

These consolidated financial results are an English translation of excerpts from the Japanese “*Kessan Tanshin*” including attachments filed with the Tokyo Stock Exchange, solely for the convenience of readers outside Japan.

This report has been prepared in accordance with accounting principles and practices generally accepted in Japan. Amounts less than ¥1 million have been omitted unless otherwise stated.

Consolidated Financial Results (*Kessan Tanshin*) for the Six Months of Fiscal Year Ending March 31, 2024 [Japan GAAP]

November 10, 2023

Name of Listed Company: Tokyo Century Corporation

Stock Exchange Listing: Tokyo

Securities Code: 8439

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

Representative: Koichi Baba, President & CEO, Representative Director

Contact: Tatsuya Hirasaki, Director and Managing Executive Officer

Phone: +81-3-5209-6710

Scheduled Reportable Date of Quarterly Securities Report: November 10, 2023

Scheduled Payment Date of Dividends: December 5, 2023

Preparation of Supplementary Reference Documents: Yes

Holding of Quarterly Earnings Call: Yes (for institutional investors and analysts)

(Amounts less than one million yen are omitted.)

1. Consolidated Performance

	Six Months Ended September 30, 2022	Six Months Ended September 30, 2023	YoY
	<i>(Millions of yen)</i>		<i>(Percentage change)</i>
(1) Consolidated business results:			
Revenues	626,482	685,458	9.4%
Operating income	49,355	53,093	7.6%
Ordinary income	55,838	59,217	6.1%
Net income attributable to owners of parent	(6,274)	35,602	-%
Basic earnings per share (<i>Yen</i>)	(51.30)	290.83	
Diluted earnings per share (<i>Yen</i>)	-	289.76	

Notes:

Total comprehensive income

For the six months ended September 30, 2023: ¥125,675 million (5.1)%

For the six months ended September 30, 2022: ¥132,368 million 58.4%

	As of March 31, 2023	As of September 30, 2023
	<i>(Millions of yen)</i>	
(2) Consolidated financial condition:		
Total assets	6,082,114	6,265,016
Net assets	888,985	992,430
Shareholders' equity ratio	12.5%	13.9%

Reference:

Shareholders' equity

As of September 30, 2023: ¥869,020 million

As of March 31, 2023: ¥761,597 million

2. Dividends

	Dividends per Share (<i>Yen</i>)				
	First Quarter	Second Quarter	Third Quarter	Year-End	Total
Fiscal 2022	-	71.00	-	72.00	143.00
Fiscal 2023	-	100.00	-	-	-
Fiscal 2023 (Forecast)	-	-	-	25.00	-

Note: Revisions to the most recently announced forecast of dividends: Yes

The Company plans to conduct a 4-for-1 stock split of its common shares effective January 1, 2024. The year-end dividend per share for the fiscal year ending March 31, 2024 (forecast) is, therefore, presented in an amount taking into account the effects of the stock split. The forecast of annual dividends is not presented because a simple calculation is not possible due to the stock split. The year-end dividend per share and the annual dividend per share for the fiscal year ending March 31, 2024 (forecast) without considering the stock split are ¥100 and ¥200, respectively.

For the details, please refer to the “Notice Concerning Stock Split, Partial Amendment to the Articles of Incorporation in Line with the Stock Split, Revision to the Forecast of Dividends, and Revision to the Criteria for Offering Shareholder Benefits Based on the Stock Split Ratio.”

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2024 (As of November 10, 2023)

	Full year	YoY
	(Millions of yen)	(Percentage change)
Ordinary income	110,000	3.6%
Net income attributable to owners of parent	70,000	—%
Basic earnings per share (Yen)	142.97	

Note: Revisions to the most recently announced forecast of consolidated results: None

The basic earnings per share in the consolidated results forecast for the fiscal year ending March 31, 2024 (full-year) take into account the effects of the stock split. Those without considering the stock split are ¥571.89.

