Major Risks, Management Frameworks, and Risk Management

Risk Management Initiatives under Medium-Term Management Plan 2027

Tokyo Century has developed and continues to bolster a risk management framework aimed at the efficient allocation of management resources through an enterprise risk management (ERM) approach to enhance risk management in response to the evolution of its business model and the uncertainty of its operating environment.

1 Appropriately control total risk amount in line with economic capital and diversify business portfolio risks

- **Continue management with capital use rate guidelines (Capital use rate = Total risk amount / Consolidated economic capital)**
  Ongoing implementation of consolidated capital use rate guidelines and management and monitoring of consolidated capital use rate from perspective of maintaining financial discipline
- **Introduce risk limits for specific categories**
  Official introduction in fiscal 2024 of guidelines implemented on trial basis in fiscal 2023 to limit concentration of risks on specific categories (aviation, investments, and real estate)
- **Allocate economic capital by operating segment, etc.**
  Ongoing examination of possibility of allocating economic capital by operating segment as an additional measure for controlling total risk amount and dispersing business portfolio risks

2 Promote business management of risks and returns considering cost of capital

- Regularly monitor return on invested capital (ROIC) spread, which is ROIC less weighted average cost of capital (WACC), as a cost-of-capital-based indicator of the risk-and-return balance of specific business areas reflecting business and risk characteristics
- Identify issues to achieve better risk-and-return balance for use in promoting future portfolio transformation initiatives

3 Entrench and enhance investment management framework

- Establish investment guidelines comprising the following six items to foster investment culture
  1. Meaningfulness of investment 2. Conformity with investment standards (profitability commensurate with risks) 3. Appropriateness of investment amounts 4. Clarification of risk appetite 5. Flexibility of investments necessary to facilitate appropriate portfolio management 6. Consideration for ESG issues and the SDGs

4 Enhance country risk and global risk readiness

- Conduct multifaceted control through monitoring of country-specific exposure management and political, social, economic, and other operating environment changes in relevant countries and regions
- Position country limits set based on sovereign and other rates as guidelines and, in principle, keep country-specific exposure within guideline limits
- Utilize external information resources when undertaking large-scale transactions and avoid or cancel transactions based on designations of countries not eligible for financing or investment
- Promote exhaustive country risk management at ACG based on unique approach accounting for characteristics of aviation business model

Major Risks and Management Frameworks

Management Meeting and Board of Directors
- Management of policies and status of investments in equities, etc.

Comprehensive Risk Management Committee
- Measurement and management of risks

Investment Management Committee
- Investment screening, progress management, and continuation/withdrawal decision-making

Credit Risk Management Committee
- Credit risk measurement and analysis

Transaction Evaluation Meeting
- Review of large projects and new scheme projects, etc.

Internal Rating System

Country Risk Added in fiscal 2023
- Country risk exposure management
- Collection and sharing of country risk information
- Designation of countries not eligible for financing or investment

Following 12 non-financial risk categories identified for monitoring

Administration risk
Fraud risk
System risk
Information security risk
Legal risk
Personnel and labor risk Revised in fiscal 2022
Human rights and workplace environment risk Revised in fiscal 2022
Disaster risk
Regulatory and system change risk
Climate change risk
Portfolio management risk Added in fiscal 2024
Reputational risk

Administration Risk and System Risk

IT and Administration Strategy Management Committee
- Preparation and implementation of IT strategies, IT investment policies, administrative system, etc.

Information Security Risk

Information Security Committee
- Operation based on ISO 27001

Establishment and Operation of CSIRT Office in the IT Promotion Division

Disaster Risk (Large-Scale Natural Disasters and Other Crises)

Establishment of Crisis Management Rules, Business Continuity Plan (BCP) Rules, etc.

Preparation and Implementation of BCP Manual, Safety Confirmation System, etc.

Other Operational Risks

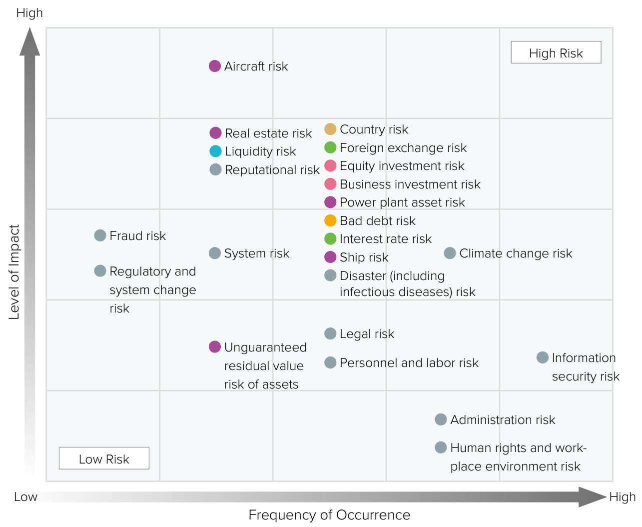
Comprehensive Risk Management Committee
- Analysis and measurement of risks and countermeasure planning
- Non-financial key risk indicator monitoring, etc.

