Generation*3 of Kyocera TCL Solar LLC

47,075 metric tons

(+12,012 tons YoY)



■ Electricity Generated Annually through Solar Power Generation (Left Scale)
○ CO_2 Reduction (Right Scale)

*3. Compared with conventional thermal power generation

Financial Summary

	2010/03	2011/03	2012/03	2013/03	2014/03	2015/03	2016/03	2017/03	2018/03
Operating Results (Billions of yen)									
Revenues	758.7	713.2	716.3	691.1	828.6	883.0	940.5	976.1	1,012.2
Costs	693.6	641.6	643.7	620.2	731.2	759.3	803.6	823.3	849.0
Gross profit	65.1	71.6	72.7	70.9	97.3	123.7	136.8	152.8	163.2
Sales revenues (gross profit before deducting funding cost)	85.1	86.1	84.2	80.7	106.5	134.1	150.2	170.3	184.8
SG&A expenses	34.8	30.6	30.8	28.9	45.9	65.2	70.9	80.8	89.5
Personnel and non-personnel expenses	29.2	29.4	30.8	29.8	46.0	66.3	69.7	79.6	89.8
Credit costs	5.7	1.1	0.0	(0.9)	(0.1)	(1.1)	1.2	1.2	(0.3)
Operating income	30.3	41.0	41.9	42.0	51.4	58.4	65.9	72.0	73.7
Ordinary income	33.4	44.2	46.3	46.3	55.2	60.7	68.0	73.5	79.0
Extraordinary income and losses	(0.2)	(3.5)	(2.2)	(0.1)	(0.1)	(1.0)	0.5	0.2	0.4
Net income attributable to owners of parent	25.5	23.6	26.2	28.9	33.1	34.1	40.0	43.7	51.3
Financial Condition (Billions of yen)									
Total assets	2,132.9	2,184.6	2,260.4	2,465.8	2,884.8	3,151.9	3,317.9	3,579.9	3,759.5
Operating assets	1,938.0	2,023.7	2,094.4	2,231.4	2,597.5	2,865.6	2,991.1	3,216.0	3,230.6
Leasing	1,410.1	1,383.7	1,375.8	1,473.9	1,783.9	1,915.0	2,026.9	2,237.7	2,182.4
Installment sales	200.5	191.8	188.0	201.6	213.7	239.4	214.4	201.5	194.3
Finance	327.3	448.2	530.7	555.9	593.1	699.2	724.4	750.0	785.1
Other	—	—	—	—	6.8	12.0	25.4	26.8	68.9
Segment assets*2	1,950.2	2,038.1	2,110.9	2,253.3	2,605.0	2,895.6	3,020.8	3,240.9	3,330.2
Equipment Leasing	1,502.8	1,515.9	1,492.2	1,496.3	1,532.9	1,535.4	1,492.0	1,450.6	1,403.0
Specialty Financing	275.3	332.8	397.7	491.8	542.1	711.9	845.9	897.0	975.6
Domestic Automobile Financing	86.3	97.7	115.5	130.5	358.1	380.5	410.5	459.2	515.8
International Business	85.8	91.7	105.5	134.6	172.0	267.9	272.4	434.1	435.7
Interest-bearing debt	1,749.8	1,741.9	1,783.2	1,939.2	2,211.7	2,419.9	2,551.5	2,733.0	2,810.7
Net assets	158.1	178.8	201.3	233.7	285.5	336.5	374.9	404.8	456.0
Cash Flows (Billions of yen)									
Cash flows from operating activities	194.3	48.6	(26.4)	(89.7)	(28.3)	(171.0)	(136.6)	(0.7)	26.4
Cash flows from investing activities	(8.9)	23.2	(0.5)	(5.6)	10.0	(18.7)	(3.1)	(30.1)	(107.9)
Cash flows from financing activities	(306.1)	(89.8)	38.3	135.9	54.5	156.9	155.8	27.5	81.6
Cash and cash equivalents at end of year	50.9	32.8	44.5	83.1	115.8	71.9	91.8	85.7	86.4
Per Share Data (Yen)									
Net income	239.57	221.80	245.82	272.32	311.64	322.84	379.34	413.51	486.09
Net assets	1,410.61	1,594.57	1,796.62	2,092.46	2,386.02	2,776.37	3,033.61	3,360.27	3,750.35
Dividends	32.00	40.00	44.00	48.00	52.00	65.00	80.00	100.00	114.00
Significant Indicators (%)									
Return on equity (ROE)*3	18.5	14.8	14.5	14.0	13.9	12.5	13.1	12.9	13.7
Return on assets (ROA)*4	1.5	2.0	2.1	2.0	2.1	2.0	2.1	2.1	2.2
Shareholders' equity ratio	7.1	7.8	8.4	9.0	8.8	9.3	9.6	9.9	10.5
Overhead ratio (OHR)*5	44.8	41.1	42.3	42.1	47.2	53.6	50.9	52.1	55.0
Other Data (Persons)									
Employees (Consolidated)	1,732	1,715	1,722	1,676	3,309	4,113	4,124	5,430	6,035

Notes: *1. Data are rounded down to the nearest unit.
*2. Balance of segment assets = Operating assets stated in the Consolidated Financial Results (Kessan Tanshin) + Investment amount in equity-method affiliates.
*3. ROE = Net income attributable to owners of parent / Equity (simple average of beginning and end of term balance sheet figures) × 100
*4. ROA = Ordinary income / Total assets (simple average of beginning and end of term balance sheet figures) × 100
*5. OHR = (Personnel expenses + Non-personnel expenses) / Gross profit × 100

Financial Section

Consolidated Balance Sheet

Tokyo Century Corporation and Consolidated Subsidiaries
As of March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Assets			
Current assets:			
Cash on hand and in banks (Notes 8,13 and 19)	¥ 82,212	¥ 83,565	$ 773,620
Accounts receivable:			
Installment sales (Notes 8,9 and 19)	210,523	216,466	1,981,027
Lease receivables and investment assets (Notes 8, 9, 17 and 19)	1,544,595	1,600,637	14,534,633
Loans (Notes 8, 9 and 19)	548,522	539,058	5,161,590
Leases	30,577	27,525	287,732
Operational investment securities (Notes 6, 8 and 19)	235,531	209,712	2,216,354
Short-term investment securities (Notes 6, 13 and 19)	5,550	4,052	52,225
Inventories (Note 8)	1,177	1,796	11,081
Deferred tax assets (Note 14)	9,590	7,074	90,250
Other current assets (Notes 5 and 8)	77,471	81,016	729,007
Allowance for doubtful accounts (Note 19)	(3,475)	(4,104)	(32,703)
Total current assets	2,742,278	2,766,802	25,804,820
Investments and other assets:			
Investments in securities (Notes 6, 8 and 19)	165,272	69,592	1,555,213
Long-term loans and other assets	40,311	34,318	379,329
Claims provable in bankruptcy or rehabilitation (Note 19)	1,379	1,625	12,979
Deferred tax assets (Note 14)	4,634	6,124	43,609
Allowance for doubtful accounts (Note 19)	(1,143)	(1,072)	(10,762)
Total investments and other assets	210,453	110,588	1,980,370
Property and equipment, at cost less accumulated depreciation:			
Leased assets (Notes 7 and 8)	637,456	636,820	5,998,464
Advances for purchases of property for lease (Note 8)	13,055	4,561	122,848
Other operating assets (Note 7)	68,868	26,823	648,052
Construction in progress	42,517	—	400,093
Own assets in use (Notes 7 and 8)	17,740	13,419	166,938
Total property and equipment, net	779,638	681,624	7,336,397
Intangible assets:			
Computer programs leased to customers	354	258	3,333
Goodwill	16,885	13,612	158,896
Other intangible assets	9,485	6,806	89,256
Total intangible assets	26,725	20,676	251,486
Deferred assets	373	189	3,511
Total assets	¥3,759,469	¥3,579,882	$35,376,586

The accompanying notes are an integral part of these statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Liabilities and net assets			
Current liabilities:			
Short-term borrowings (Notes 8, 9 and 19)	¥1,338,750	¥1,276,141	$12,597,629
Current portion of long-term debt (Notes 8, 9 and 19)	404,824	420,416	3,809,399
Notes and accounts payable — trade (Notes 5 and 19)	247,209	215,570	2,326,242
Lease obligations (Notes 17 and 19)	4,494	6,994	42,297
Accrued income taxes (Note 14)	11,964	10,730	112,583
Deferred tax liabilities (Note 14)	1,236	2,138	11,631
Deferred profit on installment sales (Note 19)	16,232	14,975	152,743
Other current liabilities	84,513	67,273	795,268
Total current liabilities	2,109,225	2,014,241	19,847,796
Long-term liabilities:			
Long-term debt (Notes 8, 9 and 19)	1,067,105	1,036,485	10,041,458
Lease obligations (Notes 17 and 19)	8,441	9,634	79,438
Provision for directors' retirement benefits	248	236	2,336
Net defined benefit liability (Note 16)	9,501	9,540	89,407
Deferred tax liabilities (Note 14)	16,543	18,065	155,676
Provision for automobile inspection costs	1,036	957	9,753
Other long-term liabilities	91,330	85,902	859,416
Total long-term liabilities	1,194,207	1,160,822	11,237,487
Total liabilities	3,303,433	3,175,063	31,085,283
Contingent liabilities (Note 18)			
Net assets (Note 26)**:**			
Shareholders' equity (Notes 20,21 and 22)			
Common stock without par value: Authorized: 400,000,000 shares Issued: 106,624,620 shares in 2018 and 2017	34,231	34,231	322,113
Capital surplus	9,060	7,821	85,262
Retained earnings	339,910	299,671	3,198,559
Treasury stock: 1,036,352 shares in 2018 and 1,067,233 shares in 2017	(2,682)	(2,757)	(25,238)
Total shareholders' equity	380,520	338,966	3,580,697
Accumulated other comprehensive income			
Net unrealized holding gains on securities	17,745	15,830	166,981
Deferred gains (losses) on hedges	(942)	473	(8,865)
Translation adjustments	(579)	564	(5,451)
Remeasurements of defined benefit plans (Note 16)	(751)	(1,133)	(7,073)
Total accumulated other comprehensive income	15,472	15,734	145,591
Share subscription rights (Note 22)	1,196	943	11,259
Non-controlling interests	58,847	49,174	553,753
Total net assets	456,036	404,818	4,291,302
Total liabilities and net assets	¥3,759,469	¥3,579,882	$35,376,586

The accompanying notes are an integral part of these statements.

Consolidated Statement of Income

Tokyo Century Corporation and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Revenues	¥1,012,200	¥976,107	$9,524,797
Costs (Note 11)	849,005	823,295	7,989,131
Gross profit	163,195	152,811	1,535,666
Selling, general and administrative expenses (Note 10)	89,450	80,811	841,729
Operating income	73,744	71,999	693,936
Other income (expenses):			
Interest and dividend income	1,164	791	10,961
Interest expense	(298)	(233)	(2,810)
Equity in earnings of affiliates	3,771	1,172	35,494
Foreign exchange gain (loss)	87	(1,354)	820
Gain (loss) on derivatives other than for trading or hedging	(22)	687	(207)
Rental income	285	281	2,690
Cost of rental income	(135)	(139)	(1,270)
Gain on step acquisitions	333	100	3,135
Loss on step acquisitions	(138)	—	(1,303)
Gain on sales of investments in securities	543	639	5,112
Loss on disposal of non-current assets	(110)	(100)	(1,035)
Extra early retirement payments	(216)	—	(2,035)
Company name change cost	—	(220)	—
Other, net	455	117	4,290
Income before income taxes	79,466	73,741	747,779
Income taxes (Note 14)**:**			
Current	26,082	22,513	245,438
Deferred	(3,700)	408	(34,817)
	22,382	22,921	210,620
Net income	57,083	50,819	537,158
Net income attributable to:			
Non-controlling interests	5,759	7,170	54,194
Owners of parent (Note 26)	¥ 51,324	¥ 43,648	$ 482,964

The accompanying notes are an integral part of these statements.

Consolidated Statement of Comprehensive Income

Tokyo Century Corporation and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Net income	¥57,083	¥50,819	$537,158
Other comprehensive income (Note 12)**:**			
Net unrealized holding gain on securities	1,956	348	18,407
Deferred gain (loss) on hedges	(1,265)	1,355	(11,909)
Translation adjustments	(609)	(2,079)	(5,739)
Remeasurements of defined benefit plans	442	238	4,159
Share of other comprehensive income (loss) of affiliates accounted for using equity method	(509)	(1,001)	(4,791)
Total other comprehensive income (loss)	13	(1,139)	125
Comprehensive income (loss)	¥57,097	¥49,679	$537,284
Comprehensive income (loss) attributable to:			
Owners of parent	¥51,061	¥42,812	$480,492
Non-controlling interests	¥ 6,035	¥ 6,867	$ 56,792

The accompanying notes are an integral part of these statements.