Notes

(1) Changes in status of significant subsidiaries during the period under review (changes in status of specified subsidiaries resulting in change in scope of consolidation): None

(2) Adoption of special accounting treatments for quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and retrospective restatements

1) Changes in accounting policies due to reforms of accounting standards: Yes

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

3) Changes in accounting estimates: None

4) Retrospective restatements: None

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

(4) Number of shares of common stock issued

1) Number of shares issued at the end of the period (including treasury stock)

As of March 31, 2023: 123,028,320 shares

As of September 30, 2023: 123,028,320 shares

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

As of March 31, 2023: 627,532 shares

As of September 30, 2023: 614,588 shares

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

Six months ended September 30, 2022: 122,321,834 shares

Six months ended September 30, 2023: 122,413,814 shares

These quarterly financial results are outside the scope of quarterly review by certified public accountant or audit firm.

Explanation related to forward-looking statements and other items warranting special mention

(Regarding forward-looking statements)

The statements concerning future performance presented in this document are prepared based on currently available information and certain preconditions that Tokyo Century Corporation and its Group companies believe to be reasonable at the publication of this document. These statements do not purport that the Company pledges to realize such statements. Actual results may be substantially different from any projections presented herein due to various factors.

(Methods for obtaining supplementary reference documents for quarterly financial statements)

The supplementary reference documents were disclosed on the TDnet on the same date as this document (Japanese only) and were also posted on the Company’s website.

The Company plans to hold an earnings call (audio conference) for institutional investors and analysts on Tuesday, November 14, 2023.

1. Qualitative Information Concerning Financial Results for the Six Months of Fiscal Year Ending March 31, 2024

* In this section 1 “Qualitative Information Concerning Financial Results for the Six Months of Fiscal Year Ending March 31, 2024,” the amounts expressed in units of millions have been rounded off to the nearest hundred million.

(1) Explanation of Results of Operations

During the six months ended September 30, 2023, revenues increased ¥59,000 million, or 9.4%, to ¥685,500 million, and gross profit increased ¥11,900 million, or 10.5%, to ¥125,400 million, respectively, from the same period of the previous fiscal year. This was due to the elimination of valuation losses of operational investment securities in the International Business segment recorded in the same period of the previous fiscal year and an increase in income in the Automobility segment, despite a decrease in gain on sales of operational investment securities in the Specialty Financing segment.

Selling, general and administrative expenses increased ¥8,200 million, or 12.7%, to ¥72,300 million from the same period of the previous fiscal year, mainly due to increases in personnel and non-personnel expenses in the International Business segment and the Automobility segment.

Non-operating income and expenses decreased ¥400 million, or 5.5%, to an income of ¥6,100 million from the same period of the previous fiscal year. The decrease was mainly caused by a decline in equity in earnings of affiliates.

Due to the factors mentioned above, ordinary income increased ¥3,400 million, or 6.1%, to ¥59,200 million from the same period of the previous fiscal year.

Extraordinary income and losses were ¥1,700 million, income taxes increased ¥9,200 million, or 101.1%, to ¥18,300 million, and net income attributable to non-controlling interests increased ¥1,000 million, or 17.1%, to ¥7,000 million, respectively, from the same period of the previous fiscal year.

As a result, net income attributable to owners of parent was ¥35,600 million (net loss attributable to owners of parent of ¥6,300 million in the same period of the previous fiscal year).

Average exchange rate during the period for the preparation of consolidated financial statements for the major overseas subsidiaries and affiliates closing accounts in December is ¥135.00/US\$ for the first six months of the fiscal year ending December 31, 2023 (January to June 2023) and ¥123.15/US\$ for the first six months of the fiscal year ended December 31, 2022 (January to June 2022).