Asset Liability Management Committee
- Management of market risk, such as fluctuations in interest rates and foreign exchange rates, and liquidity risk
  Introduction of risk management tools such as hedge ratio, maturity ladder, gap analysis, GPS (grid point sensitivity), and VaR (value at risk)

Major Risks, Management Frameworks, and Risk Management

Risk Heatmap

The Basic Risk Management Policy and the Comprehensive Risk Management Rules define risk categories. The Group assesses secular changes annually in its business operations and maps these categories using a matrix that measures the level of impact and frequency of occurrence. The resulting map is reviewed every year with comprehensive consideration paid to various factors, such as trends in risk scenarios identified via risk audits, the risk amount for each risk item, initiatives, and incidents or accidents. In fiscal 2023, the Company began having reports on the risk heatmap submitted to the Board of Directors, and other steps are being taken to visualize identified risks and share this information with relevant parties.



Risk Management

Comprehensive Enterprise Risk Management

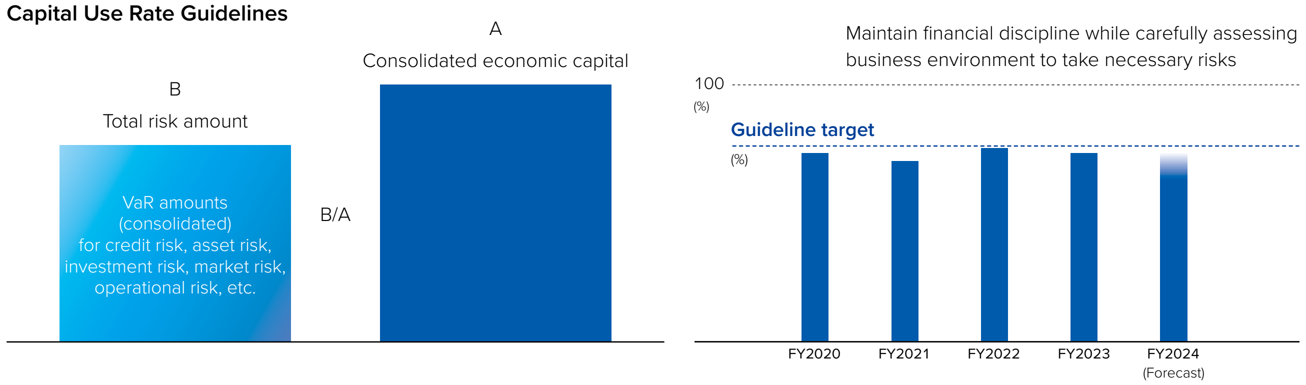
The Tokyo Century Group practices comprehensive ERM in accordance with its management guidelines for capital use rates based on quantitative risk control on a consolidated basis. The capital use rate is used to assess risk resilience, an important criterion for rating financial institutions. We have therefore sought to keep the risk amount within a certain level of capital buffers by adhering to the aforementioned management guidelines. As our business domain continues to expand, the relationship between the amount of capital and level of risk receives greater attention from investors and other interested parties. For this reason, the capital use rate has become a key indicator for objectively determining prospects for our sustainable growth and investment capacity.

We refer to the targeted level of the capital use rate only as a guideline, since the regulations regarding capital use levels for financial institutions are not applied to us. In operating a business, seizing business opportunities, such as the opportunity to take part in M&A activities, is also an important factor considered under the risk management framework. Rather than adopting a passive approach to the soundness of corporate management, we pay due consideration to the magnitude of increase in the amount of risk over a medium-term period of about three years, the projection for organic increases in the shareholders' equity ratio from profit growth, and the level of tolerance of our capital policy.

