

INTEGRATED REPORT 2023 Tokyo Century Corporation

Transformation and Sustainable Growth



# INTEGRATED REPORT 2023

Tokyo Century Corporation



Tokyo Century Corporation

FUJISOFT Bldg., 3 Kanda-neribeicho, Chiyoda-ku,

Tokyo 101-0022, Japan

<https://www.tokyocentury.co.jp/en/>



Printed in Japan



# TC TRANSFORMATION AND SUSTAINABLE GROWTH

The Tokyo Century Group seeks to go beyond simply responding to change in order to transform itself to become a corporate group that brings about change.

CORPORATE  
SLOGAN

Solutions to your Pursuits

Creating new values from

Finance × Services × Business Expertise

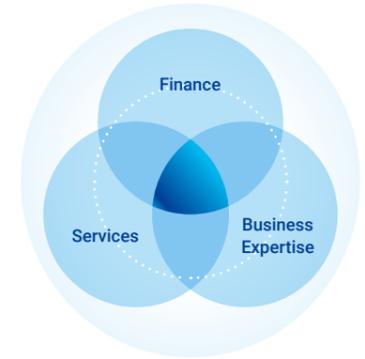
MANAGEMENT PHILOSOPHY

The Tokyo Century Group will work alongside customers in pursuit of their growth as a highly specialized and unique financial services company and will contribute to the creation of an environmentally sound, sustainable economy and society.



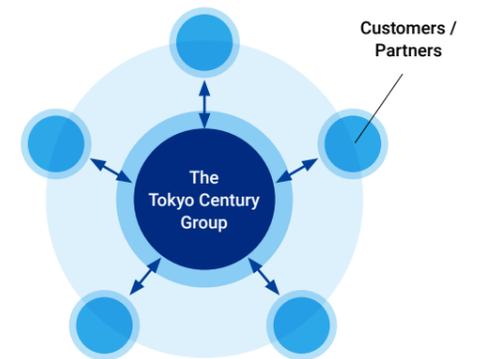
# 1 Highly Specialized and Unique Financial Services

Not limiting itself to financial functions, Tokyo Century is committed to its ongoing quest to provide financial services that cater to customer needs, to create high-value-added services tied to asset life cycles, and to develop businesses itself.



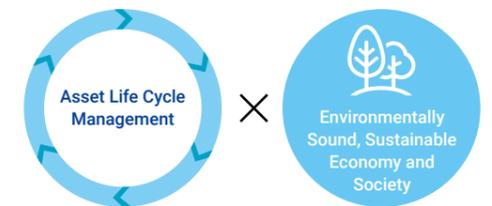
# 2 Partnerships with Customers Pursuing Business Growth

Tokyo Century employees continue their bold efforts to deliver solutions that surpass customer expectations and to thereby contribute to the creation of value and consequently to the development and growth of customers' businesses. Our partnership strategy is founded on the strength of our trust-based relationships with customers, and we intend to preserve this tradition within the Company so that we can keep growing together with customers.



# 3 Creation of an Environmentally Sound, Sustainable Economy and Society

As a company involved in a business related to various assets, recycling and decarbonization are incredibly important themes for Tokyo Century as it seeks to contribute to the creation of an environmentally sound, sustainable economy and society. We are united in our ongoing commitment to realizing such a society in order to preserve a pristine environment for future generations.



# MILESTONES

## Tokyo Century's History

### Tokyo Century: Born of Merger of Two Major Leasing Companies

Born of the merger of two major leasing companies, Tokyo Century has proceeded to transform its business portfolio to evolve from a leasing company to a financial services company. Our focus over the next decade will be to continue creating high-value-added services to become an even more trusted business partner for customers and thereby evolve to become a corporate group that brings about change.

Century Leasing System, Inc.

Strengths

- Access to diverse business expertise of the ITOCHU Group
- Leasing services centered on information and communications technology equipment

1969

Established through joint investment by ITOCHU Corporation, Dai-ichi Bank, Ltd. (currently Mizuho Bank, Ltd.), Nippon Life Insurance Company, and Asahi Mutual Life Insurance Company

### Merging of Strengths of Both Companies

Tokyo Leasing Co., Ltd.

Strengths

- Access to vast customer network of former The Dai-ichi Kangyo Bank, Ltd.
- Predecessor of partnership strategy with prime customers

1964

Established through joint investment by Nihon Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.), Kangin Tochi-Tatemono Co., Ltd. (currently Chuo-Nittochi Co., Ltd.), and Nanoh Co., Ltd. (currently Chuo-Nittochi Co., Ltd.)

#### Major Milestones



**2012**  
Established solar power generation company Kyocera TCL Solar LLC as a joint venture with Kyocera Corporation



**2013**  
Converted Nippon Rent-A-Car Service, Inc., and Nippon Car Solutions Co., Ltd., into consolidated subsidiaries



**2016**  
Converted CSI Leasing, Inc., a leading U.S.-based leasing company, into a consolidated subsidiary



**2019**  
Converted Aviation Capital Group LLC, a major U.S.-based commercial aircraft lessor, into a consolidated subsidiary

2009—

### Merger of Major Leasing Companies Birth of Century Tokyo Leasing Corporation

Faced with a pressing need to revise their business portfolios, the management of Century Leasing System, Inc., and Tokyo Leasing Co., Ltd., were prompted to undertake a merger, leading to the birth of Century Tokyo Leasing Corporation in 2009.

2020—

### Capital and Business Alliance Agreement with NTT Acceleration of Partnership Strategy

By bolstering its co-creative businesses with the NTT Group, Tokyo Century is accelerating collaboration on the fronts of digital technology, mobility, real estate, energy and environment, and global businesses.

2023—

### Evolution into a Corporate Group That Brings About Change

The Tokyo Century Group is further honing its strengths so that it can continue growing by creating services and businesses that engender customer trust as it seeks to become a corporate group that drives change.

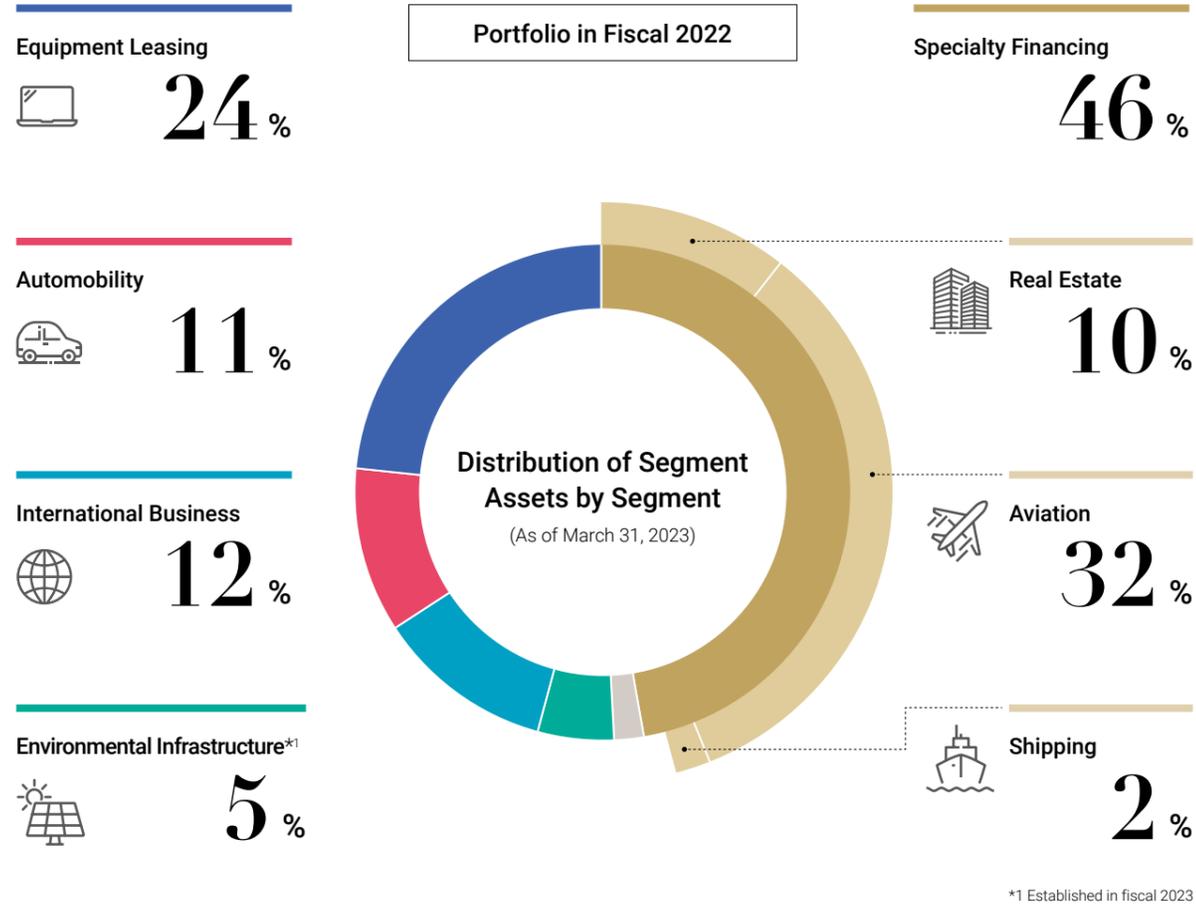
2016—

### Change of Name to Tokyo Century Corporation Evolution beyond a Leasing Company

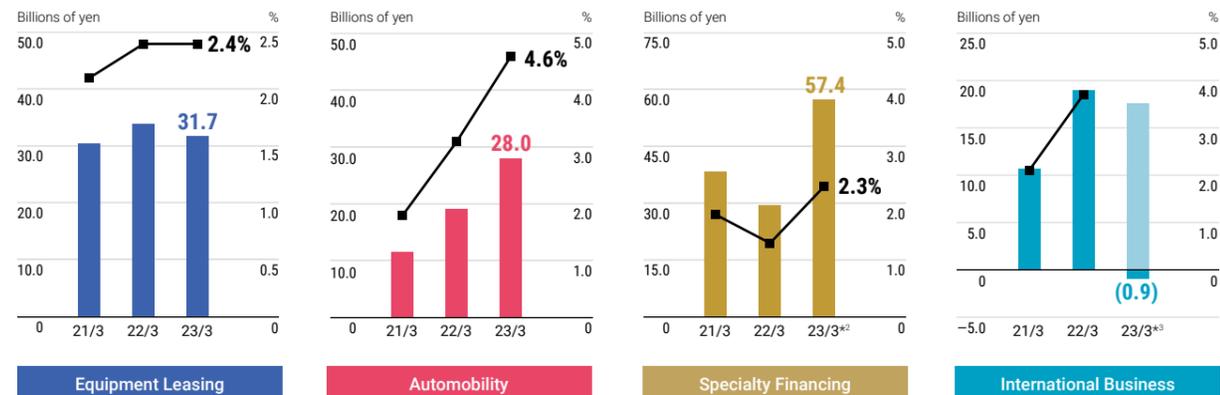
The new Tokyo Century got its start in October 2016. With a new name and a Management Philosophy of contributing to the creation of an environmentally sound, sustainable economy and society, it declared its commitment to developing a wide range of businesses as a distinctive and highly specialized financial services company.

# PORTFOLIO

## Tokyo Century's Target Portfolio



### Ordinary Income (Loss) / ROA

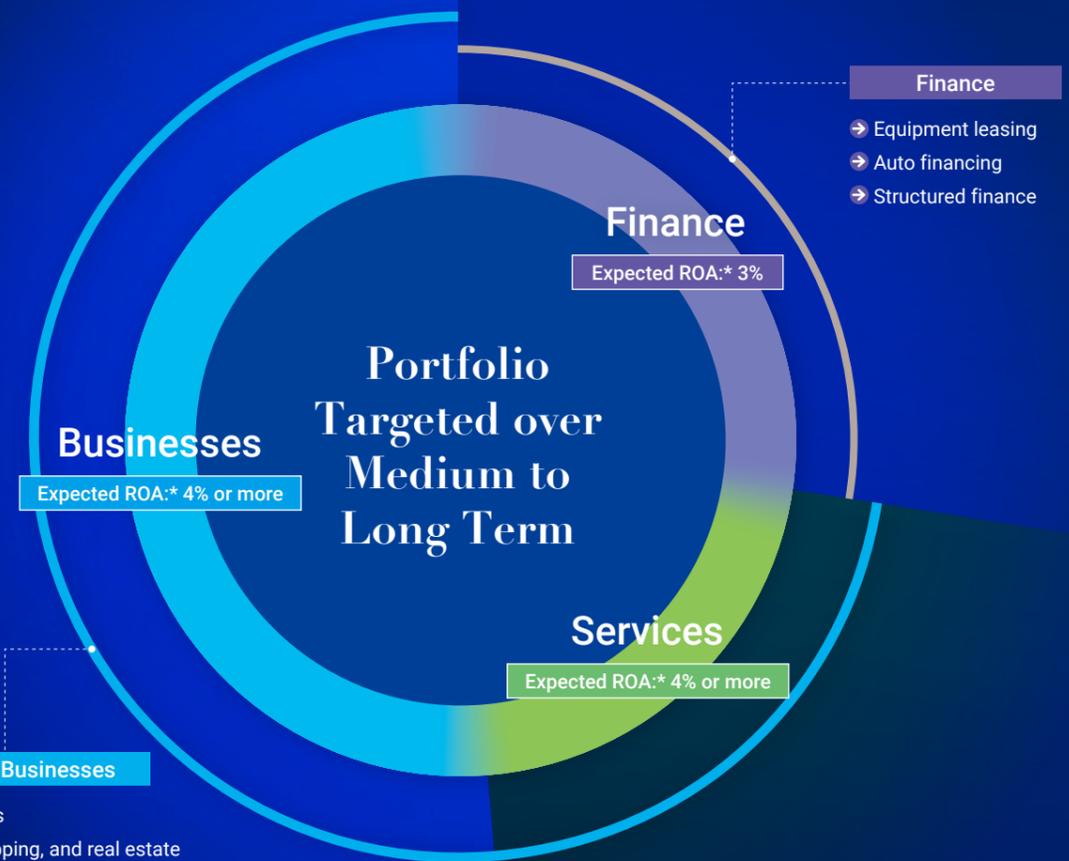


\*2 Includes figures for energy and environment businesses that are currently part of the Environmental Infrastructure segment

\*3 Includes valuation losses on operational investment securities (¥18.7 billion)

Growth >>> Business Model Transformation and Evolution >>> P.9

Security >>> Enhancement of Risk Management >>> P.11



\* Calculated as the ratio of ordinary income to segment assets

#### Measures for Improving ROA

Construction of portfolio comprising mainly services and businesses with high levels of expected ROA

- 1 Improvement of value of existing businesses
- 2 Creation of new services and businesses that can drive growth
- 3 Replacement and divestiture of unprofitable assets

#### Key Tasks for Realizing Target Portfolio

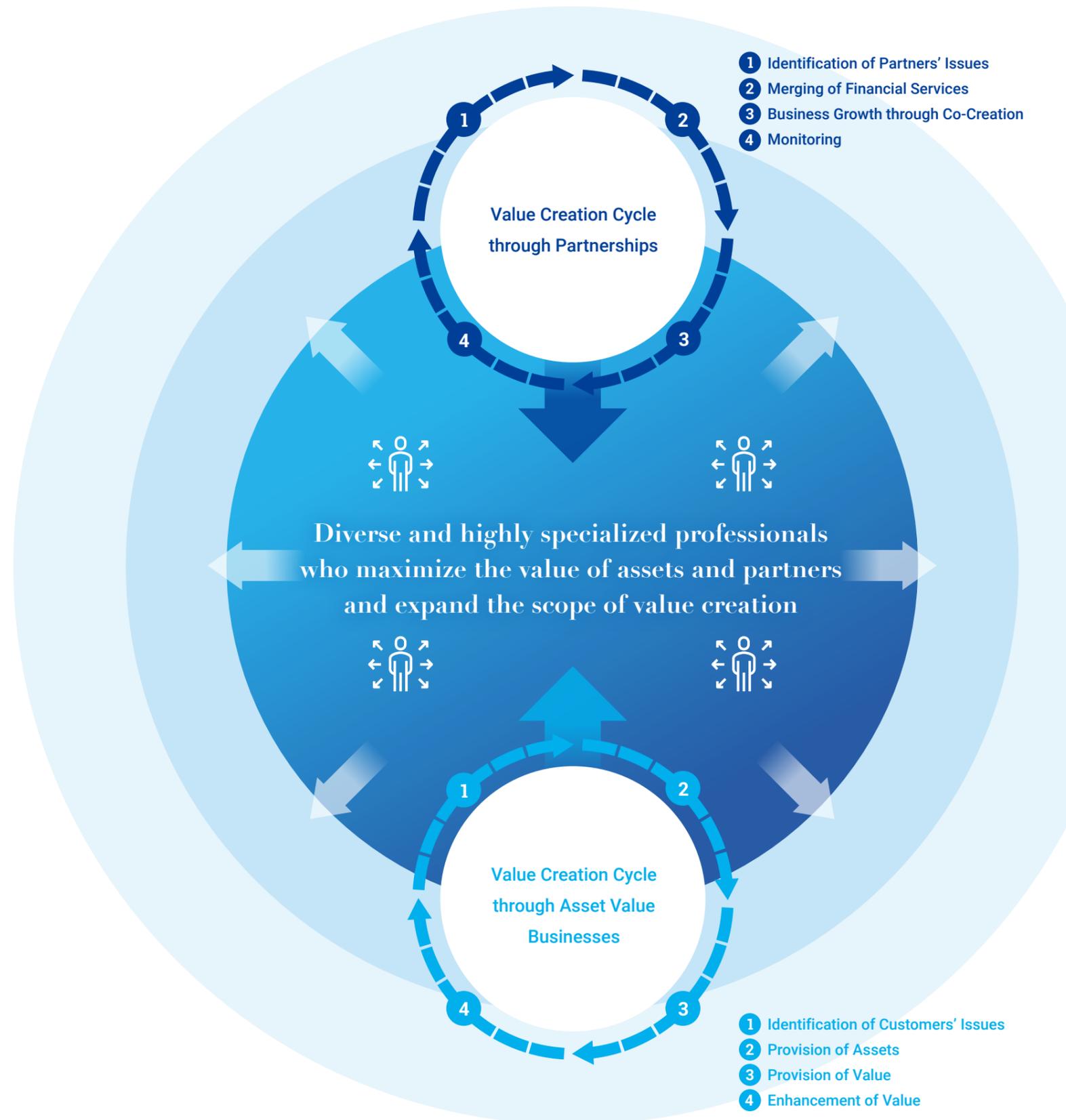
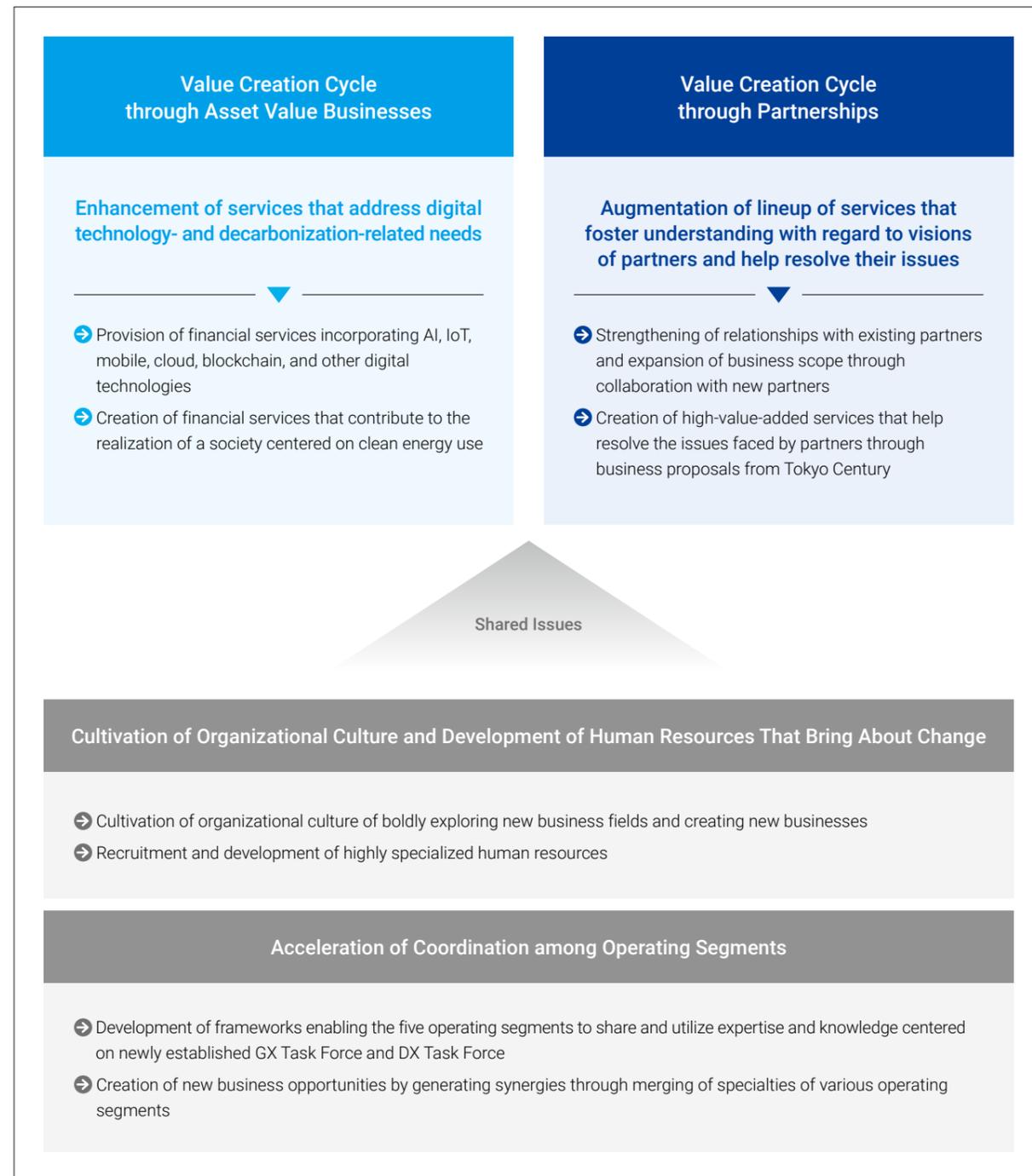
- 1 Recruitment and development of specialized human resources capable of creating new business models
- 2 Development of services that employ digital technologies
- 3 Enhancement of risk management for preventing and minimizing potential losses

**Growth BUSINESS MODEL**

# Business Model Transformation and Evolution

Tokyo Century will transform and evolve its two value creation cycles with the goal of developing new, highly profitable businesses.