Consolidated Statement of Changes in Net Assets

Tokyo Century Corporation and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2017

	Number of shares				Thousands of U.S. dollars (Note 1)
	Thousands		Millions of yen		
	2018	2017	2018	2017	2018
Common stock					
Balance at the beginning of the year	106,624	106,624	¥ 34,231	¥ 34,231	$ 322,113
Balance at the end of the year	106,624	106,624	34,231	34,231	322,113
Capital surplus					
Balance at the beginning of the year			7,821	6,122	73,603
Disposal of treasury stock			8	4	80
Purchase of shares of consolidated subsidiaries			1,230	1,695	11,578
Balance at the end of the year			9,060	7,821	85,262
Retained earnings					
Balance at the beginning of the year			299,671	266,044	2,819,906
Net income attributable to owners of parent for the year			51,324	43,648	482,964
Cash dividends			(11,085)	(9,710)	(104,311)
Decrease due to change in equity			—	(311)	—
Balance at the end of the year			339,910	299,671	3,198,559
Treasury stock					
Balance at the beginning of the year	(1,067)	(1,086)	(2,757)	(2,806)	(25,952)
Purchase of treasury stock	(1)	(0)	(8)	(2)	(75)
Disposal of treasury stock	32	19	83	50	789
Balance at the end of the year	(1,036)	(1,067)	(2,682)	(2,757)	(25,238)
Total shareholders' equity			380,520	338,966	3,580,697
Balance at the beginning of the year			338,966	303,591	3,189,671
Cash dividends			(11,085)	(9,710)	(104,311)
Net income attributable to owners of parent for the year			51,324	43,648	482,964
Purchase of treasury stock			(8)	(2)	(75)
Disposal of treasury stock			92	55	870
Purchase of shares of consolidated subsidiaries			1,230	1,695	11,578
Decrease due to change in equity			—	(311)	—
Balance at the end of the year			380,520	338,966	3,580,697
Net unrealized holding gain on securities					
Balance at the beginning of the year			15,830	15,474	148,962
Net changes of items other than shareholders' equity			1,914	355	18,019
Balance at the end of the year			17,745	15,830	166,981
Deferred gain (loss) on hedges					
Balance at the beginning of the year			473	(624)	4,456
Net changes of items other than shareholders' equity			(1,415)	1,097	(13,321)
Balance at the end of the year			(942)	473	(8,865)
Translation adjustments					
Balance at the beginning of the year			564	3,028	5,313
Net changes of items other than shareholders' equity			(1,143)	(2,463)	(10,764)
Balance at the end of the year			(579)	564	(5,451)
Remeasurements of defined benefit plans					
Balance at the beginning of the year			(1,133)	(1,307)	(10,668)
Net changes of items other than shareholders' equity			382	174	3,595
Balance at the end of the year			(751)	(1,133)	(7,073)
Total accumulated other comprehensive income			15,472	15,734	145,591
Balance at the beginning of the year			15,734	16,570	148,063
Net changes of items other than shareholders' equity			(262)	(836)	(2,471)
Balance at the end of the year			15,472	15,734	145,591
Share subscription rights (Note 22)					
Balance at the beginning of the year			943	716	8,874
Net changes of items other than shareholders' equity			253	227	2,385
Balance at the end of the year			1,196	943	11,259
Non-controlling interests					
Balance at the beginning of the year			49,174	53,994	462,731
Net changes of items other than shareholders' equity			9,672	(4,819)	91,022
Balance at the end of the year			58,847	49,174	553,753
Total net assets			456,036	404,818	4,291,302
Balance at the beginning of the year			404,818	374,872	3,809,340
Cash dividends			(11,085)	(9,710)	(104,311)
Net income attributable to owners of parent for the year			51,324	43,648	482,964
Purchase of treasury stock			(8)	(2)	(75)
Disposal of treasury stock			92	55	870
Purchase of shares of consolidated subsidiaries			1,230	1,695	11,578
Decrease due to change in equity			—	(311)	—
Net changes of items other than shareholders' equity			9,663	(5,429)	90,936
Balance at the end of the year			¥456,036	¥404,818	$4,291,302

The accompanying notes are an integral part of these statements.

Consolidated Statement of Cash Flows

Tokyo Century Corporation and Consolidated Subsidiaries
Years Ended March 31, 2018 and 2017

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2018	2017	2018
Cash flows from operating activities:			
Income before income taxes	¥ 79,466	¥ 73,741	$ 747,779
Adjustments to reconcile income before income taxes to net cash provided by (used in) operating activities:			
Depreciation and amortization of leased assets	112,060	97,987	1,054,491
Loss on disposal of leased assets	63,706	53,619	599,480
Impairment loss	2,624	409	24,699
Depreciation of other operating assets, and cost of other operating assets sales	4,002	5,759	37,664
Depreciation and loss on sales and disposal of own asset in use	3,839	3,662	36,133
Amortization of goodwill	1,063	863	10,004
Foreign exchange loss (gain)	(87)	1,354	(820)
Increase (decrease) in allowance for doubtful accounts	(582)	305	(5,483)
Increase (decrease) in accrued bonus	40	(43)	378
Increase (decrease) in liability for retirement benefits	258	233	2,432
Interest and dividend income	(1,164)	(791)	(10,961)
Interest expense	21,946	17,733	206,518
Equity in earnings of affiliates	(3,771)	(1,172)	(35,494)
Gain on sale of investments in securities	(543)	(639)	(5,112)
Decrease (increase) in installment sales receivable	9,972	10,339	93,842
Decrease (increase) in lease receivables and investment assets	46,850	(3,023)	440,859
Decrease (increase) in loans receivable	(12,218)	(15,559)	(114,971)
Decrease (increase) in operational investment securities	(27,101)	(18,681)	(255,020)
Purchases of leased assets	(168,905)	(207,841)	(1,589,403)
Purchase of other operating assets	(43,644)	(7,237)	(410,696)
Decrease (increase) in construction in progress	(42,517)	—	(400,093)
Decrease (increase) in claims provable in bankruptcy or rehabilitation	239	538	2,255
Increase (decrease) in trade notes and accounts payable	31,483	12,804	296,259
Other, net	(5,355)	12,172	(50,393)
Subtotal	71,662	36,535	674,344
Interest and dividend income received	1,954	1,528	18,392
Interest expense paid	(22,120)	(18,115)	(208,158)
Income taxes paid	(25,067)	(20,618)	(235,887)
Net cash provided by (used in) cash used in operating activities	26,428	(670)	248,691
Cash flows from investing activities:			
Proceeds from sales of own assets in use	224	217	2,116
Purchases of own assets in use	(5,845)	(2,325)	(55,009)
Proceeds from sales/redemptions of investments in securities	854	4,460	8,039
Purchases of investments in securities	(90,600)	(15,980)	(852,546)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,799)	(15,109)	(26,341)
Payments for business transfer	(9,282)	—	(87,348)
Other, net	(459)	(1,333)	(4,327)
Net cash provided by (used in) investing activities	(107,908)	(30,071)	(1,015,418)
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings, net	58,275	(4,088)	548,373
Proceeds from long-term debt	387,163	389,750	3,643,210
Repayment of long-term debt	(391,378)	(378,341)	(3,682,869)
Proceeds from issuance of bonds	101,799	79,869	957,935
Redemption of bonds	(68,268)	(44,607)	(642,404)
Proceeds from stock issuance to non-controlling interest shareholders	7,633	7,718	71,835
Cash dividends paid	(11,085)	(9,710)	(104,311)
Cash dividends paid to non-controlling interest shareholders	(1,465)	(1,015)	(13,790)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(966)	(12,017)	(9,093)
Other, net	(59)	(56)	(561)
Net cash provided by (used in) financing activities	81,649	27,500	768,321
Effect of exchange rate changes on cash and cash equivalents	473	(2,790)	4,451
Net increase (decrease) in cash and cash equivalents	642	(6,031)	6,046
Cash and cash equivalents at the beginning of the year	85,730	91,762	806,722
Increase in cash and cash equivalents from newly consolidated subsidiaries	77	—	724
Cash and cash equivalents at the end of the year (Note 13)	¥ 86,449	¥ 85,730	$ 813,493

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Tokyo Century Corporation and Consolidated Subsidiaries

1. Basis of Presentation

Tokyo Century Corporation (the "Company") and its consolidated subsidiaries (collectively, the "Companies") maintain their books of accounts in accordance with the provisions set forth in the Company Law of Japan (the "Law"), the Financial Instruments and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been compiled from the consolidated financial statements of the Companies, which were filed with the Director of the Kanto Local Finance Bureau as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements for the convenience of readers.

The translation of Japanese yen amounts into U.S. dollar amounts for the year ended March 31, 2018 is included solely for the convenience of readers and has been made at the rate of ¥106.27 = US$1.00.

Yen amounts are rounded down to the nearest million yen. Totals and subtotals may not correspond to the aggregation of individual account balances.

2. Summary of Significant Accounting Policies

a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and any significant companies controlled directly or indirectly by the Company.

Investments in companies over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method.

The names of principal consolidated subsidiaries and equity method affiliated companies are as follows:

Consolidated Subsidiaries

Nippon Car Solutions Co., Ltd
Nippon Rent-A-Car Service, Inc.
Orico Auto Leasing Co., Ltd.
Fujitsu Leasing Co., Ltd.
IHI Finance Support Corporation
Orico Business Leasing Co., Ltd.
ITEC Leasing Co., Ltd.
S.D.L Co., Ltd.
TRY Corporation
TC Property Solutions Corporation
TC Agency Corporation
TC Business Service Corporation
TC Business Experts Corporation
Kyocera TCL Solar LLC
TCLA Godo Kaisha
Shunan Power Corporation
Tokyo Century Leasing China Corporation
Tokyo Century Factoring China Corporation
TC Leasing Co.,Ltd.
Tokyo Century Leasing (Singapore) Pte. Ltd.
Tokyo Century Capital (Malaysia) Sdn. Bhd.
PT. Century Tokyo Leasing Indonesia
PT. TCT Indonesia
TISCO Tokyo Leasing Co., Ltd.
TC Advanced Solutions Co., Ltd.
TC Car Solutions (Thailand) Co., Ltd.
HTC Leasing Co., Ltd.
Tokyo Leasing (Hong Kong) Ltd.
CSI Leasing, Inc.
Tokyo Century (USA) Inc.
TC Aviation Capital Ireland Limited
TC Skyward Aviation U.S., Inc.
TC Skyward Aviation Ireland Limited.
TC Realty Investments Inc.
Tokyo Leasing (UK) Plc

Equity Method Affiliated Companies

Nittochi Asset Management Co., Ltd.
President Tokyo Corporation
Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd.
Suzhou New District Furui Leasing Co., Ltd.
BPI Century Tokyo Lease & Finance Corporation
P.T. Hexa Finance Indonesia
GA Telesis, LLC
Aviation Capital Group LLC

(1) Number of consolidated subsidiaries:193

TC Leasing Co., Ltd. and other 12 companies, (all of) which were newly incorporated, are included in the scope of consolidation. In addition, 7 companies have been included in the scope of consolidation mainly due to share acquisition accompanying the transition from the franchise system to the direct management system in Nippon Rent-A-Car Services, Inc.

TC Car Solutions (Thailand) Co., Ltd. and other 5 companies have been included in the scope of consolidation due to the increased materiality.

5 companies have been excluded from the scope of consolidation mainly due to the liquidation proceedings.

(2) Unconsolidated subsidiaries

TLC Capital Co., Ltd. and other 107 companies are operators of the leasing business mainly based on silent partnership agreements. The profit or loss and assets of those companies are not attributable to them. As a result, they have been excluded from the scope of the consolidation in accordance with article 5, paragraph 1, item 2 of the Regulations for Consolidated Financial Statements.

Also other 5 unconsolidated subsidiaries are immaterial in terms of their total assets, sales, net income or loss, retained earnings and other measures, and do not have a significant effect on the consolidated financial statements. As a result, they have been excluded from the scope of consolidation.

(3) Number of companies accounted for by the equity method: 23

Aviation Capital Group LLC and other 4 companies have been included as an affiliated company accounted for by the equity method due to new acquisition and establishment. In addition, Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd. has been included as an affiliated company accounted for by the equity method due to the increased materiality.

(4) Companies not accounted for by the equity method

TLC Capital Co., Ltd. and other 107 companies are operators of the leasing business mainly based on silent partnership agreements. The profit or loss and assets of those companies are not attributable to them. As a result, they have been excluded from the scope of the equity method in accordance with article 5, paragraph 1, item 2 of the Regulations for Consolidated Financial Statements.

Also other 5 unconsolidated subsidiaries and 2 affiliated companies have not been accounted for by the equity method because these are immaterial in terms of their net income or loss, retained earnings and others, and do not have significant effect on the consolidated financial statements. As a result, they have been excluded from the scope of equity method.

Investments in Cyber Core Co., Ltd. and an another company are not accounted for under the equity method, as the purpose of the Company for these investments is to perform business investment and consultation and it is not the intention of the Company to exercise significant influence in terms of their operating and financial policies while the Company's shareholding ratios in these companies are between 20% and 50%.

With respect to affiliated companies accounted for by the equity method whose account closing dates differ from the closing date of the Company, the Company has mainly used their financial statements as of their respective fiscal year end.

In preparing the consolidated financial statements as of March 31, 2018, the financial statements of TLC Cranberry Co., Ltd. and other 2 subsidiaries are consolidated by using their financial statements prepared solely for consolidation purposes. Tokyo Century (USA) Inc. and other 99 subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31, 2017, and necessary adjustments are made to their financial statements to reflect any significant transactions from January 1 to March 31, 2018.

b) Foreign currency translation

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates in effect at the balance sheet date. Foreign exchange gain or loss on translation is recognized in the consolidated statement of income.

The balance sheet accounts of the foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except for the components of net assets excluding non-controlling interests which are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as translation adjustments and non-controlling interests in its consolidated financial statements.

c) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits held at call with banks, net of overdrafts and short-term investments with original maturities of three months or less which are readily convertible into cash and are subject to little risk of any change in their value.

d) Revenue recognition

(Leases)

Lease revenues and the related costs on finance leases are recognized on the day to receive lease payment.

Revenues from operating leases are recognized on a straight-line basis over the scheduled lease terms, and leased assets are depreciated by the straight-line method based on the scheduled lease terms of the respective assets.