Medium-Term Management Plan 2027 prescribes the enhancement of our risk management framework aimed at the efficient allocation of management resources through an ERM approach. In fiscal 2024, we officially introduced risk exposure guidelines (soft limits) for the categories that account for a large portion of our risk profile (aviation, investments, and real estate). These guidelines will be used to drive the dispersion of risks in the Company's business portfolio and otherwise enhance portfolio transformation.

The main objective of risk management at the Tokyo Century Group is to support growth and value creation by allowing for bold risk taking. We will continue to control the capital use rate to maintain it at the appropriate guideline level. At the same time, we will constantly improve on the level of our risk management framework in conjunction with the expansion of our business domain and changes in the operating environment in order to sustainably improve corporate value.

Capital Use Rate Guidelines



Visual Risk Information Tracking at the Management Level

In addition to measuring risks on a consolidated basis and controlling the capital use rate, we implement a visual management information system (MIS). Under the system, the Credit Risk Management Committee and the Comprehensive Risk Management Committee take the lead in regularly monitoring risk information on multiple criteria and report the results to the Management Meeting and the Board of Directors.*

In our global operations, we pay particular attention to Aviation Capital Group LLC (ACG) and CSI Leasing, Inc. (CSI), our U.S.-based subsidiaries that specialize in leasing and for which the scale of investments and assets is quite large. ACG has achieved success as a textbook example of a resilient company made so through a unique risk management approach that includes introducing a risk appetite framework to clarify the risks to be accepted, such as aircraft asset risks, and the risks to be avoided (mitigated or transferred), such as interest, liquidity, and foreign exchange rates. In addition, ACG has implemented a new risk management framework to be used in dispersing previously concentrated risks on country and airline bases and ensuring an appropriate risk-and-return balance based on the characteristics of a given project. This framework is being utilized for managing individual projects.

* For information on the monitoring activities of the Company's committees, please refer to P.109 "Major Risks and Management Frameworks."

ACG's Risk Appetite Framework

Risk Tolerance		Ability to Influence[*1]	Risk Category[*2]	Risk Management Method
High	Risks to be accepted	Positive	Asset acquisition risk **1**	• Focus on investments in widely applicable assets that promise reliable leasing rates and residual value
Medium	Risks to be mitigated or transferred	Neutral	Residual value risk **2** Country/geopolitical risk Credit risk Aviation market risk ESG risk	• Portfolio management based on defined risk management indicators to address potential impacts from difficult-to-control operating environment factors (hard limits on level of geographic region exposure concentration, control of average age of fleets, etc.) • Enhancement of discussions and assessments pertaining to individual projects based on changes in geopolitical risks • Appointment of ESG division representative to oversee formulation and implementation of action plans related to materiality items; annual ESG disclosure and reporting detailing progress
		Positive	Remarketing risk **3** Model risk **4** Operational risk	• Portfolio management based on defined risk management indicators (diversification of lease maturities and new aircraft delivery timings)
Low	Risks to be avoided	Positive	Capital management risk Interest rate risk Liquidity risk Currency risk Reputational risk	• Hedging within a predefined range based on stringent risk management indicators (interest rate duration mismatch, debt-to-equity ratio limitation, etc.) • Upper limits for ratio of debt with floating interest rates • Regular stress tests in preparation for potential operating environment changes

*1 Proactive and autonomous management made possible by ACG's high level of expertise
*2 ESG risk introduced as new risk category

1. Asset acquisition risk: Risk that appropriate portfolio management cannot be practiced in relation to aircraft acquisition methods, selected models, etc.
2. Residual value risk: Risk that aircraft cannot be sold or disposed of at residual value anticipated at time of leasing
3. Remarketing risk: Risk that lessees cannot be found at time of lease maturity or cancellation due to declines in aircraft demand, etc.
4. Model risk: Risk that sufficient returns cannot be generated by projects due to inability to appropriately reflect interest rate or aircraft value trends in lease rates of pricing models

Non-Financial (Non-Quantitative) Risks

As our business domain grows and we branch out from the financial sector to provide business services, it is becoming increasingly important to account for non-financial operational risks that cannot be measured quantitatively. Based on this recognition, Tokyo Century has established key risk indicators (KRIs) for non-financial risks. Regular monitoring of these KRIs is performed, and the results are reported to the Board of Directors and other relevant bodies. KRIs have been set pertaining to human resources, information security, accidents, compliance, climate change, legal affairs, and corruption. We are also expanding our range of environmental KRIs in relation to renewable energy, CO_2 emissions, and the portion of our portfolio accounted for by fuel-efficient aircraft and electrified vehicles and have broadened the scope of personnel and labor risk (from non-consolidated to consolidated) amid the rising importance of tracking and managing human rights and climate change risks. Nevertheless, stakeholder concern for non-financial risks is constantly rising. From the perspective of sustainability, Tokyo Century will continue to bolster its range of effective indicators related to human rights and climate change risks as well as to other environmental, social, and governance (ESG) factors and to the United Nations Sustainable Development Goals (SDGs).