## Key Points of Transformation and Evolution of Value Creation Cycles



**Security RISK MANAGEMENT**

# Enhancement of Risk Management

## Issues and Directive Informed by Previous Medium-Term Management Plan (Fiscal 2020–Fiscal 2022)

### Issue 1 Response to sudden macroeconomic changes

The COVID-19 pandemic and Russia's invasion of Ukraine resulted in massive losses centered on the aviation business of the Specialty Finance segment. In addition, valuation losses were recorded on certain investments in the International Business segment due to sudden fluctuations in the stock market.

Major impairment losses, bad debt expenses, valuation losses on operational investment securities, etc., over three-year period

Of which, extraordinary losses on aircraft associated with Russian airlines of ¥74.8 billion

Fiscal 2020		Fiscal 2021		Fiscal 2022	
Specialty Financing	¥20.3 billion	Specialty Financing	¥32.5 billion	Specialty Financing	¥82.7 billion
International Business	¥2.2 billion	International Business	¥2.1 billion	International Business	¥18.9 billion
<b>Total</b>	<b>¥22.5 billion</b>	<b>Total</b>	<b>¥34.6 billion</b>	<b>Total</b>	<b>¥101.6 billion</b>

Approx. ¥158.8 billion

### Issue 2 Rising cost of capital due to decreased predictability of performance

There is a tendency for our performance to become less reliable and predictable as the portion of our portfolio accounted for by relatively high-risk businesses increases. Accordingly, there is a need for exhaustive portfolio management with consideration for the balance of risks and returns.

### Directive Transformation of business model to ensure high profitability

By allocating management resources to services and businesses with high expected ROA, Tokyo Century will transform its portfolio to maintain stable growth by increasing overall asset efficiency.



## Medium- to Long-Term Measures Based on Issues and Directive

Tokyo Century aims to build resilient organizations and portfolios by heightening its responsiveness to unforeseen events.

### 1. Reinforcement of investment screening and monitoring functions

**Entrenchment and enhancement of investment management framework**

Steps are being taken to reinforce investment screening and monitoring functions to appropriately assess investments and determine the necessity of withdrawals.

**Enhancement of responsiveness toward country and global risks**

Geopolitical risks and limit ratings of overseas businesses are being reassessed as part of efforts to enhance risk management in preparation for the occurrence of extreme circumstances.

### 2. Development of risk control framework

**Strengthening of risk controls and diversification of portfolio**

The effective management of risk exposure associated with economic capital (capital use rates) is practiced, and risk limits will be introduced for categories that account for a large portion of our risk profile in order to strengthen risk controls and diversify our portfolio.

**Management emphasizing cost of capital**

The methods of managing return on invested capital spread by operating segment are being revised so that this spread can be used to guide revisions to portfolio allocations as part of efforts to facilitate management emphasizing the balance of risks and returns.

# CONTENTS

Tokyo Century Corporation Integrated Report 2023

## Editorial Policy

*Integrated Report 2023* was prepared to better inform shareholders, investors, and other stakeholders regarding Tokyo Century's management direction and business strategies and operations, in addition to providing financial information and non-financial information, including examples of environmental, social, and governance (ESG) initiatives, while incorporating the opinions, observations, and predictions of certain of the Company's officers and other personnel. We thereby sought to illustrate the Company's potential for ongoing growth over the long term.

## Reporting Period\*

April 1, 2022–March 31, 2023 (Fiscal 2022)

\* This report includes information on certain activities taking place after April 1, 2023.

## Forward-Looking Statements

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

## Guidance for Collaborative Value Creation

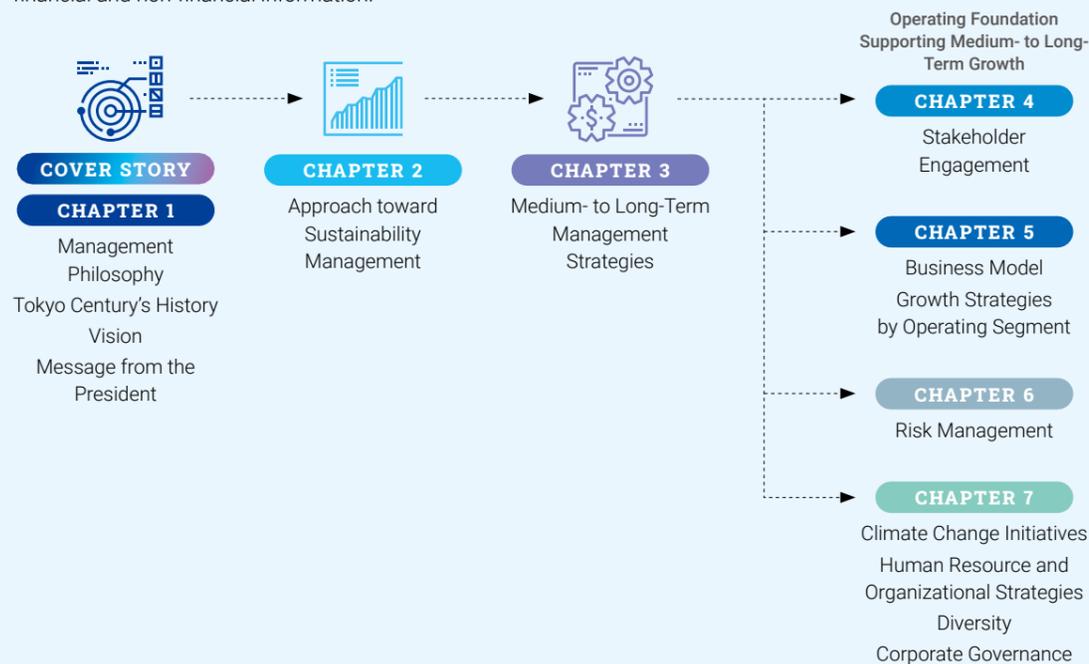
This integrated report refers to Guidance for Collaborative Value Creation, which is a common guideline among investors. As a company with financial capabilities, Tokyo Century focuses on creating businesses that are useful to society by cooperating with its partners. The Company aims to help stakeholders understand its efforts to "contribute to the creation of an environmentally sound, sustainable economy and society," which is part Tokyo Century's Management Philosophy.



# ABOUT THIS REPORT

## Disclosure Based on Integrated Reporting Principles

This integrated report conducts disclosure based on integrated reporting principles while also offering systematic explanations of Tokyo Century's management strategies focused on the Company's medium- to long-term growth story and on financial and non-financial information.



## COVER STORY

- 1 Tokyo Century Transformation and Sustainable Growth
- 3 Management Philosophy
- 5 Milestones—Tokyo Century's History
- 7 Tokyo Century's Target Portfolio
- 9 Growth—Business Model Transformation and Evolution
- 11 Security—Enhancement of Risk Management

## CHAPTER 1 Message from the President

- 15 Message from the President

## CHAPTER 2 Sustainability Management at Tokyo Century

- 25 The Tokyo Century Group's Approach toward Sustainability Management
- 27 Process for Identifying Materiality (Key Issues)
- 29 The Tokyo Century Group's Value Creation Process
- 31 Message from the President of the Corporate Planning Unit
- 37 Sustainability Governance

## CHAPTER 3 Medium-Term Management Plan 2027 and Medium- to Long-Term Vision

- 41 Review of Past Medium-Term Management Plans
- 43 Medium-Term Management Plan 2027
- 45 Directive for Long-Term Growth

## CHAPTER 4 Stakeholder Engagement

- 49 Stakeholder Engagement for Improving Corporate Value through Dialogue and Co-Creation
- 51 Dialogue between an Institutional Investor and the President

## CHAPTER 5 Business Model and Growth Strategies by Operating Segment

- 59 Tokyo Century's Two Value Creation Cycles
- 61 Portfolio Transformation and Business Overview
- 63 Growth Strategies by Operating Segment
  - 63 Equipment Leasing
  - 65 Automobility
  - 67 Specialty Financing
  - 69 International Business
  - 71 Environmental Infrastructure

## CHAPTER 6 Enhancement of Risk Management

- 75 Major Risks, Management Frameworks, and Risk Management
- 79 Response to Expansion of Business Domain
- 81 Compliance and Information Security

## CHAPTER 7 ESG Strategies

- 85 The Tokyo Century Group's Climate Change Initiatives
- 87 Human Resource and Organizational Strategies
- 91 Roundtable Discussion on Diversity
- 95 Evolution of Tokyo Century's Corporate Governance System
- 104 Message from an External Director

## CHAPTER 8 Data Section

- 107 Performance Highlights
- 109 Financial Summary
- 111 Main Subsidiaries and Affiliates
- 113 Corporate and Stock Information

## Evolution into Unique Financial Services Company through Tokyo Century Transformation (TCX)

By promoting four types of transformation, Tokyo Century will evolve its asset value innovation and integration capabilities as it seeks to improve corporate value through sustainable growth.

### Launch of Medium-Term Management Plan 2027 designed to get Tokyo Century back on a growth track

Tokyo Century unveiled its previous medium-term management plan in February 2020, strongly determined to achieve the plan's targets, which called for record-breaking performance. However, developments such as the COVID-19 pandemic and Russia's invasion of Ukraine created an operating environment much more challenging than had been expected. As a result, net income attributable to owners of parent in fiscal 2022, the final year of the plan, only amounted to ¥4.8 billion, substantially lower than the target put forth by the plan. A major cause behind this

outcome was the recording of impairment losses related to aircraft associated with Russian airlines. These circumstances prompted us to position fiscal 2022 as a time for a "great reset," and I feel optimistic for the future given that we were able to lay the groundwork for long-term growth. We are also intensifying our focus on risk management to boost earnings power while ensuring resilience and continuity in our operations as part of our commitment to get Tokyo Century back on a growth track.



**Koichi Baba**  
President & CEO, Representative Director

# CHAPTER 1 Message from the President

## Message from the President



At the same time, we recognize that we achieved certain successes contributing to more solid operating foundations and enhanced profitability under the previous plan. Our car rental business, for example, is heavily impacted by trends in the movement of people, which meant that the pandemic created a very challenging environment for this business. Regardless, we continued to move forward with bold reforms to our car rental operations, including revising sales networks and bolstering sales through our smartphone apps. As a result, this business was able to achieve a swift recovery and record-breaking performance in the final year of the previous plan. We also made progress in the partnership strategy, a strength of Tokyo Century. This progress was seen in the rapid growth of NTT TC Leasing Co., Ltd., and the expansion of collaborative businesses with NTT Group companies. We also advanced collaborative ventures with prime partners including Mitsubishi Estate Co., Ltd.; ITOCHU Corporation; the NX Group; and JFE Engineering Corporation. In this manner, we were massively successful in the creation of businesses that

excite me in terms of our future growth. I also expect to see progress in our aviation business, which struggled amid the pandemic. In these businesses, we will work to capitalize on the demand from airlines for aircraft leasing and for secondhand aircraft engines and parts seen amid rising passenger demand, and I suspect that we will thereby be able to achieve growth suitable of a core business going forward. Meanwhile, we are witnessing steady growth in new areas for Tokyo Century, such as the principal investment business, which entails investments in projects including carve outs from major companies, as well as asset and technical management businesses targeting solar power generation projects. I look forward to seeing how these businesses contribute to the enhancement of our financial service functions. I believe that our achieving strong progress in the car rental and other businesses resulted from our commitment to continuously supplying customers with the value they need. This commitment has been the driver behind our many successes and serves to remind me of the substantial potential of Tokyo Century.

The newly launched Medium-Term Management Plan 2027 calls on us to further strengthen the business models and partnership strategy we have hitherto advanced while also marching ahead with the transformation of our portfolio, human resources, and organizations. Operating in the same manner will eventually see

us reach the limits of our growth. This is why we cannot simply respond to change; everyone at Tokyo Century needs to transform themselves to bring about change. My mission is thus to lead by example in developing an organization and a culture conducive to such transformation.

### Four pillars of TCX for driving ongoing growth in five operating segments

If Tokyo Century is to continue growing over the next decade, it will need to strengthen the aspects of the Company that do not change. These include the asset value-emphasizing business models and partnership strategy that represent our cohesive strength. At the same time, areas exist in which we need to be aware of changes, such as our efforts to contribute to the resolution of social issues pertaining to trends like progress in digital technologies and decarbonization initiatives. In these areas, we should take bold, swift action to create substantial, unique, and competitive value.

Medium-Term Management Plan 2027, which kicked off in fiscal 2023, is based on the theme of “transform ourselves and bring about change.” Meanwhile, I have been constantly reminding members of Tokyo Century of the importance of being perceptive. It is not enough to merely respond to the circumstances with which we are faced. Rather, we need to formulate short-, medium-, and long-term scenarios so that we can exercise foresight and determine what has to be done in order to get ahead of the trends. I want us to be the first mover, thinking in advance of change and preemptively tackling challenges. This ongoing process of foresight and action will no doubt help us transform our business model and explore new business areas.

The new medium-term management plan defines the concept of TCX, or Tokyo Century Transformation, as an expression of our strong commitment toward such self-transformation. Based on this concept, we are marching forward

with four types of transformation—portfolio transformation, green transformation, digital transformation, and human resource and organizational transformation—as we seek to improve corporate value by heightening our earnings power and addressing environmental, social, and governance issues.

In promoting portfolio transformation, we will base decisions on business growth and efficiency, investing capital in growth areas to create new businesses while improving the value of our existing businesses to transform our portfolio. For businesses in which we cannot expect improvements in terms of growth potential or efficiency, we will take a flexible approach toward portfolio replacement and withdrawal in order to effectively utilize our management resources to improve return on assets (ROA).

To facilitate green transformation, we formed the GX Task Force to promote the creation of green transformation-related businesses and cross-organizational coordination among all operating segments. In addition, the Environmental Infrastructure segment was established in fiscal 2023 to consolidate the environment-related expertise that had previously been dispersed among various operating segments. This new segment is also expected to help share information on the latest environment-related trends and customer needs with officers and employees and to thereby generate a virtuous cycle of new business creation. Tokyo Century was quick to begin proactive forays into solar power, biomass power, and other renewable energy businesses. More

## Message from the President

recently, we have started partnering with companies in the charging service and battery evaluation and reuse businesses with the aims of developing storage battery businesses and responding to the popularization of electric vehicles. We are also eyeing the development of overseas renewable energy businesses in the future, and we intend to take a concerted Companywide approach positioning these businesses as a new area of growth for Tokyo Century.

As for digital transformation, we aim to continuously create new financial services that make use of digital technologies and data, which have become an indispensable part of business.

A central tenet of our digital transformation approach will be to help partners and clients furnish business foundations in response to the various operating environment changes they face and to thereby contribute to the creation of social value. To promote such efforts across operating segment boundaries, we set up the DX Task Force, which I oversee directly. This task force is leading the formulation of plans for cultivating digitally proficient human resources and launching digital transformation initiatives aimed at improving our value proposition for customers and heightening the productivity of internal processes.

## Human resource and organizational strategies underpinning TCX

Of the four types of transformation described in the TCX concept, we are placing particular emphasis on human resource and organizational transformation, which will be imperative to advancing portfolio transformation, green transformation, and digital transformation as well as to implementing strategies for driving ongoing improvements in corporate value in the next two decades and over the longer term.

Since the announcement of Medium-Term Management Plan 2027, I have continued to explain to all officers and employees how I want them to become transformative people who are able to act as proponents of transformation while also continuing to transform themselves. This is because, if a company is going to change, it is essential for the individuals who make up that company to also evolve. Senior management will play a direct role in developing organizations that enable employees to become such transformative people adept at bringing about change. Moreover, we seek to foster human resources who are able to hypothesize about what initiatives will help resolve customers' issues in today's increasingly complex society and who can enact their hypotheses.

In relation to human resources, the new medium-term management plan defines the targets of maintaining and improving the ratio of

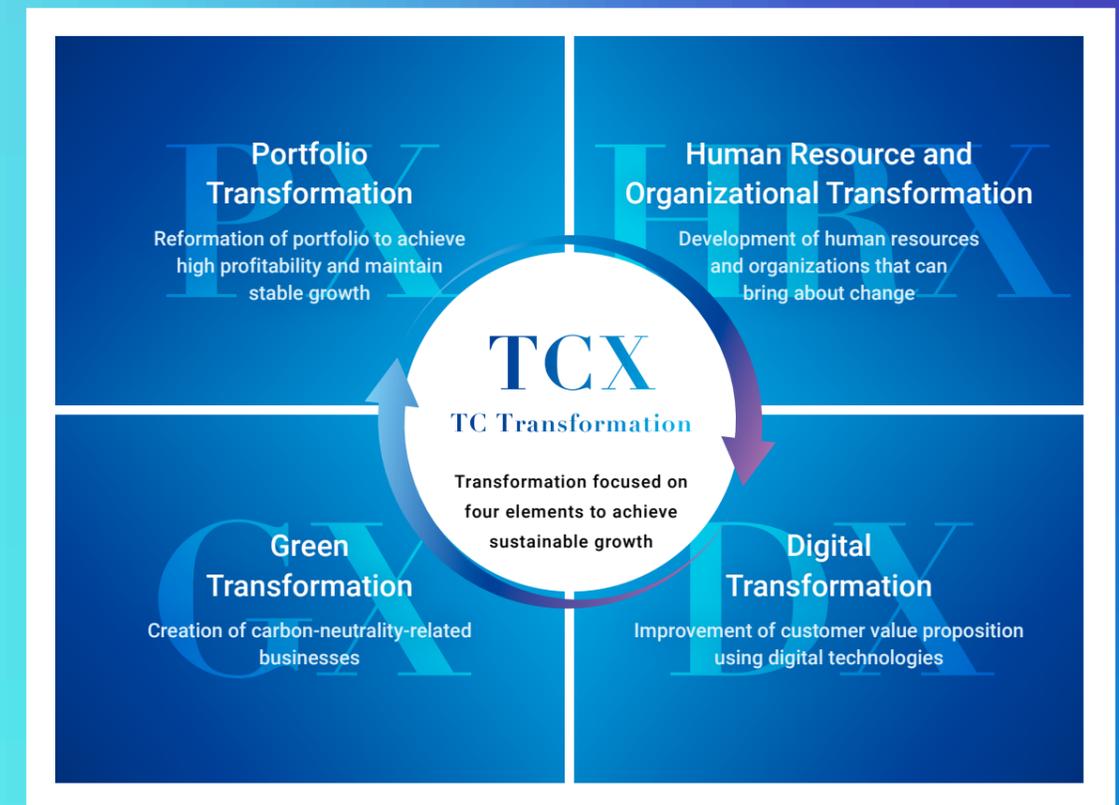
positive responses with regard to the employee engagement index and more than doubling investments in human resource recruitment and development. We also offer training on a robust range of themes to help employees enhance their specialized expertise and skills. Furthermore, we seek to provide a workplace environment in which everyone is able to make contributions that directly link to improvements in the value of the solutions and other offerings we supply to customers.

Past initiatives for improving employee engagement have included the introduction of the Career Challenge Program, an internal recruitment system, and the TC Biz Challenge Project, a new business proposal system. In fiscal 2022, we expanded the scope of initiatives through the



Collection of the impressions of TC-Mee+ participants

### Four Pillars of TCX



launch of TC-Mee+, an internal communication enhancement project designed to allow for free discussion among employees of all ranks and in all organizations.

As part of this project, I participate in discussions about envisioning Tokyo Century a decade from now, which are open to all employees, regardless of rank or length of service with the Company. At the end of discussions, participants are handed cards on which they were encouraged to freely write their impressions of the discussion. This project provides a valuable opportunity for me to communicate with employees. Moreover, the passion I felt for the future of Tokyo Century during the discussion and in the participants' impressions was a major positive that made clear to me the feelings of people on the front lines. For a company to grow, it is important for management and employees to have a relationship built on mutual trust and understanding. Furthermore, they must be aligned along a shared vector as they strive to serve customers.

TC-Mee+ plays a key role in fostering such a relationship. The importance of employee input to management cannot be understated. This is why I hope to continue to engage in such steadfast initiatives going forward.

In addition, in an internal newsletter, we declared that the year 2023 will be the first year of full-fledged well-being initiatives. The motivation employees feel toward their work is, of course, important. Equally important, however, is the health of employees and their families and the ability of employees to maintain good interpersonal relationships. These are all aspects emphasized in well-being initiatives, and we have introduced such a well-being perspective into management. Improving the happiness and engagement of all employees will be crucial to ensuring that everyone is able to make contributions and will also certainly help drive the ongoing growth of Tokyo Century and the accomplishment of the goals of the new medium-term management plan.

## Asset value innovation and integration capabilities as foundation for “Finance × Services × Business Expertise” concept

The operating environment is changing rapidly, and it is becoming increasingly difficult to supply customers with value that will be deemed to be sufficient via only Tokyo Century’s conventional asset and service provider functions.

Until now, we have defined our unique business model based on collaboration with partners and other aspects of our “Finance × Services × Business Expertise” concept, and we sought to provide high-value-added financial services through this model. As part of the process of further refining this business model, it will be important for us to consolidate our innovative ideas related to such processes as green transformation and digital transformation in order to enhance our solutions and functions to better increase the value of assets. At the same time, we must integrate into our business model

synergies created based on a stance of openness and innovation through which we share our insight with various partners. This process will no doubt lead to increases in the use value of assets to a degree that Tokyo Century cannot achieve on its own.

By expanding our initiatives in this regard, I hope to evolve the asset value innovation and integration capabilities that will form the foundation for our “Finance × Services × Business Expertise” concept. Through this approach, we are committed to the ongoing improvement of the convenience of the financial services we offer and to other continuous enhancements to our business model. We thereby aim to become an entity that can earn enduring support from its customers and partners so that we can overcome various changes and continue to grow.