(Overview of Business Results by Segment)

With the organizational change on April 1, 2023, the Group separated and newly established the Environmental Infrastructure segment from the Specialty Financing segment with the aim of strengthening and expanding environmental energy businesses, such as renewable energy in Japan and overseas, to strongly support business strategy toward decarbonization, and changed its operating segments and other matters. With regard to the Mobility & Fleet Management segment, we renamed it to the Automobility segment. In addition, in the Medium-Term Management Plan 2027 adopted by the Company’s Board of Directors meeting held on May 12, 2023, we decided to align financial targets with net income-based figures.

In line with these changes, effective from the first quarter of the fiscal year ending March 31, 2024, the Group changed the reportable segments to the five segments, Equipment Leasing, Automobility, Specialty Financing, International Business, and Environmental Infrastructure. In addition, segment income was changed from ordinary income to net income attributable to owners of parent.

Business results by segment were as follows.

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

The following year-on-year comparisons are made with the figures of the previous fiscal year based on the changed classification.

Equipment Leasing

Revenues decreased ¥7,600 million, or 3.1%, to ¥233,500 million, and segment income decreased ¥700 million, or 5.4%, to ¥12,100 million, respectively, from the same period of the previous fiscal year. The decrease in segment income was mainly because of a decrease in the balance of segment assets primarily affected by promoting portfolio management focused on asset efficiency. The balance of segment assets decreased ¥75,300 million, or 5.8%, to ¥1,211,800 million from the end of the previous fiscal year. The decrease was mainly because

of the transition of Orico Business Leasing Co., Ltd. (hereinafter “OBL”), which was a consolidated subsidiary of the Company, to an equity-method affiliate.

Automobility

Revenues increased ¥12,200 million, or 6.9%, to ¥189,200 million, and segment income increased ¥3,100 million, or 45.8%, to ¥9,900 million, respectively, from the same period of the previous fiscal year. The increase in segment income was mainly because of a significant improvement in profitability as a result of promoting highly efficient operations in the car rental business and an increase in gains on sales of lease and rental vehicles. The balance of segment assets decreased ¥145,400 million, or 23.8%, to ¥466,100 million from the end of the previous fiscal year. The decrease was mainly because of the transition of Orico Auto Leasing Co., Ltd. (hereinafter “OAL”), which was a consolidated subsidiary of the Company, to an equity-method affiliate.

Specialty Financing

Revenues increased ¥22,100 million, or 17.7%, to ¥147,100 million, and segment income amounted to ¥10,900 million (segment loss of ¥11,400 million in the same period of the previous fiscal year mainly caused by the recording of impairment loss on Russia-related aircraft). The balance of segment assets increased ¥321,200 million, or 12.9%, to ¥2,811,800 million from the end of the previous fiscal year mainly caused by foreign exchange fluctuations.

International Business

Revenues increased ¥14,500 million, or 21.8%, to ¥80,800 million, and segment income amounted to ¥4,400 million (segment loss of ¥10,500 million in the same period of the previous fiscal year mainly caused by the recording of valuation losses of operational investment securities held by consolidated subsidiaries). The balance of segment assets increased ¥102,100 million, or 15.6%, to ¥757,800 million from the end of the previous fiscal year mainly caused by foreign exchange fluctuations.

Environmental Infrastructure

Revenues increased ¥17,900 million, or 107.5%, to ¥34,500 million, and segment income increased ¥2,300 million, or 187.5%, to ¥3,500 million, respectively, from the same period of the previous fiscal year. The increase in segment income was mainly due to the elimination of trial operating cost and revenue recognition of the electric power generation business recorded in the same period of the previous fiscal year. The balance of segment assets decreased ¥15,700 million, or 5.6%, to ¥262,200 million from the end of the previous fiscal year.

(2) Explanation of Financial Conditions

Total assets at the end of the second quarter of the fiscal year ending March 31, 2024 increased ¥182,900 million, or 3.0%, to ¥6,265,000 million, and segment assets increased ¥188,600 million, or 3.5%, to ¥5,552,400 million from the end of the previous fiscal year mainly caused by foreign exchange fluctuations. Total liabilities increased ¥79,500 million, or 1.5%, to ¥5,272,600 million, and interest-bearing debts increased ¥127,700 million, or 2.8%, to ¥4,642,300 million, respectively, from the end of the previous fiscal year.