Major Risks, Management Frameworks, and Risk Management

Environmental and Climate Change Risks

The Tokyo Century Group recognizes that responding to climate change is an important task. We have therefore endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are advancing climate change response measures including scenario analyses and information disclosure based on these recommendations.

Scenario Analyses through Risk Materiality Assessments

Given that it has five operating segments, the Tokyo Century Group has chosen an approach for selecting businesses subject to scenario analyses entailing risk materiality assessments. These assessments involve industry-specific evaluations of the impacts of climate change risks and comparative analyses of the greenhouse gas emissions and asset portfolios of different operating segments. To date, scenario analyses have been conducted targeting the environment and energy businesses (solar power generation), the aviation business (aircraft leasing), and the automobility business (auto leasing for individuals and companies). Going forward, the Company will continue to examine the appropriate risk countermeasures and related opportunities by expanding the scope of businesses subject to scenario analyses and improving the accuracy of said analyses based on risk materiality assessments.

Risk Materiality Assessments

Importance for stakeholders	• Assessment of industries with high climate change risk as determined by ESG rating institutions
Importance for Tokyo Century	• Measurement of greenhouse gas emissions by operating segment • Assessment of earnings, expenses, assets, and other aspects of portfolios by operating segment • Assessment of risks (transition risks and physical risks) and opportunities by operating segment

Selection through risk materiality assessment

Businesses subject to scenario analyses	Environment and energy businesses (solar power generation) Aviation business (aircraft leasing) Automobility business (auto leasing for individuals and companies)

Risks and Opportunities Based on Scenario Analyses

Environment and energy businesses (solar power generation)	Tokyo Century recognizes the potential for the emergence of physical risks requiring urgent attention related to abnormal weather events, such as typhoons and heavy rain, and transition risks including the introduction of carbon taxes and strengthening of laws and regulations. Conversely, solar power generation and other renewable energy businesses are expected to see a wider range of opportunities.
Aviation business (aircraft leasing)	The aviation business may be impacted by the emergence of physical risks associated with the increasing severity of extreme weather events and transition risks such as the implementation of carbon emissions reduction targets in various countries and regulations specific to the airline industry. At the same time, increased earnings opportunities are anticipated from the transition to low-emission aircraft with higher fuel efficiency and lighter weights, and new opportunities are projected to emerge as electric aircraft and other new technology aircraft are deployed in the future.
Automobility business (auto leasing for individuals and companies)	For the automobility business, physical risks could include impacts from the increasing severity of extreme weather events, such as vehicle production delays due to flooding and heavy rainfall, while potential transition risks might include the shift from gasoline and diesel vehicles to electric vehicles (EVs), which would entail a switch from fueling to charging. Meanwhile, earnings opportunities related to charging service and used EV battery reuse businesses are projected to emerge amid the shift toward EVs.

Detailed Disclosure Based on TCFD Recommendations

For more information on governance, strategies, risk management, and metrics and targets pertaining to disclosure based on TCFD recommendations, please refer to the following website.

https://www.tokyocentury.co.jp/en/sustainability/esg/environment/tcfd.html

Environmental Impact Assessments

Tokyo Century aims to make contributions to the environment through its business activities. Thus, we believe it is important to understand the positive and negative impacts on the environment of the projects we undertake. Accordingly, environmental impact assessment worksheets are used to assess the environmental risks and opportunities of candidate projects to be submitted to the Management Meeting and Transaction Evaluation Meeting. In fiscal 2023, an internal carbon pricing system was introduced for worksheets submitted to the Management Meeting on a trial basis as a framework for appropriately controlling increases in greenhouse gas emissions due to the undertaking of new projects.

Climate Change Risks

Preliminary measurements of exposure to transition risks and physical risks are conducted and the results are reported regularly to the Comprehensive Risk Management Committee to determine the potential impact of climate change risks on Tokyo Century's business portfolio. We also began reporting the results of these measurements to the Board of Directors in fiscal 2023.

Exposure to transition risks is quantified through Monte Carlo simulations targeting sectors chosen based on TCFD recommendations after accounting for the potential impact of these risks on debtor ratings and asset value.