## Pursuit of highly effective risk management based on diversifying risk profile

During the period of the previous medium-term management plan, we recorded massive impairment losses in relation to aircraft and other assets. These losses are an indication that we did not practice risk management sufficiently accounting for our diversifying risk profile. Accepting the lessons to be learned in this regard will no doubt help us strengthen risk management in a way that contributes to future growth.

In formulating long-term growth strategies, it is important that we focus both on investing in growth and other areas from which we can expect high returns and on effectively controlling risks. At the same time, we must assume that the operating environment will continue to grow increasingly opaque. It will thus be crucial for us to maintain a high degree of sensitivity toward changes in the times and in markets so that we

can reinforce our frameworks for effective risk management. Based on this recognition, Tokyo Century is endeavoring to achieve further management stability by enhancing its risk control framework for efficiently allocating management resources and its investment management framework for making appropriate investment decisions.

In terms of profitability, the Company has maintained a compound annual growth rate of more than 10% for ordinary income since it was formed through the merger in 2009. If we are to target further income growth in our various operating segments going forward, an increased emphasis on risk management for strengthening operating foundations will be vital. The approach toward growth can differ by operating segment. Nevertheless, we will continue efforts to build a

low volatility business portfolio by assessing the profitability and efficiency of each operating segment based on past investments.

The effectiveness of risk management is a key factor directly tied to aspects such as performance volatility and cost of capital. Accordingly, rather than limiting our risk management efforts to internal initiatives, we will be proactive in

broadcasting and disclosing information on the progress of said efforts to investors. In this manner, we will take a two-pronged approach toward raising the market’s appraisal of Tokyo Century by limiting performance volatility through exhaustive risk management and reducing cost of capital via increased engagement with and information disclosure to investors.

## Transformation of portfolio to achieve high profitability and maintain stable growth while supporting aggressive action for contributing to the creation of an environmentally sound, sustainable economy and society

Medium-Term Management Plan 2027 aims to evolve the Tokyo Century Group into a corporate group that can overcome operating environment changes by getting ahead of the times and which can continue to transform itself and bring about change. We may have failed to meet the income targets of the previous medium-term management plan, but we are committed to accomplishing the new plan’s targets in the earliest possible fiscal year. At the same time, we will place strong emphasis on income growth and ROA improvement to transform our portfolio to achieve high profitability and maintain stable growth and thereby quickly recover return on equity and the price book-value ratio to 10% and at least 1.0 times, respectively.

Looking ahead, Tokyo Century will continue aggressive growth investments with a focus on an appropriate balance of risks and returns in order to achieve consistent growth and drive ongoing increases in earnings per share. In this undertaking, it will be crucial for us to evolve the asset value innovation and integration

capabilities that form the foundation for our “Finance × Services × Business Expertise” concept and thereby secure a dominating competitive edge. At the same time, we will need to make proactive efforts to advance the four types of transformation described by the TCX concept in a cross-operating segment manner.

The Tokyo Century Group is committed to making ongoing contributions to the creation of an environmentally sound, sustainable economy and society and to the resolution of social issues as a trusted service and business partner. Moreover, everyone at the Group is united in our quest to take bold action to accomplish the targets for fiscal 2027 set out in Medium-Term Management Plan 2027. I look forward to the continued understanding and support of our investors and other stakeholders.

September 2023



# SUSTAINABILITY MANAGEMENT

## CHAPTER 2

### Sustainability Management at Tokyo Century

---

25	The Tokyo Century Group's Approach toward Sustainability Management
27	Process for Identifying Materiality (Key Issues)
29	The Tokyo Century Group's Value Creation Process
31	Message from the President of the Corporate Planning Unit
37	Sustainability Governance

---

# The Tokyo Century Group's Approach toward Sustainability Management

**Provision of Value to Stakeholders**

The Tokyo Century Group seeks to heighten the value it provides to stakeholders over the long term through its value creation process.

Society	Shareholders and investors	Customers and employees
Supply of environment-friendly services supporting asset life cycles	Generation of return on equity surpassing cost of shareholders' equity and ongoing profit growth	Solutions for businesses and pursuits that help resolve management issues



### Five Key Issues (Growth Opportunities)

The Company has defined five key issues, its materiality, that represent growth opportunities based on their importance to stakeholders and their importance to Tokyo Century. Financial and non-financial strategies are being advanced in accordance with these key issues.

## Improvement of the value provided to stakeholders and of the corporate value of the Tokyo Century Group

1 Outcomes produced using management resources

Resolution of key issues and advancement of business model to increase management resources and maximize positive outcomes

3 Improvement of financial and non-financial strategies

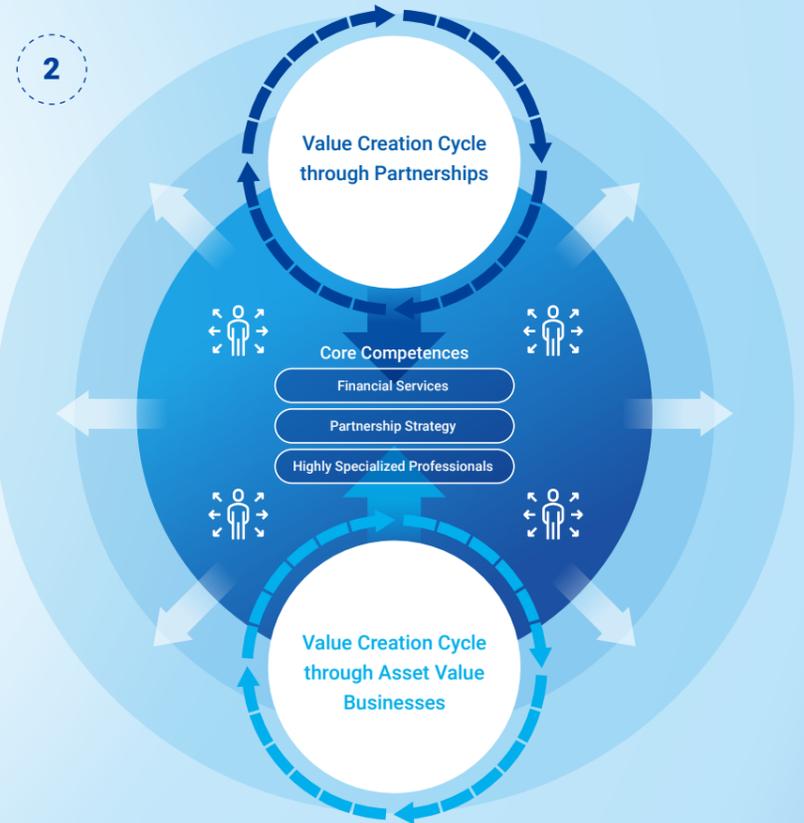


4 Engagement with stakeholders



### Policies for Value Creation Process

- 1 Maximization of positive outcomes through the use of management resources to improve the value provided to stakeholders and the corporate value of the Tokyo Century Group
- 2 Advancement of strategies focused on key issues representing growth opportunities and of business model for improving business value to increase management resources
- 3 Strengthening of financial and non-financial bases necessary for addressing key issues and advancing business model
- 4 Promotion of engagement with stakeholders to incorporate input gained thereby into management strategies to enhance financial and non-financial bases



### Tokyo Century's Business Model

Tokyo Century's strengths are its unique financial services, its partnership strategy, and its highly specialized professionals. By merging these strengths, we drive the improvement of corporate value through two value creation cycles based on our business characteristics.

# Process for Identifying Materiality (Key Issues)

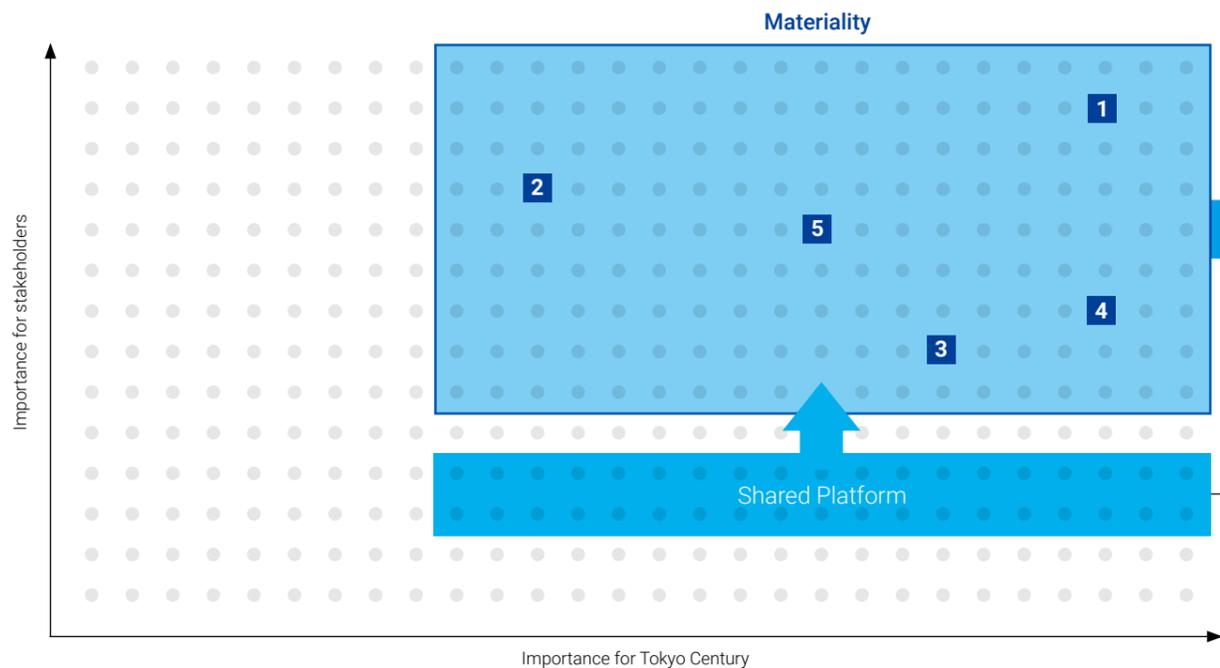
For Tokyo Century, sustainability management constitutes a management strategy for resolving social issues and achieving sustainable growth and improvements in corporate value by contributing to the creation of an environmentally sound, sustainable economy and society, as described in its Management Philosophy, through its business activities.

## Materiality Identified to Support Sustainability Management

### Tokyo Century's Materiality (Key Issues)

- ➔ Based on the United Nations Sustainable Development Goals (SDGs), Tokyo Century has created a materiality map that considers the degree of priority for its stakeholders (indicated on the vertical axis) as well as the degree of priority for the Company itself (indicated on the horizontal axis). Priority issues for the Company include the development of diverse businesses (such as aviation and solar power generation) that take advantage of its highly free operating environment and business characteristics grounded in the value of its assets.
- ➔ The process of creating this map involved first assessing the importance of issues for stakeholders based on major environmental, social, and governance (ESG) evaluation and non-financial information disclosure standards as well as on the 169 targets for the 17 SDGs. We then proceeded to identify the issues of importance for the Company by looking at the connection between the SDGs and our Management Philosophy and financial information. The important issues defined in these two categories formed the axes used when preparing our materiality map, and this map was used to identify the five materiality items described on the following page, based on discussions by the Sustainability Committee and the Board of Directors.
- ➔ In addition, protocols have been introduced regarding materiality notifications in agendas for meetings of the Transaction Evaluation Meeting, Management Meeting, and the Board of Directors. The Company has also created a sustainability contribution award program. These measures are meant to help improve awareness regarding materiality initiatives among employees. Moreover, we have defined key performance indicators (KPIs) along with a PDCA (plan-do-check-act) cycle for our materiality (key issues).

### Identification of Materiality Using Materiality Map



Major ESG standards referenced: Dow Jones Sustainability World Index, FTSE4Good Index Series, MSCI indexes, and SASB Standards

## Tokyo Century's Materiality (Key Issues)

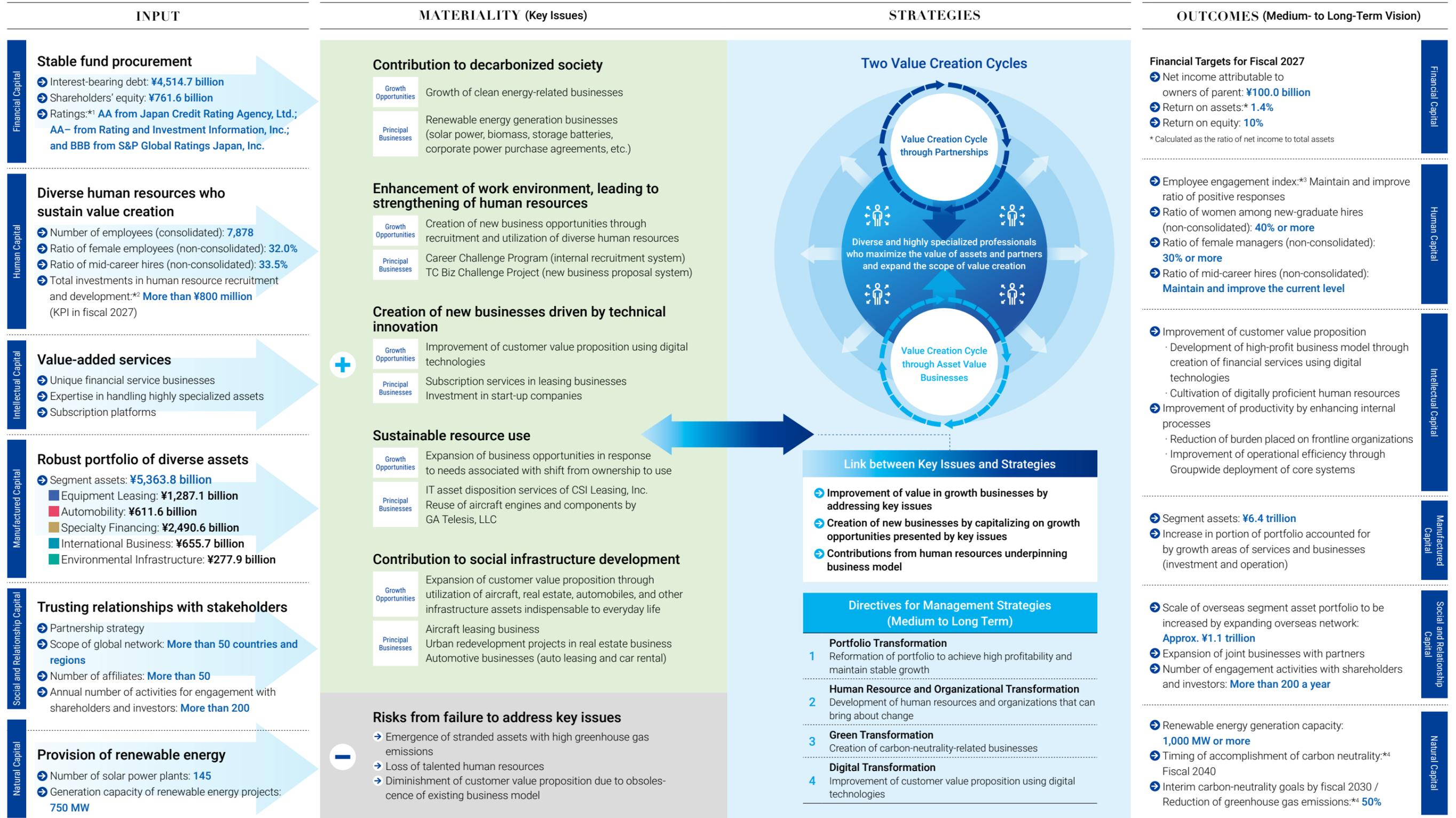
Materiality (Key Issues)	Priority Materiality Initiatives	Relevant SDGs
<b>1 Contribution to decarbonized society</b> 	Contribute to widespread use of clean energy through climate change response and environmental efforts <b>Major KPIs</b> Contributions to reductions in CO <sub>2</sub> emissions through solar power generation businesses of nine consolidated subsidiaries* <sup>1</sup> (fiscal 2025) Annual generation value: <b>More than 532,100 MWh</b> Contributions to reductions in CO <sub>2</sub> emissions: <b>More than 207,253 t-CO<sub>2</sub></b>	 
<b>2 Creation of new businesses driven by technical innovation</b> 	Create new businesses by integrating new technologies into financial services and contribute to the digital economy <b>Major KPI</b> Certification under Digital Transformation Stock Selection program* <sup>2</sup> of the Ministry of Economy, Trade and Industry	 
<b>3 Contribution to social infrastructure development</b> 	Respond to advances in global mobility services and cooperate with local communities to contribute to social infrastructure development <b>Major KPIs</b> Number of vehicles equipped with telematics services* <sup>3</sup> Number of safe driving lessons conducted* <sup>4</sup> Ratio of rental cars equipped with safety devices (automatic brakes, etc.)* <sup>5</sup>	 
<b>4 Sustainable resource use</b> 	Contribute to development of a circular economy focused on the value of assets <b>Major KPIs</b> Development of refurbishment businesses Number of secondhand computers sold (fiscal 2025): <b>More than 241,000</b>	 
<b>5 Enhancement of work environment, leading to strengthening of human resources</b> 	Promote human resource development, diversity, and workstyle reforms that improve job satisfaction and foster a sense of personal growth <b>Major KPIs</b> Ratio of women among new-graduate hires: <b>Maintain at least 40%</b> Ratio of female managers (2030): <b>At least 30%</b> Rate of childcare leave acquisition by male employees: <b>Maintain 100%</b>	
<b>Shared platform</b>	Utilize diverse partnerships to create new value	

\*1 Solar power generation company Kyocera TCL Solar LLC and eight other subsidiaries  
 \*2 Program to certify business operators based on the revision to Act on Facilitation of Information Processing implemented on May 15, 2020; companies must apply for certification and the Ministry of Economy, Trade and Industry selects for certification those companies implementing superior initiatives.  
 \*3 Nippon Car Solutions Co., Ltd., Nippon Rent-A-Car Service, Inc., and Orico Auto Leasing Co., Ltd. \*4 Nippon Car Solutions Co., Ltd. \*5 Nippon Rent-A-Car Service, Inc.

# The Tokyo Century Group's Value Creation Process

The Tokyo Century Group is advancing initiatives based on the five key issues that represent growth opportunities and management strategies for improving business value in order to increase its management resources and maximize its positive outcomes.

\*1 As of July 1, 2023  
 \*2 Training expenses + (Number of training sessions × Personnel expenses) + Recruitment expenses  
 \*3 Based on ratio of positive responses to multiple choice questions on 2022 employee awareness survey (63% in fiscal 2022)  
 \*4 Rate of reduction of Scope 1 and Scope 2 greenhouse gas emissions from base year of fiscal 2021



Note: Figures above are as of March 31, 2023.

## Message from the President of the Corporate Planning Unit



MESSAGE

**By promoting sustainability management based on an integrated approach toward financial and non-financial strategies, I aspire to generate a virtuous cycle of ongoing growth.**

**Tatsuya Hirasaki**

Director and Managing Executive Officer  
President, Corporate Planning Unit  
President, Accounting Unit

### Meaningfulness of Tokyo Century's focus on sustainability management

Even in our everyday lives, we are made aware of the various issues that plague our world, including the environmental destruction threatening the future of our planet, the food and energy shortages, and the rising geopolitical risks. Against this backdrop, everyone must now think seriously about the future of the planet while companies need to focus on more than just the development of the economy and society; they also need to exercise responsibility in protecting the planet.

Tokyo Century was founded as a leasing company, and leasing is a circular business that entails the ongoing reuse and recycling of resources, as opposed to mass production and consumption. This founding has shaped our Management Philosophy, which we continue to embrace even as the scope of our operations expands. Our mission based on this philosophy is to continue to develop businesses that contribute to the creation of an environmentally sound, sustainable economy and society in order to preserve a pristine global environment for future generations. The advancement of business activities by Tokyo Century that are highly compatible with

eco-friendly circular businesses is a component of our approach toward sustainability management for contributing to the resolution of social issues while also driving ongoing growth and corporate value improvement for the Company.

Effective sustainability management requires us to generate a virtuous cycle of heightening the Company's earnings power to generate steady profits that can be invested in environmental, social, and governance (ESG) initiatives that will contribute to future earnings power. Medium-Term Management Plan 2027, which was announced in May 2023, calls on us to strengthen our earnings power and promote ESG initiatives. This belief in sustainability management was one of the factors behind this decision.

A company that lacks sufficient earnings power will have to devote its efforts toward the numbers right in front of its eyes, which will no doubt result in it resorting to a short-term management approach. Raising future earnings power from a medium- to long-term perspective, meanwhile, will require a company to invest in non-financial areas, like human resources and carbon neutrality. By advancing

steadfast efforts targeting such areas, Tokyo Century believes that it can increase the number of investors who resonate with its vision and strategies and heighten the number of employees who feel pride in the Company.

I want to make Tokyo Century a company that shareholders, investors, employees, and other stakeholders will look at five to 10 years from now and realize that we have developed a virtuous cycle of ongoing growth.

### Tokyo Century's materiality and unique value creation process

Tokyo Century has defined five key issues in terms of its materiality. These issues were identified based on their importance to stakeholders, as indicated by guidelines including the United Nations Sustainable Development Goals, and on their importance to Tokyo Century, which is shaped by the characteristics of our business focused on asset value, the various businesses we develop in a highly free operating environment, and our partnership strategy. I expect that these issues will serve as a compass for guiding the daily activities of officers and employees. Moreover, by continuously addressing these issues, we stand to achieve earnings growth while also contributing to

the resolution of social issues.

Our ability to practice management based on these key issues will hinge on our contributions to the resolution of social issues and on the degree to which we can evolve our business model and expertise. Tokyo Century's competitive edge is built on its services and businesses that emphasize value going beyond financial functions, the expertise of its employees, and its various business partners. If we can effectively take advantage of this competitive edge, we are sure to be able to establish a unique presence in a highly competitive market.

### Effective sustainability governance as viewed by the chairperson of the Sustainability Committee

I am in charge of both corporate planning and sustainability, which puts me in the position of drafting and enacting both financial and non-financial management strategies. There is a benefit of having one person oversee said areas and strategies, mainly that it makes it easier for me to take an integrated approach. Moreover, since fiscal 2022 I have chaired the Sustainability Committee, which was established in fiscal 2018. Sustainability-related themes form the very foundations of management. This means that the committee has to examine a wide variety of such themes, and discussions are always quite lively. Of course, we do not stop at just talking about these topics; we also issue reports and encourage discussions by the Management Meeting and the Board of Directors from the perspectives of accountability and transparency. This process allows the Company to advance forward-looking strategies based on a breadth of input.