Total net assets increased ¥103,400 million, or 11.6%, to ¥992,400 million from the end of the previous fiscal year. This was mainly caused by a ¥26,400 million increase in retained earnings and a ¥65,000 million increase in translation adjustments.

As a result, the shareholders' equity ratio increased by 1.4 percentage points compared with the end of the previous fiscal year to 13.9%.

Exchange rate at the end of the period for the preparation of consolidated financial statements for the major overseas subsidiaries and affiliates closing accounts in December is ¥144.99/US\$ at the end of the second quarter of the fiscal year ending December 31, 2023 (June 30, 2023) and ¥132.70/US\$ at the end of the previous fiscal year (December 31, 2022).

(3) Explanation of Future Forecast Information such as Consolidated Results Forecast

We have made no revision to the consolidated results forecast which was announced on May 12, 2023.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash on hand and in banks	216,437	243,929
Accounts receivable - installment sales	161,678	166,369
Lease receivables and investment assets	1,565,153	1,305,039
Loans	450,576	461,583
Operational investment securities	326,042	387,622
Accounts receivable - leases	74,572	61,401
Short-term investment securities	300	200
Inventories	28,147	25,371
Other current assets	180,748	212,288
Allowance for doubtful accounts	(6,862)	(4,548)
Total current assets	2,996,794	2,859,257
Non-current assets		
Property and equipment		
Leased assets	2,229,830	2,478,149
Advances for purchases of property for lease	81,147	79,302
Other operating assets	214,976	204,498
Construction in progress	5,105	5,079
Own assets in use	23,773	25,619
Total property and equipment	2,554,833	2,792,648
Intangible assets		
Computer programs leased to customers	2,640	2,124
Goodwill	58,064	59,415
Other intangible assets	34,751	40,539
Total intangible assets	95,455	102,079
Investments and other assets		
Investments in securities	325,745	383,742
Claims provable in bankruptcy or rehabilitation	10,432	7,762
Deferred tax assets	30,279	26,099
Retirement benefit asset	177	186
Other investments	73,362	95,790
Allowance for doubtful accounts	(7,533)	(4,807)
Total investments and other assets	432,464	508,773
Total non-current assets	3,082,753	3,403,501
Deferred assets	2,567	2,257
Total assets	6,082,114	6,265,016

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	202,665	169,727
Short-term borrowings	278,054	316,100
Current portion of bonds	144,199	85,503
Current portion of long-term debt	905,570	819,459
Commercial papers	352,307	317,598
Payables under fluidity lease receivables	17,000	15,400
Current portion of long-term payables under fluidity lease receivables	2,490	2,520
Accrued income taxes	12,157	10,917
Deferred profit on installment sales	14,173	15,293
Provision for bonuses	3,772	4,491
Provision for directors' bonuses	257	263
Other provisions	70	1,118
Other current liabilities	173,463	135,130
Total current liabilities	2,106,181	1,893,524
Long-term liabilities		
Bonds payable	908,454	1,090,915
Long-term debt	1,900,271	1,989,761
Long-term payables under fluidity lease receivables	6,310	5,050
Deferred tax liabilities	43,100	51,281
Provision for directors' retirement benefits	415	373
Provision for automobile inspection costs	793	742
Other provisions	930	355
Net defined benefit liability	12,303	12,264
Other long-term liabilities	214,365	228,317
Total long-term liabilities	3,086,946	3,379,061
Total liabilities	5,193,128	5,272,586
Net assets		
Shareholders' equity		
Common stock without par value	81,129	81,129
Capital surplus	56,491	56,199
Retained earnings	474,223	500,630
Treasury stock	(1,631)	(1,598)
Total shareholders' equity	610,212	636,360
Accumulated other comprehensive income		
Net unrealized holding gains on securities	20,781	31,522
Net unrealized gains on derivative instruments	7,298	12,753
Translation adjustments	123,168	188,142
Remeasurements of defined benefit plans	137	241
Total accumulated other comprehensive income	151,384	232,660
Share subscription rights	2,039	2,240
Non-controlling interests	125,349	121,168
Total net assets	888,985	992,430
Total liabilities and net assets	6,082,114	6,265,016

