

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, 2023 [Japan GAAP]

November 7, 2022

Name of Listed Company: Tokyo Century Corporation

Stock Exchange Listing: Tokyo

Securities Code: 8439

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

Representative: Koichi Baba, President & CEO, Representative Director

Contact: Tatsuya Hirasaki, Director and Managing Executive Officer

Phone: +81-3-5209-6710

Scheduled Reportable Date of Quarterly Securities Report: November 7, 2022

Scheduled Payment Date of Dividends: December 6, 2022

Preparation of Supplementary Reference Documents: Yes

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

(Amounts less than one million yen are omitted.)

1. Consolidated Performance

	Six Months Ended September 30, 2021	Six Months Ended September 30, 2022	YoY
	(Millions of yen)		(Percentage change)
(1) Consolidated business results:			
Revenues	618,757	626,482	1.2%
Operating income	49,797	49,355	(0.9)%
Ordinary income	54,677	55,838	2.1%
Net income attributable to owners of parent	33,193	(6,274)	—%
Basic earnings per share (Yen)	271.66	(51.30)	
Diluted earnings per share (Yen)	270.51	—	

Notes:

Total comprehensive income

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

For the six months ended September 30, 2021: ¥83,588 million 241.4%

	As of March 31, 2022	As of September 30, 2022
	(Millions of yen)	
(2) Consolidated financial condition:		
Total assets	5,663,787	6,030,361
Net assets	795,580	915,195
Shareholders' equity ratio	11.9%	13.1%

Reference:

Shareholders' equity

As of September 30, 2022: ¥789,174 million

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

2. Dividends

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

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

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2023 (As of November 7, 2022)

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

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

Notes

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

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

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

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

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

3) Changes in accounting estimates: None

4) Retrospective restatements: None

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

(4) Number of shares of common stock issued

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

As of March 31, 2022: 123,028,320 shares

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

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

As of March 31, 2022: 826,799 shares

As of September 30, 2022: 627,321 shares

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

Six months ended September 30, 2021: 122,187,859 shares

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

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

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

(Regarding forward-looking statements)

The statements concerning future performance presented in this document are prepared based on currently available information and certain preconditions that Tokyo Century Corporation and its Group companies believe to be reasonable at the publication of this document. Actual results may be substantially different from any projections presented herein due to various factors.

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

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

The Company holds an earnings announcement (audio conference) for institutional investors and analysts on Tuesday, November 8, 2022.

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

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

(1) Explanation of Results of Operations

During the six months ended September 30, 2022, revenues increased ¥7,700 million, or 1.2%, to ¥626,500 million, and gross profit increased ¥8,300 million, or 7.9%, to ¥113,500 million respectively from the same period of the previous consolidated fiscal year. This was due to increases in the Specialty Financing segment and the Mobility & Fleet Management segment, despite the recording of a loss on operational investment securities in the International Business segment.

Selling, general and administrative expenses increased ¥8,700 million, or 15.7%, to ¥64,200 million from the same period of the previous consolidated fiscal year. This was mainly due to the absence of a gain on reversal of allowance for doubtful accounts in the aviation business posted in the same period of the previous consolidated fiscal year.

Non-operating income and expenses increased ¥1,600 million, or 32.8%, to an income of ¥6,500 million from the same period of the previous consolidated fiscal year. This was mainly caused by an increase in equity in earnings of affiliates.

Due to the factors mentioned above, ordinary income increased ¥1,200 million, or 2.1%, to ¥55,800 million from the same period of the previous consolidated fiscal year.

Aviation Capital Group LLC (hereinafter, “ACG”), a consolidated subsidiary of the Company, complied with the relevant economic sanctions by the United States, the European Union (EU), and other countries affected by Russia’s invasion of Ukraine and terminated all aircraft leased to Russian airline companies. However, the effect of Russian countermeasures to these economic sanctions has made it difficult to estimate future cash flows with regard to such aircraft with terminated leases. In response to this situation, the Group recorded an impairment loss of ¥47,000 million for such aircraft as an extraordinary loss. Mainly due to this, extraordinary income and losses decreased ¥47,000 million, a decrease of ¥46,600 million compared to the same period of the previous consolidated fiscal year.

Income taxes decreased ¥6,900 million, or 43.1%, to ¥9,100 million, and net income attributable to non-controlling interests increased ¥900 million, or 17.7%, to ¥6,000 million, respectively from the same period of the previous consolidated fiscal year.