In fiscal 2022, a major theme for the activities of the Sustainability Committee was setting our policy of working to achieve carbon neutrality by fiscal 2040. The introduction of carbon taxes is being discussed

around the world. Seeking to get ahead of such taxes, Tokyo Century has decided to implement an internal carbon pricing system on a trial basis. We have also begun scenario analyses based on the recommendations of the Task Force on Climate-related Financial Disclosures in order to track and formulate responses to risks and opportunities pertaining to environmental issues, and information on these scenario analyses is being disclosed. In fiscal 2021, we performed our first analysis, which was on solar power generation businesses. We then went on to expand the scope of these analyses to include the aviation business in fiscal 2022 and the automobile business in fiscal 2023. We intend to gradually broaden this scope further to cover an increasingly wider range of our businesses going forward. Alongside such environmental initiatives, we are monitoring the progress of other wide-ranging medium- to long-term sustainability management initiatives for purposes such as improving employee engagement.

The previous medium-term management plan concluded in fiscal 2022. Looking back at the three years of the plan, I feel that we have steadily begun

Message from the President of the Corporate Planning Unit

addressing the topics discussed as part of the plan and that officers and employees have heightened their awareness regarding sustainability management. The sales organizations that are at the forefront of our business are also exhibiting a commitment to sustainability, and we are witnessing the aggressive advancement of business activities based on our key issues in terms of materiality. Moreover, these efforts have started culminating in our seizing of business opportunities.

Going forward, we will have to address the challenge of developing Groupwide frameworks for further entrenching awareness of the link between financial and non-financial strategies. Other

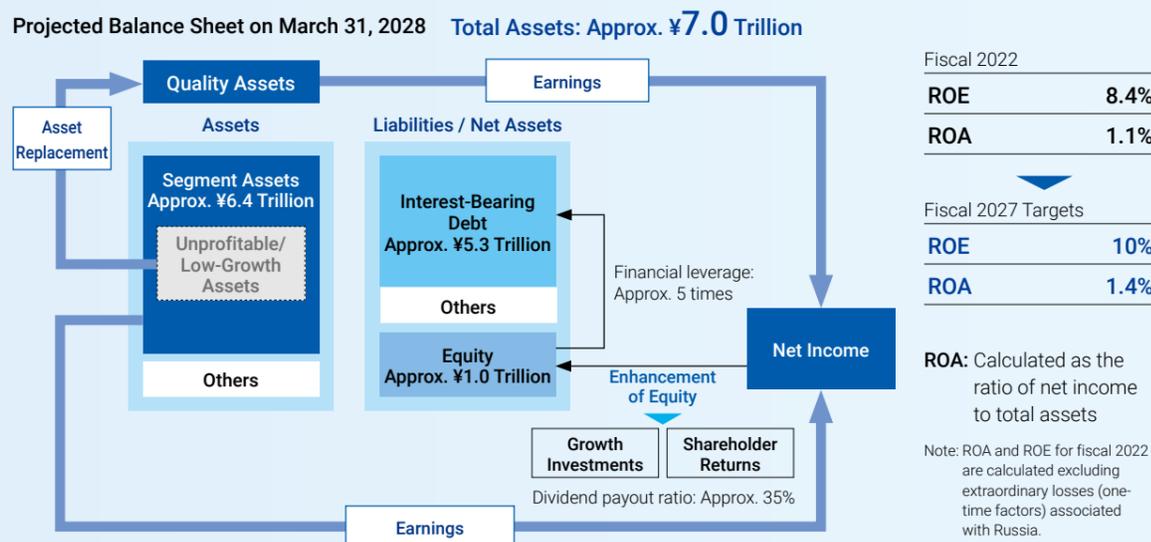
companies have been putting forth various non-financial key performance indicators (KPIs). Tokyo Century, meanwhile, needs to more deeply examine the relationship between such indicators and its business and financial strategies to define KPIs and develop frameworks for accomplishing the targets for these KPIs via the implementation of a PDCA (plan-do-check-act) cycle. We are still lacking in certain aspects concerning the above. Therefore, I think our first step should be to create easy-to-understand frameworks that illustrate how the accomplishment of our financial and non-financial targets will generate a virtuous cycle in order to help heighten officers' and employees' awareness in this regard.

### Themes of Medium-Term Management Plan 2027

Since its foundation through the merger in 2009, Tokyo Century has enjoyed rapid growth, earning a strong and enduring reputation from the market in the leasing industry. Regardless, under the previous medium-term management plan, we had to face an incredibly challenging operating environment as a result of unforeseen factors at the time of the plan's formulation, including the COVID-19 pandemic, Russia's invasion of Ukraine, and the rapid move toward carbon neutrality. Such developments provided us with a good opportunity to reassess our past

initiatives. Based on this introspection and the issues identified thereby, Medium-Term Management Plan 2027, the new plan that kicked off in fiscal 2023, is based on the theme of "Transform Ourselves and Bring About Change." At the core of this theme is the understanding that, if we do not transform ourselves, we will be unable to continue to grow. This understanding gave rise to the concept of TCX, or Tokyo Century Transformation, based on which we intend to work toward ongoing growth through four types of transformation—portfolio transformation, human

#### Balance Sheet Management Approach



resource and organizational transformation, green transformation, and digital transformation.

In addition to TCX, the new plan calls on us to strengthen our earnings power and promote ESG initiatives, as I mentioned earlier, and we aim to heighten corporate value through such efforts. To strength earnings capacity, we will commit to profit growth and ROA improvement. Through this commitment, we express our dedication toward transforming to create a highly profitable and stable portfolio and toward regaining the trust of and creating a sense of anticipation for our growth in the market by communicating this dedication to investors.

Medium-Term Management Plan 2027 defines four measures for transforming our portfolio: increase the value of existing businesses, facilitate asset turnover in business investments, replace or divest unprofitable assets, and explore new business fields. Strengthening our foundations for the promotion of ESG initiatives will also be an important part of supporting these measures. Key considerations in this regard will include contributions to carbon neutrality and to the creation of an environmentally sound, sustainable economy and society, expansion of investments in human capital, and the creation of new businesses with significant social meaning based on our aforementioned key issues. By accelerating sustainability management, we look to establish a virtuous cycle for improving corporate value by creating social and environmental value that translates to future earnings power.

#### Financial strategy themes of investment in growth areas, mitigation of performance volatility risks, and improvement of asset and capital efficiency

Performance fell significantly short of the targets for profit set for the period of the previous medium-term management plan. I recognize that this failure may have damaged the trust the market places in the growth potential and reliability of Tokyo Century. This recognition informed our decision to put forth financial strategies focused on transformation to create a highly profitable and stable portfolio under the new medium-term management plan.

In advancing these strategies, we will boldly execute investments in growth businesses anticipated to see market growth in which Tokyo Century can leverage its strengths. In addition, all officers and employees will need to be very mindful of enhancing risk management to mitigate performance volatility risks. Other things we should be mindful of include the reallocation of management resources through the

replacement of unprofitable assets and the turnover of assets in business investments to improve asset and capital efficiency. I would like to take a moment to discuss these three focuses in a little more detail.

With regard to investments in growth businesses, we will continue to advance our partnership strategy together with prime partners as we develop business models founded on the strength of our "Finance × Services × Business Expertise" concept to enhance our value proposition to customers. Through collaboration with partners, we look to invest in services and businesses with high expected returns. Focus areas for our concerted efforts will include decarbonization, social infrastructure, and circular economies, all themes that coincide with our Management Philosophy and key issues.

The enhancement of risk management is imperative to mitigating performance volatility risks. During the three-year period of the previous medium-term management plan, we were forced to record massive losses, the majority of which were attributable to business categories that entailed relatively high levels of risk capital, such as aviation and investment businesses. Based on this experience, we have begun looking into the possibility of setting risk limits for such categories involving high risk exposure in order to prevent risks from becoming concentrated in these categories. The Investment Management Committee has been moving ahead with measures to strengthen our project screening and monitoring functions. However, a rise in the number of investment projects has created a need for us to enhance our functions for the effective assessment of investments and for withdrawal. The main cause behind the losses in the aviation business was our inability to recover aircraft we owned in Russia after it invaded Ukraine. Realizing that this represented an inability on our part to address geopolitical risks, we have begun the process of redefining country risks and revising overseas exposure management methodologies as part of our efforts to reinforce our risk management systems on a global basis.

In improving asset and capital efficiency, we are transforming our business model to allow for increased flexibility in divestiture of unprofitable assets. Return on assets (ROA) is an important management indicator for Tokyo Century, but it is not perfect in terms of assessing profitability with consideration for cost of shareholders' equity. Tokyo Century is thus introducing more precise return on invested capital (ROIC) spread management processes to increase employee awareness with regard to the fact that high-risk businesses entail higher levels of cost of shareholders' equity. We anticipate

Message from the President of the Corporate Planning Unit

that this will result in inefficient, unprofitable assets being replaced with quality assets featuring superior investment efficiency, which in turn will lead to a better balance of risks and returns along with improvements in overall capital efficiency. This approach will require officers and employees to be endowed with an increased understanding of cost of shareholders' equity. Different businesses involve different types of risks and consequently different costs of shareholders' equity. Accordingly, we look to enhance our management of ROIC spread on an individual operating segment basis.

The exhaustive management of risks and earnings is critical. However, as we pursue growth, we will also have to identify promising business opportunities for driving the ongoing growth of the Company. For example, we, the directors, might need to make the decision to pursue inorganic growth through an M&A transaction. In this manner, we must practice management that allows us to make the necessary decisions, and this will involve reinforcing the frameworks for the Investment Management Committee and developing risk assessment systems so that we are prepared when opportunities present themselves.

**Non-financial targets for greenhouse gas emissions reduction initiatives and employee engagement index**

Under the new medium-term management plan, we have set new non-financial targets for initiatives for reducing greenhouse gas emissions and for the employee engagement index. One reason for this decision was the recognition that promoting ESG is imperative to strengthening earnings power. Perhaps even more significant, though, was our desire to demonstrate our commitment to such non-financial initiatives to stakeholders and to thereby foster a common

understanding and clarify Tokyo Century's direction in this regard.

In terms of initiatives for reducing greenhouse gas emissions, Tokyo Century has already declared its intent to achieve carbon neutrality by fiscal 2040. Accordingly, the target for fiscal 2027 contained in the new medium-term management plan is somewhat of an interim target toward the accomplishment of this greater goal.

Around 98% of the Tokyo Century Group's total Scope 1 and Scope 2 greenhouse gas emissions are associated with our biomass co-firing power plant. For this reason, our initiatives to reduce greenhouse gas emissions could be reframed as a project to make this plant carbon neutral. Based on our strong dedication to accomplishing this goal, we are advancing initiatives in accordance with the transition road map we have formulated for this purpose.

Meanwhile, the target for the employee engagement index was introduced based on the recognition that Tokyo Century's growth is dependent on its people. We conduct regular employee awareness surveys, and the fiscal 2022 iteration returned with a 63% rate of positive responses to multiple-choice questions. This would seem to indicate that our employees have a relatively high opinion of the Company. Still, we cannot allow ourselves to become preoccupied with achieving improvements to such numerical outcomes. Rather, we must take an earnest stance toward any input received and engage with our employees to reform our organizational culture and implement better human resource measures. It is our people and our organization that are responsible for advancing the Company's strategies. If Tokyo Century is to overcome the challenges present in today's era of volatility and to continue to grow, it will need to recruit and develop human resources who possess

**Shareholder Return (Dividend) Policy**

- ➔ Stable, long-term returns to shareholders
- ➔ Ongoing increases to per-share dividends in conjunction with profit growth
- ➔ Dividend payout ratio of around 35% for foreseeable future



the various skills required of its management and business strategies. Moreover, we must create a workplace environment that allows diverse employees to

exercise their skills while feeling pride and fulfillment from working at Tokyo Century. A number of measures are underway with this aim in mind.

**Pursuit of profit growth and ROE surpassing cost of shareholders' equity**

Tokyo Century's return on equity (ROE) is currently at a level around 8%, lower than before. As we recognize that our cost of shareholders' equity should be about 10% at the moment, this situation represents a negative equity spread, which is underscored by a poor standing in the market, as indicated by our price book-value ratio being less than 1.0 times.

To rectify this situation, we are working to increase ROA (ratio of net income to total assets) to the level of 1.4% by improving asset efficiency and investing in profit growth. We are also reassessing our portfolio allocations with an eye to incorporating a focus on both cost of shareholders' equity and ROIC into operating segment management in order to achieve a better balance of risks and returns.

At the same time, we are looking into the optimal levels of financial leverage and the ideal capital measures for Tokyo Century. Specifically, the Company has adopted an approach of controlling risk exposure to keep it within the scope of capital use rate guideline targets to ensure that we have capital available to cover the rise in risk exposure that accompanies increases in growth investments. Based on our current level of risk exposure, we anticipate that the shareholders' equity ratio will rise to around 14% as a result of this approach.

Moving on to shareholder returns, we have judged that the appropriate level for the dividend payout ratio over the foreseeable future will be around 35% based on the ideal balance of equity against our ROE target of 10% and plans to amass around ¥1 trillion in segment assets over the next five years. As net income is expected to show steady growth over the period of the new medium-term management plan, we should see an upward trend in dividend amounts if all goes as expected.

We also recognize the importance of investor relations activities for gaining the understanding of investors with regard to our growth strategies through comprehensive information disclosure and for using this understanding to lower cost of shareholders' equity. In the past, our performance was quite volatile and hard to predict, which was no doubt a cause for concern among investors. We therefore aim to regain the trust of the market through proactive information

disclosure and effective investor relations activities based on an easy-to-understand growth narrative. If successful, these efforts are anticipated to help lower cost of shareholders' equity and raise our price book-value ratio to 1.0 times or more.

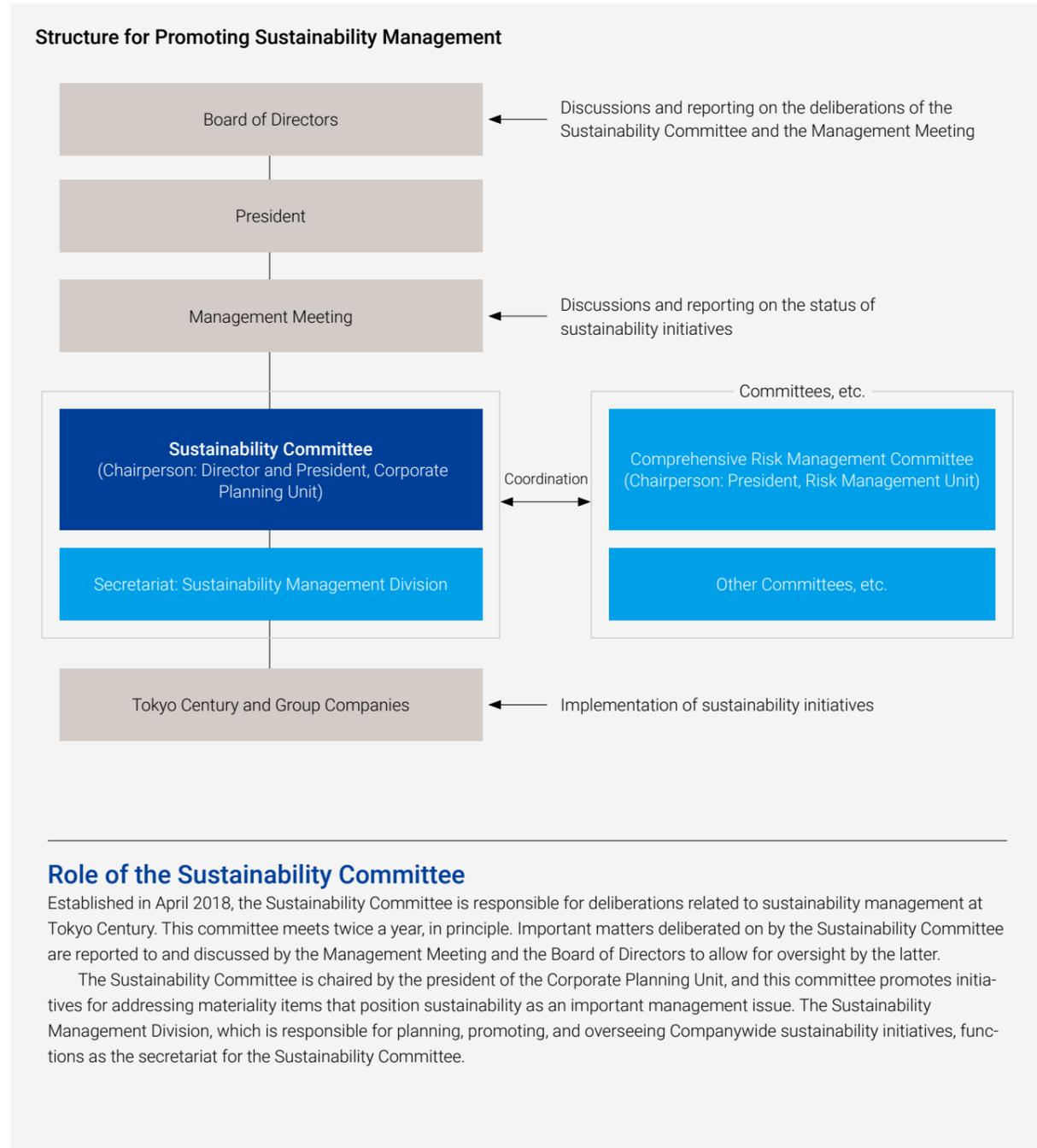
As the president of the Corporate Planning Unit, I will lead us in the steady advancement of concrete actions that capitalize on Tokyo Century's unique characteristics to accomplish the targets to which we have committed. I will do this by taking an integrated approach toward financial strategies and sustainability management in our pursuit of profit growth and ROE surpassing cost of shareholders' equity. Looking ahead, Tokyo Century will practice ongoing engagement with all members of capital markets as it moves forward with proactive information disclosure to address disparities in information availability for the market. I would like to ask our stakeholders for their ongoing support in the months and years to come.



# Sustainability Governance

## Sustainability Management Monitoring System

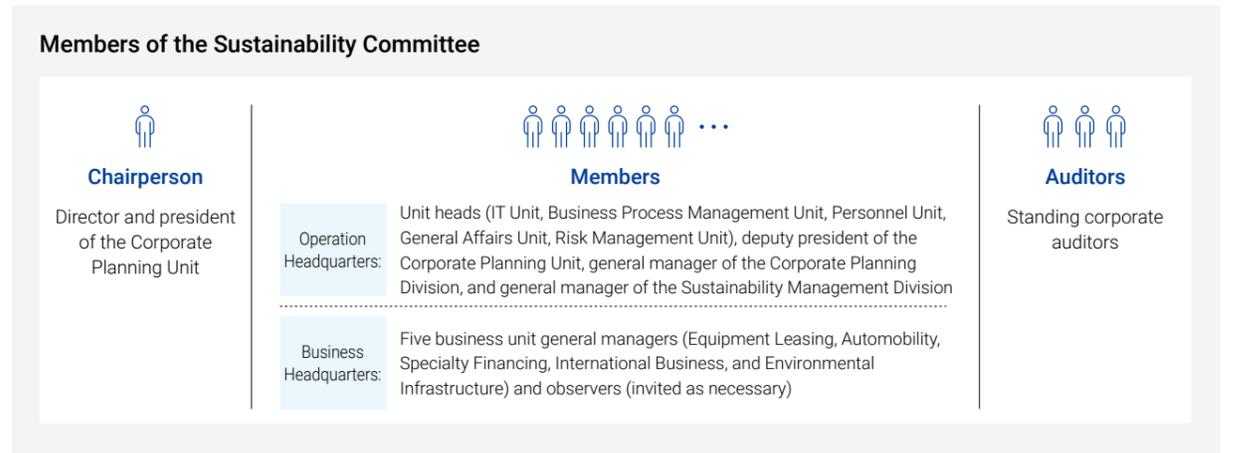
In its pursuit of sustainable growth through sustainability management, Tokyo Century has instituted a monitoring system to confirm progress of management strategies based on its defined five key issues (materiality) and to provide advice for improvements. Moreover, appropriate governance is practiced and a PDCA (plan-do-check-act) cycle is implemented to improve the effectiveness of sustainability management.



### Role of the Sustainability Committee

Established in April 2018, the Sustainability Committee is responsible for deliberations related to sustainability management at Tokyo Century. This committee meets twice a year, in principle. Important matters deliberated on by the Sustainability Committee are reported to and discussed by the Management Meeting and the Board of Directors to allow for oversight by the latter.

The Sustainability Committee is chaired by the president of the Corporate Planning Unit, and this committee promotes initiatives for addressing materiality items that position sustainability as an important management issue. The Sustainability Management Division, which is responsible for planning, promoting, and overseeing Companywide sustainability initiatives, functions as the secretariat for the Sustainability Committee.



### Implementation of PDCA Cycle

In February 2020, Tokyo Century formulated its Sustainability Road Map. This road map was approved following discussions by the Sustainability Committee before being reported to the Management Meeting and the Board of Directors.

The Sustainability Committee manages the progress of initiatives in accordance with the Sustainability Road Map and submits reports on said progress to the Management Meeting and the Board of Directors. Based on these progress reports, instructions are issued to the Sustainability Management Division and other relevant divisions from the Sustainability Committee, the Management Meeting, or the Board of Directors as deemed necessary. The above divisions then carry out these instructions to improve the effectiveness of Tokyo Century's sustainability management and to enhance its environmental, social, and governance (ESG) strategies.