Physical risk exposure is measured as the maximum loss projected to be incurred based on statistical simulations of specific business assets (solar power generation businesses, etc.) that have suffered damages from natural disasters.

For more information on the following topics, please refer to the Company's corporate website.

• Acquisition of ISO 14001 Certification for Environmental Management Systems • Environmental Management System Organization

https://www.tokyocentury.co.jp/en/sustainability/esg/environment/management.html

Response to Expansion of Business Domain

Investment Management Framework

For the purpose of establishing an investment governance framework for use in optimizing its business portfolio, the Tokyo Century Group has instituted an investment management framework. Primary focuses of this framework include clarifying investment screening and withdrawal standards and developing standardized monitoring processes.

Overview of Investment Management Framework

Investment Screening	**Verification of Investment Risks and Profitability** • Due diligence processes • Business plan formulation and synergy verification • Post-merger integration and investment recovery policy formulation, etc.
Investment Standards	**Confirmation of Conformity to Investment Management Framework Standards** • Quantitative standards: Confirmation that present value (calculated as cash flows after taxes attributable to the Company and discounted based on cost of capital) is greater than investment amount • Qualitative standards: Compatibility with Companywide portfolio strategies and operating segment business strategies • Individual withdrawal standards: Confirmation of financial figures defined as triggers for commencing the withdrawal process and effectiveness of withdrawals
Progress Management	**Monitoring** • Preparation of charts detailing profit margins after deduction of cost of capital • Confirmation of conformity to quantitative and qualitative standards, applicability under withdrawal standards, and progress of initial business plans
Continuation / Withdrawal Decision	**Investment Continuation Judgment** • Confirmation of changes in strategic importance, market growth potential, etc. • Assessment of impacts of withdrawal on relevant parties, etc. (items to be considered when withdrawing)

Continuation Withdrawal

Major Risks, Management Frameworks, and Risk Management

As part of the process for screening investments under this framework, it is confirmed whether the present value (calculated as cash flows after taxes attributable to the Company and discounted based on cost of capital) is greater than the investment amount, whether the business area targeted for investment conforms with business portfolio strategies, and whether appropriate triggers for withdrawal decisions have been set. After such confirmation, the Investment Management Committee meets and multifaceted evaluations are conducted by dedicated divisions with regard to projected risk exposure, legal risks, and taxation circumstances. The decision of whether to conduct a specific investment is made by the Management Meeting based on comprehensive discussions taking into account the evaluations by the Investment Management Committee.

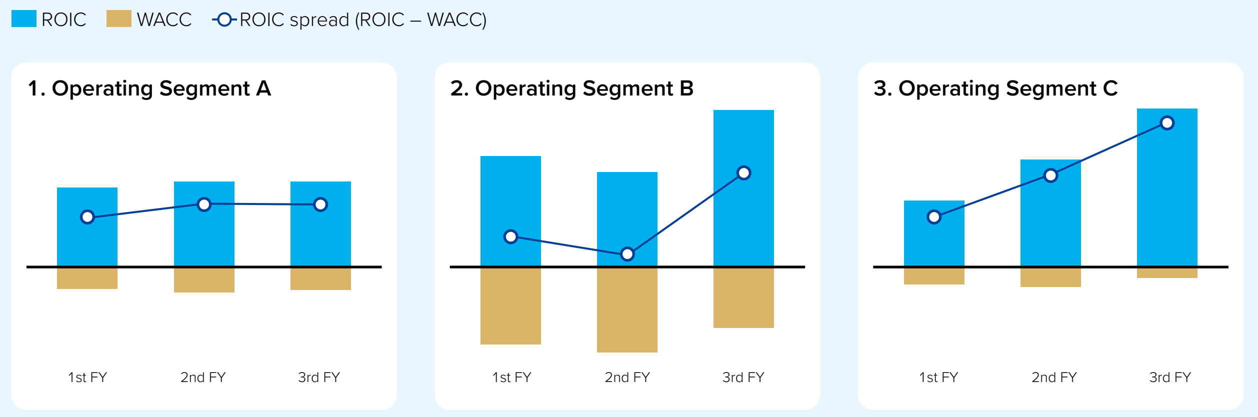
After investment, projects will continue to be monitored through standardized processes. Charts detailing profit margins after deduction of cost of capital are prepared for all applicable projects, and confirmation is sought regarding whether any projects have become applicable under shared or individual withdrawal standards. The Investment Management Committee compiles the results of evaluations into annual monitoring reports, which are submitted to the Management Meeting and the Board of Directors.