(Installment sales)

Installment sales and the related costs are recognized when each payment becomes due under the respective installment sales agreements.

e) Allocation of interest expense

Interest expense is allocated to cost of sales and other expenses based on the balances of the respective operating assets, which consist principally of lease receivables, lease investment assets and loans. Interest expense classified as cost of sales is stated net of interest income.

f) Securities

Securities held by the Companies are classified as available-for-sale securities. Marketable available-for-sale securities are carried at fair value with any unrealized gain or loss, net of the related income taxes, included directly in net assets. Cost of securities sold is determined principally by the moving average method. Non-marketable available-for-sale securities are stated at cost determined principally by the moving average method.

Investments in a limited partnership are measured using the equity method. As of March 31, 2018 and 2017, the Companies did not have any trading securities.

g) Inventories

Inventories held by the Companies are stated at cost determined by specific identification method (of which carrying values are calculated based on the method of reduction of book value accompanied with decline in market value).

h) Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation of leased assets is calculated by the straight-line method based on the lease term of the respective assets. Depreciation of assets owned and used by the Companies is calculated primarily by the declining-balance method based on the estimated useful lives of the respective assets which range principally from 3 to 47 years for buildings, and from 3 to 20 years for equipment, except for certain buildings acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016, which are depreciated by the straight-line method.

i) Intangible assets

Computer software leased to customers is amortized by the straight-line method based on the lease term of the respective assets. Costs related to software purchased for internal use are amortized by the straight-line method over the estimated useful life (generally 5 years).

Goodwill is amortized by the straight-line method over a period between 5 and 20 years.

j) Income taxes
Provision is made for the Companies' liabilities for various types of income taxes, i.e., corporation, inhabitants and enterprise taxes.
Deferred tax assets and liabilities are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their tax bases and operating losses and tax credits carried forward. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied to taxable income in the years in which these temporary differences are expected to be recovered or settled.

k) Retirement benefits
Accrued retirement benefits for employees have been provided mainly at the amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of balance sheet date. The Company and certain domestic subsidiaries have defined benefit plans covering substantially all employees other than directors and corporate auditors. Under the terms of these plans, eligible employees are entitled to lump-sum or annuity payments based on their level of compensation at termination and their years of service with the Company or the subsidiaries. To provide coverage for part of the lump-sum or annuity payments, the Company and certain domestic subsidiaries have joined a multi-employers' welfare pension fund (the "Fund") established in accordance with the Welfare Pension Insurance Law by the ITOCHU group companies.
In addition, accrued retirement benefits for directors and corporate auditors are provided at an amount to be required at the year-end according to internal regulations.

l) Derivatives and hedging activities
The Companies enter into interest-rate swap contracts, forward foreign exchange contracts, currency swaps and loans from banks in order to hedge interest-rate and foreign currency exchange rate exposure on certain liabilities and assets, including loans from banks, installment sales receivables, loan receivables, operational investment securities, forecasted transactions and a net investment in a foreign subsidiary and affiliate. The Companies utilize these derivatives to reduce the risk of cash flow fluctuation inherent in the liabilities and assets hedged and such transactions are not entered into for speculative or trading purposes.
For interest-rate swap contracts and forward foreign exchange contracts, the Companies follow "Accounting Standard for Financial Instruments" and "Accounting Standard for Foreign Currency Transactions." More specifically, interest-rate swaps not designated as hedging instruments are recorded at fair value in the consolidated balance sheet. Interest-rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. Other interest-rate swaps which qualify for hedge accounting are measured at fair value as of the balance sheet date and the recognition of any unrealized gain or loss is deferred until maturity.
For forward foreign exchange contracts, the Companies follow the accounting method specified in "Accounting Standard for Financial Instruments" ("Allocation method"), if the contracts qualify for hedge accounting. Under this method, foreign currency transactions and the related monetary assets (installment sales receivables and loans receivables) are to be translated at the fixed yen amount of such foreign currency contracts at the settlement dates based on the contracted rates. The difference between this amount and the amount as translated at the current rate of exchange on the date of forward contract is allocated over the life of each contract.
Hedge effectiveness is assessed based on comparative analysis between the accumulated future cash flows for hedged items and those for hedging instruments. As for the hedging of forecast transactions denominated in foreign currencies, hedge effectiveness is assessed if substantial terms and conditions such as amounts and periods of the hedging instruments and the hedged forecasted transactions are the same. Hedge effectiveness is not assessed for the foreign currency exchange contracts which meet the requirements for allocation method and the interest rate swaps which meet the requirements for short-cut method. The consolidated subsidiaries for the Company assess hedge effectiveness primarily based on the above methods.

m) Appropriation of retained earnings
Under the Law the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting to be held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.
Under the Law, flexible payment of dividends is permissible subject to certain limits on appropriation of retained earnings as well as to approval by resolution of the shareholders.

n) Allowance for doubtful accounts
The allowance for doubtful accounts is recorded on the basis of historical experience to provide for possible losses from bad debts related to general trade accounts and also for the estimated amounts considered to be uncollectible after individually reviewing the specific collectibility of certain doubtful accounts.

o) Consumption taxes
Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

p) Provision for automobile inspection costs
Under lease and maintenance service contracts, provision for automobile inspection costs is recorded on the basis of historical experience.

3. Accounting Standards Issued Not Yet Applied

- *Implementation Guidance on Tax Effect Accounting*
- *Implementation Guidance on Recoverability of Deferred Tax Assets*

On February 16, 2018 the Accounting Standards Board of Japan (ASBJ) issued "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No.28) and "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Revised ASBJ Guidance No.26).

(1) Overview
Principal changes include the amended approach to recognize deferred tax liabilities for the taxable temporary differences arising from investments in subsidiaries and affiliated companies in non-consolidated financial statements and the clarification of the treatment of the recoverability of deferred tax assets for the companies classified as category 1.

(2) Scheduled date of application
The Company will apply these guidance from the beginning of the fiscal year ending March 31, 2019.

(3) Impact of application of the accounting standard
The Company is currently evaluating the potential impacts that the application of these standard and guidance will have on the Consolidated Financial Statements.

- *Accounting Standard for Revenue Recognition.*
- *Implementation Guidance on Accounting Standard for Revenue Recognition.*

On March 30, 2018 the ASBJ issued "Accounting Standard for Revenue Recognition." (ASBJ Statement No.29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No.30).

(1) Overview
These standard and guidance are comprehensive accounting standards for revenue recognition. Specifically, the accounting standard establishes the following five-step model that will apply to revenue from customers:

Step 1: Identify the contracts with a customer
Step 2: Identify the separate performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Scheduled date of application
The Company will apply these standard and guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Impact of application of the accounting standard
The Company is currently evaluating the potential impacts that the application of these standard and guidance will have on the Consolidated Financial Statements.

4. Changes in Presentation Method

(Consolidated Statement of Income)
"Rental income" in the amount of ¥281 million and "Cost of rental income" in the amount of ¥139 million in the fiscal year ended March 31, 2017, which was included in "Other, net," is presented separately from the fiscal year ended March 31, 2018 since the amount is significant.
"Loss on devaluation of investments in securities" in the amount of ¥110 million in the fiscal year ended March 31, 2017, which was presented separately, is included in "Other, net" from the fiscal year ended March 31, 2018 since the amount is insignificant.

(Consolidated Statement of Cash Flows)
"Impairment losses" in the amount of ¥409 million in the fiscal year ended March 31, 2017, which were included in "Other, net" under "Cash flows from operating activities" are presented separately from the fiscal year ended March 31, 2018 since the amounts are significant.
"Loss on devaluation of investments in securities" in the amount of ¥110 million in the fiscal year ended March 31, 2017, which was presented separately, is included in "Other, net" under "Cash flows from operating activities" from the fiscal year ended March 31, 2018 since the amount is insignificant.

5. Notes matured at the end of the fiscal year

The notes matured at the end of the fiscal year were treated as if they would have been settled on that date, although the date was a bank holiday.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Notes Receivable	¥ 1	¥—	$ 10
Notes Payable	987	—	9,295

6. Operational Investment Securities, Short-term Investment Securities and Investments in Securities

Operational investment securities, short-term investment securities and investments in securities as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Available-for-sale securities	¥202,731	¥163,430	$1,907,703
Investments in unconsolidated subsidiaries and affiliates	203,622	119,927	1,916,089
	¥406,354	¥283,357	$3,823,793

Available-for-sale securities included in operational investment securities, short-term investment securities and investments in securities as of March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Equity securities	¥ 74,747	¥ 52,979	$703,373
Debt securities	12,553	12,432	118,131
Other	115,430	98,017	1,086,198
	¥202,731	¥163,430	$1,907,703

The carrying amounts and aggregate fair value of available-for-sale securities with determinable market value as of March 31, 2018 and 2017 were as follows:

	Millions of yen			
	March 31, 2018			
	Cost or book value	Unrealized gain	Unrealized loss	Fair value
Equity securities	¥22,347	¥26,064	¥565	¥47,846
Debt securities	12,000	258	4	12,253
Other	30,832	1,735	273	32,293

	Millions of yen			
	March 31, 2017			
	Cost or book value	Unrealized gain	Unrealized loss	Fair value
Equity securities	¥19,156	¥21,012	¥360	¥39,808
Debt securities	12,000	152	19	12,132
Other	17,259	1,583	—	18,843

	Thousands of U.S. dollars			
	March 31, 2018			
	Cost or book value	Unrealized gain	Unrealized loss	Fair value
Equity securities	$210,293	$245,268	$5,322	$450,238
Debt securities	112,919	2,428	39	115,308
Other	290,131	16,330	2,578	303,883

Available-for-sale securities whose fair value was not readily determinable as of March 31, 2018 and 2017 were as follows:

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Equity securities	¥26,900	¥13,170	$253,134
Debt securities	299	299	2,822
Other	83,136	79,174	782,315

Proceeds from the sale of available-for-sale securities and the resulting realized gain or loss for the years ended March 31, 2018 and 2017 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Proceeds	¥9,035	¥21,863	$85,020
Realized gain	2,602	3,809	24,488
Realized loss	—	—	—

The impairment losses on securities recognized for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Available-for-sale securities:			
Equity securities	¥—	¥130	$—
Investments in unconsolidated subsidiaries and affiliates:			
Unconsolidated subsidiaries	3	2	29
	¥ 3	¥132	$29

7. Accumulated Depreciation of Property and Equipment

The accumulated depreciation of property and equipment as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Leased assets	¥371,678	¥354,327	$3,497,493
Other operating assets	4,452	7,742	41,898
Own assets in use	12,699	10,204	119,498

8. Short-Term Borrowings, Long-Term Debt and Assets Pledged

The breakdown of short-term borrowings as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rate
	2018	2017	2018	
Short-term loans from banks	¥ 428,850	¥ 416,341	$ 4,035,476	1.13%
Commercial paper	848,000	800,700	7,979,674	0.02%
Payables under securitized lease receivables	61,900	59,100	582,478	0.09%
Total	¥1,338,750	¥1,276,141	$12,597,629	

The breakdown of long-term debt as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars	Weighted-average interest rate
	2018	2017	2018	
Long-term loans, principally from banks	¥1,203,165	¥1,218,851	$11,321,780	1.38%
Long-term payables under securitized lease receivables	4,072	6,036	38,323	0.11%
Bonds payable	264,692	232,014	2,490,753	0.60%
Total	1,471,930	1,456,902	13,850,858	
Less current portion	404,824	420,416	3,809,399	
	¥1,067,105	¥1,036,485	$10,041,458	

The Companies have entered into overdraft contracts which provided the Companies with the overdraft facilities with 106 and 104 financial institutions as of March 31, 2018 and 2017 amounting to ¥1,413,477 million ($13,300,817 thousand) and ¥1,229,875 million, respectively. The unused facilities maintained by the Companies as of March 31, 2018 and 2017 amounted to ¥967,834 million ($9,107,318 thousand) and ¥795,615 million, respectively.

The aggregate annual maturity of long-term debt subsequent to March 31, 2018 is summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2019	¥ 404,824	$ 3,809,399
2020	382,382	3,598,212
2021	327,190	3,078,858
2022	195,401	1,838,723
2023	93,438	879,256
2024 and thereafter	68,693	646,407
	¥1,471,930	$13,850,858

The Companies' assets pledged as collateral, principally for liabilities of ¥246,734 million ($2,321,773 thousand), as of March 31, 2018 were as follows:

	Millions of yen	Thousands of U.S. dollars
Cash on hand and in banks	¥ 823	$ 7,747
Accounts receivable-installment sales	4,667	43,919
Accounts receivable-lease receivables and investment assets	215,992	2,032,490
Accounts receivable-loans	1,007	9,477
Operational investment securities	735	6,921
Inventories	366	3,452
Other current assets	5,635	53,027
Leased assets	46,437	436,972
Advances for purchases of property for lease	8,876	83,530
Own assets in use	2,188	20,589
Investments in securities	57	537
	¥286,787	$2,698,667

9. Derivatives

In general, interest-rate swaps and forward foreign exchange contracts are exposed to market risk arising from fluctuation in interest rates and foreign exchange rates, and to credit risk arising from the potential for default by the counterparties. As the derivative instruments which the Companies utilize aim to reduce the risk of fluctuation in interest rates and foreign exchange rates associated with the underlying assets and liabilities hedged, these derivatives function to reduce the overall market risk to which the Companies are exposed. The Companies believe that any related credit risk is very low because all counterparties to the derivatives instrument are financial institutions with high credit ratings.

With respect to the interest-rate swap contracts entered into by the Company, the Treasury Department, which is responsible for financing activities, handles the execution of, and monitors the internal control over, these transactions in accordance with the Company's internal regulations. The ALM Committee determines the Company's hedging strategy for the coming six months based on an analysis of market rate trends and the Treasury Department enters into derivatives transactions in accordance with this strategy.