### Major Sustainability Committee Agenda Items and Reports and Responses

Major Agenda Items	Fiscal 2021	Fiscal 2022
<b>Information disclosure based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)</b>	<ul style="list-style-type: none"> <li>Scenario analysis of aviation business (aircraft leasing) and discussion and approval of related disclosure proposal</li> <li><b>Response:</b> Disclosure of results of scenario analysis of aviation business (aircraft leasing) in May 2022</li> </ul>	<ul style="list-style-type: none"> <li>Scenario analysis of automobility business (corporate and individual auto leasing) and discussion and approval of related disclosure proposal</li> <li><b>Response:</b> Disclosure of results of scenario analysis of automobility business (corporate and individual auto leasing) in May 2023</li> </ul>
<b>Carbon-neutrality initiatives</b>	<ul style="list-style-type: none"> <li>Reporting on the Tokyo Century Group's carbon-neutrality initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Discussion and approval of carbon-neutrality policies and action plans</li> <li><b>Response:</b> Announcement of Carbon-Neutrality Policy by fiscal 2040 and transition road map in September 2022</li> </ul>
<b>Trial introduction of internal carbon pricing system</b>	-	<ul style="list-style-type: none"> <li>Discussion and approval of trial introduction of internal carbon pricing system</li> <li><b>Response:</b> Trial introduction of internal carbon pricing system in June 2023</li> </ul>
<b>Endorsement of GX League</b>	-	<ul style="list-style-type: none"> <li>Declaration of endorsement of GX League Basic Concept in October 2022</li> <li><b>Response:</b> Discussion and approval of participation in GX League (participation commenced in fiscal 2023)</li> </ul>
<b>Business and human rights initiatives</b>	<ul style="list-style-type: none"> <li>Discussion and approval of draft of Tokyo Century Group Human Rights Policy in December 2021</li> <li><b>Response:</b> Official announcement of Tokyo Century Group Human Rights Policy in December 2021</li> </ul>	<ul style="list-style-type: none"> <li><b>Response:</b> Human rights due diligence activities centered on domestic Group companies based on Tokyo Century Group Human Rights Policy</li> </ul>
<b>Progress of medium- to long-term sustainability management initiatives (Sustainability Road Map)</b>	<ul style="list-style-type: none"> <li>Confirmation of fiscal 2021 progress of medium- to long-term sustainability management initiatives (Sustainability Road Map)</li> </ul>	<ul style="list-style-type: none"> <li>Confirmation of fiscal 2022 progress of medium- to long-term sustainability management initiatives (Sustainability Road Map)</li> </ul>

# STRATEGY

## CHAPTER 3

### Medium-Term Management Plan 2027 and Medium- to Long-Term Vision

---

41 Review of Past Medium-Term Management Plans

---

43 Medium-Term Management Plan 2027

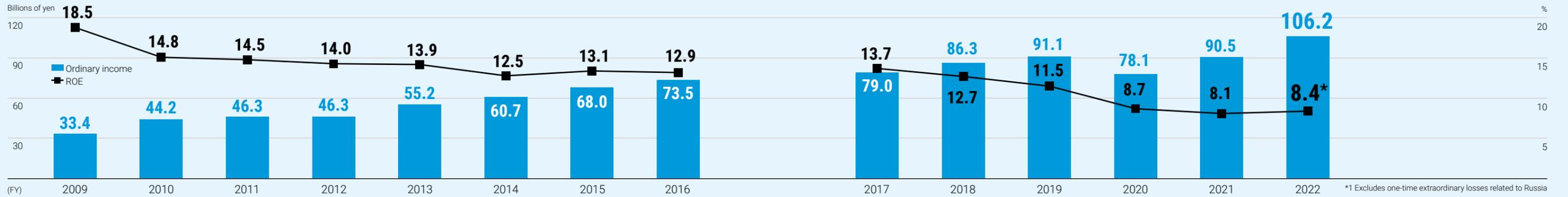
---

45 Directive for Long-Term Growth

---

# Review of Past Medium-Term Management Plans

**Cost of Shareholders' Equity** Tokyo Century calculates cost of shareholders' equity based on factors including the expected rate of return. As of fiscal 2022, the Company's cost of shareholders' equity was estimated to be around 10%.



Fourth Medium-Term Management Plan		New Fourth Medium-Term Management Plan	
Basic Policies	Reasons for Launch of New Fourth Medium-Term Management Plan	Basic Strategies	Review
<ol style="list-style-type: none"> <li>Establish a global platform for stable business, including viable businesses</li> <li>Build a solid, high-quality business portfolio</li> <li>Build a management base supporting the improvement of corporate value</li> </ol>	<p><b>Capital and Business Alliance with NTT</b> Capital participation in Tokyo Century by NTT (10% equity holding) Plan for expansion in growth fields through collaboration combining respective strengths</p> <p><b>Consolidation of U.S. Aircraft Leasing Company Aviation Capital Group</b> Goal of bolstering aircraft leasing assets in light of aircraft market growth; synergies anticipated with Tokyo Century's aviation business</p>	<p>Expand business domains</p> <p>Strengthen strategic partnerships</p> <p>Emphasize asset efficiency in business portfolio management</p>	<p>➡ <b>Expansion of co-creative projects with the NTT Group</b> Growth of joint venture NTT TC Leasing Co., Ltd., investment in data center businesses, establishment of joint renewable energy fund, etc.</p> <p>➡ <b>Expansion of scope of collaborative businesses with partners</b> Expansion of scope of business to include storage batteries and circular economy together with ITOCHU Corporation, JFE Engineering Corporation, etc.</p> <p>➡ <b>Strengthening of relationships by accommodating customer needs</b> Promotion of co-creative projects in various operating segments that address partner needs, fostering of trust, and reinforcement of project sourcing capabilities</p> <p>➡ <b>Investment in start-up companies boasting innovative technologies</b> Preparation for creation of new businesses through investment in start-up companies with proprietary technologies in digital and mobility areas</p> <p>Improvement of asset efficiency centered on Equipment Leasing segment via growth of high-ROA businesses through joint ventures (equity-method affiliates) with partner companies</p>

### Management Targets of New Fourth Medium-Term Management Plan (Concluded in Fiscal 2022)

KPIs	Targets	Results	Reasons for Failure to Accomplish Targets
Ordinary income	¥130.0 billion	¥106.2 billion	● Unaccomplished
Net income attributable to owners of parent	¥80.0 billion	¥4.8 billion	● Unaccomplished
Shareholders' equity ratio	12%	12.5%	✔ Accomplished
ROE	12%	0.7%	● Unaccomplished

**1. Diminished earnings power**  
Diminishment of earnings power centered on aviation business due to significant impacts of COVID-19 pandemic and Russia's invasion of Ukraine

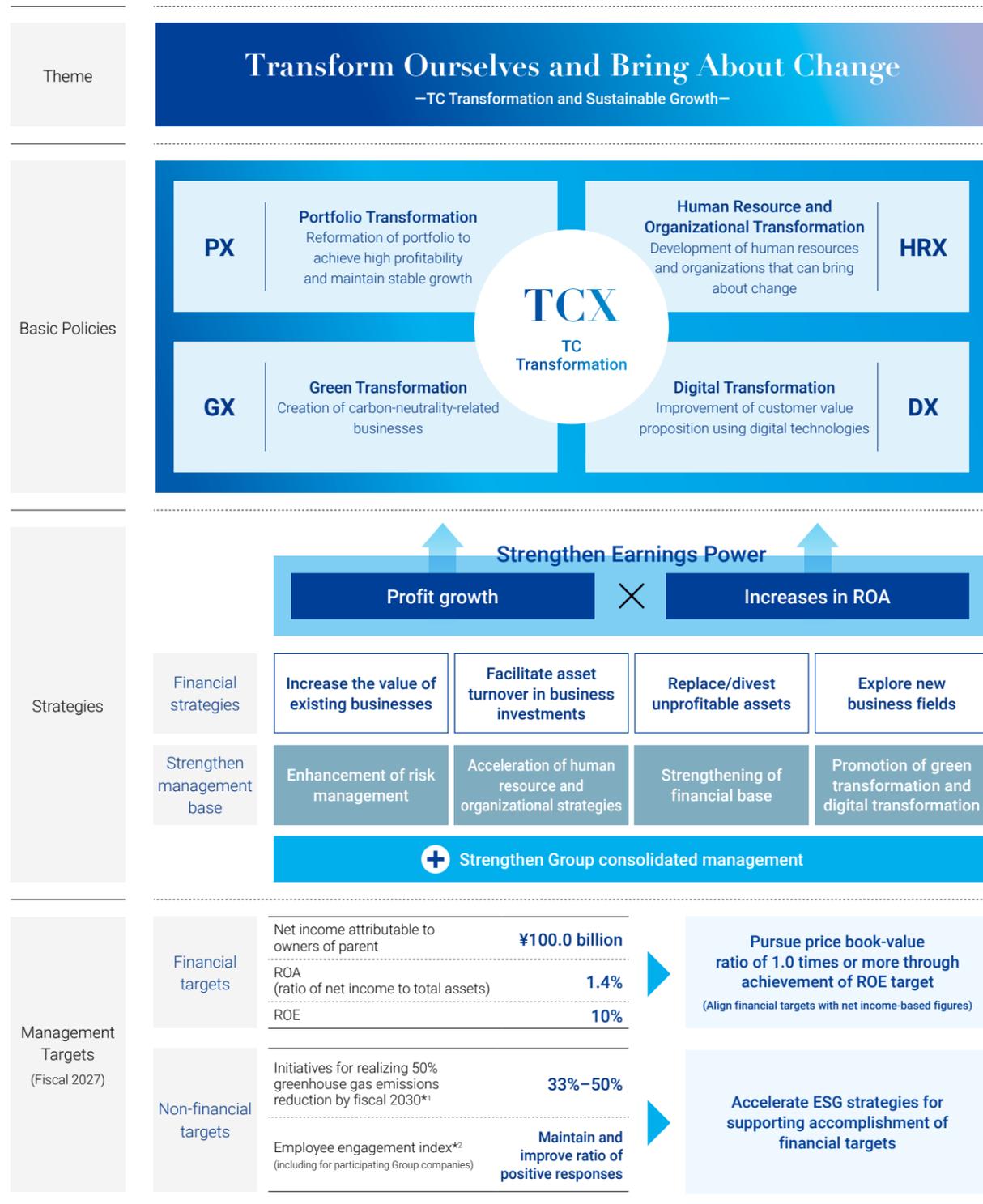
**2. Impairment losses recorded due to operating environment deterioration**  
Recording of extraordinary losses on aircraft associated with Russian airlines and of valuation losses on operational investment securities due to sudden fluctuations in the stock market

Challenges and Responses	Key Initiatives
Challenges and Responses	➡ <b>Recovery of ROE to double digits</b> Enhancement of earnings power through portfolio reforms and heightening of profits through growth investments
	➡ <b>Exploration of new growth fields and creation of new business models</b> Pursuit of rapid ROA growth through shift to more profitable business models via expansion of business domain
	➡ <b>Reinforcement of management foundation supporting business model</b> 1. Improvement of employee engagement through entrenchment of corporate culture supporting employee ambitions 2. Recruitment and development of highly specialized human resources 3. Acceleration of digital transformation strategies for improving customer value proposition and operational efficiency

# Medium-Term Management Plan 2027 (Fiscal 2023–Fiscal 2027)

## Vision for Five Years from Now

The Tokyo Century Group seeks to enhance its strengths and go beyond simply responding to change in order to transform itself to become a corporate group that brings about change.



\*1 Target of a 50% reduction in greenhouse gas emissions by fiscal 2030 from base year of fiscal 2021 announced  
\*2 Calculated based on number of positive responses to multiple-choice questions in the employee awareness survey

## Measures for Achieving Vision

### 1 Road Map toward Management Targets

Path toward Target for Net Income



### 2 Balance Sheet



### 3 Fund Procurement Directive and Risk Management

#### Stabilization of Fund Procurement

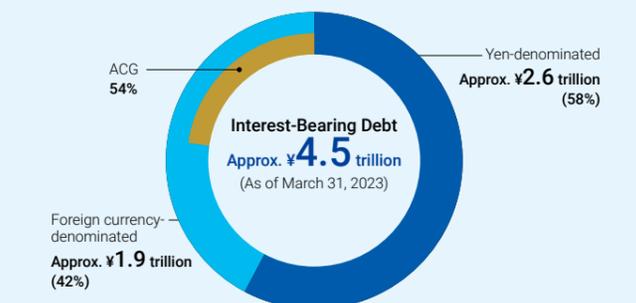
➔ Tokyo Century will continue to implement fund procurement strategies emphasizing stability given that the long-term funding ratio has remained around 85%.

#### Long-Term Funding Ratio



#### Fund Procurement Risk Management

➔ The Asset Liability Management Committee, which is chaired by the president, meets quarterly, in principle, to review reports on Groupwide fund procurement activities and to discuss and decide measures for hedging against interest rate, foreign exchange, and other market risks.

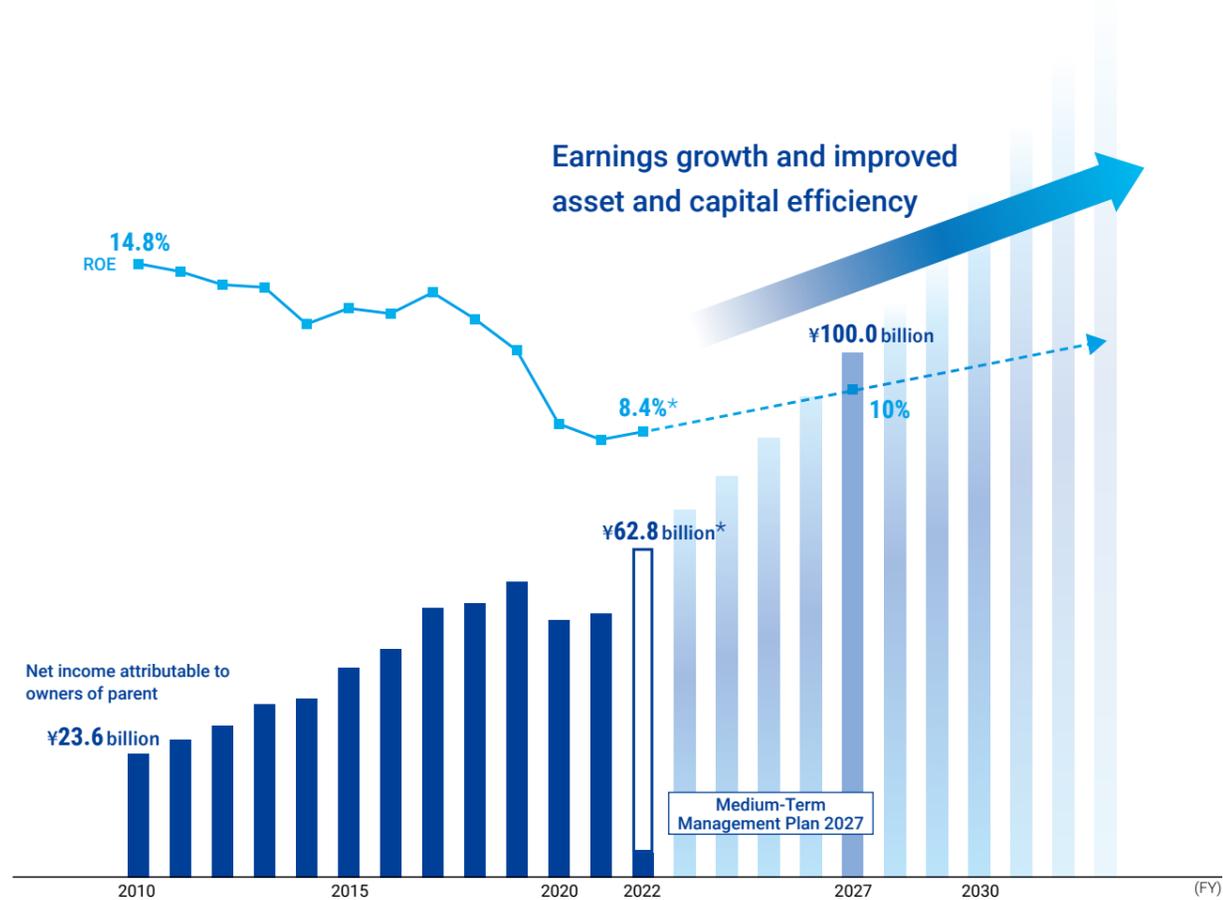


# Directive for Long-Term Growth

## Cultivation of sense of anticipation using highly profitable portfolio capable of consistent earnings growth

Tokyo Century seeks to achieve ongoing improvements in corporate value by heightening asset and capital efficiency, reducing the volatility and increasing the predictability of performance to lower cost of capital, and achieving stable and high earnings growth.

Expansion of Earnings through Growth Strategies



\* Excludes one-time extraordinary losses related to Russia

## Ongoing Improvement of Corporate Value from Long-Term Perspective



Price Book-Value Ratio and ROE Source: Bloomberg



\*1 Excludes one-time extraordinary losses related to Russia  
\*2 Figure as of June 30, 2023

# ENGAGEMENT

## CHAPTER 4

### Stakeholder Engagement

---

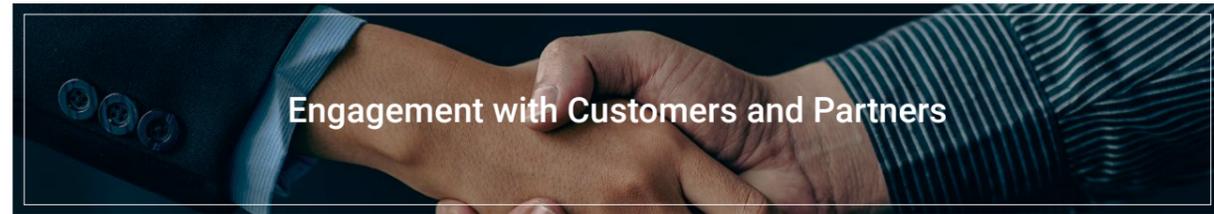
**49** Stakeholder Engagement for Improving Corporate Value through Dialogue and Co-Creation

---

**51** Dialogue between an Institutional Investor and the President

---

# Stakeholder Engagement for Improving Corporate Value through Dialogue and Co-Creation



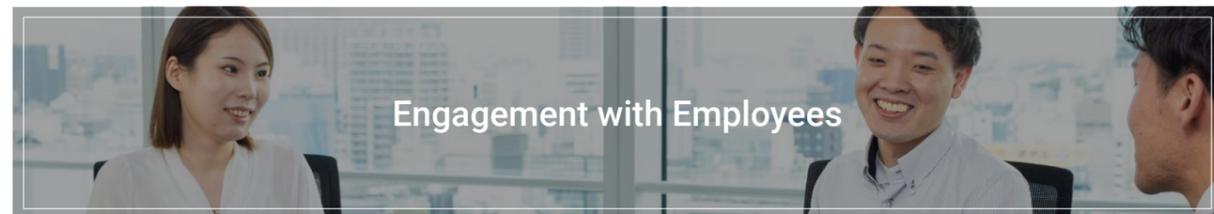
## Engagement with Customers and Partners

As part of its sales activities, Tokyo Century seeks to understand the issues and goals of customers and partners so that it can supply them with the ideal financial services and value.

By building relationships through joint businesses with customers and partners and continuously enhancing our financial services through the merging of our respective strengths and expertise, we aim to heighten the value we supply to our customers, partners, and society.

### Major Engagement Methods and Measures

- Communication through sales activities
- Joint businesses and personnel exchanges with partner companies
- Sharing of knowledge related to financial service planning and other initiatives



## Engagement with Employees

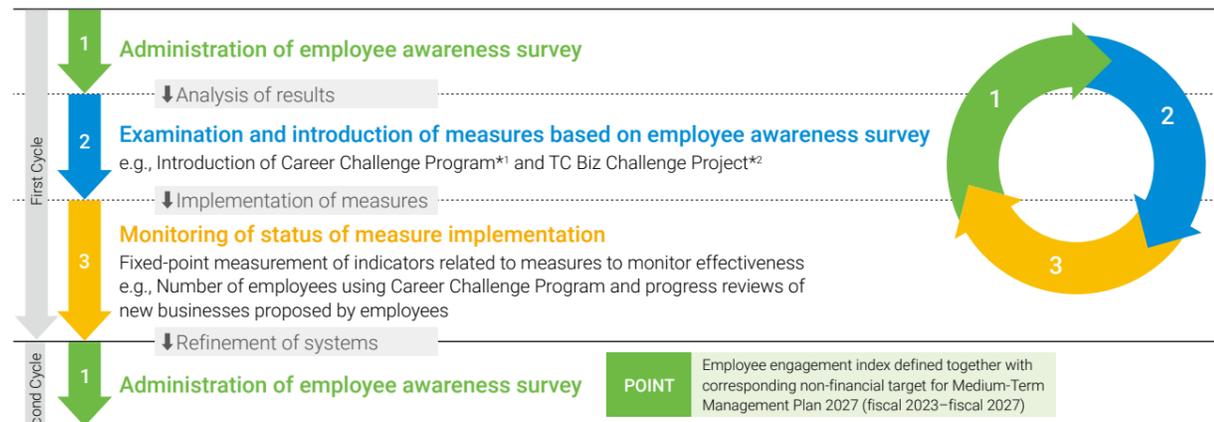
Tokyo Century aspires to develop a workplace environment in which every employee is respected and able to fully exercise their talents, and we are actively working to heighten employee engagement. Moreover, the input gained from employee awareness surveys is used in discussions by the Management Meeting and the Board of Directors for analyzing issues and planning future initiatives. Responding to such input is positioned as an important management priority.

By entrenching a cycle of appropriately incorporating employee input into management, we will endeavor to bolster employee engagement by building trust with employees and improving our workplace environment.

