

3. Consolidated Results Forecast for the Fiscal Year Ending March 31, 2024 (As of August 9, 2023)

	Full year	YoY
	<i>(Millions of yen)</i>	<i>(Percentage change)</i>
Ordinary income	110,000	3.6%
Net income attributable to owners of parent	70,000	-%
Basic earnings per share <i>(Yen)</i>	571.89	

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, 2023: 123,028,320 shares

As of June 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 June 30, 2023: 614,359 shares

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

Three months ended June 30, 2022: 122,248,389 shares

Three months ended June 30, 2023: 122,413,777 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 plans to hold an earnings call (audio conference) for institutional investors and analysts on Thursday, August 10, 2023.

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

* In this section 1 “Qualitative Information Concerning Financial Results for the Three 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 three months ended June 30, 2023, revenues increased ¥13,800 million, or 4.4%, to ¥329,000 million, and gross profit increased ¥5,900 million, or 10.1%, to ¥64,200 million, respectively, from the same period of the previous fiscal year. This was due to the elimination of a loss on valuation of operational investment securities in the International Business segment recorded in 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 ¥4,600 million, or 14.5%, to ¥36,000 million from the same period of the previous fiscal year, mainly due to increased bad debt expense for aircraft-related receivables.

Non-operating income and expenses decreased ¥1,500 million, or 30.3%, to an income of ¥3,500 million from the same period of the previous fiscal year. This was mainly caused by a decrease in equity in earnings of affiliates.

Due to the factors mentioned above, ordinary income decreased ¥200 million, or 0.7%, to ¥31,800 million from the same period of the previous fiscal year.

Extraordinary income was ¥500 million.

Income taxes increased ¥6,900 million, or 194.0%, to ¥10,400 million, and net income attributable to non-controlling interests increased ¥300 million, or 8.0%, to ¥3,700 million, respectively, from the same period of the previous fiscal year.

As a result, net income attributable to owners of parent was ¥18,200 million (net loss of ¥19,500 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 ¥132.43/US\$ for the first three months of the fiscal year ending December 31, 2023 (January to March 2023) and ¥116.34/US\$ for the first three months of the fiscal year ended December 31, 2022 (January to March 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 ¥4,100 million, or 3.3%, to ¥118,700 million, and segment income decreased ¥200 million, or 3.1%, to ¥6,500 million, respectively, from the same period of the previous fiscal year. The decrease in segment income was mainly because of a decrease in non-consolidated income due to a decrease in segment asset balance primarily affected by promoting portfolio management focused on asset efficiency. The balance of segment assets decreased ¥13,300 million, or 1.0%, to ¥1,273,800 million from the end of the previous fiscal year.

Automobility

Revenues increased ¥8,200 million, or 9.1%, to ¥97,500 million, and segment income increased ¥2,200 million, or 63.7%, to ¥5,500 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 increased ¥3,600 million, or 0.6%, to ¥615,100 million from the end of the previous fiscal year.

Specialty Financing

Revenues decreased ¥5,700 million, or 8.9%, to ¥58,900 million, and segment income amounted to ¥3,700 million (segment loss of ¥18,000 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 ¥75,500 million, or 3.0%, to ¥2,566,100 million from the end of the previous fiscal year.

International Business

Revenues increased ¥5,700 million, or 18.3%, to ¥37,200 million, and segment income amounted to ¥2,500 million (segment loss of ¥8,100 million in the same period of the previous fiscal year mainly caused by the recording of a loss on valuation of operational investment securities held by consolidated subsidiaries). The balance of segment assets increased ¥27,200 million, or 4.2%, to ¥682,900 million from the end of the previous fiscal year.

Environmental Infrastructure

Revenues increased ¥9,800 million, or 148.9%, to ¥16,400 million, and segment income increased ¥1,800 million, or 346.4%, to ¥2,300 million, respectively, from the same period of the previous fiscal year. The increase in segment income was mainly due to the elimination of commission cost and revenue recognition of the electric power generation business. The balance of segment assets decreased ¥7,400 million, or 2.7%, to ¥270,500 million from the end of the previous fiscal year.

(2) Explanation of Financial Conditions

Total assets at the end of the first quarter of the fiscal year ending March 31, 2024 increased ¥69,700 million, or 1.1%, to ¥6,151,800 million, and segment assets increased ¥85,400 million, or 1.6%, to ¥5,449,200 million from the end of the previous fiscal year. Total liabilities increased ¥55,300 million, or 1.1%, to ¥5,248,500 million, and interest-bearing debts increased ¥121,200 million, or 2.7%, to ¥4,635,800 million, respectively, from the end of the previous fiscal year.

Total net assets increased ¥14,300 million, or 1.6%, to ¥903,300 million from the end of the previous fiscal year. This was mainly caused by a ¥9,000 million increase in retained earnings and a ¥6,100 million increase in net unrealized holding gains on securities.

As a result, the shareholders' equity ratio increased by 0.1 percentage points compared with the end of the previous fiscal year to 12.6%.