If a project is judged to have become applicable under withdrawal standards, the Investment Management Committee will suggest withdrawal to the Management Meeting. Should a sales organization seek to maintain an investment even after the project has become applicable under withdrawal standards, the Investment Management Committee will evaluate the appropriateness of continuation, and the final decision will be made by the Management Meeting based on comprehensive discussions taking into account the evaluations by the Investment Management Committee.

ROIC Monitoring in Operating Segments

Tokyo Century regularly monitors the return on invested capital (ROIC) spread, which is ROIC less weighted average cost of capital (WACC), as a cost-of-capital-based indicator of the risk-and-return balance of specific business areas reflecting business and risk characteristics. Moreover, this timing-based monitoring approach is used to promote management that emphasizes cost of capital along with sound financial discipline. Factors examined through this monitoring include whether an appropriate balance is being maintained between risks and returns in different operating segments and whether the necessary risks are being taken to generate value and stimulate growth. Under Medium-Term Management Plan 2027, the Company continues its approach toward managing risks and returns with an emphasis on cost of capital. At the same time, enhancements to this approach are being pursued by reviewing methods for managing the ROIC spread by operating segment and incorporating this indicator into performance evaluations and portfolio allocation.

Management of ROIC Spread by Operating Segment Figure



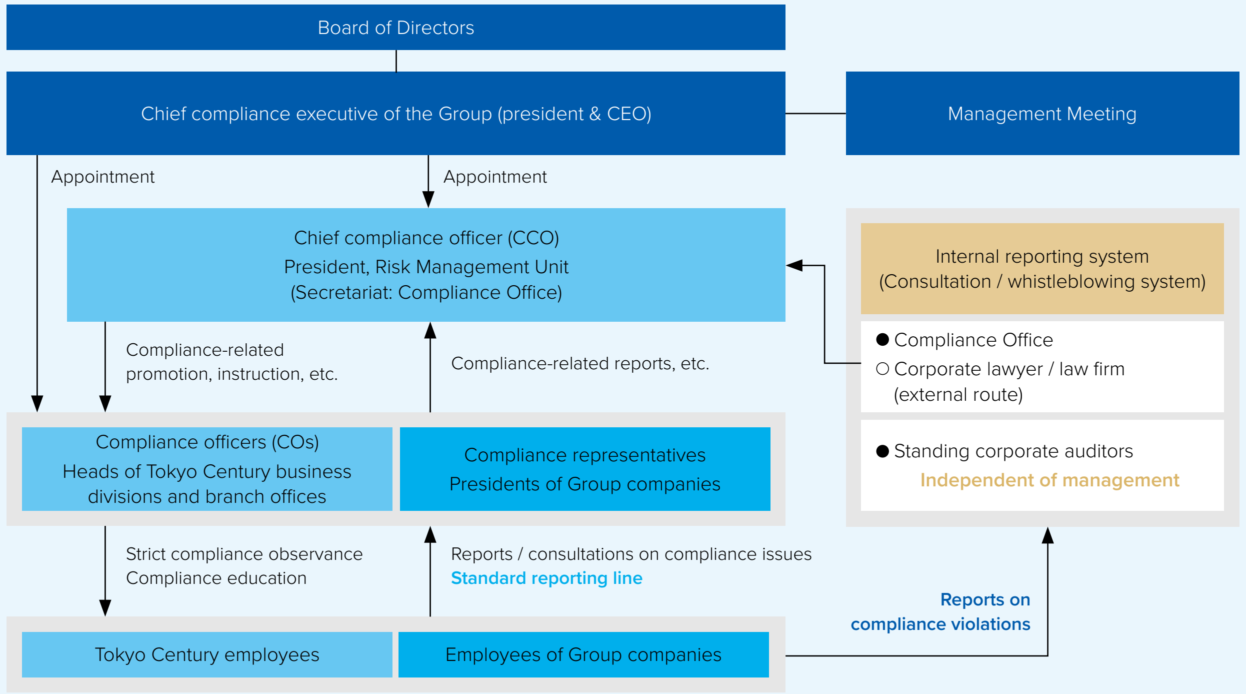
Compliance

Compliance Structure

At the Tokyo Century Group, the Compliance Office promotes compliance measures under the supervision of the chief compliance officer (CCO) appointed by the president & CEO, who is also the chief compliance executive.