### Major Engagement Methods and Measures

- Employee awareness surveys
- 360-degree evaluations
- Career Design Office (career consultation venue)
- TC-Mee+ meetings for exchanges among employees (discussion forums with the president)

### Cycle of Improving Employee Engagement through Dialogue

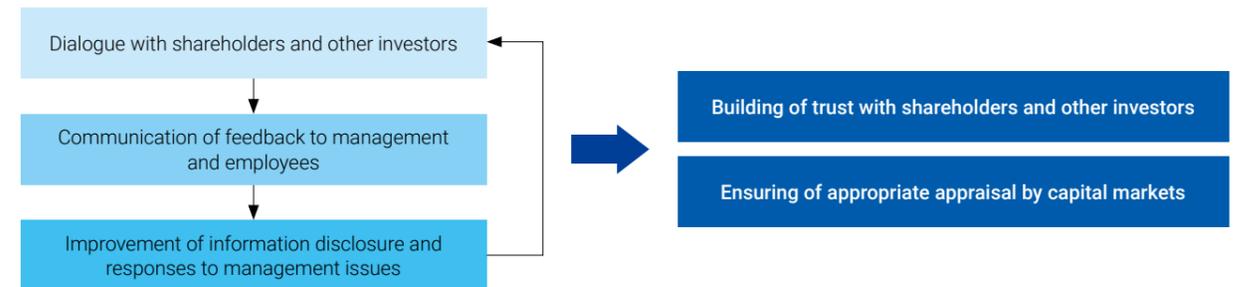


\*1 Career Challenge Program: Internal recruitment initiative in which divisions and branch offices seeking to recruit human resources disclose the requirements of the relevant available positions so that they can be filled from among internal applicants  
\*2 TC Biz Challenge Project: New business proposal initiative supporting employees' efforts to tackle new challenges without fear of failure



## Engagement with Shareholders and Other Investors

Tokyo Century advances its investor relations (IR) activities with a focus on generating a cycle of proactive dialogue with shareholders and other investors and communicating the input and requests solicited thereby to management and employees. The input gained during the course of IR activities is used to improve information disclosure and respond to management issues in order to build trust with shareholders and other investors and ensure that capital markets accurately appraise the Company, which in turn is anticipated to contribute to higher corporate value over the medium to long term.



### Major IR Activities

	Activities	Frequency in Fiscal 2022	Details
Analysts and institutional investors	Earnings calls	4 times	Quarterly earnings calls (Three-month and nine-month calls led by officer responsible for investor relations; six-month and full-year briefings led by the president)
	Meetings with the president	Approx. 25	Meetings between the president and analysts and institutional investors in Japan and overseas (including small meetings)
	Meetings with IR representatives	Approx. 230 times	(Of which, approx. 50 meetings with overseas institutional investors) Meetings with analysts and institutional investors in Japan and overseas
	Business strategy briefings	1 time	Business strategy briefing on joint businesses with the NTT Group
	Overseas roadshows	1 time	Face-to-face meeting between the president and overseas institutional investors
Private investors	Company briefings for private investors	2 times	Briefings on the Company, business strategies, shareholder return policies, etc.



### Integrated Report 2022 Named High-Quality Report by Domestic Stock Management Institutions of GPIF

Every year, the institutions contracted to manage the domestic stock holdings of the Government Pension Investment Fund (GPIF) name a number of excellent integrated reports and high-quality integrated reports from Japanese companies. In 2023, Tokyo Century's *Integrated Report 2022* was one of the 95 named high-quality integrated reports. Tokyo Century is committed to enhancing the quality of disclosure through its integrated reports and other IR tools in order to facilitate dialogue with investors and other stakeholders and thereby improve corporate value.

## Shohei Ura

Head of Japan Engagement Strategy  
Amundi Japan Ltd.

## Koichi Baba

President & CEO, Representative Director  
Tokyo Century Corporation

# TRANSFORMATION

Institutional Investor

DIALOGUE

President

Tokyo Century continuously engages with investors to guide efforts to improve corporate value.

Expectations for transformation necessary for achieving medium- to long-term growth and impression of basic policies and management targets of Medium-Term Management Plan 2027

**Baba** In times of uncertainty, it is not enough for us to simply respond to changes; we must actively transform ourselves to lead the era. In fiscal 2023, Tokyo Century launched Medium-Term Management Plan 2027. This plan puts forth the concept of TCX, or Tokyo Century Transformation, which encapsulates the Company's strong commitment to transforming itself. Based on this concept, we aim to strengthen our earnings power through portfolio transformation, human resource and organizational transformation, green transformation, and digital transformation. We will also be promoting environmental, social, and governance (ESG) initiatives for this purpose.

Strengthening earnings power requires us to heighten our profitability. Recognizing that asset efficiency is integral to profitability, boosting our profitability could be viewed as akin to increasing asset efficiency. Improving the profit margins for our segment assets worth some ¥5.4 trillion to increase efficiency should contribute to growth in earnings per share. We thus emphasize return on assets (ROA), which we calculate as net income attributable to owners of parent divided by total assets, when gauging the extent to which we have strengthened earnings power.

**Ura** What most captured my attention about Medium-Term Management Plan 2027 was

the phrase "bring about change." In fiscal 2020, Tokyo Century announced its intention to grow based on its seven pillars of business strategies. It was thus quite impactful how, in Medium-Term Management Plan 2027, the Company chose to not only pursue growth in scale but also shift focus toward improving capital efficiency. I took this course correction to be a message indicating Tokyo Century's adoption of a policy of increasing efficiency to strengthen its earnings power, based on the fact that strong earnings power is vital if the Company is to transform in advance of changes to the times. The disclosure of ROA targets for individual operating segments and other measures to break

financial targets down by segment seem to have been a decision made to underscore this message.

Also, as one of its concrete strategies, I understand that Tokyo Century plans to replace assets in its portfolio to shift toward growth businesses as it seeks to increase the representation of high-margin service businesses in order to heighten efficiency. However, I feel that it would be even more compelling if the Company was to offer more detail with regard to the strategy of shifting toward service businesses, such as the standards that will be used when replacing assets as part of specific business strategies.

### Approach toward transformation to achieve ideal asset portfolio and improvements necessary to bolster market evaluation over medium to long term

**Baba** Each of our five operating segments is important to Tokyo Century, and I believe that it is crucial for us to grow these segments in a balanced manner. Raising ROA through asset replacement is the mission of every operating segment, after defining the degrees of independence and authority delegated thereto. We encourage operating segments to act with

autonomy in order to achieve higher levels of effectiveness.

All operating segments are engaged in growth businesses that are their primary drivers. However, as some businesses in these segments are underperforming, there may come a time when we need to consider withdrawing from businesses or downsizing the associated

I really feel your passion about achieving ongoing growth through high efficiency. I hope that Tokyo Century will demonstrate this commitment in its every action and its communications with investors.

— Shohei Ura



assets. The capital recovered in said ways will be allocated to high-profit, high-potential businesses as we replace the assets in our portfolio.

As another aspect of revising our portfolio, we established a new operating segment, the Environmental Infrastructure segment. In the past, we advanced environmental businesses as part of the operations of the Equipment Leasing, Specialty Financing, and other segments, but these businesses were judged to lack efficiency. It is therefore my hope that going forward the Environmental Infrastructure segment will function as the nerve center for the environmental businesses advanced on a Companywide basis in order to heighten their effectiveness from a Companywide perspective. It was more than a decade ago when we embarked on a new journey with the establishment of the International Business segment. Today, this segment has grown to have an asset portfolio with a scale of ¥650.0 billion. We have a track record of expanding the asset portfolios of newly launched segments, and I am committed to making the Environmental Infrastructure segment such a success as well.

**Ura** I have high expectations for the newly established Environmental Infrastructure segment, especially given how long it has been since the last new segment. Generally, the more unclear it is what a company is doing on an overall basis, the likelier it is that it will be discounted. The same applies when it comes to the Company's overall asset portfolio and the possibility for investors to apply a conglomerate discount to Tokyo Century. This means that making business strategies and rules clearly visible from the outside is crucial for avoiding being discounted.

I agree with you in that it is important to have operating segments that act autonomously and responsibly in the process of revising the portfolio. At the same time, however, management and the Board of Directors

need to view these efforts from an overall perspective accounting for the entirety of the portfolio to confirm that segments are properly emphasizing profitability and efficiency. Adopting this approach, I want to see Tokyo Century engage in frequent communication with investors to stress its commitment to discipline in pursuing overall optimization and its strong determination toward improving profitability.

I think it is fair to say that Tokyo Century's ESG initiatives are on a par with global standards. Regardless, the market's assessment has resulted in a price book-value ratio that is less than 1.0 times. This is likely partially due to recent performance and other financial factors. Another factor, however, may be that the Company has yet to effectively communicate its ESG narrative to the market. Tokyo Century is fully capable of continuously generating earnings. If this fact, as well as the ESG strategies that underpin this earnings power, is consistently stressed when communicating with the market, I am sure that Tokyo Century will see improvements in its price book-value ratio.

**Baba** You are exactly right. Under the previous medium-term management plan, our performance became more volatile as a result of developments like the COVID-19 pandemic. In fiscal 2022, we undertook what we refer to as a "great reset" by recording losses on our Russia-related exposure and on operational investment securities. Going forward, I think it will be important for us to eliminate the sources of volatility in performance and take steps to recover our evaluation in the market.

We will also need to be diligent when communicating to stakeholders about our practicing well-thought-out ESG management that will support us in getting back to our prior compound annual growth rate and achieving constant growth.

### Strengths and weaknesses of unique business model underpinning Tokyo Century's competitiveness

**Baba** All companies are a combination of changing and unchanging elements. Looking at Tokyo Century, the unchanging elements are the sources of its strength. These include our discerning eye as a leasing company, which we have honed for over five decades, and how we provide value by allowing customers to use

assets under the arrangement that is most convenient for them.

What changes, meanwhile, is the specific services we offer, which are changing in conjunction with the increasing digitalization and decarbonization of society, as well as the ways in which customers use assets.

## TRANSFORMATION Institutional Investor × President

Significant changes have occurred in these regards over the past several years. For example, we have seen the emergence of services that utilize the data associated with assets as well as ways of using assets for reducing greenhouse gas and other emissions. If we are to respond to changing customer and social needs, it will be imperative for us to flexibly transform our business model. Tokyo Century cannot accomplish this task alone; the Company must be capable of working toward its goals together with its business partners. I am confident that such a capacity for collaboration will become a unique competitive edge for Tokyo Century.

**Ura** I have a lot of praise for Tokyo Century's unique business model. This model goes beyond simply providing the value of assets to include joint efforts with business partners to resolve social issues in order to deliver higher levels of convenience and use value. Notable M&A activities conducted by Tokyo Century include Aviation Capital Group LLC and CSI Leasing, Inc. In these examples, we see the Company starting with minority ownership, fostering a true partnership based on deep mutual understanding over the course of years before finally converting these companies into consolidated subsidiaries. Here, we see the strength of Tokyo Century in choosing partners, learning about partners' needs, and building mutual trust. This strength will no doubt be a powerful asset toward broadening the Company's business scope and ultimately raising asset

efficiency. There are a lot of opportunities for Tokyo Century to seize in the future, and I think that the Company still has a lot of potential.

However, fostering partnerships takes time, and change is always happening. This means that flexibility is essential when deciding to continue or discontinue an investment. In this manner, it is important for a good balance to be maintained between acting with speed and taking time to assess a situation.

As far as weaknesses of the Company, I think that there is room for improvement when it comes to corporate governance systems. Tokyo Century's current management bodies, which include the Management Meeting and the Investment Management Committee, are functional, and business in all operating segments is executed by managers with high degrees of specialized insight. For these reasons, I believe that the Board of Directors should be positioned as a venue for discussion and oversight regarding Companywide rules and portfolio policies. The ideal numbers and composition of directors should be determined based on this positioning as Tokyo Century seeks out the ideal governance structure given its multiple business portfolios. Our interactions thus far have revealed that you, President Koichi Baba, are highly committed to reforming governance, and I look forward to seeing the steps you decide to take.

## Focuses in human capital management

**Baba** I see management and employees as being equal. For this reason, Tokyo Century needs to become an organization with a corporate philosophy that resonates with people, inspiring them to join, and in which employees feel that our initiatives contribute to their growth and self-actualization.

This is why the Company and its employees should be aligned along a single vector to act as a united entity. The previous medium-term management plan defined our vision of becoming a global corporate group with a diverse team of people, and I think we are finally at a point when we can really work toward that vision. Once again, Medium-Term Management Plan 2027 puts forth the concept of TCX, or Tokyo Century Transformation. Based on this concept, I am spreading the message within the organization that we all need to become

transformative people who are able to bring about change. I therefore hope that everyone at Tokyo Century will be able to evolve into such transformative people, brimming with ambition and potential.

**Ura** My firm takes a medium- to long-term stance toward investments, and our fundamental approach is to invest in companies that are expected to achieve ongoing growth through high levels of efficiency. A core aspect of ensuring the continuity of this growth and of operating a company is human capital investment, and of particular importance in this regard is whether or not the people working at a company feel happy. Multiple factors can affect whether a person feels happy at their company, including their level of pay, how conducive the working environment is to acquiring skills, or if there are opportunities to form interpersonal



Tokyo Century will achieve ongoing profit growth by strengthening its earnings power and accelerating its ESG strategies. I hope to engage in a constructive dialogue with stakeholders to help them understand this growth narrative.

— Koichi Baba

connections. Regardless of the factor, it is important for a company to increase the number of its employees who feel happy working there.

For this reason, it is prudent to have a corporate culture in which people are appointed to positions based on their skills, as opposed to their background, especially given the diverse range of employees a company may have. Similarly, a company should have a variety of

compensation frameworks, which should be monitored to confirm whether or not they are contributing to higher employee satisfaction. Tokyo Century discloses the results of its employee awareness surveys. I am convinced that ongoing communication of such human capital initiatives to external stakeholders is sure to contribute to higher corporate value.

## Passion about the future of Tokyo Century

**Baba** It is our customers that support Tokyo Century, and we cannot grow if they do not have a high opinion of us. Earning the praise of customers is at the heart of what Tokyo Century does. This is why I place so much emphasis on the cycle of reinforcing our partnership strategy as an asset and service provider and thereby winning the favor of customers, a cycle that allows us to form various new connections.

These new connections will contribute to higher satisfaction among the employees who work on our shared platform and give them tangible feelings of success and growth. This process will, in turn, fill them with ambitions they want to pursue going forward. I want Tokyo Century to be a platform that can support such ambitions, and I am confident that the Company will be able to grow together with its employees if it can accomplish this. This is the vision for Tokyo Century that I intend to work toward.

**Ura** I suspect that the COVID-19 pandemic and the recent emergence of geopolitical risks have led Tokyo Century to make some important discoveries. These discoveries appear to be reflected in the message communicated by Medium-Term Management Plan 2027: the message that Tokyo Century does not want to grow merely by expanding its asset portfolio but rather aims to achieve ongoing growth through high efficiency. Talking to you today really made me feel the passion behind this message.

As Tokyo Century moves into the phase of enacting its plan, I hope that the Company will demonstrate this commitment in its every action. Tokyo Century has a lot of potential, and I look forward to seeing how it continues to grow by advancing the partnership strategy it has implemented thus far and exercising its other unique strengths.

# STRATEGIES BY OPERATING SEGMENT

## CHAPTER 5

### Business Model and Growth Strategies by Operating Segment

---

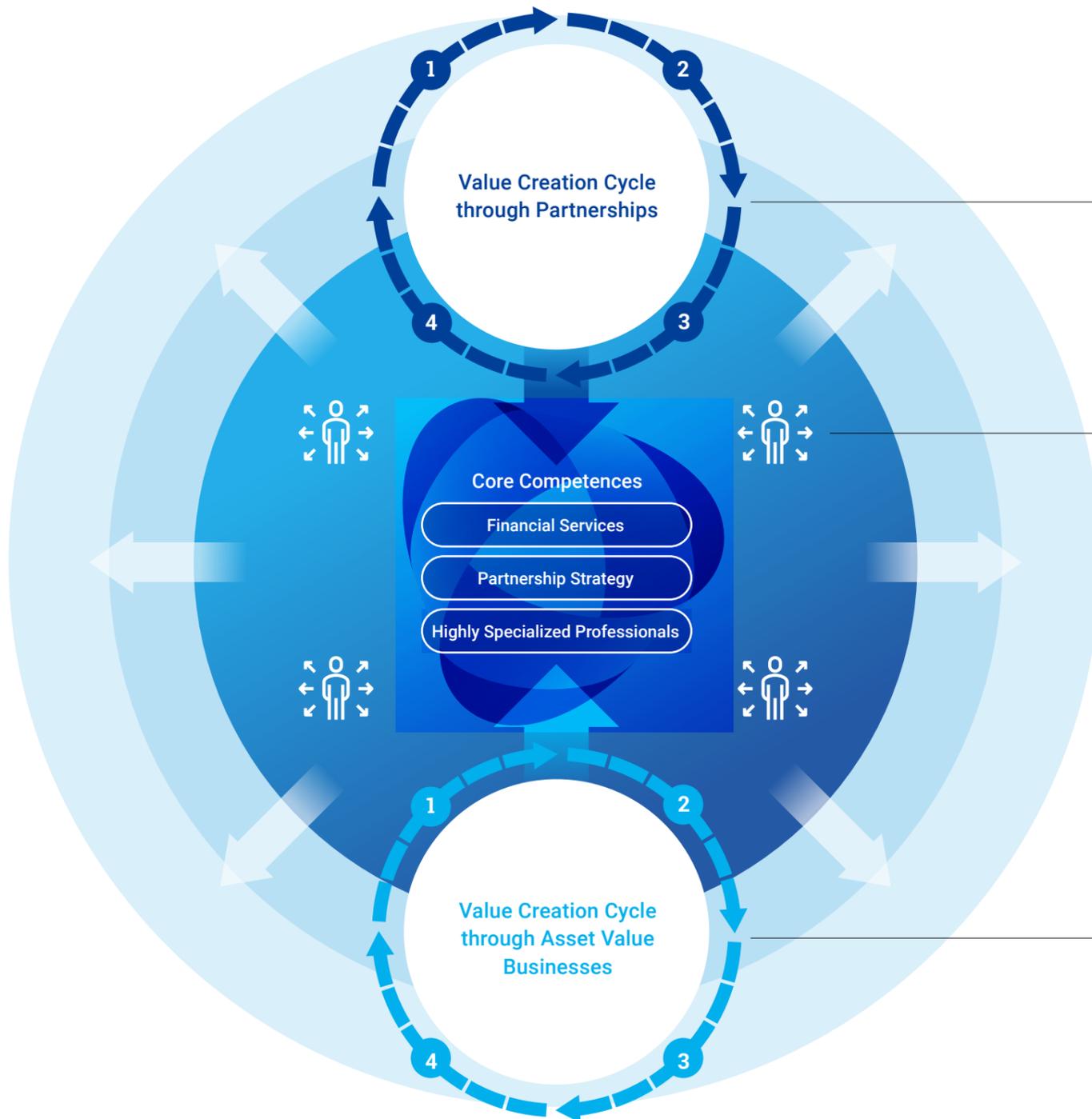
59	Tokyo Century's Two Value Creation Cycles
61	Portfolio Transformation and Business Overview
63	Growth Strategies by Operating Segment
63	Equipment Leasing
65	Automobility
67	Specialty Financing
69	International Business
71	Environmental Infrastructure

---

# Business Model

## Tokyo Century's Two Value Creation Cycles

Tokyo Century's core competences are its unique financial services, its partnership strategy, and its highly specialized professionals. By merging these competences, we drive the improvement of corporate value through two value creation cycles based on our business characteristics.



- 1 Identification of Partners' Issues**  
Identification of business opportunities for addressing partners' issues
- 2 Merging of Financial Services**  
Merging of financial functions, robust asset portfolio, asset management expertise, relationships with wide-ranging customers, and other value-adding functions
- 3 Business Growth through Co-Creation**  
Reduction of risks through joint business operations with partners and growth through return-generating businesses created using expertise of the Company and of partners
- 4 Monitoring**  
Decisions regarding sales/withdrawal based on results of operating environment and monitoring analyses in accordance with the basic strategy of pursuing growth by maintaining holdings over the long term

**Sources of Competitiveness**

Expertise for Jointly Operating Businesses and Generating Earnings with Partners

**Joint Venture**

**Diverse and Highly Specialized Professionals Who Maximize the Value of Assets and Partners and Expand the Scope of Value Creation**

Our team of diverse and highly specialized professionals make it possible for us to develop a wide range of unique businesses with high barriers to entry by growing asset-based business models and teaming up with prime partners. Tokyo Century will continue to bolster its team of specialized professionals to develop even more creative businesses.