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 ¥133.54/US\$ at the end of the first quarter of the fiscal year ending December 31, 2023 (March 31, 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 June 30, 2023
Assets		
Current assets		
Cash on hand and in banks	216,437	206,221
Accounts receivable - installment sales	161,678	161,853
Lease receivables and investment assets	1,565,153	1,559,400
Loans	450,576	455,577
Operational investment securities	326,042	333,014
Accounts receivable - leases	74,572	71,242
Short-term investment securities	300	300
Inventories	28,147	25,336
Other current assets	180,748	189,578
Allowance for doubtful accounts	(6,862)	(6,999)
Total current assets	2,996,794	2,995,526
Non-current assets		
Property and equipment		
Leased assets	2,229,830	2,300,962
Advances for purchases of property for lease	81,147	63,640
Other operating assets	214,976	213,171
Construction in progress	5,105	5,082
Own assets in use	23,773	24,245
Total property and equipment	2,554,833	2,607,103
Intangible assets		
Computer programs leased to customers	2,640	2,348
Goodwill	58,064	57,301
Other intangible assets	34,751	40,188
Total intangible assets	95,455	99,839
Investments and other assets		
Investments in securities	325,745	339,325
Claims provable in bankruptcy or rehabilitation	10,432	10,383
Deferred tax assets	30,279	25,593
Retirement benefit asset	177	181
Other investments	73,362	78,978
Allowance for doubtful accounts	(7,533)	(7,605)
Total investments and other assets	432,464	446,858
Total non-current assets	3,082,753	3,153,801
Deferred assets	2,567	2,470
Total assets	6,082,114	6,151,798

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	202,665	152,075
Short-term borrowings	278,054	286,891
Current portion of bonds	144,199	175,595
Current portion of long-term debt	905,570	887,548
Commercial papers	352,307	476,134
Payables under fluidity lease receivables	17,000	16,100
Current portion of long-term payables under fluidity lease receivables	2,490	2,520
Accrued income taxes	12,157	6,116
Deferred profit on installment sales	14,173	14,447
Provision for bonuses	3,772	2,318
Provision for directors' bonuses	257	124
Other provisions	70	6
Other current liabilities	173,463	156,996
Total current liabilities	2,106,181	2,176,874
Long-term liabilities		
Bonds payable	908,454	889,613
Long-term debt	1,900,271	1,895,760
Long-term payables under fluidity lease receivables	6,310	5,680
Deferred tax liabilities	43,100	45,632
Provision for directors' retirement benefits	415	347
Provision for automobile inspection costs	793	770
Other provisions	930	1,226
Net defined benefit liability	12,303	12,194
Other long-term liabilities	214,365	220,370
Total long-term liabilities	3,086,946	3,071,596
Total liabilities	5,193,128	5,248,471
Net assets		
Shareholders' equity		
Common stock without par value	81,129	81,129
Capital surplus	56,491	56,518
Retained earnings	474,223	483,252
Treasury stock	(1,631)	(1,597)
Total shareholders' equity	610,212	619,302
Accumulated other comprehensive income		
Net unrealized holding gains on securities	20,781	26,831
Net unrealized gains on derivative instruments	7,298	9,168
Translation adjustments	123,168	120,044
Remeasurements of defined benefit plans	137	223
Total accumulated other comprehensive income	151,384	156,268
Share subscription rights	2,039	1,977
Non-controlling interests	125,349	125,779
Total net assets	888,985	903,327
Total liabilities and net assets	6,082,114	6,151,798

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

Consolidated Statements of Income
(For the three months ended June 30, 2022 and 2023)

(Millions of yen)

	Three months ended June 30, 2022 (Apr. 1 to Jun. 30, 2022)	Three months ended June 30, 2023 (Apr. 1 to Jun. 30, 2023)
Revenues	315,140	328,990
Costs	256,795	264,766
Gross profit	58,345	64,223
Selling, general and administrative expenses	31,413	35,974
Operating income	26,931	28,249
Non-operating income		
Interest income	18	72
Dividend income	714	569
Equity in earnings of affiliates	5,966	4,122
Foreign exchange gains	–	622
Other	450	232
Total non-operating income	7,150	5,619
Non-operating expenses		
Interest expense	1,063	1,847
Foreign exchange losses	140	–
Commission cost	786	–
Other	105	248
Total non-operating expenses	2,096	2,095
Ordinary income	31,986	31,773
Extraordinary income		
Gain on sales of investment securities	–	501
Other	27	49
Total extraordinary income	27	551
Extraordinary losses		
Loss on cancellation of golf club memberships	–	9
Loss on disposal of non-current assets	15	8
Impairment losses	44,354	–
Other	193	5
Total extraordinary losses	44,563	24
Income (loss) before income taxes	(12,550)	32,300
Income taxes	3,540	10,410
Net income (loss)	(16,090)	21,889
Net income attributable to non-controlling interests	3,401	3,673
Net income (loss) attributable to owners of parent	(19,492)	18,216

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

(Millions of yen)