The heads of each business division and branch office of the Company, along with the presidents of Group companies, act as compliance officers (COs) with the responsibility of coordinating with the Compliance Office to guarantee compliance with all relevant laws and regulations and ensure that business activities are kept in line with social norms.

Compliance Structure for the Tokyo Century Group



Compliance Activities

Compliance activity plans are formulated through discussions by the Management Meeting at the beginning of each fiscal year, and these plans are reported to the Board of Directors. The adequacy of the progress of these plans is reviewed every six months by the Management Meeting and the Board of Directors.

Specific compliance activities include e-learning programs, face-to-face and online training sessions, distribution of compliance-related information, and compliance awareness surveys. We also arrange Groupwide forums for sharing compliance information.

Internal Reporting System

The Tokyo Century Group implements clear and exhaustive whistleblower protection measures in its internal reporting system in accordance with Japan's Whistleblower Protection Act. Persons engaged in the activity of dealing with whistleblowing disclosures, as described in the act, are designated and trained to perform tasks related to the whistleblowing system, and these individuals are obliged to maintain complete confidentiality with regard to information obtained during their duties. We will continue to adhere to the highest standards in operating our internal reporting system based on the belief that it is an important tool for exercising compliance management.

In addition, we are working to expand use of our internal reporting system by broadening the scope of compliance-related consultations that can be processed through all three internal and external consultation venues; providing training on the purpose and meaningfulness of the system as well as procedures for addressing reports; conducting regular awareness surveys regarding the system; and disclosing information pertaining to its implementation status. The ratios of reports and consultations from domestic and overseas Group companies indicate that this system is well entrenched and functioning appropriately.

Human Rights Initiatives

The Tokyo Century Group recognizes that promoting respect for human rights is an important management issue. Based on this recognition, we have established the Human Rights Policy and included provisions related to respect for human rights in our Corporate Code of Conduct and Our Action Guidelines to instill these principles in our business activities. We also expect our stakeholders to exercise respect for human rights.

Human Rights Risk Management

Human rights-related risks are tracked and assessed through the Group's ERM framework, and related information is regularly reported to the Management Meeting and the Board of Directors.

Major Risks, Management Frameworks, and Risk Management

Human Rights Training and Education

To foster a culture of respect for human rights, ongoing training and education are administered targeting all officers and employees on themes including the relationship between businesses and human rights, the Group's human rights initiatives, and prohibition of harassment.

Grievance Mechanism

The Tokyo Century Group has established contact points for human rights consultations that can accommodate both Japanese- and English-language consultations regarding human rights violations and which are available to Group officers and employees. Remedial frameworks are in place to rectify the damages suffered by victims of any verified violations.

Human Rights Due Diligence

• Tokyo Century Corporation and Group Companies

Human rights due diligence activities are implemented at Tokyo Century Corporation and all of its consolidated subsidiaries in Japan and overseas. Human rights risks closely related to the Group's businesses are identified, and surveys and interviews are conducted at Group companies to pinpoint issues pertaining to the identified risks in order to pursue ongoing improvements.

• Investees

Tokyo Century assesses human rights risks during the decision-making process for large investments and financing and when monitoring those that have been implemented. These assessments focus on concerns such as the frameworks for addressing human rights risks and any incidences of past violations at the target of investment, human rights risks that may arise because of a given investment or financing, and measures to prevent and mitigate such risks. Decisions to conduct investments or financing are informed by these assessments.

For more information on the following topics, please refer to the Company's corporate website.

• Compliance Structure of the Tokyo Century Group • Internal Reporting System • Compliance Handbooks • Compliance Education
• Initiatives to Prevent Money Laundering • Initiatives for Preventing Corruption • Policy on Political Funds

https://www.tokyocentury.co.jp/en/sustainability/esg/governance/compliance.html

• Human Rights Initiatives

https://www.tokyocentury.co.jp/en/sustainability/esg/social/humanrights.html#anc_humanrights-efforts

Information Security

The Tokyo Century Group views information security as a crucial issue affecting corporate management. The Company has accordingly obtained certification under ISO 27001, the international standard for information security management systems. Under the leadership of the Information Security Committee, we periodically revise regulations and rules regarding information management, conduct regular risk assessments to address information security risks, and carry out information security training for employees and officers.

The TC-CSIRT, a computer security incident response team, has been set up within the IT Unit as a dedicated cybersecurity organization. Under normal circumstances, the TC-CSIRT will take steps to prevent the recurrence of past incidents and the occurrence of new incidents by monitoring security systems, assessing the security of cloud services, and educating officers and employees.