As a result, net loss attributable to owners of parent amounted to ¥6,300 million, a decrease of ¥39,500 million in income from the same period of the previous consolidated 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 ¥123.15/US\$ for the first six months of the fiscal year ending December 31, 2022 (January to June 2022), ¥107.82/US\$ for the first six months of the fiscal year ended December 31, 2021 (January to June 2021).

(Overview of Business Results by Segment)

Business results by segment were as follows.

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

Equipment Leasing

Revenues decreased ¥17,000 million, or 6.6%, to ¥241,000 million, but segment income increased ¥1,000 million, or 6.0%, to ¥17,300 million, respectively from the same period of the previous consolidated fiscal year. The increase in segment income was mainly due to an increase in equity in earnings of affiliates NTT TC Leasing Co., Ltd. and NITTSU Lease & Finance Co., Ltd. The balance of segment assets decreased ¥61,700 million, or 4.5%, to ¥1,318,000 million from the end of the previous consolidated fiscal year.

Mobility & Fleet Management

Revenues increased ¥8,300 million, or 4.9%, to ¥177,000 million, and segment income increased ¥7,000 million, or 78.4%, to ¥16,000 million, respectively from the same period of the previous consolidated fiscal year. The

increase in segment income was mainly because of improved earnings due to a recovery in sales in the car rental business, as well as expanded gains on sales of lease and rental vehicles resulting from a flexible response to the used vehicle market situation. The balance of segment assets decreased ¥4,800 million, or 0.8%, to ¥607,000 million from the end of the previous consolidated fiscal year.

Specialty Financing

Revenues increased ¥1,100 million, or 0.8%, to ¥141,600 million, and segment income increased ¥9,800 million, or 36.2%, to ¥37,000 million, respectively from the same period of the previous consolidated fiscal year. The increase in segment income was mainly caused by increased gain on the sale of operational investment securities and a decline in the impairment loss in the aviation business. The balance of segment assets increased ¥435,700 million, or 18.8%, to ¥2,747,500 million from the end of the previous consolidated fiscal year due mainly to foreign exchange fluctuations.

International Business

Revenues increased ¥15,200 million, or 29.7%, to ¥66,300 million, and segment loss amounted to ¥7,700 million (decline of ¥15,400 million in income), respectively from the same period of the previous consolidated fiscal year. The decrease in segment income was mainly caused by the recording of a loss on operational investment securities. The balance of segment assets increased ¥81,300 million, or 14.6%, to ¥638,400 million from the end of the previous consolidated fiscal year due mainly to foreign exchange fluctuations.

(2) Explanation of Financial Conditions

Total assets at the end of the six months under review increased ¥366,600 million, or 6.5%, to ¥6,030,400 million, and due mainly to foreign exchange fluctuations, segment assets increased ¥452,300 million, or 9.3%, to ¥5,331,700 million from the end of the previous consolidated fiscal year. Total liabilities increased ¥247,000 million, or 5.1%, to ¥5,115,200 million, and interest-bearing debts increased ¥270,100 million, or 6.4%, to ¥4,517,500 million, respectively from the end of the previous consolidated fiscal year.

Total net assets increased ¥119,600 million, or 15.0%, to ¥915,200 million from the end of the previous consolidated fiscal year. This was mainly caused by an increase in translation adjustments of ¥115,300 million, which offset a ¥15,100 million decrease in retained earnings due to the recording of a quarterly net loss and payment of year-end dividends.

As a result, the shareholders' equity ratio increased 1.2 points compared with the end of the previous consolidated fiscal year to 13.1%.

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 ¥136.69/US\$ at the end of the second quarter of the fiscal year ending December 31, 2022 (June 30, 2022), ¥115.02/US\$ at the end of the previous consolidated fiscal year (December 31, 2021).

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

We have made no revision to the consolidated results forecast which was announced on May 12, 2022.

2. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash on hand and in banks	240,800	193,487
Accounts receivable - installment sales	153,939	166,800
Lease receivables and investment assets	1,575,049	1,567,059
Loans	407,370	449,174
Operational investment securities	352,044	316,557
Accounts receivable - leases	77,358	81,974
Short-term investment securities	450	300
Inventories	13,341	20,150
Other current assets	150,858	174,925
Allowance for doubtful accounts	(7,640)	(8,149)
Total current assets	2,963,571	2,962,281
Non-current assets		
Property and equipment		
Leased assets	1,991,616	2,209,972
Advances for purchases of property for lease	55,862	76,378
Other operating assets	116,248	217,325
Construction in progress	84,596	5,081
Own assets in use	19,029	19,723
Total property and equipment	2,267,353	2,528,481
Intangible assets		
Computer programs leased to customers	2,086	2,140
Goodwill	53,308	60,391
Other intangible assets	34,824	36,518
Total intangible assets	90,219	99,051
Investments and other assets		
Investments in securities	234,951	311,637
Claims provable in bankruptcy or rehabilitation	17,045	17,927
Deferred tax assets	29,178	40,390
Retirement benefit asset	108	123
Other investments	68,554	78,120
Allowance for doubtful accounts	(10,284)	(10,526)
Total investments and other assets	339,555	437,673
Total non-current assets	2,697,129	3,065,206
Deferred assets	3,087	2,874
Total assets	5,663,787	6,030,361

(Millions of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	206,112	159,766
Short-term borrowings	252,174	248,088
Current portion of bonds	36,711	128,579
Current portion of long-term debt	745,752	856,482
Commercial papers	371,499	379,524
Payables under fluidity lease receivables	31,300	22,400
Current portion of long-term payables under fluidity lease receivables	142	2,430
Accrued income taxes	15,269	13,570
Deferred profit on installment sales	12,191	13,818
Provision for bonuses	3,695	4,360
Provision for directors' bonuses	355	233
Other provisions	13	9
Other current liabilities	148,365	143,798
Total current liabilities	1,823,584	1,973,061
Long-term liabilities		
Bonds payable	963,371	956,708
Long-term debt	1,846,430	1,915,745
Long-term payables under fluidity lease receivables	—	7,570
Deferred tax liabilities	42,101	42,861
Provision for directors' retirement benefits	480	455
Provision for automobile inspection costs	867	829
Other provisions	256	387
Net defined benefit liability	12,034	12,385
Other long-term liabilities	179,080	205,159
Total long-term liabilities	3,044,622	3,142,103
Total liabilities	4,868,206	5,115,165
Net assets		
Shareholders' equity		
Common stock without par value	81,129	81,129
Capital surplus	56,244	56,518
Retained earnings	486,946	471,873
Treasury stock	(2,148)	(1,630)
Total shareholders' equity	622,171	607,890
Accumulated other comprehensive income		
Net unrealized holding gains on securities	23,069	23,277
Net unrealized gains on derivative instruments	7,781	22,626
Translation adjustments	20,055	135,405
Remeasurements of defined benefit plans	(53)	(24)
Total accumulated other comprehensive income	50,853	181,284
Share subscription rights	2,432	2,039
Non-controlling interests	120,123	123,981
Total net assets	795,580	915,195
Total liabilities and net assets	5,663,787	6,030,361

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

Consolidated Statements of Income
(For the six months ended September 30, 2021 and 2022)

(Millions of yen)

	Six months ended September 30, 2021 (Apr. 1 to Sep. 30, 2021)	Six months ended September 30, 2022 (Apr. 1 to Sep. 30, 2022)
Revenues	618,757	626,482
Costs	513,503	512,942
Gross profit	105,253	113,539
Selling, general and administrative expenses	55,456	64,183
Operating income	49,797	49,355
Non-operating income		
Interest income	29	42
Dividend income	464	1,123
Equity in earnings of affiliates	5,448	9,484
Other	877	831
Total non-operating income	6,820	11,481
Non-operating expenses		
Interest expense	1,584	2,446
Foreign exchange losses	117	546
Trial operating cost	—	1,819
Other	237	185
Total non-operating expenses	1,940	4,998
Ordinary income	54,677	55,838
Extraordinary income		
Gain on sales of investment securities	323	628
Other	31	58
Total extraordinary income	355	687
Extraordinary losses		
Impairment loss	—	46,950
Other	717	737
Total extraordinary losses	717	47,688
Income before income taxes	54,315	8,836
Income taxes	16,026	9,111
Net income (loss)	38,288	(274)
Net income attributable to non-controlling interests	5,095	5,999
Net income (loss) attributable to owners of parent	33,193	(6,274)