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

Consolidated Statements of Income
(For the six months ended September 30, 2022 and 2023)

(Millions of yen)

	Six months ended September 30, 2022 (Apr. 1 to Sep. 30, 2022)	Six months ended September 30, 2023 (Apr. 1 to Sep. 30, 2023)
Revenues	626,482	685,458
Costs	512,942	560,019
Gross profit	113,539	125,439
Selling, general and administrative expenses	64,183	72,345
Operating income	49,355	53,093
Non-operating income		
Interest income	42	175
Dividend income	1,123	727
Equity in earnings of affiliates	9,484	8,413
Foreign exchange gains	–	465
Other	831	594
Total non-operating income	11,481	10,376
Non-operating expenses		
Interest expense	2,446	3,841
Foreign exchange losses	546	–
Trial operating cost	1,819	–
Other	185	410
Total non-operating expenses	4,998	4,252
Ordinary income	55,838	59,217
Extraordinary income		
Gain on sale of shares of subsidiaries	–	1,046
Gain on sales of investment securities	628	731
Other	58	58
Total extraordinary income	687	1,835
Extraordinary losses		
Loss on disposal of non-current assets	46	60
Impairment losses	46,950	–
Other	691	40
Total extraordinary losses	47,688	100
Income before income taxes	8,836	60,952
Income taxes	9,111	18,325
Net income (loss)	(274)	42,627
Net income attributable to non-controlling interests	5,999	7,025
Net income (loss) attributable to owners of parent	(6,274)	35,602

Consolidated Statements of Comprehensive Income
(For the six months ended September 30, 2022 and 2023)

(Millions of yen)

	Six months ended September 30, 2022 (Apr. 1 to Sep. 30, 2022)	Six months ended September 30, 2023 (Apr. 1 to Sep. 30, 2023)
Net income (loss)	(274)	42,627
Other comprehensive income		
Net unrealized holding gains on securities	669	10,626
Net unrealized gains on derivative instruments	15,028	5,373
Translation adjustments	109,230	60,388
Remeasurements of defined benefit plans	30	160
Share of other comprehensive income of affiliates accounted for using equity method	7,684	6,498
Total other comprehensive income	132,643	83,048
Comprehensive income	132,368	125,675
Comprehensive income attributable to:		
Owners of parent	124,156	116,877
Non-controlling interests	8,212	8,798

(3) Notes to the Consolidated Financial Statements

Notes on Going Concern Assumption

Not applicable

Notes in the Case of Material Changes in Shareholders' Equity

Not applicable

Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements

(Calculation of Tax Expenses)

We reasonably estimate an effective tax rate after applying tax effect accounting to income before income taxes for the fiscal year ending March 31, 2024, and adopt a method to calculate tax expenses by multiplying income before income taxes by the estimated effective tax rate.

However, where the amount of tax expenses calculated using the estimated effective tax rate is obviously unreasonable, tax expenses are calculated by multiplying income before income taxes by the effective tax rate designated by law after adjusting for significant differences that are not temporary differences.

Changes in Accounting Policies

(Application of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses*)

Starting at the beginning of the first quarter of the fiscal year ending March 31, 2024, certain foreign consolidated subsidiaries adopting U.S. GAAP applied ASU No. 2016-13, *Financial Instruments—Credit Losses*. With this application, the concept of expected credit losses for financial assets was introduced instead of the previous concept of incurred losses, and a provision for expected credit losses for the entire period is recognized at the time of initial recognition.

The effect of this change on the quarterly consolidated financial statements is not material.