The Treasury Department is also involved in the management of risk associated with foreign exchange rate fluctuation on an individual contract basis.

Before the Company executes the transactions involving compound derivative instruments where credit derivatives are embedded, persons responsible sufficiently confer on the type or management method of the risk beforehand, and then obtain approval in accordance with the Company's internal regulations.

The consolidated subsidiaries of the Company follow the Company's internal regulations, and regularly report to the Company the results of their hedging activities, the counterparties, the period remaining for each contract and the fair value of the transactions.

The following table presents the outstanding derivatives positions that do not qualify for hedge accounting as of March 31, 2018:

	Millions of yen			Thousands of U.S. dollars		
	Notional amount (over one year)	Fair value	Unrealized gain (loss)	Notional amount (over one year)	Fair value	Unrealized gain (loss)
Currency swap contracts:						
Receive/JPY; Pay/USD	¥ 1,613 (—)	¥ (19)	¥ (19)	$ 15,178 (—)	$ (180)	$ (180)
Receive/JPY; Pay/IDR	562 (62)	(52)	(52)	5,290 (585)	(490)	(490)
Non-deliverable forward:						
Put/RMB	28 (—)	(9)	(9)	264 (—)	(88)	(88)
Forward exchange contracts:						
Put/EUR	5,016 (946)	(163)	(163)	47,206 (8,902)	(1,534)	(1,534)
Put/BRL	2,518 (1,250)	(359)	(359)	23,697 (11,763)	(3,387)	(3,387)
Put/MXN	3,758 (1,993)	174	174	35,364 (18,759)	1,642	1,642
Put/GBP	203 (57)	0	0	1,914 (542)	4	4
Put/Other	908 (469)	(44)	(44)	8,547 (4,414)	(416)	(416)
Call/USD	1,613 (—)	19	19	15,178 (—)	180	180
Call/Other	553 (25)	13	13	5,210 (239)	125	125
Total	¥16,775 (4,804)	¥(440)	¥(440)	$157,853 (45,207)	$(4,144)	$(4,144)

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

The following table presents the outstanding derivatives positions that do not qualify for hedge accounting as of March 31, 2017:

	Millions of yen		
	Notional amount (over one year)	Fair value	Unrealized gain (loss)
Currency swap contracts:			
Receive/JPY; Pay/USD	¥ 1,792 (—)	¥ 19	¥ 19
Receive/USD; Pay/JPY	549 (—)	(4)	(4)
Receive/JPY; Pay/IDR	501 (501)	(75)	(75)
Non-deliverable forward:			
Put/RMB	207 (28)	(53)	(53)
Forward exchange contracts:			
Put/USD	3,144 (—)	9	9
Put/EUR	4,562 (916)	232	232
Put/BRL	3,162 (1,139)	(351)	(351)
Put/MXN	2,514 (1,043)	429	429
Put/GBP	414 (99)	47	47
Put/Other	692 (256)	21	21
Call/USD	1,793 (—)	(19)	(19)
Call/Other	45 (2)	(2)	(2)
Total	¥19,381 (3,987)	¥253	¥253

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

The following table presents the outstanding derivative positions that qualify for hedge accounting as of March 31, 2018:

		Millions of yen		Thousands of U.S. dollars	
	Hedged items	Notional amount (over one year)	Fair value	Notional amount (over one year)	Fair value
Allocation method:					
Forward exchange contracts:					
Put					
USD	Accounts-receivable–installment sales	¥ 2,297 (1,206)	¥ (13)	$ 21,616 (11,354)	$ (126)
RMB	Accounts-receivable–installment sales	568 (238)	(71)	5,347 (2,246)	(676)
Call					
USD	Accounts-receivable–installment sales	38 (—)	0	364 (—)	0
Other	Accounts-receivable–installment sales	9 (—)	0	89 (—)	(1)
Currency swap contracts:					
Receive/USD; Pay/MYR	Borrowings	3,956 (1,695)	(104)	37,232 (15,956)	(982)
Receive/USD; Pay/THB	Borrowings	4,341 (2,076)	(10)	40,849 (19,535)	(99)
Deferral hedge accounting:					
Forward exchange contracts:					
Put					
EUR	Net investment in foreign subsidiary	3,394 (—)	(57)	31,942 (—)	(540)
GBP	Net investment in foreign subsidiary	2,915 (—)	(86)	27,431 (—)	(810)
Call					
USD	Forecasted transactions	26,627 (26,627)	(970)	250,568 (250,568)	(9,130)
CAD	Forecasted transactions	10,499 (10,499)	(617)	98,800 (98,800)	(5,808)
Total		¥ 54,648 (42,344)	¥(1,931)	$ 514,243 (398,462)	$(18,175)

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

		Millions of yen		Thousands of U.S. dollars	
	Hedged items	Notional amount (over one year)	Fair value	Notional amount (over one year)	Fair value
Interest rate swap					
Deferral hedge accounting:					
Pay/fixed; Receive/floating	Borrowings	¥ 83,131 (80,321)	¥411	$ 782,262 (755,824)	$3,868
Short-cut method:					
Pay/fixed; Receive/floating	Borrowings Accounts-receivable–loans	35,943 (24,218)	207	338,225 (227,896)	1,955
Total		¥ 119,074 (104,540)	¥618	$1,120,488 (983,721)	$5,823

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

The following table presents the outstanding derivative positions that qualify for hedge accounting as of March 31, 2017:

		Millions of yen	
	Hedged items	Notional amount (over one year)	Fair value
Allocation method:			
Forward exchange contracts:			
Put			
USD	Accounts-receivable–installment sales	¥ 2,559 (1,314)	¥(226)
RMB	Accounts-receivable–nstallment sales	1,083 (569)	(36)
Call			
USD	Lease investment assets	8 (—)	(0)
EUR	Lease investment assets	1,147 (—)	(16)
Currency swap contracts:			
Receive/USD; Pay/MYR	Borrowings	3,872 (—)	174
Receive/USD; Pay/THB	Borrowings	2,733 (1,758)	247
Deferral hedge accounting:			
Forward exchange contracts:			
Put			
USD	Forecasted transactions	729 (—)	(17)
EUR	Net investment in foreign subsidiary	2,569 (—)	149
GBP	Net investment in foreign subsidiary	2,311 (—)	145
Total		¥17,015 (3,642)	¥ 420

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

		Millions of yen	
	Hedged items	Notional amount (over one year)	Fair value
Interest rate swap			
Deferral hedge accounting:			
Pay/fixed; Receive/floating	Borrowings	¥ 42,549 (42,165)	¥ 90
Short-cut method:			
Pay/fixed; Receive/floating	Borrowings Accounts-receivable–loans	42,802 (36,390)	(379)
Total		¥ 85,352 (78,556)	¥(289)

Note: Fair value is primarily based on the prices indicated by corresponding financial institutions.

10. Selling, General and Administrative Expenses

The major components of selling, general and administrative expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Employees' salaries, wages and bonuses	¥39,396	¥34,242	$370,717
Rent expenses	11,935	10,380	112,309
Provision for accrued bonuses for employees	2,918	2,719	27,461
Retirement benefit expenses	2,060	1,904	19,393
Provision for accrued bonuses for directors	238	185	2,243
Provision for directors' retirement benefits	56	36	533
Provision of allowance for doubtful accounts	(315)	1,206	(2,972)

11. Impairment loss

The impairment loss for the year ended March 31, 2018 was as follows. This information for the previous fiscal year is not presented due to its low materiality.

		Millions of yen	Thousands of U.S. dollars
Category	Types of Product	2018	
Leased Assets	Transportation equipment (Aircraft)	¥2,624	$24,699

As the lease assets decreased in profitability due to the decline in the future cash flow, the impairment loss was recorded in costs by reducing the book value to the recoverable value.

The recoverable value of the leased assets was measured at the net sales value, evaluated based on the amounts calculated based on reasonable method by a third party.

12. Other Comprehensive Income

The following table presents reclassification adjustments and tax effects allocated to each component of other comprehensive income for the years ended March 31, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net unrealized holding gain (loss) on securities			
Amount arising during the year	¥ 5,325	¥ 4,280	$ 50,110
Reclassification adjustments for gains and losses included in net income	(2,520)	(3,786)	(23,721)
Amount before tax effect	2,804	493	26,389
Tax effect	(848)	(145)	(7,981)
Net unrealized holding gain (loss) on securities	1,956	348	18,407
Deferred gain (loss) on hedges			
Amount arising during the year	(2,039)	1,733	(19,191)
Reclassification adjustments for gains and losses included in net income	235	259	2,213
Amount before tax effect	(1,804)	1,993	(16,978)
Tax effect	538	(637)	5,068
Deferred gain (loss) on hedges	(1,265)	1,355	(11,909)
Translation adjustments			
Amount arising during the year	(609)	(2,079)	(5,739)
Remeasurements of defined benefit plans			
Amount arising during the year	249	(20)	2,344
Reclassification adjustments for gains and losses included in net income	384	363	3,622
Amount before tax effect	634	343	5,966
Tax effect	(192)	(105)	(1,806)
Remeasurements of defined benefit plans	442	238	4,159
Share of other comprehensive income (loss) of affiliates accounted for using equity method			
Amount arising during the year	(509)	(1,001)	(4,791)
Reclassification adjustments for gains and losses included in net income	—	—	—
Share of other comprehensive income (loss) of affiliates accounted for using equity method	(509)	(1,001)	(4,791)
Total other comprehensive income (loss)	¥ 13	¥(1,139)	$ 125

13. Notes to the Consolidated Statements of Cash Flows

The breakdown of cash and cash equivalents as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash on hand and in banks	¥82,212	¥83,565	$773,620
Time deposits with maturities of more than three months	(992)	(1,165)	(9,341)
Cash equivalents included in short-term investment securities	5,230	3,330	49,214
Cash and cash equivalents	¥86,449	¥85,730	$813,493

14. Income Taxes

The significant components of deferred tax assets and liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Net operating loss carryforwards	¥ 7,805	¥ 7,195	$ 73,453
Tax adjustments for lease transactions	3,130	2,639	29,455
Net defined benefit liability	2,836	2,857	26,693
Accrued expenses	1,896	1,432	17,845
Allowance for doubtful accounts	1,621	2,360	15,262
Depreciation	1,219	954	11,479
Accrued bonuses	1,012	849	9,528
Loss on devaluation of investments in securities	959	937	9,031
Loss on valuation of property and equipment	385	399	3,624
Other	7,310	5,561	68,787
Subtotal	28,178	25,187	265,162
Less valuation allowance	(654)	(791)	(6,160)
Total deferred tax assets	27,524	24,396	259,001
Deferred tax liabilities:			
Depreciation of leased assets of foreign subsidiaries	(16,892)	(16,807)	(158,957)
Net unrealized holding gain on securities	(7,516)	(6,577)	(70,726)
Unrealized gains or losses on intercompany transfer of assets	(1,661)	(1,446)	(15,633)
Other	(5,008)	(6,569)	(47,132)
Total deferred tax liabilities	(31,078)	(31,401)	(292,449)
Net deferred tax assets	¥ (3,554)	¥ (7,004)	$ (33,448)

"Unrealized gains or losses on intercompany transfer of assets" in the amount of ¥1,446 million in the fiscal year ended March 31, 2017, which were included in "Other" under "Deferred tax liabilities" are presented separately from the fiscal year ended March 31, 2018 since the amounts are significant.

Net deferred tax assets are recorded under the following accounts in the accompanying consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current Assets-Deferred tax assets	¥ 9,590	¥ 7,074	$ 90,250
Long-term Assets-Deferred tax assets	4,634	6,124	43,609
Current Liabilities-Deferred tax liabilities	(1,236)	(2,138)	(11,631)
Long-term Liabilities-Deferred tax liabilities	(16,543)	(18,065)	(155,676)

The reconciliations between the statutory effective tax rates and the effective tax rates for the year ended March 31, 2018 was as follows.

	2018
Statutory effective tax rate	30.9%
(Adjustments)	
Changes in U.S. tax regulations	(3.8)%
Non-taxable income	(1.5)%
Expenses not deductible for tax purposes	1.1%
Taxation of reserved profit of overseas subsidiaries	1.4%
Other	0.1%
Effective tax rate after the application of tax-effect accounting	28.2%

The reconciliations between the statutory effective tax rates and the effective tax rates for the year ended March 31, 2017 was not presented because the difference between the statutory effective tax rates and the effective tax rates is less than 5%.

(Effects of the U.S. tax reform)

The Tax Cuts and Jobs Act was enacted on December 22, 2017. The corporate income tax rate was reduced from 35% to 21% on January 1, 2018.

As a result of this change in tax rate, deferred tax liabilities (after deducting the amount of deferred tax assets) decreased by ¥5,410 million ($50,913 thousand), deferred income tax decreased by ¥5,394 million ($50,757 thousand) and deferred gains or losses on hedges increased by ¥16 million ($155 thousand). In addition, deferred income tax increased by ¥2,397 million ($22,559 thousand) due to the tax burden pertaining to certain non-U.S. reserved profit of subsidiaries in the United States incurred.

15. Assets retirement obligations

The balance of the assets retirement obligations is not presented due to immateriality for the years ended March 31, 2018 and 2017.

16. Retirement Benefit Plans

1. Overview of Retirement Benefit Plans Implemented by the Company

The Company has implemented a corporate pension fund plan (multi-employer welfare pension fund) and a defined benefit corporate pension plan under its defined benefit plan system, and a defined contribution pension plan under its defined contribution plan system. The Company may also offer extra early retirement benefit to employees on their retirement.