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

(Millions of yen)

	Six months ended September 30, 2021 (Apr. 1 to Sep. 30, 2021)	Six months ended September 30, 2022 (Apr. 1 to Sep. 30, 2022)
Net income (loss)	38,288	(274)
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(668)	669
Net unrealized gains on derivative instruments	1,505	15,028
Translation adjustments	43,104	109,230
Remeasurements of defined benefit plans	41	30
Share of other comprehensive income of affiliates accounted for using equity method	1,315	7,684
Total other comprehensive income	45,299	132,643
Comprehensive income	83,588	132,368
Comprehensive income attributable to:		
Owners of parent	77,835	124,156
Non-controlling interests	5,752	8,212

(3) Notes to the Consolidated Financial Statements

Notes on Going Concern Assumption

Not applicable

Notes in the Case of Material Changes in Shareholders' Equity

Not applicable

Adoption of Special Accounting Treatments for Quarterly Consolidated Financial Statements

(Calculation of tax expenses)

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

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

Changes in Accounting Policies

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

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

(Additional Information)

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

As of June 30, 2022, consolidated subsidiary Aviation Capital Group LLC had commitments to purchase 133 aircraft (mainly narrow-body) from Boeing, Airbus and other institutions scheduled for delivery through 2028. The estimated aggregate remaining payments for the purchase of aircraft is ¥941,470 million.

Segment Information

I. Six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021)

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	Mobility & Fleet Management	Specialty Financing	International Business	Total				
Revenues									
Revenues from customers (Note 4)	258,008	168,785	140,468	51,135	618,399	357	618,757	—	618,757
Intersegment revenues /transfers	202	467	77	—	747	416	1,164	(1,164)	—
Total	258,211	169,253	140,546	51,135	619,146	774	619,921	(1,164)	618,757
Segment income	16,303	8,982	27,130	7,642	60,058	187	60,245	(5,567)	54,677

Notes: 1. "Other" includes casualty insurance agency business and business-processing services business, which are not included in any reportable segment.

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

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

4. Revenues from contracts with customers included in revenues for the six months ended September 30, 2021 for each of the reportable segments, i.e. Equipment Leasing, Mobility & Fleet Management, Specialty Financing and International Business, were ¥718 million, ¥7,108 million, ¥23,117 million and ¥1,398 million, respectively.

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

In Specialty Financing, an impairment loss of ¥5,042 million has been recorded on aircraft leased assets.

II. 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	Mobility & Fleet Management	Specialty Financing	International Business	Total				
Revenues									
Revenues from customers (Note 4)	241,021	177,035	141,615	66,298	625,970	511	626,482	—	626,482
Intersegment revenues /transfers	189	470	86	27	773	76	849	(849)	—
Total	241,210	177,505	141,702	66,325	626,744	587	627,331	(849)	626,482
Segment income (loss)	17,279	16,026	36,961	(7,733)	62,534	209	62,743	(6,904)	55,838

Notes: 1. "Other" includes casualty insurance agency business and business-processing services business, which are not included in any reportable segment.

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

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

4. Revenues from contracts with customers included in revenues for the six months ended September 30, 2022 for each of the reportable segments, i.e. Equipment Leasing, Mobility & Fleet Management, Specialty Financing and International Business, were ¥1,156 million, ¥6,561 million, ¥30,879 million and ¥4,469 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 on aircraft previously leased to Russian airline companies has been recorded as an extraordinary loss. In addition, an impairment loss of ¥889 million on assets related to aircraft leasing has been recorded in costs.

3. Supplementary Information

(1) Operating Transactions

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

(Millions of yen)

Classification		As of March 31, 2022		As of September 30, 2022	
		Amount	Share (%)	Amount	Share (%)
Reportable Segment	Equipment Leasing	1,379,734	28.3	1,318,005	24.7
	Mobility & Fleet Management	611,769	12.5	606,995	11.4
	Specialty Financing	2,311,842	47.4	2,747,534	51.5
	International Business	557,055	11.4	638,365	12.0
	Total for Reportable Segments	4,860,402	99.6	5,310,900	99.6
Other		18,999	0.4	20,802	0.4
Total		4,879,401	100.0	5,331,703	100.0

(Reference)

(Millions of yen)

	Fiscal 2021	Q2 Fiscal 2022
Business guarantees	170,334	176,653