Additional Information

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

As of June 30, 2023, consolidated subsidiary Aviation Capital Group LLC had commitments to purchase 119 aircraft (mainly narrow-body) from Boeing, Airbus, and other institutions scheduled for delivery through 2028. The estimated aggregate remaining payments for the purchase of aircraft are ¥912,016 million (US\$6,290 million).

Segment Information

(Matters relating to Changes in Reportable Segments)

With the organizational change on April 1, 2023, the Group separated and newly established the Environmental Infrastructure segment from the Specialty Financing segment with the aim of strengthening and expanding environmental energy businesses, such as renewable energy in Japan and overseas, to strongly support business strategy toward decarbonization, and changed its operating segments and other matters. With regard to the Mobility & Fleet Management segment, we renamed it to the Automobility segment. In addition, in the Medium-Term Management Plan 2027 adopted by the Company's Board of Directors meeting held on May 12, 2023, we decided to align financial targets with net income-based figures.

In line with these changes, effective from the first quarter of the fiscal year ending March 31, 2024, the Group changed the reportable segments to the five segments, Equipment Leasing, Automobility, Specialty Financing, International Business, and Environmental Infrastructure. In addition, segment income was changed from ordinary income to net income attributable to owners of parent.

The details of the reportable segments after the change are as follows.

- | | |
|--------------------------|---|
| (a) Equipment Leasing: | Leasing and finance (money-lending and investment) including ancillary services and other businesses dealing with information and communications equipment, office equipment, industrial machinery, transportation equipment, and equipment for commercial and service industries |
| (b) Automobility: | Automobile leasing for corporate customers and individuals, car rental and car sharing businesses, and others |
| (c) Specialty Financing: | Leasing and finance (money-lending and investment) including ancillary services and other businesses focusing on product fields, such as shipping, aviation, and real estate in Japan and overseas |

- (d) International Business: Leasing and finance (money-lending and investment) including ancillary services and fleet services businesses, and others, mainly in East Asia, ASEAN, North, Central and South America
- (e) Environmental Infrastructure: Electric power generation business and leasing and finance (money-lending and investment) including ancillary services and other businesses related to renewable energy, etc. in Japan and overseas

The presented segment information of the six months ended September 30, 2022 was prepared with the changed classification.

I. Six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

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

	Reportable Segment						Other (Note 1)	Total	Adjustment (Note 2)	Amount shown on the Consolidated Statements of Income (Note 3)
	Equipment Leasing	Automobility	Specialty Financing	International Business	Environmental Infrastructure	Total				
Revenues										
Revenues from customers (Note 4)	241,021	177,035	124,998	66,298	16,617	625,970	511	626,482	–	626,482
Intersegment revenues/transfers	189	470	86	27	–	773	76	849	(849)	–
Total	241,210	177,505	125,085	66,325	16,617	626,744	587	627,331	(849)	626,482
Segment income (loss)	12,798	6,778	(11,397)	(10,542)	1,202	(1,160)	136	(1,024)	(5,250)	(6,274)

Notes: 1. “Other” includes casualty insurance agency business, which is not included in any reportable segment.

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

3. Segment income (loss) is adjusted with net income (loss) attributable to owners of parent shown on the quarterly consolidated statement of income.

4. Revenues from contracts with customers included in revenues for the six months ended September 30, 2022 for each of the reportable segments, i.e., Equipment Leasing, Automobility, Specialty Financing, International Business, and Environmental Infrastructure, were ¥1,156 million, ¥6,561 million, ¥15,648 million, ¥4,469 million, and ¥15,231 million, respectively.

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

In Specialty Financing, an impairment loss of ¥46,950 million for aircraft leased assets to Russian airline companies was recorded as an extraordinary loss. In addition, an impairment loss of ¥889 million for assets related to the leasing of aircraft was recorded in costs.

II. Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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

	Reportable Segment						Other (Note 1)	Total	Adjustment (Note 2)	Amount shown on the Consolidated Statements of Income (Note 3)
	Equipment Leasing	Automobility	Specialty Financing	International Business	Environmental Infrastructure	Total				
Revenues										
Revenues from customers (Note 4)	233,459	189,236	147,118	80,751	34,480	685,046	412	685,458	–	685,458
Intersegment revenues/transfers	193	457	92	40	0	784	204	988	(988)	–
Total	233,652	189,693	147,211	80,792	34,480	685,831	616	686,447	(988)	685,458
Segment income	12,101	9,883	10,914	4,438	3,456	40,794	491	41,285	(5,683)	35,602

Notes: 1. “Other” includes casualty insurance agency business, which is not included in any reportable segment.

2. Adjustment to segment income mainly consists of general and administrative expenses, which are not attributed to reportable segments.

3. Segment income is adjusted with net income attributable to owners of parent shown on the quarterly consolidated statement of income.

4. Revenues from contracts with customers included in revenues for the six months ended September 30, 2023 for each of the reportable segments, i.e., Equipment Leasing, Automobility, Specialty Financing, International Business, and Environmental Infrastructure, were ¥656 million, ¥6,006 million, ¥14,208 million, ¥4,101 million, and ¥31,902 million, respectively.

2. Information concerning assets by reportable segment

In the second quarter of the fiscal year ending March 31, 2024, OBL and OAL transitioned from consolidated subsidiaries to equity-method affiliates. As a result, the amounts of assets by reportable segment decreased by ¥56,536 million in Equipment Leasing and ¥147,945 million in Automobility, respectively, compared to the end of the previous fiscal year.

3. Information concerning impairment loss on non-current assets, goodwill, etc., by reportable segment
An impairment loss of ¥828 million for assets related to the leasing of aircraft was recorded in Specialty Financing.

Business Combinations

(Transfer of a portion of the shares of subsidiaries)

In the second quarter of the fiscal year ending March 31, 2024, the Company transferred a portion of the shares of OAL and OBL, which had been consolidated subsidiaries of the Company, to OAL and OBL, respectively. As a result, OAL and OBL changed from consolidated subsidiaries into equity-method affiliates of the Company. Details are as presented below.

1. Outline of share transfer

(a) Name of companies to which the shares were transferred and method of transfer

Orico Auto Leasing Co., Ltd.:	OAL stock held by the Company were transferred to OAL (share repurchase by OAL).
Orico Business Leasing Co., Ltd.:	OBL stock held by the Company were transferred to OBL (share repurchase by OBL).

(b) Name of subsidiaries to which the shares were transferred and contents of their business

Orico Auto Leasing Co., Ltd.:	Auto leasing business
Orico Business Leasing Co., Ltd.:	Retail leasing business

(c) Reason for share transfer

After deliberating the restructuring of business strategy and structure for the sustainable growth of OAL and OBL, we have decided to transfer a portion of the shares of these companies based on the following judgment: Orient Corporation (hereinafter “Orico”), which has been responsible for the overall business of both companies, should acquire the majority of voting rights to further strengthen collaboration between OAL and OBL and the Orico Group and improve efficiency and productivity through flexible business development and creation of an optimal structure, which is necessary for the sustainable growth of OAL and OBL.

(d) Date of share transfer

September 29, 2023

(e) Legal form and other matters relating to the outline of the transaction

Share transfer for which consideration is received in cash

2. Outline of accounting treatments implemented

(a) Amount of gain or loss on transfer

OAL: Gain on sale of shares of subsidiaries of ¥879 million
OBL: Gain on sale of shares of subsidiaries of ¥166 million

(b) Fair book values of the assets and liabilities pertaining to the transferred businesses and the major breakdown thereof

		(Millions of yen)	
OAL		OBL	
Current assets	247,820	Current assets	78,271
Non-current assets	21,541	Non-current assets	35
<u>Total assets</u>	<u>269,361</u>	<u>Total assets</u>	<u>78,307</u>
Current liabilities	229,542	Current liabilities	75,746
Long-term liabilities	25,228	Long-term liabilities	—
<u>Total liabilities</u>	<u>254,771</u>	<u>Total liabilities</u>	<u>75,746</u>

(c) Accounting treatments

The difference between the sale value of the transferred shares and the Company’s consolidated book value was recorded as “gain on sale of shares of subsidiaries” under extraordinary income.