Some of the Company's consolidated subsidiaries in Japan have a lump-sum payment plan and a defined benefit corporate pension plan under their defined benefit plan system, and a defined contribution pension plan under their defined contribution plan system. Some of the Company's consolidated subsidiaries use the simplified method in the calculation of their retirement benefit obligation.

2. Defined Benefit Plans (except the simplified method)

The changes in the retirement benefit obligation during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at the beginning of the year	¥22,546	¥22,062	$212,166
Service cost	1,034	1,021	9,731
Interest cost	89	79	844
Actuarial gain and loss	(0)	6	(4)
Retirement benefits paid	(468)	(624)	(4,403)
Adjustment from the simplified method to the principle method	—	1	—
Balance at the end of the year	¥23,202	¥22,546	$218,335

The changes in plan assets during the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at the beginning of the year	¥14,374	¥13,771	$135,265
Expected return on plan assets	236	247	2,224
Actuarial gain and loss	246	(14)	2,319
Contributions by the Company	821	821	7,725
Retirement benefits paid	(363)	(451)	(3,417)
Balance at the end of the year	¥15,315	¥14,374	$144,118

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligation	¥ 18,773	¥ 18,283	$ 176,656
Plan assets at fair value	(15,315)	(14,374)	(144,118)
	3,457	3,908	32,538
Unfunded retirement benefit obligation	4,429	4,263	41,678
Net liability for retirement benefits in the balance sheet	7,887	8,172	74,216
Liability for retirement benefits	7,887	8,172	74,216
Net liability for retirement benefits in the balance sheet	¥ 7,887	¥ 8,172	$ 74,216

The components of retirement benefit expense for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥1,034	¥1,021	$ 9,731
Interest cost	89	79	844
Expected return on plan assets	(236)	(247)	(2,224)
Amortization of actuarial gain and loss	395	374	3,721
Amortization of prior service cost	(10)	(10)	(99)
Other (Note)	216	—	2,035
Retirement benefit expense	¥1,488	¥1,217	$14,009

(Note) Other is the extra retirement payments.

The components of remeasurements of defined benefit plans included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Prior service cost	¥ (10)	¥ (10)	$ (99)
Actuarial gain and loss	644	354	6,067
Total	¥634	¥343	$5,967

The components of remeasurements of defined benefit plans included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service cost	¥ (121)	¥ (131)	$ (1,139)
Unrecognized actuarial gain and loss	1,380	2,025	12,994
Total	¥1,259	¥1,894	$11,855

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 were as follows:

	2018	2017
General accounts	50%	50%
Bonds	30%	33%
Stocks	15%	14%
Other	5%	3%
Total	100%	100%

The expected return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term returns on assets held in each category.

The assumptions used in accounting for the above plans are as follows:

	2018	2017
Discount rates	Mainly 0.2%–0.6%	0.2%-0.7%
Expected rates of return on plan assets	Mainly 1.0%–2.5%	1.2%-2.5%
Estimated rates of salary increases	Mainly 1.3%–7.3%	1.3%-7.3%

3. Defined Benefit Plans (The simplified method)

The changes in liability for retirement benefits during the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Balance at the beginning of the year	¥1,367	¥1,323	$12,871
Retirement benefits expense	384	294	3,616
Retirement benefits paid	(422)	(248)	(3,974)
Increase due to acquisition of subsidiaries	264	—	2,484
Adjustment from the simplified method to the principle method	—	(1)	—
Balance at the end of the year	¥1,593	¥1,367	$14,998

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligation	¥ 407	¥ 412	$ 3,837
Plan assets at fair value	(155)	(155)	(1,467)
	251	257	2,369
Unfunded retirement benefit obligation	1,342	1,110	12,628
Net liability for retirement benefits in the balance sheet	1,593	1,367	14,998
Liability for retirement benefits	1,614	1,367	15,190
Asset for retirement benefits	(20)	—	(192)
Net liability for retirement benefits in the balance sheet	¥1,593	¥1,367	$14,998

Retirement benefit expenses for the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Retirement benefit expenses	¥384	¥294	$3,616

4. Contributions to the defined contribution pension plan by the Company and its consolidated subsidiaries during the years ended March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Contributions to the defined contribution pension plan	¥226	¥219	$2,129

5. The following table summarizes the most recent funded status of the multi-employer welfare pension fund as of March 31, 2018 and 2017.

	Millions of yen		Thousands of U.S. dollars
	2018 (as of March 31, 2017)	2017 (as of March 31, 2016)	2018 (as of March 31, 2017)
Amount of plan assets	¥ 25,926	¥ 22,975	$ 243,969
Benefit obligations under pension funding programs	(33,240)	(33,225)	(312,790)
Difference	¥ (7,313)	¥(10,249)	$ (68,820)

The differences as of March 31, 2018 and 2017 above mainly consisted of prior service cost under pension funding programs of ¥12,413 million ($116,811 thousand) and ¥12,705 million, respectively. Prior service cost under this program are amortized using the straight-line method and the residual period is 16 years.

For the years ended March 31, 2018 and 2017, the ratios of the Company's contributions to the multi-employer welfare pension fund against total contributions were 6.15% and 6.30%, respectively.

17. Lease Transactions

(Lessees' accounting)

The Companies lease equipment under finance leases. Depreciation of leased assets is calculated by the straight-line method based on the lease term of the respective assets with no residual value.

The breakdown of future minimum lease payments under non-cancelable operating leases as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥1,588	¥1,232	$14,947
Due after one year	4,125	3,306	38,817
	¥5,713	¥4,538	$53,765

(Lessors' accounting)

Finance leases that do not transfer ownership to lessee are capitalized as lease investment assets. Information relating to finance leases of the Companies as of March 31, 2018 and 2017 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Future lease receivables	¥1,317,720	¥1,332,705	$12,399,736
Estimated residual value	51,979	52,517	489,125
Future interest income	(85,529)	(83,083)	(804,827)
	¥1,284,170	¥1,302,139	$12,084,035

The aggregate annual maturity of finance lease receivables that transfer ownership to lessees, subsequent to March 31, 2018 and 2017 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥104,341	¥107,398	$ 981,849
Due after one to two years	65,192	87,795	613,459
Due after two to three years	51,409	49,924	483,761
Due after three to four years	27,307	36,730	256,966
Due after four to five years	13,166	14,712	123,898
Due after five years	17,734	23,788	166,877
	¥279,151	¥320,350	$2,626,812

The aggregate annual maturity of finance lease receivables that do not transfer ownership to lessees, subsequent to March 31, 2018 and 2017 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥ 448,357	¥ 451,463	$ 4,219,038
Due after one to two years	317,984	338,262	2,992,230
Due after two to three years	230,814	229,396	2,171,961
Due after three to four years	151,806	149,371	1,428,500
Due after four to five years	88,320	87,932	831,093
Due after five years	80,437	76,278	756,913
	¥1,317,720	¥1,332,705	$12,399,736

As for the lease accounting treatment for finance lease transactions that do not transfer ownership to lessees starting before April 1, 2008, the amounts of "Leased assets" (net of accumulated depreciation) as of March 31, 2008 were recorded as the beginning balance of "Lease investment assets," and the amounts of rental revenues were recorded by the straight-line method based on the scheduled lease terms. As a result, "Income before income taxes" increased compared with the amount calculated on assumption that the finance lease transactions that do not transfer ownership to the lessee starting before April 1, 2008 would have been accounted for using the interest method retroactively from each lease commencement date.

The related information is omitted because the amount is insignificant.

The future minimum lease income subsequent to March 31, 2018 and 2017 under non-cancellable operating leases is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥130,920	¥125,074	$1,231,959
Due after one year	309,305	311,507	2,910,564
	¥440,226	¥436,582	$4,142,523

(Sublease)

Lease investment assets and obligations under sublease transactions that include interests on the consolidated balance sheet as of March 31, 2018 and 2017 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Lease investment assets	¥11,297	¥16,542	$106,305
Lease obligations	11,347	16,527	106,781

18. Commitments and Contingent Liabilities

The Companies' contingent liabilities as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
As a guarantor of indebtedness of:			
Loans and others	¥36,254	¥39,793	$341,156
Asset purchases	2,224	3,249	20,932
Employees housing loans	86	100	817
	¥38,566	¥43,143	$362,906

The Companies, as lenders, have loan commitment agreements as of March 31, 2018 and 2017 amounting to ¥46,239 million ($435,111 thousand) and ¥48,378 million, respectively. The loans provided under these credit facilities as of March 31, 2018 and 2017 amounted to ¥18,120 million ($170,511 thousand) and ¥12,498 million, respectively. Many of the facilities may expire without being utilized and the loans provided are subject to periodic reviews of the borrowers' credit standing. The unused portion of these facilities may not be fully utilized.

19. Estimated Fair Value of Financial Instruments

The following table presents the carrying value and estimated fair value of financial instruments as of March 31, 2018 and 2017. The following table does not include financial instruments for which it is extremely difficult to determine the fair value (Please refer to Note 2 below).

As of March 31, 2018	Millions of yen Carrying value	Estimated fair value	Difference
Assets			
(1) Cash on hand and in banks	¥ 82,212	¥ 82,212	¥ —
(2) Accounts receivable-installment sales	210,523		
Deferred profit on installment sales	(16,232)		
	194,291		
Allowance for doubtful accounts (*1)	(554)		
	193,737	201,906	8,169
(3) Accounts receivable-lease receivables and investment assets	1,544,595		
Estimated residual value (*2)	(51,979)		
	1,492,616		
Allowance for doubtful accounts (*1)	(808)		
	1,491,807	1,561,013	69,205
(4) Accounts receivable-loans	548,522		
Allowance for doubtful accounts (*1)	(2,091)		
	546,430	568,440	22,009
(5) Operational investment securities	44,954	44,954	—
(6) Short-term investment securities and investments in securities	47,440	47,440	—
(7) Claims provable in bankruptcy or rehabilitation	1,379		
Allowance for doubtful accounts (*1)	(1,143)		
	235	235	—
Total assets	¥2,406,819	¥2,506,203	¥99,384
Liabilities			
(1) Notes and accounts payable-trade	¥ 247,209	¥ 247,209	¥ —
(2) Short-term loans from banks	428,850	428,850	—
(3) Commercial paper	848,000	848,000	—
(4) Payables under securitized lease receivables	61,900	61,900	—
(5) Bonds payable	264,692	262,138	2,553
(6) Long-term loans, principally from banks	1,203,165	1,197,119	6,046
(7) Long-term payables under securitized lease receivables	4,072	4,031	41
(8) Lease obligations	12,936	12,649	287
Total liabilities	¥3,070,827	¥3,061,899	¥ 8,928
Derivatives			
Hedge accounting not applied	¥ (440)	¥ (440)	¥ —
Hedge accounting applied	(1,320)	(1,312)	7
Total derivatives	¥ (1,760)	¥ (1,753)	¥ 7

As of March 31, 2017	Millions of yen Carrying value	Estimated fair value	Difference
Assets			
(1) Cash on hand and in banks	¥ 83,565	¥ 83,565	¥ —
(2) Accounts receivable-installment sales	216,466		
Deferred profit on installment sales	(14,975)		
	201,490		
Allowance for doubtful accounts (*1)	(623)		
	200,867	203,714	2,847
(3) Accounts receivable-lease receivables and investment assets	1,600,637		
Estimated residual value (*2)	(52,517)		
	1,548,119		
Allowance for doubtful accounts (*1)	(869)		
	1,547,249	1,609,327	62,078
(4) Accounts receivable-loans	539,058		
Allowance for doubtful accounts (*1)	(2,597)		
	536,461	552,890	16,428
(5) Operational investment securities	33,290	33,290	—
(6) Short-term investment securities and investments in securities	37,493	37,493	—
(7) Claims provable in bankruptcy or rehabilitation	1,625		
Allowance for doubtful accounts (*1)	(1,072)		
	553	553	—
Total assets	¥2,439,482	¥2,520,836	¥81,354
Liabilities			
(1) Notes and accounts payable-trade	¥ 215,570	¥ 215,570	¥ —
(2) Short-term loans from banks	416,341	416,341	—
(3) Commercial paper	800,700	800,700	—
(4) Payables under securitized lease receivables	59,100	59,100	—
(5) Bonds payable	232,014	230,320	1,694
(6) Long-term loans, principally from banks	1,218,851	1,208,451	10,399
(7) Long-term payables under securitized lease receivables	6,036	5,983	53
(8) Lease obligations	16,629	16,462	167
Total liabilities	¥2,965,244	¥2,952,929	¥12,314
Derivatives			
Hedge accounting not applied	¥ 253	¥ 253	¥ —
Hedge accounting applied	365	131	(234)
Total derivatives	¥ 619	¥ 384	¥ (234)

As of March 31, 2018	Thousands of U.S. dollars Carrying value	Estimated fair value	Difference
Assets			
(1) Cash on hand and in banks	$ 773,620	$ 773,620	$ —
(2) Accounts receivable-installment sales	1,981,027		
Deferred profit on installment sales	(152,743)		
	1,828,284		
Allowance for doubtful accounts (*1)	(5,213)		
	1,823,070	1,899,942	76,872
(3) Accounts receivable-lease receivables and investment assets	14,534,633		
Estimated residual value (*2)	(489,125)		
	14,045,507		
Allowance for doubtful accounts (*1)	(7,605)		
	14,037,902	14,689,124	651,222
(4) Accounts receivable-loans	5,161,590		
Allowance for doubtful accounts (*1)	(19,681)		
	5,141,908	5,349,018	207,109
(5) Operational investment securities	423,017	423,017	—
(6) Short-term investment securities and investments in securities	446,413	446,413	—
(7) Claims provable in bankruptcy or rehabilitation	12,979		
Allowance for doubtful accounts (*1)	(10,762)		
	2,217	2,217	—
Total assets	$22,648,151	$23,583,355	$935,204
Liabilities			
(1) Notes and accounts payable-trade	$ 2,326,242	$ 2,326,242	$ —
(2) Short-term loans from banks	4,035,476	4,035,476	—
(3) Commercial paper	7,979,674	7,979,674	—
(4) Payables under securitized lease receivables	582,478	582,478	—
(5) Bonds payable	2,490,753	2,466,723	24,030
(6) Long-term loans, principally from banks	11,321,780	11,264,886	56,894
(7) Long-term payables under securitized lease receivables	38,323	37,936	387
(8) Lease obligations	121,736	119,035	2,701
Total liabilities	$28,896,466	$28,812,452	$ 84,013
Derivatives			
Hedge accounting not applied	$ (4,144)	$ (4,144)	$ —
Hedge accounting applied	(12,423)	(12,351)	72
Total derivatives	$ (16,568)	$ (16,496)	$ 72

(*1) General and specific allowances are deducted from the amounts of accounts receivable-installment sales, accounts receivable-lease receivables and investment assets, accounts receivable-loans and claims provable in bankruptcy or rehabilitation, respectively.
(*2) Estimated residual value included in lease investment assets is deducted.