▶ P.87

- 1 Identification of Customers' Issues**  
Provision of high-value-added services based on a concise understanding of the issues of customers and their needs for financial functions and other services
- 2 Provision of Assets**  
Reduction of customer lease payments through accurate appraisals of asset value and differentiation of services by holding highly specialized assets
- 3 Provision of Value**  
Improvement of competitiveness through provision of comprehensive services including the leasing of assets and provision of after-sales services
- 4 Enhancement of Value**  
Improvement of earnings power by effectively organizing asset portfolio to reuse or sell assets while practicing asset replacement

**Sources of Competitiveness**

Highly Specialized Assets

+

**Value**

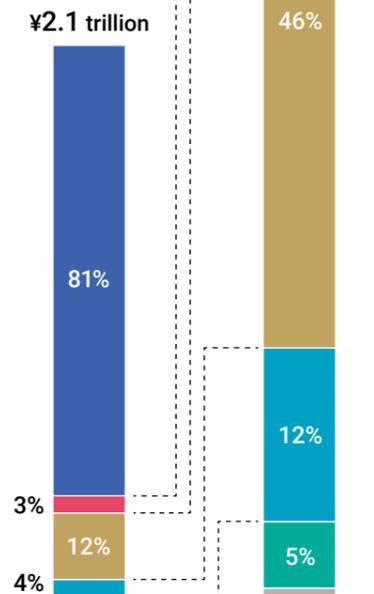
CHAPTER 3 Business Model and Growth Strategies by Operating Segment

# At a Glance

## Portfolio Transformation and Business Overview

Transformation of Distribution of Segment Assets	Overview of Business and Performance (Fiscal 2022; ROA represents the ratio of net income to segment assets)	Major Offerings	Strengths and Characteristics	Quantitative Traits	Cross-Company Strategy Organization						
<p><b>¥5.4 trillion</b></p> <p>24%</p> <p>11%</p> <p>46%</p> <p>12%</p> <p>5%</p>	<h3>Equipment Leasing</h3> <p><b>Financial services optimally matched to needs of capital investments in information and communications equipment and other assets</b></p> <table border="1"> <tr> <td>Net income</td> <td>Segment assets</td> <td>ROA</td> </tr> <tr> <td>¥22.9 billion</td> <td>¥1,287.1 billion</td> <td>1.7%</td> </tr> </table>	Net income	Segment assets	ROA	¥22.9 billion	¥1,287.1 billion	1.7%	<ul style="list-style-type: none"> <li>Leasing, installment payment, and other financial services for information and communications, manufacturing, and other equipment</li> <li>IT solutions</li> <li>Subscription services and collaboration with partners</li> </ul>	<ul style="list-style-type: none"> <li>Diverse leasing business solutions and services</li> <li>Co-creative businesses advanced together with prime partners</li> </ul>	<ul style="list-style-type: none"> <li>Customer base comprising <b>more than 20,000 companies</b></li> </ul>	<p>GX Task Force</p> <p>DX Task Force</p>
	Net income	Segment assets	ROA								
	¥22.9 billion	¥1,287.1 billion	1.7%								
	<h3>Automobility</h3> <p><b>Wide-ranging auto services provided using industry-leading fleet</b></p> <table border="1"> <tr> <td>Net income</td> <td>Segment assets</td> <td>ROA</td> </tr> <tr> <td>¥12.1 billion</td> <td>¥611.6 billion</td> <td>2.0%</td> </tr> </table>	Net income	Segment assets	ROA	¥12.1 billion	¥611.6 billion	2.0%	<ul style="list-style-type: none"> <li>Corporate auto leasing</li> <li>Individual auto leasing</li> <li>Car rental services</li> </ul>	<ul style="list-style-type: none"> <li>Full lineup of auto leasing, car rental, and other comprehensive auto services</li> <li>Next-generation mobility services accommodating electric vehicles, etc., through collaboration with prime partners</li> </ul>	<ul style="list-style-type: none"> <li>Fleet composed of <b>more than 720,000 vehicles</b></li> <li>Car rental network comprising <b>563 locations</b> (including consultation offices) in Japan as well as overseas locations in Hawaii and Guam</li> <li><b>Approx. 16,000 affiliated</b> maintenance locations for corporate auto leasing services</li> </ul>	
	Net income	Segment assets	ROA								
¥12.1 billion	¥611.6 billion	2.0%									
<h3>Specialty Financing</h3> <p><b>Unique viable businesses built on specialized expertise in diverse product areas</b></p> <table border="1"> <tr> <td>Net income*1</td> <td>Segment assets</td> <td>ROA*1</td> </tr> <tr> <td>¥38.9 billion</td> <td>¥2,490.6 billion</td> <td>1.7%</td> </tr> </table> <p><small>*1 Excludes one-time extraordinary losses related to Russia (¥58.0 billion)</small></p>	Net income*1	Segment assets	ROA*1	¥38.9 billion	¥2,490.6 billion	1.7%	<ul style="list-style-type: none"> <li>Leasing, finance, and other businesses related to aviation, shipping, and real estate</li> <li>Business investments (principal investments)</li> <li>Structured finance, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses developed with focus on highly specialized assets</li> <li>Highly competitive financial services offered through collaboration with industry-leading business partners</li> </ul>	<ul style="list-style-type: none"> <li>Industry-leading fleet of <b>349</b> owned and managed aircraft and provision of services to <b>around 95 airlines</b> in <b>roughly 45 countries</b> through aircraft leasing subsidiary Aviation Capital Group LLC (ACG)</li> </ul>		
Net income*1	Segment assets	ROA*1									
¥38.9 billion	¥2,490.6 billion	1.7%									
<h3>International Business</h3> <p><b>Leasing and auto service businesses developed through global network encompassing more than 50 countries and regions centered on North America and Asia</b></p> <table border="1"> <tr> <td>Net loss*2</td> <td>Segment assets</td> <td>ROA</td> </tr> <tr> <td>¥5.9 billion</td> <td>¥655.7 billion</td> <td>(1.0)%</td> </tr> </table> <p><small>*2 Includes one-time valuation losses on operational investment securities (¥17.3 billion)</small></p>	Net loss*2	Segment assets	ROA	¥5.9 billion	¥655.7 billion	(1.0)%	<ul style="list-style-type: none"> <li>IT equipment leasing</li> <li>Auto business</li> <li>Joint crediting mechanism (JCM) business</li> </ul>	<ul style="list-style-type: none"> <li>Diverse financial services offered through global network</li> <li>Highly competitive fair market value (FMV) leases provided by U.S. IT equipment leasing company CSI Leasing, Inc.</li> </ul>	<ul style="list-style-type: none"> <li>Global network encompassing <b>more than 50 countries and regions</b> centered on North America, Europe, and Asia</li> </ul>		
Net loss*2	Segment assets	ROA									
¥5.9 billion	¥655.7 billion	(1.0)%									
<h3>Environmental Infrastructure</h3> <p><b>Japan-leading scale in solar power and other renewable energy businesses</b></p> <table border="1"> <tr> <td>Net income*3</td> <td>Segment assets</td> <td>ROA</td> </tr> <tr> <td>¥0.2 billion</td> <td>¥277.9 billion</td> <td>0.1%</td> </tr> </table> <p><small>*3 Includes one-time expenses associated with bad debt and with trial operation of new power plant (¥4.0 billion)</small></p>	Net income*3	Segment assets	ROA	¥0.2 billion	¥277.9 billion	0.1%	<ul style="list-style-type: none"> <li>Solar power, biomass power, and other renewable energy businesses</li> <li>Storage battery businesses</li> <li>Solar power plant asset management businesses</li> </ul>	<ul style="list-style-type: none"> <li>Japan-leading scale of solar power (mega solar) plants owned and operated</li> <li>Environment-related business value chain constructed through collaboration with partners</li> </ul>	<ul style="list-style-type: none"> <li><b>145</b> operational solar power plants</li> <li>Renewable energy generation capacity of <b>750 MW</b></li> </ul>		
Net income*3	Segment assets	ROA									
¥0.2 billion	¥277.9 billion	0.1%									

**Point 1**  
Ongoing expansion of portion of portfolio represented by high-profitability Automobility, Specialty Financing, and International Business segments since fiscal 2009 merger

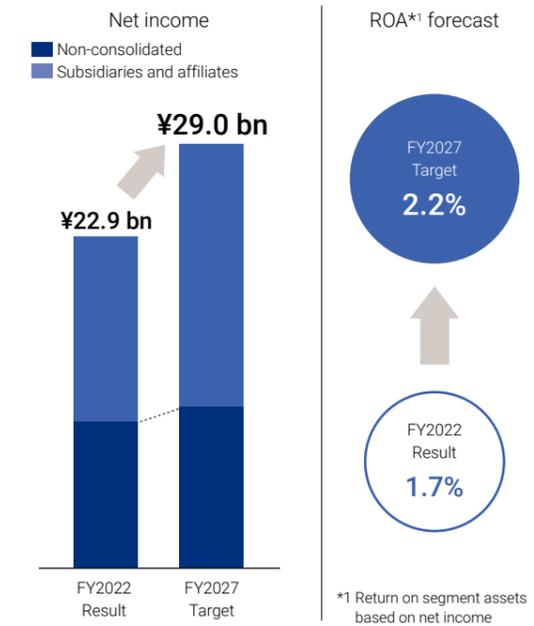


March 31, 2009 (Total for two pre-merger companies)  
March 31, 2023

Note: Performance figures for fiscal 2022 have been restated to reflect the calculation methods used following the fiscal 2023 establishment of the Environmental Infrastructure segment (Net income and ROA are approximations).

# EQUIPMENT LEASING

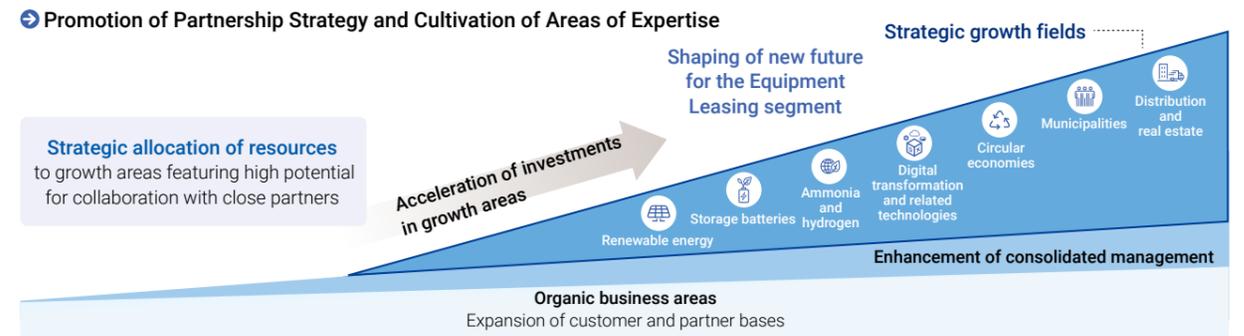
## Profit Target of Medium-Term Management Plan 2027



### Growth Strategies

- Growth Areas**
  - ➔ The Equipment Leasing segment will focus on growth areas featuring high potential for collaboration with close partners, with particular attention devoted to areas such as renewable energy, distribution facilities, and digital transformation.
  - ➔ A scheme has been introduced in which Tokyo Century donates amounts determined based on generation volumes to customer-designated public interest organizations or NPOs as part of in-house solar power generation system support services being provided together with the Kyocera Group. Other proactive initiatives are being advanced for contributing to society alongside such efforts to support the introduction of renewable energy.
  - ➔ A grid storage battery business was launched together with ITOCHU Corporation and Osaka Gas Co., Ltd., in June 2023. Contributions will be made to decarbonization through the supply of energy supply-demand adjustment systems for power grids, which will play an important role in the popularization of renewable energy.
- Affiliates**
  - ➔ **NTT TC Leasing Co., Ltd.**  
Building leasing services will be provided for new market facilities as part of a project for reorganizing publicly certified wholesale markets being advanced by Toyama City. This project represents NTT TC Leasing's first collaborative real estate venture with Tokyo Century. Furthermore, growth will be pursued in Tokyo Century's businesses as well as in businesses advanced through coordination with the NTT Group.
  - ➔ **NX-TC Lease & Finance Co., Ltd.**  
Collaboration is being practiced centered on distribution facilities, which will lead to the start of operations at the NXLF Gamagori Warehouse in April 2023. Ongoing initiatives will be made for bolstering real estate and distribution solutions centered on the NX Group.
- Business Support**
  - ➔ TC Business Service Corporation, which was responsible for middle-office functions, was absorbed in April 2023 to reorganize business support organizations with the aim of improving organizational resilience with a focus on expanding businesses in renewable energy, distribution facilities, digital transformation, and other growth areas.
  - ➔ Attention will be directed toward strengthening business support functions and utilizing robotic process automation and other IT tools to improve operational efficiency as we seek to help resolve customer management issues.

### Business Development Approach



### Promotion of Consolidated Management



## MESSAGE



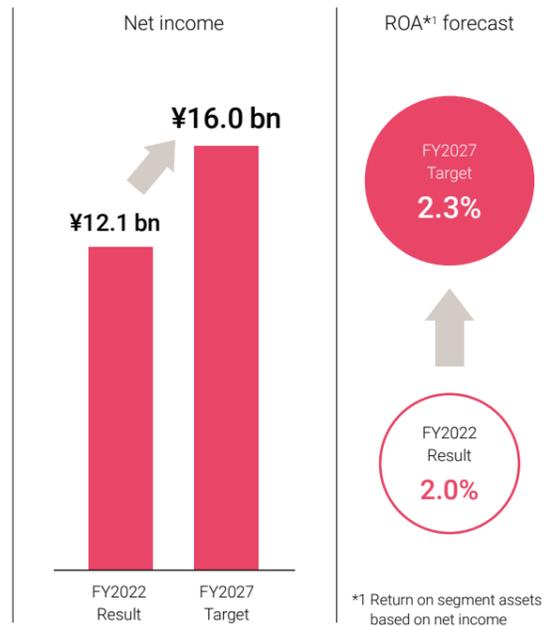
The New Fourth Medium-Term Management Plan, the previous medium-term management plan that covered the period from fiscal 2020 to fiscal 2022, was advanced during a challenging operating environment for a company like Tokyo Century that specializes in the proposal of solutions that address issues. This environment was characterized by such developments as the activity restrictions and economic slowdown that stemmed from the COVID-19 pandemic. Even in such an environment, we continued to forge ahead with collaborative businesses with close partners, thereby building the consolidated management frameworks that will support our future growth. Specifically, we established NTT TC Leasing Co., Ltd., in fiscal 2020,

NITTSU Lease & Finance Co., Ltd. (currently NX-TC Lease & Finance Co., Ltd.), in fiscal 2021, and FFG Lease Co., Ltd., in fiscal 2022. During the period of Medium-Term Management Plan 2027, which kicked off in fiscal 2023, our basic strategy will be to continue to build upon such efforts while transforming existing businesses and aggressively investing in growth areas to achieve ongoing growth. For our growth strategies, we have defined strategic growth areas including distribution facilities, storage batteries, and digital transformation. By taking advantage of our stable earnings foundation, we will concentrate management resources in these areas while accumulating knowledge with the aim of cultivating these into new areas of expertise that can support future earnings. We have been advancing viable businesses in growth areas up until now. However, we plan to pivot toward more strategic and active approaches and frameworks going forward. Moreover, we recognize it is the contributions of diverse and highly motivated human resources that drive the growth of our business. This is why we are making ongoing efforts to develop workplace environments that motivate individuals and enable them to feel a sense of tangible growth and to heighten workplace engagement. In addition, our business support structures were reorganized in fiscal 2023 to bolster support functions. Looking ahead, we plan to accelerate efforts for fostering people and organizations that are capable of responding to customer needs.

Growth Strategies by Operating Segment

# AUTOMOBILITY

## Profit Target of Medium-Term Management Plan 2027

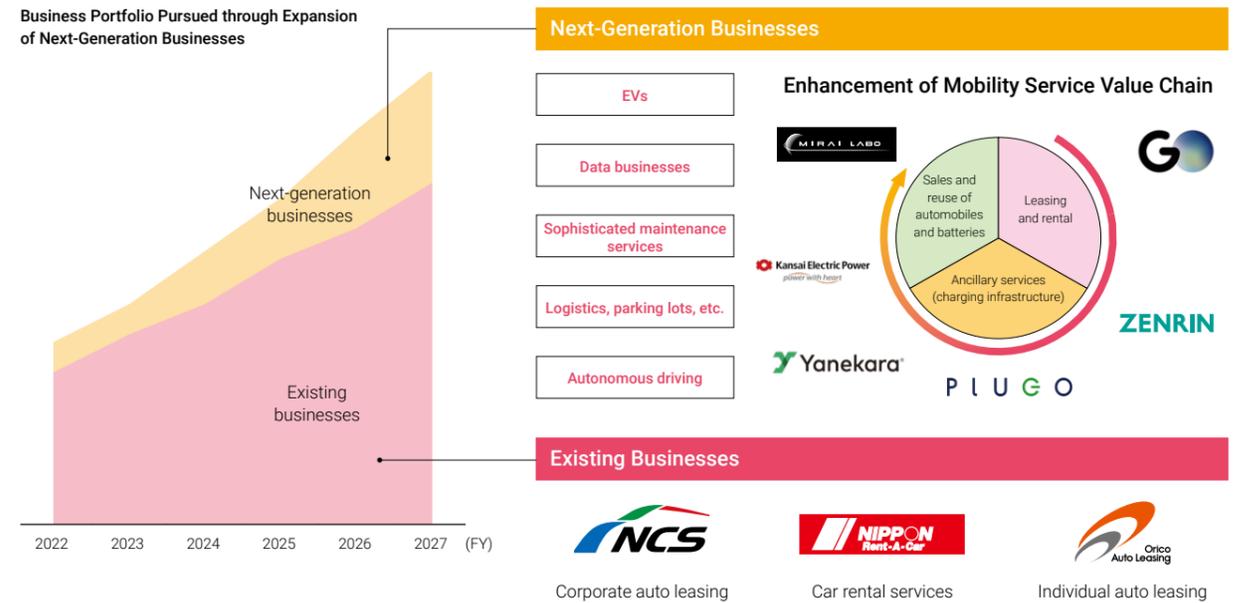


### Growth Strategies

#### Evolution of Existing Businesses and Promotion of Next-Generation Businesses

Business Unit	Strategies
<b>Existing Businesses</b> Nippon Car Solutions Co., Ltd. (NCS)	<ul style="list-style-type: none"> <li>Carbon-neutrality strategies will be accelerated through means such as ramping up electric vehicle (EV) transactions and developing and proposing new EV-related businesses.</li> <li>Strategies will be evolved by utilizing a diverse range of channels, including those of NTT, the Mizuho Group, ITOCHU, and TOKYO GAS Co., Ltd.</li> <li>M&amp;A activities and other non-organic growth methods will be used to expand strategic businesses.</li> <li>Enhancements to services and value will be pursued through the utilization of digital technologies and the cultivation of related expertise.</li> <li>The development and dissemination of a new brand for Nippon Car Solutions Co., Ltd., will be promoted alongside efforts to improve productivity, reform processes, and strategically foster human resources on a Companywide basis.</li> </ul>
Nippon Rent-A-Car Service, Inc. (NRS)	<ul style="list-style-type: none"> <li>Operating foundations will be reinforced through accelerated development of locations with a focus on addressing customer needs and achieving efficient operations.</li> <li>IT will be employed to improve operational efficiency and enhance customer services (membership services, apps, etc.).</li> <li>Trials of EV rentals will be conducted as part of decarbonization initiatives.</li> <li>The creation of new businesses that are synergistic with existing businesses will be pursued.</li> <li>The development of systems and workplace environments that emphasize people will be promoted to create a highly efficient organization.</li> </ul>
Orico Auto Leasing Co., Ltd. (OAL)	<ul style="list-style-type: none"> <li>The enhancement of business earnings will be pursued by exploring new sales channels and augmenting vehicle supply support for agents and other unique functions.</li> <li>EV leasing and other product and service offerings that accommodate market needs will be expanded and new services will be developed to increase earnings opportunities.</li> <li>Efforts will be made to cater to demand for changing vehicles in response to lease maturity or cancellation, and contract continuation rates will be heightened via re-leasing (contract extensions).</li> <li>The enhancement of sales capabilities and growth will be pursued through conversion of Orico Auto Leasing Co., Ltd., into a subsidiary by Orient Corporation.</li> </ul>
<b>Next-Generation Businesses</b>	<ul style="list-style-type: none"> <li>Frameworks will be created to allow for the provision of one-stop services to customers in EV businesses encompassing charging services, energy management, and battery reuse services.</li> <li>Efforts to create new earnings sources will be accelerated based on areas designated as next-generation businesses Tokyo Century should strengthen, including EVs, data businesses, sophisticated maintenance services, logistics, parking lots, and autonomous driving.</li> <li>Functions will be supplemented to strengthen existing businesses through coordination with partners.</li> </ul>

## Business Development Approach



## MESSAGE



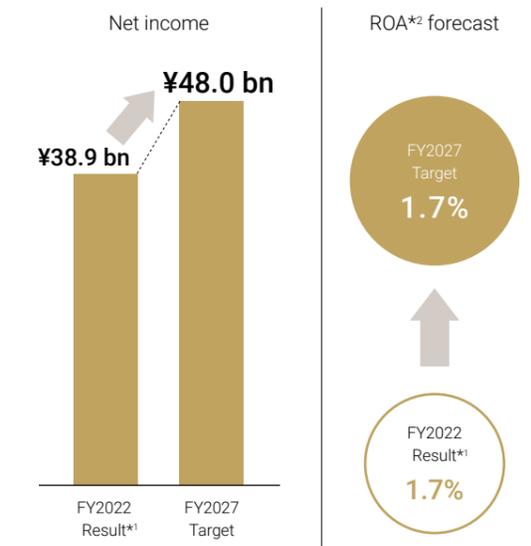
The operating environment for the Automobility segment is undergoing great change. This change can be seen in the emergence of new technologies, like electrified vehicles, and the appearance of businesses based on new ideas developed by participants from other industries. At the same time, the way we use vehicles is being reexamined in light of the acceleration of workstyle reforms spurred by the COVID-19 pandemic. In this environment, we are leveraging the strength of our complete, industry-leading lineup of mobility services, including corporate and individual auto leasing, and car rental services to advance growth strategies for expanding our businesses and strengthening our operating foundation. Strategies to expand our businesses include the acceleration and enhancement of organic growth in existing businesses via differentiation through the proposal of high-value-added products and via customer retention efforts founded on the use of digital transformation and AI technologies to uncover customer needs.

We are also advancing projects for achieving non-organic growth with the goal of supplementing previously lacking functions and expanding our business scope. Other business expansion efforts include redoubling our approach toward new technologies and decarbonization by means of creating EV value chains and enhancing data analysis and utilization. As for strategies to strengthen our operating foundation, we will educate and train human resources while accelerating business process reengineering to achieve further improvements in operational efficiency using IT. Medium-Term Management Plan 2027, which was launched in fiscal 2023, defines our vision of becoming the top mobility service company in Japan. Our mission in this capacity will be to provide innovative, high-quality services to contribute to the realization of a sustainable, eco-friendly, and people-friendly mobility society with an emphasis on customer happiness and employee happiness. Our first step toward this goal was the creation of the Next Generation Automobility Business Division within the Automobility Business Development Unit in April 2023. With this new organization, we are shifting from a product-oriented perspective to a market-oriented perspective. Our goals in this undertaking are to develop a fourth pillar of business to stand alongside the existing businesses of Nippon Car Solutions; Nippon Rent-A-Car Service, Inc.; and Orico Auto Leasing. We also aim to accelerate new business initiatives for supplementing our functions in next-generation business areas. Going forward, we will take advantage of our fleet of some 720,000 vehicles to strengthen our relationships with important existing partners. At the same time, we will aggressively propose the introduction of EVs, important building blocks of a decarbonized society, while fully capitalizing on the capabilities of digital transformation and IT technologies with the goal of quickly amassing an EV fleet of around 100,000 vehicles.