	Three months ended June 30, 2022 (Apr. 1 to Jun. 30, 2022)	Three months ended June 30, 2023 (Apr. 1 to Jun. 30, 2023)
Net income (loss)	(16,090)	21,889
Other comprehensive income		
Net unrealized holding gains (losses) on securities	(2,786)	5,580
Net unrealized gains on derivative instruments	7,473	2,009
Translation adjustments	31,107	(5,418)
Remeasurements of defined benefit plans	14	189
Share of other comprehensive income of affiliates accounted for using equity method	4,094	3,595
Total other comprehensive income	39,902	5,956
Comprehensive income	23,811	27,846
Comprehensive income attributable to:		
Owners of parent	19,177	23,099
Non-controlling interests	4,634	4,746

(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 March 31, 2023, consolidated subsidiary Aviation Capital Group LLC had commitments to purchase 128 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 ¥904,346 million (US\$6,772 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 three months ended June 30, 2022 was prepared with the changed classification.

I. Three months ended June 30, 2022 (from April 1, 2022 to June 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)	122,780	89,362	64,669	31,495	6,584	314,893	246	315,140	–	315,140
Intersegment revenues/transfers	87	225	41	11	–	365	76	441	(441)	–
Total	122,867	89,588	64,711	31,507	6,584	315,259	323	315,582	(441)	315,140
Segment income (loss)	6,724	3,384	(17,999)	(8,085)	521	(15,455)	91	(15,363)	(4,128)	(19,492)

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 three months ended June 30, 2022 for each of the reportable segments, i.e., Equipment Leasing, Automobility, Specialty Financing, International Business, and Environmental Infrastructure, were ¥533 million, ¥3,440 million, ¥6,243 million, ¥2,025 million, and ¥5,801 million, respectively.

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

In Specialty Financing, an impairment loss of ¥44,354 million for aircraft leased assets to Russian airline companies was recorded as an extraordinary loss.

II. Three months ended June 30, 2023 (from April 1, 2023 to June 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)	118,680	97,529	58,942	37,245	16,390	328,788	201	328,990	–	328,990
Intersegment revenues/transfers	90	227	78	20	0	418	133	551	(551)	–
Total	118,771	97,757	59,021	37,265	16,390	329,206	334	329,541	(551)	328,990
Segment income	6,518	5,542	3,690	2,535	2,327	20,613	204	20,818	(2,602)	18,216

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 (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 three months ended June 30, 2023 for each of the reportable segments, i.e., Equipment Leasing, Automobility, Specialty Financing, International Business, and Environmental Infrastructure, were ¥319 million, ¥3,029 million, ¥7,068 million, ¥1,767 million, and ¥14,963 million, respectively.

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

The information is omitted due to immateriality.

Significant Subsequent Event

(Changes in Status of Consolidated Subsidiaries [Share Transfer])

On July 28, 2023, the Company decided to enter into a basic agreement with Orient Corporation (hereinafter “Orico”) regarding the transfer of a portion of the shares of its consolidated subsidiaries Orico Auto Leasing Co., Ltd. (hereinafter “OAL”) and Orico Business Leasing Co., Ltd. (hereinafter “OBL”) to OAL and OBL, respectively. As a result of this transfer, OAL and OBL will become consolidated subsidiaries of Orico and equity-method affiliates of the Company.

(a) 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 enter into a basic agreement including this transfer based on the following judgment: 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.

(b) Method of share transfer, number of shares transferred, transfer price and status of shares held before and after transfer

(i) OAL

Method of share transfer:	OAL stock held by the Company will be transferred to OAL (share repurchase by OAL).
Number of shares transferred:	2,320 shares
Transfer price:	¥4,800 million (approximate amount)
Status of shares held before and after transfer:	Before transfer: 4,800 shares (50% of voting shares) After transfer: 2,480 shares (34% of voting shares)

(ii) OBL

Method of share transfer:	OBL stock held by the Company will be transferred to OBL (share repurchase by OBL).
Number of shares transferred:	3,600 shares
Transfer price:	¥1,200 million (approximate amount)
Status of shares held before and after transfer:	Before transfer: 4,800 shares (50% of voting shares) After transfer: 1,200 shares (20% of voting shares)

(c) Date of share transfer

September 29, 2023 (scheduled)

3. Supplementary Information

(1) Operating Transactions

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

(Millions of yen)

Classification		As of March 31, 2023		As of June 30, 2023	
		Amount	Share (%)	Amount	Share (%)
Reportable Segment	Equipment Leasing	1,287,080	24.0	1,273,764	23.4
	Automobility	611,558	11.4	615,114	11.3
	Specialty Financing	2,490,602	46.4	2,566,080	47.1
	International Business	655,683	12.2	682,926	12.5
	Environmental Infrastructure	277,885	5.2	270,490	5.0
	Total for Reportable Segments	5,322,811	99.2	5,408,376	99.3
Other		40,964	0.8	40,784	0.7
Total		5,363,776	100.0	5,449,161	100.0

(Reference)

(Millions of yen)

	Fiscal 2022	Q1 Fiscal 2023
Business guarantees	160,378	147,717