(Note 1) Methods to determine the estimated fair value of financial instruments and other matters related to securities and derivative transactions.

Assets

(1) Cash on hand and in banks
Since these items are settled in a short period of time, the carrying value approximates fair value.
(2) Accounts receivable-installment sales, (3) Lease receivables and investment assets and (4) Loans
Based on the classification by internal rating and contract terms, the fair value is estimated by the present value of the total of principal and interest discounted by the interest rate to be applied if similar new contracts were entered into.
(5) Operational investment securities and (6) Short-term investment securities and Investments in securities
The fair value of the above securities is based on either quoted market prices or the prices provided by the counterparty financial institutions.
For information on securities classified by holding purpose, please refer to *Note 6 Operational Investment Securities, Short-term Investment Securities and Investments in Securities.*
(7) Claims provable in bankruptcy or rehabilitation
The fair value of above is assumed to approximate their carrying value with the deduction of relevant allowances because their carrying value is based on the fair value of the collateral and guarantees.

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term loans from banks, (3) Commercial paper and (4) Payables under securitized lease receivables
Since these items are settled in a short period of time, the carrying value approximates fair value.
(5) Bonds payable, (6) Long-term loans, principally from banks and (7) Long-term payables under securitized lease receivables
Based on the classification by internal rating and contract terms, the fair value is estimated by the present value of the total of principal and interest discounted by the interest rate to be applied if similar new contracts were entered into.
(8) Lease obligations
Based on the classification by internal rating and contract terms, the fair value is estimated by the present value of the total of principal and interest discounted by the interest rate to be applied if similar new contracts were entered into.

Derivatives

The value of assets and liabilities arising from derivatives is shown at net value in the above table and with the amount in parentheses representing net liability position. Please refer to Note 9 Derivatives regarding the details of derivative transactions.

(Note 2) Financial instruments for which it is extremely difficult to determine the fair value

	Millions of yen 2018	2017	Thousands of U.S. dollars 2018
Investments in unconsolidated subsidiaries and affiliates	¥203,622	¥119,927	$1,916,089
Unlisted shares	26,900	13,170	253,134
Bonds	299	299	2,822
Trust beneficiary rights	7,848	6,060	73,853
Investments in limited partnerships, etc.	75,288	73,114	708,462
Total	¥313,960	¥212,572	$2,954,362

Because no quoted market price is available and it is extremely difficult to determine the fair value, the above financial instruments are not included in (5) Operational investment securities and (6) Short-term investment securities and investments in securities.

(Note 3) Redemption schedule for receivables and marketable securities with maturities subsequent to March 31, 2018 and 2017

	Millions of yen As of March 31, 2018 Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Cash on hand and in banks	¥ 82,212	¥ —	¥ —	¥ —	¥ —	¥ —
Accounts receivable-installment sales	72,730	50,601	36,565	20,405	16,571	13,649
Accounts receivable-loans	246,539	94,356	52,083	61,554	36,974	57,014
Operational investment securities:						
Available-for-sale securities with maturities						
(1) Bonds	3,000	299	—	5,000	—	2,000
(2) Other	5,817	4,893	5,791	1,065	6,585	51,786
Short-term investment securities and investments in securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	—	—	—	—	—
(2) Other	5,550	—	—	—	—	—
Total	¥415,849	¥150,150	¥94,440	¥88,025	¥60,131	¥124,450

	Millions of yen					
	As of March 31, 2018					
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Cash on hand and in banks	¥ 83,565	¥ —	¥ —	¥ —	¥ —	¥ —
Accounts receivable-installment sales	76,806	53,477	34,695	23,424	9,780	18,282
Accounts receivable-loans	235,756	85,216	71,593	36,294	48,155	62,041
Operational investment securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	3,000	299	—	5,000	2,000
(2) Other	3,947	3,499	5,849	7,466	863	54,188
Short-term investment securities and investments in securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	—	—	—	—	—
(2) Other	3,980	—	—	—	—	—
Total	¥404,055	¥145,193	¥112,438	¥67,185	¥63,799	¥136,512

	Thousands of U.S. dollars					
	As of March 31, 2018					
	Due in One Year or Less	Due after One Year through Two Years	Due after Two Years through Three Years	Due after Three Years through Four Years	Due after Four Years through Five Years	Due after Five Years
Cash on hand and in banks	$ 773,620	$ —	$ —	$ —	$ —	$ —
Accounts receivable-installment sales	684,389	476,156	344,079	192,019	155,938	128,444
Accounts receivable-loans	2,319,932	887,891	490,105	579,223	347,933	536,504
Operational investment securities:						
Available-for-sale securities with maturities						
(1) Bonds	28,229	2,822	—	47,049	—	18,819
(2) Other	54,742	46,047	54,498	10,025	61,966	487,310
Short-term investment securities and investments in securities:						
Available-for-sale securities with maturities						
(1) Bonds	—	—	—	—	—	—
(2) Other	52,225	—	—	—	—	—
Total	$3,913,141	$1,412,917	$888,683	$828,319	$565,838	$1,171,079

The redemption schedules for long-term debt and lease receivables and investment assets are disclosed in *Note 8 Short-Term Borrowings, Long-Term Debt and Assets Pledged and Note 17 Lease Transactions*, respectively.

20. Dividends

(1) Dividends paid to shareholders

For the year ended March 31, 2018

(Date of approval) Resolution approved by	Type of shares	Amount: Millions of yen / Thousands of U.S. dollars	Dividends per share: Yen / U.S. dollars	Shareholders' cut-off date	Effective date
(June 23, 2017) Annual general meeting of the shareholders	Common stock	¥ 5,594 $52,644	¥53.0 $0.49	March 31, 2017	June 26, 2017
(November 6, 2017) Meeting of the Board of Directors	Common stock	¥ 5,490 $51,666	¥52.0 $0.48	September 30, 2017	December 5, 2017

For the year ended March 31, 2017

(Date of approval) Resolution approved by	Type of shares	Amount: Millions of yen	Dividends per share: Yen	Shareholders' cut-off date	Effective date
(June 24, 2016) Annual general meeting of the shareholders	Common stock	¥4,749	¥45.0	March 31, 2016	June 27, 2016
(November 4, 2016) Meeting of the Board of Directors	Common stock	¥4,961	¥47.0	September 30, 2016	December 9, 2016

(2) Dividends for which the shareholders' cut-off date is in the current fiscal year but the effective date is in the following fiscal year are as follows

(Date of approval) Resolution approved by	Type of shares (Paid from)	Amount: Millions of yen / Thousands of U.S. dollars	Dividends per share: Yen / U.S. dollars	Shareholders' cut-off date	Effective date
(June 25, 2018) Annual general meeting of the shareholders	Common stock (Retained earnings)	¥ 6,546 $61,602	¥62.0 $0.58	March 31, 2018	June 26, 2018

21. Legal Reserve and Additional Paid-in Capital

In accordance with the Law, the Company provides a legal reserve which is included in retained earnings. The Law provides that an amount equal to 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of the common stock account. The Law provides that neither additional paid-in capital nor the legal reserve is available for the payment of dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Law also provides that, if the total amount of additional paid-in capital and the legal reserve exceeds 25% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders. Under the Law, however, such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

22. Stock Based Compensation

The Company has stock option plans for certain directors, executive officers and eligible employees. Under the plans, the rights to purchase the common shares of the Company are granted at an exercise price of ¥1 per share. The contractual term of the stock options is 30 years. The stock option holders may exercise their share subscription rights only in a lump sum during the ten-day period starting a day after leaving their position as director, corporate auditor, executive officer or employee of the Company.

The stock options outstanding as of March 31, 2018 were as follows:

	2013 stock option	2014 stock option	2015 stock option	2016 stock option	2017 stock option	2018 stock option
Persons granted	7 directors 22 executive officers	7 directors 20 executive officers	7 directors 19 executive officers 6 eligible employees	7 directors 20 executive officers 7 eligible employees	8 directors 19 executive officers 7 eligible employees	8 directors 17 executive officers 7 eligible employees
Type and number of shares to be issued upon the exercise of the share subscription rights	Common stock 113,700	Common stock 59,300	Common stock 76,000	Common stock 74,600	Common stock 82,700	Common stock 75,700
Grant date	October 15, 2012	September 24, 2013	September 29, 2014	October 26, 2015	September 21, 2016	September 27, 2017
Fair value per stock at the grant date	¥1,306 ($13.9)	¥3,038 ($29.52)	¥2,716 ($22.58)	¥3,805 ($33.76)	¥3,406 ($30.35)	¥4,567 ($42.97)

The total stock-based compensation costs recognized for the years ended March 31, 2018 and 2017 were ¥345 million ($3,253 thousand) and ¥281 million, respectively.

The fair value of the 2018 stock option is estimated using the Black-Scholes option pricing model with the assumptions noted in the following table.

	2018 stock option
Expected volatility	30.52%
Expected holding period	4.0 years
Expected dividend	¥105 per share
Risk free interest rate	-0.123%

The volatility of the stock price is based on the historical volatility of the Company's stock for the period equal to the option's estimated remaining outstanding period from the grant date. The estimated remaining outstanding period is based on the average term and average age as of retirement. The estimated dividend is based on the forecast of dividends of ¥105 ($0.98) made for the year ended March 31, 2018 at the grant date. The risk free interest rate is based on the yield of Japanese government bonds having a remaining life equal to the option's estimated remaining outstanding period.

The stock option activity for the fiscal years ended March 31, 2018 were as follows:

	Number of shares					
Stock option activity	2013 stock option	2014 stock option	2015 stock option	2016 stock option	2017 stock option	2018 stock option
Share subscription rights which are not yet vested						
Outstanding as of March 31, 2017	—	—	—	—	—	—
Granted	—	—	—	—	—	75,700
Forfeited	—	—	—	—	—	—
Vested	—	—	—	—	—	75,700
Outstanding as of March 31, 2018	—	—	—	—	—	—
Share subscription rights which have already been vested						
Outstanding as of March 31, 2017	74,900	43,200	62,800	68,800	82,700	—
Vested	—	—	—	—	—	75,700
Exercised	6,800	4,700	7,000	6,800	7,100	—
Forfeited	—	—	—	—	—	—
Outstanding as of March 31, 2018	68,100	38,500	55,800	62,000	75,600	75,700
Exercise price (yen)	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Weighted average exercise price (yen)	¥3,861	¥3,833	¥3,828	¥3,836	¥3,837	—
Weighted average fair value per stock at the grant date (yen)	¥1,306	¥3,038	¥2,716	¥3,805	¥3,406	¥4,567
Exercise price (U.S. dollars)	$0	$0	$0	$0	$0	$0
Weighted average exercise price (U.S. dollars)	$36.33	$36.06	$36.02	$36.09	$36.10	—
Weighted average fair value per stock at the grant date (U.S. dollars)	$12.28	$28.58	$25.55	$35.80	$32.05	$42.97

23. Investment and Rental Properties

The Companies own rental properties, such as commercial facilities and office buildings, in Tokyo and other areas. The net operating income relating to these properties was ¥4,427 million ($41,662 thousand) and ¥4,837 million for the years ended March 31, 2018 and 2017, respectively.

The carrying value in the consolidated balance sheet, change in carrying value and corresponding fair value of these properties for the years ended March 31, 2018 and 2017 are as follows:

Millions of yen			
Year ended March 31, 2018			
Carrying Value			Fair Value
Beginning of year	Net change	End of year	End of year
¥97,261	¥(8,648)	¥88,612	¥91,741

Millions of yen			
Year ended March 31, 2017			
Carrying Value			Fair Value
Beginning of year	Net change	End of year	End of year
¥79,635	¥17,625	¥97,261	¥100,656

Thousands of U.S. dollars			
Year ended March 31, 2018			
Carrying Value			Fair Value
Beginning of year	Net change	End of year	End of year
$915,225	$(81,386)	$833,839	$863,282

Notes:
1. The carrying value represents the acquisition cost less accumulated depreciation.
2. The components of net change in carrying value include an increase mainly due to the acquisition of real estate in the amount of ¥39,947 million for the year ended March 31, 2017, decrease mainly due to the sales of real estate in the amount of ¥19,797 million ($186,292 thousand) for the year ended March 31, 2018.
3. Regarding major properties, the fair value is mainly estimated in accordance with Japanese real estate appraisal standards. For other properties, it is based on the appropriate index, which reflects market value.

24. Segment Information

1. Overview of Reportable Segments

The Company's reportable segments shall be part of its organizational units whose financial information is individually available, and shall be subject to regular review by its Board of Directors for the purpose of deciding the allocation of its managerial resources and evaluating its business performance.