3. Names of reportable segments in which the transferred businesses were included

OAL: Automobility
OBL: Equipment leasing

4. Estimated amount of income or loss pertaining to the transferred subsidiaries, which is reported on the quarterly consolidated statements of income for the cumulative quarterly consolidated accounting period

			(Millions of yen)
OAL		OBL	
Revenues	45,075	Revenues	12,408
Operating income	1,083	Operating income	431

Significant Subsequent Event

(Stock split and partial amendment to the Articles of Incorporation in line with the stock split)

At a Board of Directors meeting held on November 10, 2023, the Company resolved to conduct a stock split and a partial amendment to the Articles of Incorporation in line with the stock split.

1. Stock split

(a) Purpose of the split

The purpose of the stock split is to reduce the price of share-trading units of the Company's shares, thereby providing a better environment for investment and expanding its investor base.

(b) Outline of the split

(i) Method of the split

With December 31, 2023 as a record date, one share of common stock of the Company held by each shareholder as of the said date shall be split into four shares.

(ii) Number of shares to be increased as a result of the split

Total number of issued shares before the stock split:	123,028,320 shares
Total number of issued shares to be increased due to the stock split:	369,084,960 shares
Total number of issued shares after the stock split:	492,113,280 shares
Total number of authorized shares after the stock split:	1,600,000,000 shares

(iii) Schedule for the split

Date to announce record date:	December 15, 2023
Record date:	December 31, 2023
Effective date:	January 1, 2024

(iv) Effect on per share information

Per share information on the assumption that the said stock split was conducted at the beginning of the previous fiscal year is as follows.

	Six months ended September 30, 2022 (Apr. 1 to Sep. 30, 2022)	Six months ended September 30, 2023 (Apr. 1 to Sep. 30, 2023)
Basic earnings (loss) per share	¥(12.83)	¥72.71
Diluted earnings per share	¥—	¥72.44

Note: Diluted earnings per share for the six months ended September 30, 2022 are not presented because net loss per share was posted, although there were potential shares with dilutive effects.

(v) Other matters

The share split makes no change to the amount of common stock without par value.

2. Partial amendment to the Articles of Incorporation

(a) Reason for amendment

In line with the share split, the Company will change the total number of authorized shares set forth in Article 5 of its Articles of Incorporation with an effective date of January 1, 2024, pursuant to provisions of Article 184, Paragraph 2 of the Companies Act.

(b) Details of amendment

The details of the amendment are as follows.

Current Articles of Incorporation	Proposed Amendment
Article 5 (Total number of authorized shares) The total number of authorized shares of the Company shall be <u>400,000,000 shares</u> .	Article 5 (Total number of authorized shares) The total number of authorized shares of the Company shall be <u>1,600,000,000 shares</u> .

3. Supplementary Information

(1) Operating Transactions

Balance of Segment Assets (as of September 30, 2023)

(Millions of yen)

Classification		As of March 31, 2023		As of September 30, 2023	
		Amount	Share (%)	Amount	Share (%)
Reportable Segment	Equipment Leasing	1,287,080	24.0	1,211,788	21.8
	Automobility	611,558	11.4	466,137	8.4
	Specialty Financing	2,490,602	46.4	2,811,818	50.6
	International Business	655,683	12.2	757,778	13.7
	Environmental Infrastructure	277,885	5.2	262,227	4.7
	Total for Reportable Segments	5,322,811	99.2	5,509,751	99.2
Other		40,964	0.8	42,620	0.8
Total		5,363,776	100.0	5,552,371	100.0

(Reference)

(Millions of yen)

	Fiscal 2022	Q2 Fiscal 2023
Business guarantees	160,378	155,161