As cyberattacks grow more sophisticated and complex, we endeavor to enhance our response capabilities by sharing information with external partners through membership in the Nippon CSIRT Association and participating in drills for exercising the knowledge acquired in this manner. In fiscal 2023, we joined a cybersecurity framework operated by a major shareholder to practice coordination with regard to assessments and practical drills. Tokyo Century is also taking other steps to strengthen its cybersecurity measures.

Developing a global business means that actions must be taken to protect personal information and strengthen information security measures considering various cultures and regulatory environments. With the aim of reinforcing global security governance, assessments of overseas subsidiaries are performed to identify issues and implement response measures. In addition, we encourage closer collaboration with and among Group companies by strengthening management of outside subcontractors, providing information on information security, and holding regular liaison meetings.

In addition to these efforts, we conduct email drills targeting the Company and domestic and overseas Group companies with emails in Japanese and other languages several times a year. These drills have proved to be an effective training method for improving the information security awareness of officers and employees.

For more information on the following topics, please refer to the Company's corporate website.

• ISO 27001 Certification • Basic Information Security Policy

https://www.tokyocentury.co.jp/en/csr/governance/security.html

Audit System

Point Objective and Independent Audit System

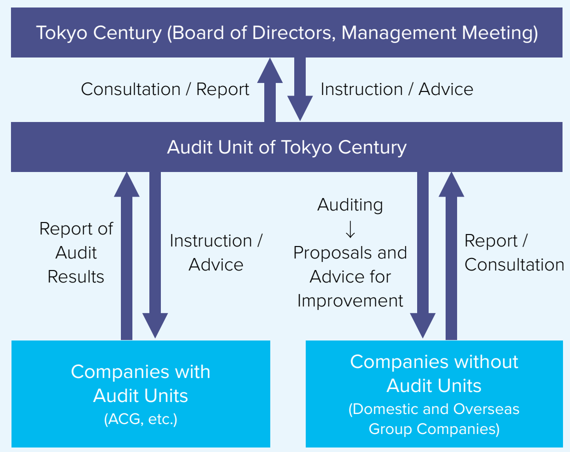
The Audit Unit has been established as an independent organization under the direct control of the president and is tasked with performing internal audits of Tokyo Century and Group companies. Internal audits are aimed at assuring the appropriateness of the Company's systems, organizations, and rules; whether all business activities comply with relevant laws and regulations and internal rules; and whether operating processes and the risk management system work appropriately and rationally. Based on these audits, improvements are proposed and advice is provided as necessary. As the Group expands its areas of business, risk profiles are becoming more diversified and complex. Accordingly, Tokyo Century aims to conduct internal audits that are effective as part of a risk-based approach. Timely and appropriate audits are also conducted of companies newly consolidated through investment or acquisition. Through such auditing activities, we strive to enhance the risk management capabilities and improve the corporate value of the Company and Group companies. Annual internal audit plans are reported to the Board of Directors after approval by the president (Management Meeting), and the results of the audits are reported to the president (Management Meeting) and to the Board of Directors.

Audit System for Major Group Companies

Major domestic Group companies as well as major overseas Group companies Aviation Capital Group LLC (ACG) and CSI Leasing, Inc., have in place independent audit units that perform audits at their respective companies. Audit plans and results are reported to the Audit Unit of the Company, which provides instruction and support as necessary.

The Audit Unit directly audits subsidiaries that do not have their own auditing functions.

The Tokyo Century Group's Audit System



Basic Audit Policies

Reliable Third Line of Defense Supporting Quest for Growth Furnished by Audit Unit

1. Identification of latent risks to contribute to improved operations and the prevention of misconduct
2. Provision of effective proposals and advice for improvement based on a forward-looking perspective and sensitivity toward change
3. Support for and coordination among Group companies to strengthen the Groupwide audit system

Message from the President of the Audit Unit

Medium-Term Management Plan 2027 calls for Tokyo Century to transform itself and become a corporate group that brings about change in pursuit of ongoing growth. Robust governance and strong risk management are imperative to accomplishing this objective and achieving ongoing growth. I view the Audit Unit as our third line of defense, the last bulwark for governance and risk management. The unit thus has a cornerstone role in supporting the ambitions of the Company. I am therefore committed to offering constructive and accurate improvement proposals and advice to ensure effective risk management.

Akihiko Okada
Deputy President, Director and Executive Officer
President, Audit Unit