The Company is mainly engaged in leasing business and installment sales business as well as financing service business relating to the main businesses. Therefore, the "Leasing and Installment Sales Business," the "Finance Business" and the "Other Businesses" constitute the Company's reportable segments.

The "Leasing and Installment Sales Business" consists of leasing and installment sales of IT-related equipment and office equipment, industrial machinery, commercial and service equipment, etc. (including sales of assets thereof pertaining to maturity and/or cancellation before maturity of leasing transactions). The "Finance Business" consists of money-lending business and investment business such as capital investments in operational investment securities and silent partnerships. The "Other Businesses" consists of commission transactions, solar power sales business, and other businesses.

2. Calculation Method for amounts for Revenues, Profit or Loss, Assets, Liabilities and Other items by Reportable Segments

The accounting method for reportable business segments is the same as stated under "Summary of Significant Accounting Policies" in Note 2.

3. Information on Revenues, Profit or Loss, Assets, Liabilities and Other items by Reportable Segments

	Millions of yen			
	Year ended March 31, 2018			
	Leasing and Installment Sales	Finance	Other	Total
Revenues, profits and assets by reportable segments				
Revenues from customers	¥ 959,812	¥ 27,306	¥ 25,081	¥1,012,200
Inter-segment revenues	—	—	1,945	1,945
Total revenues	959,812	27,306	27,027	1,014,145
Segment profit	¥ 59,496	¥ 15,770	¥ 7,260	¥ 82,527
Segment assets	¥2,639,988	¥821,176	¥124,616	¥3,585,781
Other items				
Depreciation	¥ 112,270	—	¥ 2,412	¥ 114,683
Amortization of goodwill	¥ 581	—	—	¥ 581
Increase in property and equipment and intangible assets	¥ 168,905	—	¥ 88,835	¥ 257,741

	Millions of yen			
	Year ended March 31, 2017			
	Leasing and Installment Sales	Finance	Other	Total
Revenues, profits and assets by reportable segments				
Revenues from customers	¥ 924,246	¥ 24,211	¥27,649	¥ 976,107
Inter-segment revenues	—	—	1,462	1,462
Total revenues	924,246	24,211	29,111	977,569
Segment profit	¥ 59,931	¥ 12,622	¥ 8,095	¥ 80,649
Segment assets	¥2,615,314	¥779,332	¥32,938	¥3,427,585
Other items				
Depreciation	¥ 98,154	—	¥ 1,657	¥ 99,812
Amortization of goodwill	¥ 381	—	—	¥ 381
Increase in property and equipment and intangible assets	¥ 211,305	—	¥ 7,237	¥ 218,543

	Thousands of U.S. dollars			
	Year ended March 31, 2018			
	Leasing and Installment Sales	Finance	Other	Total
Revenues, profits and assets by reportable segments				
Revenues from customers	$ 9,031,827	$ 256,949	$ 236,021	$ 9,524,797
Inter-segment revenues	—	—	18,303	18,303
Total revenues	9,031,827	256,949	254,324	9,543,100
Segment profit	$ 559,862	$ 148,396	$ 68,325	$ 776,585
Segment assets	$24,842,278	$7,727,266	$1,172,639	$33,742,184
Other items				
Depreciation	$ 1,056,466	—	$ 22,705	$ 1,079,171
Amortization of goodwill	$ 5,468	—	—	$ 5,468
Increase in property and equipment and intangible assets	$ 1,589,403	—	$ 835,937	$ 2,425,341

4. Difference between the total of reporting segments and the amounts on the consolidated financial statements and details for the difference (The matter for the reconciliation of the difference)

	Millions of yen		Thousands of U.S. dollars
Revenues	2018	2017	2018
Reportable segment total	¥1,014,145	¥977,569	$9,543,100
Inter-segment eliminations	(1,945)	(1,462)	(18,303)
Revenues on consolidated statement of income	¥1,012,200	¥976,107	$9,524,797

	Millions of yen		Thousands of U.S. dollars
Profits	2018	2017	2018
Reportable segment total	¥82,527	¥80,649	$776,585
Inter-segment eliminations	(1,945)	(1,462)	(18,303)
General and administrative expenses not attributable to reporting segment	(6,837)	(7,187)	(64,344)
Operating income on consolidated statement of income	¥73,744	¥71,999	$693,936

	Millions of yen		Thousands of U.S. dollars
Assets	2018	2017	2018
Reportable segment total	¥3,585,781	¥3,427,585	$33,742,184
Assets not attributable to reporting segment	173,687	152,297	1,634,401
Total assets on consolidated balance sheet	¥3,759,469	¥3,579,882	$35,376,586

	Millions of yen					
	Reportable segment total		Adjustments		Consolidated	
	2018	2017	2018	2017	2018	2017
Other items						
Depreciation	¥114,683	¥99,812	¥2,993	¥2,547	¥117,677	¥102,359
Amortization of goodwill	581	381	481	481	1,063	863
Increase in property and equipment and intangible assets	257,741	218,543	5,187	2,526	262,928	221,069

	Thousands of U.S. dollars		
	Reportable segment total	Adjustments	Consolidated
	2018	2018	2018
Other items			
Depreciation	$1,079,171	$28,170	$1,107,341
Amortization of goodwill	5,468	4,535	10,004
Increase in property and equipment and intangible assets	2,425,341	48,810	2,474,151

Information by products and services

	Millions of yen					
	March 31, 2018					
	Finance lease	Operating lease	Installment sales	Finance	Other	Total
Revenues from customers	¥601,832	¥300,922	¥57,057	¥27,306	¥25,081	¥1,012,200

	Millions of yen					
	March 31, 2017					
	Finance lease	Operating lease	Installment sales	Finance	Other	Total
Revenues from customers	¥580,169	¥270,438	¥73,639	¥24,211	¥27,649	¥976,107

	Thousands of U.S. dollars					
	March 31, 2018					
	Finance lease	Operating lease	Installment sales	Finance	Other	Total
Revenues from customers	$5,663,242	$2,831,675	$536,908	$256,949	$236,021	$9,524,797

Geographical information

(a) Revenues

Information by geographic segment is summarized as follows:

Millions of yen					
March 31, 2018					
	Europe and North America				
Japan	Ireland	Others	Asia	Central and South America	Total
¥901,666	¥16,690	¥53,006	¥16,281	¥24,555	¥1,012,200

Thousands of U.S. dollars					
March 31, 2018					
	Europe and North America				
Japan	Ireland	Others	Asia	Central and South America	Total
$8,484,677	$157,056	$498,794	$153,206	$231,062	$9,524,797

Information by geographic segment for the year ended March 31, 2017 is not disclosed due to the third parties located in Japan represented more than 90% of the consolidated revenues for the year.

(b) Property and equipment

Information by geographic segment is summarized as follows:

Millions of yen					
March 31, 2018					
	Europe and North America				
Japan	Ireland	Others	Asia	Central and South America	Total
¥523,008	¥107,268	¥104,692	¥10,733	¥33,936	¥779,638

Millions of yen					
March 31, 2017					
	Europe and North America				
Japan	Ireland	Others	Asia	Central and South America	Total
¥410,731	¥124,116	¥110,340	¥6,096	¥30,339	¥681,624

Thousands of U.S. dollars					
March 31, 2018					
	Europe and North America				
Japan	Ireland	Others	Asia	Central and South America	Total
$4,921,502	$1,009,393	$985,151	$101,006	$319,342	$7,336,397

Information by main customer

Information by main customer for the years ended March 31, 2018 and 2017 are not disclosed because there were no customers that accounted for 10% or more of the revenues from customers recorded in the consolidated statements of income.

Information about the impairment loss on fixed assets by reportable segments

	Millions of yen			
	March 31, 2018			
	Leasing and Installment Sales	Finance	Other	Total
Impairment loss	¥2,624	—	—	¥2,624

	Thousands of U.S. dollars			
	March 31, 2018			
	Leasing and Installment Sales	Finance	Other	Total
Impairment loss	$24,699	—	—	$24,699

For the year ended March 31, 2018, the impairment loss on the aircraft assets was recognized. This information is not provided due to its low materiality for the year ended March 31, 2017.

Information about the amortization and unamortized balance of goodwill

	Millions of yen			
	March 31, 2018			
	Leasing and Installment Sales	Finance	Other	Total
Amortization	¥ 581	—	—	¥ 581
Unamortized balance	14,235	—	—	14,235

	Millions of yen			
	March 31, 2017			
	Leasing and Installment Sales	Finance	Other	Total
Amortization	¥ 381	—	—	¥ 381
Unamortized balance	10,479	—	—	10,479

	Thousands of U.S. dollars			
	March 31, 2018			
	Leasing and Installment Sales	Finance	Other	Total
Amortization	$ 5,468	—	—	$ 5,468
Unamortized balance	133,952	—	—	133,952

Amortization for the years ended March 31, 2018 and 2017 were ¥481 million ($4,535 thousand) and ¥481 million, respectively. Unamortized balance as of March 31, 2018 and 2017 were ¥2,650 million ($24,944 thousand) and ¥3,132 million, respectively. These amounts were not allocated to any reportable segment since they are related to multi segment.

Information about the gain recognized on negative goodwill by reportable segments
This information is not provided due to its low materiality for the year ended March 31, 2018. For the year ended March 31, 2017, there was no gain recognized on negative goodwill.

25. Related Party Transactions

Related party transactions information is not presented due to immateriality for the years ended March 31, 2018 and 2017.

26. Amounts Per Share

The net assets per share, basic and diluted net income attributable to owners of parent per share for the years ended March 31, 2018 and 2017 were as follows

	Yen		U.S. dollars
	2018	2017	2018
Net assets	¥3,750.35	¥3,360.27	$35.29
Net income attributable to owners of parent:			
Basic	¥486.09	¥413.51	$4.57
Diluted	¥484.53	¥412.36	$4.55

Net assets per share are calculated based on the net assets available for distribution to the shareholders of common stock (i.e., the net assets excluding non-controlling interests and share subscription rights) and the number of shares of common stock outstanding at each balance sheet date.

Basic net income attributable to owners of parent per share is calculated by dividing the net income attributable to owners of parent available for distribution to shareholders of common stock by the weighted-average number of shares of common stock outstanding during the period.

Diluted net income attributable to owners of parent per share is calculated based on the net income attributable to owners of parent available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during the period after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of warrants and stock subscription rights.

The base data for calculation were as follows:

1. Net assets per share

	Thousands of shares	
	March 31, 2018	March 31, 2017
Number of shares of common stock used for the calculation of net assets per share	105,588	105,557

	Millions of yen		Thousands of U.S. dollars
	March 31, 2018	March 31, 2017	March 31, 2018
Total net assets	¥456,036	¥404,818	$4,291,302
Amount deducted from total net assets:	60,044	50,117	565,013
Share subscription rights	1,196	943	11,259
Non-controlling interests	58,847	49,174	553,753
Net assets attributable to shares of common stock	¥395,992	¥354,701	$3,726,288

2. Basic and diluted net income attributable to owners of parent per share

	Thousands of shares	
	2018	2017
Weighted average number of shares of common stock	105,586	105,557
Increase in shares of common stock		
Exercise of share subscription rights	341	293

27. Material Subsequent Events

(Issuance of Bonds)
The Company issued the twenty-second, the twenty-third and the twenty-fourth unsecured bond (with inter-bond pari passu clause) on April 13, 2018. The details are as follows:

	The twenty-second	The twenty-third	The twenty-fourth
Total amount issued	¥20,000 million ($188,199 thousand)	¥20,000 million ($188,199 thousand)	¥10,000 million ($94,099 thousand)
Issuance price	¥100 ($0.94) per ¥100 ($0.94) of face value		
Interest rate	0.06% per annum	0.20% per annum	0.32% per annum
Redemption price	¥100 ($0.94) per ¥100 ($0.94) of face value		
Redemption date	April 13, 2021	April 13, 2023	April 11, 2025
Redemption method	Lump-sum redemption at maturity		
Payment date	April 13, 2018		
Collateral	This bond is without any collateral or guaranty and there are no assets reserved for this debenture.		
Application of the fund	For the redemption of short-term bonds		

(Share acquisition)
On April 27, 2018, the Company has entered into a share transfer agreement to acquire 70% of the total issued shares in SHINKO REAL ESTATE CO., LTD.

(1) Summary of business combination
1) Name and business description of acquired company

Name:	SHINKO REAL ESTATE CO., LTD. (Head Office: Kobe, Hyogo Prefecture)
Principal business:	Real estate development and sales, lease, brokerage, renovation, etc.
Company size: (as of March 31, 2017)	Consolidated net assets: ¥51,373 million ($483,419 thousand) Consolidated total assets: ¥114,153 million ($1,074,178 thousand)

2) Purpose of additional share acquisition
Our Specialty Financing business aims to create new values by integrating finance and business as proclaimed in the third medium-term management plan, and has been challenging dynamically in its business with excellent partners while working on creation of new growth fields in pursuit of expertise in various products. Real estate business is one of the four key areas of our Specialty Financing business along with aviation, shipping, environment and energy.
Through the business combination, we aim for further development, including synergy effects in expanding business opportunities in each life stage, such as development, ownership, management, and exits, and diversifying exit strategies through utilizing functions and platforms held by SHINKO REAL ESTATE CO., LTD. as a comprehensive real estate company, and by integrating strength of the Company.

3) Date of business combination
July 1, 2018

4) Legal form of business combination
Acquisition of shares

5) Name of the company after business combination
No change

6) Number of shares to be acquired, shareholding ratio and ratio of voting rights
Number of shares to be acquired (shareholding ratio): 40,370 (70.0%)
Number of voting rights (ratio of voting rights): 40,370 (70.0%)

7) Basis for determining acquiring company
The Company will acquire shares in consideration of payment of cash.

(2) Acquisition cost and its breakdown
Acquisition cost: Approximately ¥69,200 million in cash ($651,171 thousand)
The acquisition cost will be adjusted by way of prescribed method specified in the share transfer agreement.
Fund for the acquisition will be procured by way of new borrowing.

(3) Main acquisition-related costs
Advisory fees and other expenses: Approximately ¥400 million ($3,763 thousand)

Report of Independent Auditors

Building a better working world

Ernst & Young ShinNihon LLC
Hibiya Kokusai Bldg.
2-2-3 Uchisaiwai-cho, Chiyoda-ku
Tokyo 100-0011, Japan

Tel: +81 3 3503 1100
Fax: +81 3 3503 1197
www.shinnihon.or.jp

Independent Auditor's Report

The Board of Directors
Tokyo Century Corporation

We have audited the accompanying consolidated financial statements of Tokyo Century Corporation and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Tokyo Century Corporation and its consolidated subsidiaries as at March 31, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 22, 2018
Tokyo, Japan

Main Subsidiaries, Affiliates and Other

Japan

Company	Location	Main Business	Voting Shares*
Consolidated Subsidiaries			
Nippon Car Solutions Co., Ltd.	Japan	Automobile leasing	60%
Nippon Rent-A-Car Service, Inc.	Japan	Automobile rental and leasing	88%
Orico Auto Leasing Co., Ltd.	Japan	Automobile leasing for individuals	50%
Fujitsu Leasing Co., Ltd.	Japan	IT-related equipment leasing	80%
IHI Finance Support Corporation	Japan	General leasing and finance	67%
Orico Business Leasing Co., Ltd.	Japan	General leasing	50%
ITEC Leasing Co., Ltd.	Japan	General leasing	85%
S.D.L Co., Ltd.	Japan	General leasing	100%
TRY Corporation	Japan	Refurbishment of PCs	80%
TC Property Solutions Corporation	Japan	Property management	100%
TC Agency Corporation	Japan	Casualty insurance	100%
TC Business Service Corporation	Japan	Business processing services	100%
TC Business Experts Corporation	Japan	Business inspection services	100%
Kyocera TCL Solar LLC	Japan	Sales of electricity generated using solar power	81%
TCLA Godo Kaisha	Japan	General leasing and installment sales	100%
Shunan Power Corporation	Japan	Power generation	60%
Equity-Method Affiliates			
Nanatsujima Biomass Power LLC	Japan	Sales of electricity generated using biomass power	25%
Nittochi Asset Management Co., Ltd.	Japan	Management and formation of real estate investment funds	30%

U.S.A.

Company	Location	Main Business	Voting Shares*
Consolidated Subsidiaries			
TC Skyward Aviation U.S., Inc.	U.S.A.	Aviation leasing and finance	100%
TC Realty Investments Inc.	U.S.A.	Real estate investment	100%
CSI Leasing, Inc.	U.S.A.	IT equipment leasing	100%
Tokyo Century (USA) Inc.	U.S.A.	General leasing	100%
Equity-Method Affiliates			
Aviation Capital Group LLC	U.S.A.	Aviation leasing and finance	20%
GA Telesis, LLC	U.S.A.	Provider of products, services, and solutions to the commercial aerospace industry	20%

Asia

Company	Location	Main Business	Voting Shares*
Consolidated Subsidiaries			
Tokyo Century Leasing China Corporation	China	General leasing	80%
Tokyo Century Factoring China Corporation	China	Factoring services	100%
TC Leasing Co., Ltd.	China	Leasing and finance through alliance with China UnionPay Merchant Services	100%
Tokyo Leasing (Hong Kong) Ltd.	Hong Kong	General leasing	100%
Tokyo Century Leasing (Singapore) Pte. Ltd.	Singapore	General leasing	100%
Tokyo Century Capital (Malaysia) Sdn. Bhd.	Malaysia	General leasing	100%
TISCO Tokyo Leasing Co., Ltd.	Thailand	General leasing	49%
HTC Leasing Co., Ltd.	Thailand	Construction equipment finance	70%
TC Advanced Solutions Co., Ltd.	Thailand	Reverse factoring and other services	59%
TC Car Solutions (Thailand) Co., Ltd.	Thailand	Financing and services related to automobiles	99%
PT. Century Tokyo Leasing Indonesia	Indonesia	General leasing	85%
PT. TCT Indonesia	Indonesia	General trading company	100%
Equity-Method Affiliates			
Tong-Sheng Finance Leasing Co., Ltd.	China	Automobile and equipment leasing	49%
Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd.	China	Finance and general leasing	40%
Suzhou New District Furui Leasing Co., Ltd.	China	Finance and general leasing	20%
President Tokyo Corporation	Taiwan	Automobile leasing and general leasing	49%
PT. Hexa Finance Indonesia	Indonesia	Construction equipment finance	20%
PT. Big Ecommerce Bersama	Indonesia	B-to-G and B-to-B e-commerce operation	20%
BPI Century Tokyo Lease & Finance Corporation	Philippines	General leasing	49%
Other			
TATA Capital Financial Services Limited	India	Finance and general leasing	—

Europe

Company	Location	Main Business	Voting Shares*
Consolidated Subsidiaries			
TC Skyward Aviation Ireland Ltd.	Ireland	Aviation leasing and finance	100%
TC Aviation Capital Ireland Ltd.	Ireland	Aviation leasing and finance	100%
Tokyo Leasing (UK) Plc	U.K.	General leasing	100%

* Voting share percentages are rounded to the nearest whole number.

Stock Information (As of March 31, 2018) / Bond Ratings (As of March 31, 2018)

Transfer Agent	Mizuho Trust & Banking Co., Ltd.
Stock Listing	Tokyo Stock Exchange, First Section
Securities Code	8439
Trading Lot Size	100 shares

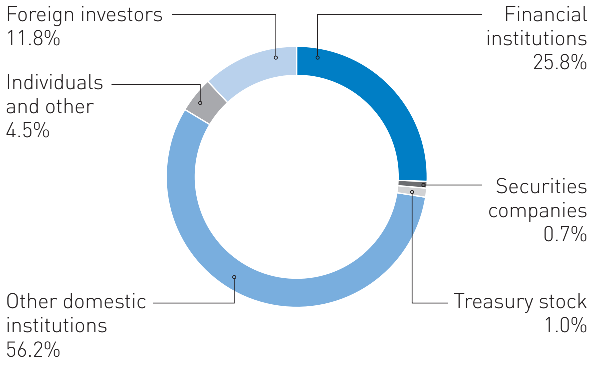
Number of Shares of Common Stock Authorized	400,000,000 shares
Number of Shares of Common Stock Issued	106,624,620 shares
Number of Shareholders	8,624

Major Shareholders

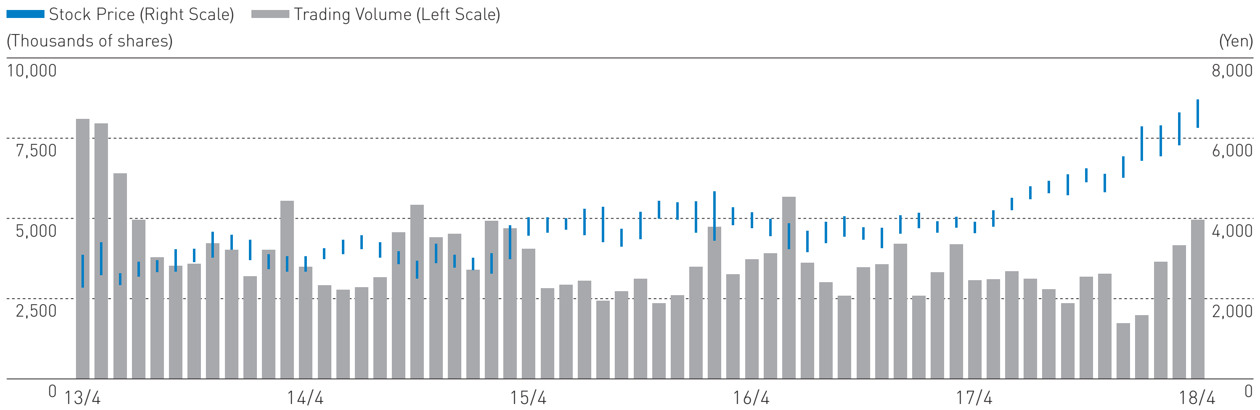
Shareholders	Number of Shares Held (Thousands)	Percentage of Shares Outstanding*
ITOCHU Corporation	26,656	25.3
Nippon Tochi-Tatemono Co., Ltd.	15,712	14.9
KSO Co., Ltd.	10,306	9.8
Japan Trustee Services Bank, Ltd. (Trust accounts)	6,455	6.1
Mizuho Bank, Ltd.	4,688	4.4
The Master Trust Bank of Japan, Ltd. (Trust accounts)	2,288	2.2
Seiwa Sogo Tatemono Co., Ltd.	2,286	2.2
Nippon Life Insurance Company	2,228	2.1
Mizuho Trust & Banking Co., Ltd. (Retirement Allowance Trust, Orient Corporation Account Trust & Custody Services Bank, Ltd. re-entrusted)	1,900	1.8
Yushu Tatemono Co., Ltd.	1,716	1.6

* Excluding treasury stock

Breakdown of Shareholders



Stock Price and Trading Volume



Bond Ratings

Tokyo Century Corporation has received the following issuer ratings from the rating agencies listed below.

Credit Rating Agency	Japan Credit Rating Agency, Ltd. (JCR)	Rating and Investment Information, Inc. (R&I)
Long-term	[Long-term Issuer Rating] Rating: A+ Outlook: Positive	[Issuer Rating] Rating: A Outlook: Stable
	[Preliminary Rating for Bonds Registered for Issuance]* Rating: A+ Expected Issue Amount: ¥200 billion Issue Period: Two Years Beginning February 14, 2018	[Preliminary Rating for Bonds Registered for Issuance]* Rating: A Expected Issue Amount: ¥200 billion Issue Period: Two Years Beginning February 14, 2018
	[Euro Medium-Term Note Program] Rating: A+ Maximum Outstanding Amount: Equivalent of US$2 billion	[Euro Medium-Term Note Program] Rating: A Maximum Outstanding Amount: Equivalent of US$2 billion
Short-term	[Commercial Paper] Rating: J-1 Maximum Outstanding Amount: ¥800 billion	[Commercial Paper] Rating: a-1 Maximum Outstanding Amount: ¥800 billion

* Each bond will be rated by each rating company upon issuance.

Corporate Information / Management (As of July 1, 2018)

Company Name	Tokyo Century Corporation
Head Office	FUJISOFT Bldg., 3 Kanda-neribeicho, Chiyoda-ku, Tokyo 101-0022, Japan
Founded	July 1, 1969
Paid-in Capital	¥34,231 million
Company Representative	Chairman & Co-CEO Toshihito Tamba President & CEO Shunichi Asada
Number of Employees	6,035 (1,016 on a non-consolidated basis as of March 31, 2018)
Closing of Accounts	March 31
Main Banks	Mizuho Bank, Ltd.; The Norinchukin Bank; Sumitomo Mitsui Trust Bank, Limited; Mitsubishi UFJ Trust and Banking Corporation; MUFG Bank, Ltd.
Independent Auditor	Ernst & Young ShinNihon LLC
Network	Domestic: Head office, Sapporo, Sendai, Saitama, Yokohama, Shizuoka, Nagoya, Kanazawa, Kyoto, Osaka, Kobe, Okayama, Hiroshima, Fukuoka Overseas: We operate in 37 countries and regions in Asia, North America, Central and South America, Europe, and elsewhere

Management

Board of Directors

Chairman & Co-CEO, Representative Director
Toshihito Tamba

President & CEO, Representative Director
Shunichi Asada

Director (External Director) *1, *3
Yoshinori Shimizu
Masao Yoshida
Yukito Higaki
Akio Nakamura

Deputy President, Director and Executive Officer
Makoto Nogami

Director and Senior Managing Executive Officer
Masataka Yukiya
Koichi Baba

Director and Managing Executive Officer
Osamu Tamano
Seiichi Mizuno
Akihiro Naruse

Director and Executive Officer
Ko Nakagawa

Corporate Auditors

Standing Corporate Auditor (External Corporate Auditor) *2
Futoshi Okada

Standing Corporate Auditor
Yasuyoshi Nozaki
Yuichiro Ikeda

Corporate Auditor (External Corporate Auditor) *2, *3
Masao Fujieda

*1. External director as stipulated by Article 2-15 of the Corporation Law of Japan
*2. External corporate auditor as stipulated by Article 2-16 of the Corporation Law of Japan
*3. Designated independent officer as stipulated by the Tokyo Stock Exchange

Executive Officers

Deputy President, Executive Officer
Koichi Nakajima
Akihiko Okada

Senior Managing Executive Officer
Yasushi Yoshino
Yoichiro Nakai

Managing Executive Officer
Kenji Murai
Takashi Kamite
Yoshio Nomura
Mahoko Hara
Toshifumi Takashima

Executive Officer
Kazuhiro Shibata
Tomoyuki Akamatsu
Shuji Ozawa
Toshio Kitamura
Tatsuya Yamamoto
Hiroaki Ogino
Foo Siang Seng
Tatsuya Hirasaki
Takashi Yonetsu
Kimio Kozuka
Junji Tsutsui
Yoshihiro Ueda
Toshihiko Tamura
Masami Nagata
Minoru Kuwahara
Yuji Itagaki

This integrated report is also available on Tokyo Century's corporate website.
www.tokyocentury.co.jp/en/

Tokyo Century Corporation

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