Growth Strategies by Operating Segment

# SPECIALTY FINANCING

## Profit Target of Medium-Term Management Plan 2027



\*1 Excluding extraordinary losses related to Russia (¥58.0 billion), provisional figure for fiscal 2022 reflecting adjustments made in conjunction with the establishment of the Environmental Infrastructure segment  
 \*2 Return on segment assets based on net income

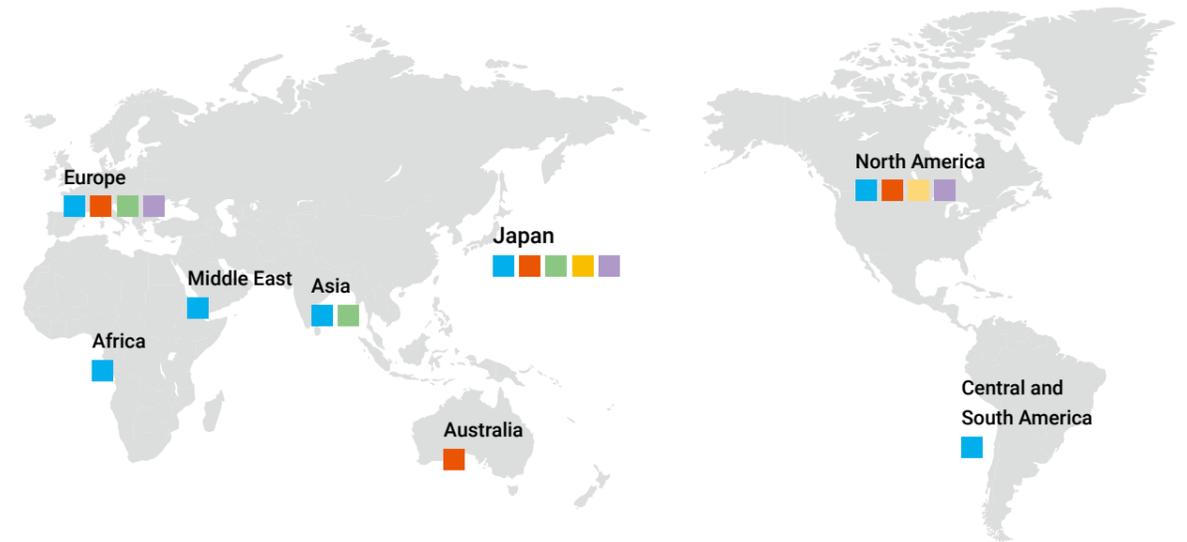
### Growth Strategies

- Aviation**
  - Previously ordered new technology aircraft will be delivered to customers amid the robust aircraft demand and rapid market recovery seen as the COVID-19 pandemic subsides while we bolster trading functions to build a high-quality portfolio.
  - By fully leveraging the solid platforms and leasing and finance functions of Aviation Capital Group LLC (ACG) and GA Telesis, LLC—which can accommodate the entire life cycle of new, mid-life, and end-of-life aircraft—and promoting coordination with these companies, we will seek to bolster our earnings power.
- Real Estate**
  - As we build upon businesses with prime partners, we will advance promising medium- to long-term projects to enhance our earnings foundation.
  - Our global portfolio will be flexibly revised based on changes to the market environment.
  - Coordination will be stepped up with subsidiary TC Kobelco Real Estate Co., Ltd.; NX-TC Lease & Finance; and affiliate NTT TC Leasing as we cultivate and enhance our staff of highly specialized employees.
- Principal Investments**
  - Joint investments with Advantage Partners Inc. will be advanced alongside enhancements to business investment models.
  - Investment in solutions to ESG, sustainability, and other social issues will be increased.
  - As efforts are made to discover potential projects through partnerships and Group networks, we will also promote improvements to the value of investees.
- Shipping**
  - Ship ownership businesses will be enhanced as a transition to high-profit business models is promoted.
  - Asset management functions will be refined and the partnership strategy will be advanced.
- New Businesses**
  - Businesses that contribute to carbon offsets and to the global environment will be advanced centered on investments as a limited partnership in the forestry fund of Sumitomo Forestry Group.
  - Opportunities for new investments that respond to decarbonization and digital transformation trends will be sought out.

## Business Development Approach

### Business Map

Aviation Real estate Shipping Principal investments Structured finance



## MESSAGE



**Shintaro Yamazaki**  
 Managing Executive Officer  
 President, Specialty Finance  
 Business Development Unit

Under the period of the previous medium-term management plan, the Specialty Financing segment continued to create new financial services that respond to changes in the operating environment. These services were supplied through aircraft leasing company ACG as well as through coordination with Advantage Partners, via which we grew our principal investment business. In addition, the segment expanded into the hotel sector in the real estate business while also investing in data centers in the United States. The aviation business, meanwhile, was heavily impacted by the COVID-19 pandemic and the war in Ukraine. However, this business has been returning to a growth track thanks to the recovery of the aviation market and ACG's ability to take quick and flexible action.

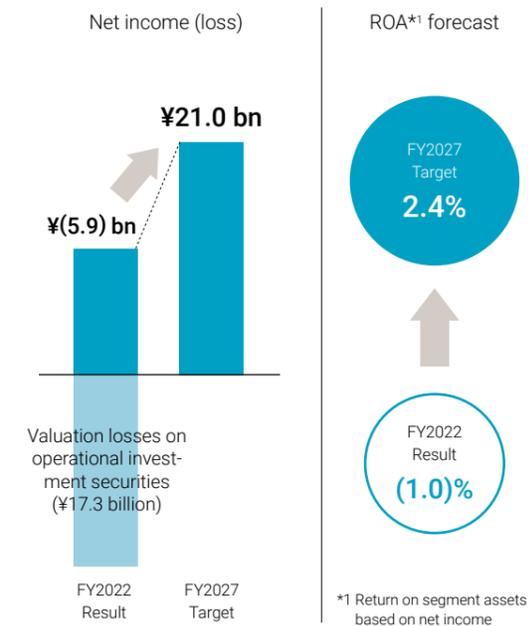
The newly launched Medium-Term Management Plan 2027 gets its start in a turbulent operating environment, plagued by changes in financial industry conditions and by a need to address climate change. Nevertheless, our principal investment and other

investment businesses as well as our real estate business maintain strong momentum, giving hope for the possibility of massive growth in the future. I also look forward to the future development of our strongly performing shipping business as well as the newly commenced storage battery, forestry, and electric vertical take-off and landing aircraft businesses, through which we began to lay the foundations for future growth. I have particularly high expectations for the forestry fund being developed together with Sumitomo Forestry as a new initiative for helping decarbonize the world. At the same time, we will be moving forward with efforts to strengthen earnings power during the period of the medium-term management plan. These efforts will include replacing low-efficiency assets and promoting asset turnover from business investments. We will also seek to heighten asset efficiency with a focus on profitability in order to develop a portfolio that contributes to higher levels of return on assets.

The Specialty Financing segment is turning its attention toward asset life cycle management with the aim of creating a value chain that covers areas spanning from product development to use, recycling, and resale. By combining our capabilities for managing assets with our financial functions, we look to expand our operations from a variety of perspectives, including that of a business that uses products and that of an entity utilizing financial expertise. Furthermore, I anticipate the emergence of a connected society in the near future. This society will be characterized by connections between everything, whether that be real estate, automobiles, railways, ships, or even aircraft components. In this society, Tokyo Century will have a role to play as a hub for such connections. As we fulfill this role, we will coordinate with partners to grow our business by combining our communications, data, infrastructure, asset management, and finance functions.

# INTERNATIONAL BUSINESS

## Profit Target of Medium-Term Management Plan 2027



### Growth Strategies

- CSI**
  - Since being consolidated in 2016, CSI Leasing, Inc. (CSI), has continued to post new record highs in ordinary income each year achieved through the smooth growth of its fair market value (FMV) leasing,\*1 IT asset disposition (ITAD) services,\*2 and other businesses.
  - CSI has established new bases in Northern Europe and Asia and is augmenting its ITAD service facilities in Europe and the United States, and it intends to continue to aggressively expand its business domain. At the same time, CSI's earnings foundation will be reinforced as the company accommodates the needs of multinational companies for standardized services while accelerating the creation of intra-Group synergies with existing overseas subsidiaries.
  - Further growth is anticipated for CSI amid the global digitalization trend and the brisk demand for IT services seen in conjunction with the rising number of IoT devices.
- Partnership Strategy**
  - ZAXIS Financial Services Americas, LLC, was established as a joint venture with ITOCHU and Hitachi Construction Machinery Co., Ltd. This company will utilize Tokyo Century's expertise in relation to the financial business it is developing together with Hitachi Construction, which already has a foothold in Asia, while also expanding this business in the United States.
  - Through our partnership with the NTT Group, we will collaborate in deploying managed services on a global scale. In addition, existing data center businesses will be expanded in India as we also look to extend these operations to North America and other areas.
  - We will expand our business through strong alliances with prime local companies and with Japanese partners.
- Auto, Niche, and Other Growth Areas**
  - Truck, arbor equipment, and small construction equipment dealer Fiber Marketing International, Inc., is providing one-stop services together with financing company AP Equipment Financing Inc. Going forward, we will seek to explore niche markets through means such as expanding our dealer network via M&A and other activities.
  - In the auto business, we are bolstering auto leasing operations while improving installment payment and other services through digital transformation. In addition, growth is being accelerated through M&A activities.
  - Environment-related business initiatives will include the ongoing advancement of the projects in which Tokyo Century functions as a representative under Financing Programme for Joint Crediting Mechanism (JCM) Model Projects along with proactive efforts to accommodate the shift toward EVs and other eco-friendly automobiles.

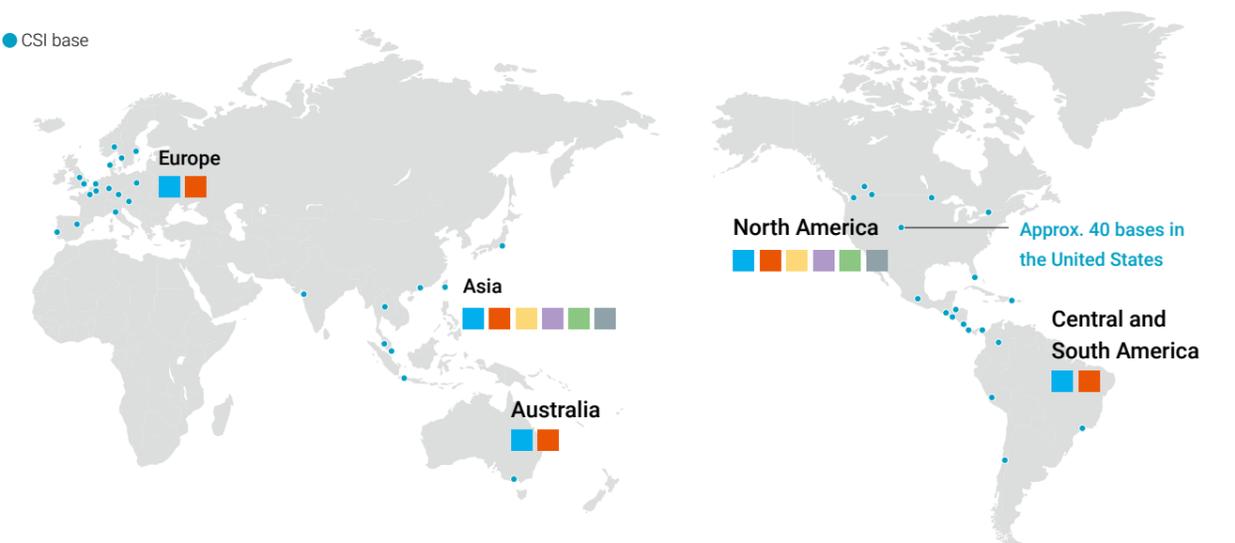
\*1 Leasing based on FMV derived from the assessed residual value of IT equipment  
\*2 Services for disposing of IT assets safely and appropriately

## Business Development Approach

### Business Map

CSI ITAD\* services Auto Trucks Construction machinery finance Leasing

● CSI base



## MESSAGE



**Toshio Kitamura**  
Director and Senior Managing Executive Officer  
President, International Business Development Unit

The International Business segment had to develop its business amid the global impacts of the COVID-19 pandemic during the period of the previous medium-term management plan. Nevertheless, we succeeded in growing ordinary income to ¥10.7 billion in fiscal 2020 and to ¥19.0 billion in fiscal 2021. In fiscal 2022, however, valuation losses on operational investment securities of ¥18.7 billion were recorded, proving to be the main factor in the segment posting ordinary loss of ¥0.9 billion. Despite this loss, the segment has continued to achieve steady growth.

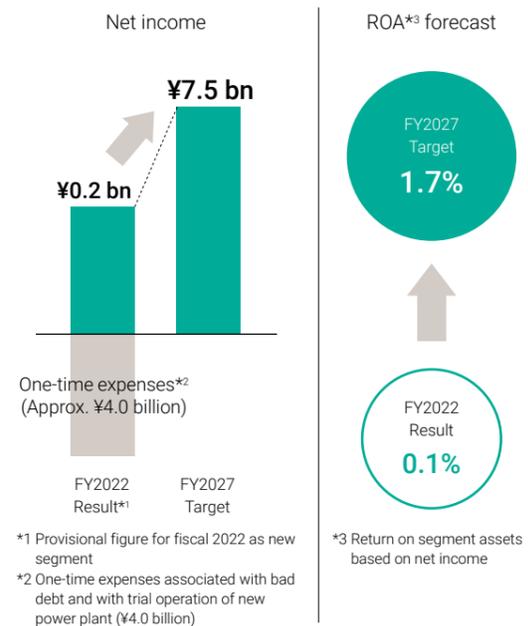
A central pillar of the growth of the International Business segment is U.S. subsidiary CSI. In the midst of the pandemic, this company established new bases in Northern Europe and Asia

while also augmenting its network of ITAD service facilities in Europe and the United States, thereby laying the foundations for steady growth. CSI provides leasing and ITAD services in more than 50 countries. Going forward, we intend to continue utilizing the strength of CSI's base network and the value of its ITAD services to expand its presence and achieve substantial growth by catering to the needs of multinational companies. Meanwhile, in the United States, ZAXIS Financial Services Americas, which operates under the Hitachi Construction brand, was established, and we are also working to expand our financing and dealership businesses with regard to specialty equipment and other niche fields. In Asia, we are growing our business through collaboration with partners while cementing our operating foundations centered on auto businesses. The segment is also actively expanding its JCM projects and environment-related businesses. In our collaborative efforts with the NTT Group, we are globally deploying managed services and expanding our jointly operated data center business into North America based on the success thereof seen in India.

Medium-Term Management Plan 2027, which began in fiscal 2023, prescribes the ongoing advancement of alliance strategies as we leverage strengths in the IT, mobility, and environmental fields to differentiate our operations through a focus on growth and niche areas. At the same time, we aim to place local hires in management positions at overseas subsidiaries while also heightening engagement with employees. Meanwhile, we will enhance customer services through the proactive use of green transformation and digital transformation in pursuit of rapid growth going forward.

# ENVIRONMENTAL INFRASTRUCTURE

## Profit Target of Medium-Term Management Plan 2027



### Growth Strategies

**Expansion in Growth Areas**

- Storage battery business**  
Through the installation of new storage batteries, earnings power will be strengthened by allowing for electricity to be stored or sold based on supply and demand balance. Two types of battery systems are provided: integrated systems that combine battery systems with high-output-variability solar power systems and systems linked to power grids, which entail the construction of power plants equipped with grid-use storage batteries.
- Biomass power, binary geothermal power, etc.**  
Biomass power and binary geothermal power generation projects will be promoted and related initiatives will be expanded to include more diverse power sources together with prime partners including Forest Energy Inc., JFE Engineering Corporation, and ITOCHU Corporation.
- Overseas renewable energy projects**  
The insight accumulated in Japan will be utilized to advance initiatives in North America, Europe, and Australia.

**Growth through Coordination between Existing Businesses and Partners**

- Corporate power purchase agreements**  
Support for optimal decarbonization strategies will be offered based on the needs of customers in Tokyo Century's wide-ranging customer base.
- Renewable energy business investment fund**  
Total investments of around ¥100.0 billion centered on solar power generation are planned through a renewable energy business investment fund established jointly with NTT Anode Energy Corporation; Sumitomo Mitsui Trust Bank, Limited; and Sumitomo Mitsui Trust Investment Co., Ltd.
- Asset and technical management**  
A&Tm Corporation, a joint venture established with Tokyo Gas Engineering Solutions Corporation and KYOCERA Communication Systems Co., Ltd., will provide efficient business management and earnings improvement services for solar power generation projects through the comprehensive provision of asset and technical management.

## Business Development Approach

### Energy Value Chain



\*3 Engineering, procurement, and construction

**Renewable Energy Generation Volume (Consolidated)**

22 MW (FY2012) → 750 MW (FY2022)

(First year of feed-in tariff program)

**Kyocera TCL Solar**

Japan-leading scale with total generation capacity of **398 MW** and **89 domestic locations**

**Cycle of strengthening earnings capacity and promoting ESG through robust support for business strategies targeting decarbonization by customers and business partners** offered via reinforcement and expansion of renewable energy, storage battery, and other environment and energy businesses in Japan and overseas

## MESSAGE



**Hiroshi Sato**  
Deputy President, Director and Executive Officer  
President, Environmental Infrastructure Business Development Unit

The Environmental Infrastructure segment was established in April 2023 with the goal of accelerating the growth of Tokyo Century's environment-related businesses and consequently its contributions to a decarbonized society. This move brought the number of the Company's operating segments to five.

Over the years, Tokyo Century has proceeded to expand the scope of its environment-related businesses from the operation of solar power generation projects based on feed-in tariff programs to include corporate power purchase agreements, asset management, and even new power sources such as woody biomass power and binary geothermal power. We have done so by capitalizing on the experience, insight, and networks developed through our forays into solar power generation businesses.

Centered on Kyocera TCL Solar, these solar power generation businesses have entailed forays into the ownership and operation of solar power plants across Japan, among other domains. These plants have been used to contribute to a stable supply of renewable energy. In addition, we are advancing corporate power purchase agreement businesses to support customers' decarbonization strategies through Urban Energy PV LLC, a joint venture solar power generation business company established together with JFE Engineering. Meanwhile, A&Tm, a joint venture we established with Tokyo Gas Engineering Solutions and KYOCERA Communication Systems, provides asset and technical management services. This company is combining the strengths of its various business partners to build an environment-related value chain through such means as the provision of services for improving the generation efficiency and profitability of solar power plants.

Going forward, the Environmental Infrastructure segment will continue to grow said existing businesses while also expanding the scope of its operations to include peripheral businesses and completely new businesses. For example, we are accelerating initiatives to achieve not only the rapid development of storage battery businesses that contribute to more efficient use of renewable energy but also expansion into overseas renewable energy projects. Tokyo Century will thereby aim to grow the Environmental Infrastructure segment into a pillar of earnings.

We also strive to make contributions to the realization of a decarbonized society. To this end, we are steadily forging ahead with greenification initiatives based on our transition road map, which was established to achieve effectively zero greenhouse gas emissions at the biomass co-firing power plant of Shunan Power Corporation by fiscal 2040.

# RISK MANAGEMENT

## CHAPTER 6

### Enhancement of Risk Management

---

75 Major Risks, Management Frameworks, and Risk Management

---

79 Response to Expansion of Business Domain

---

81 Compliance and Information Security

---

# Major Risks, Management Frameworks, and Risk Management

During the period of the previous medium-term management plan, the need to reinforce risk management was highlighted through developments such as the deterioration of macroeconomic conditions that stemmed from the impacts of the COVID-19 pandemic and the massive losses centered on the aviation business that were a result of Russia's invasion of Ukraine. Going forward, Tokyo Century will continue to develop its risk management framework while enhancing its investment management framework to facilitate the efficient allocation of management resources based on a comprehensive enterprise risk management (ERM) approach. These frameworks will be used to support the ongoing growth of the Company.

## Major Risks and Management Frameworks



Relationship between Major Group Companies and Main Risk Categories ● High-weight risk category

Risk Category	Tokyo Century	Nippon Car Solutions	FLCS	Nippon Rent-A-Car Service	Orico Auto Leasing*	TC Kobelco Real Estate	Shunan Power	Orico Business Leasing*	IHI Finance Support	Aviation Capital Group	CSI Leasing	Tokyo Century (USA)	TC Skyward Aviation
Credit risk	●	○	○	○	○		○	○	○	●	○	○	○
Country risk	●									●	○	○	○
Market risk	●	○	○	○	○		○	○	○	○		○	
Interest rate risk	●	○	○	○	○		○	○	○	○		○	
Foreign exchange risk	●									○			
Liquidity risk	●	○	○						○	●	○	○	
Investment risk	●	○		○									
Equity investment risk	●	○		○									
Business investment risk	●												
Asset risk	●	● Automobile	○ General residual value	○ Automobile	○ Automobile	● Real estate	● Biomass co-firing power generation	○ General residual value	○ Aircraft	● General residual value	○ General residual value	○ Aircraft	● Aircraft
Operational risk	●	○	●	●	○	●	●	○	○	●	○	○	

Note: The scope of management extends to all consolidated subsidiaries. The table above only lists Tokyo Century's significant subsidiaries subject to internal control under Japan's Financial Instruments and Exchange Act.  
 \* Effective October 1, 2023, Orico Auto Leasing and Orico Business Leasing were excluded from the scope of management following a transference of equity in these companies to a non-Group entity resulting in their conversion into equity-method affiliates.

## Risk Management

### Comprehensive Enterprise Risk Management

The Tokyo Century Group will continue to practice 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.

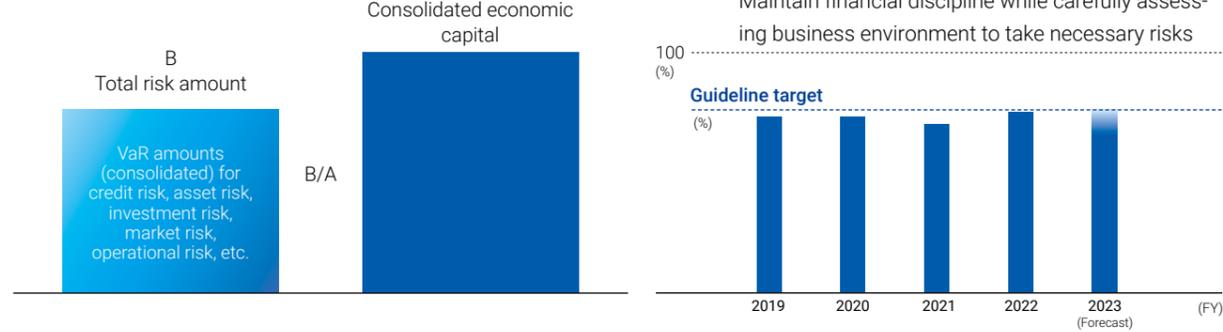
We refer to the targeted level of the capital use rate only as a guideline, since the regulations regarding capital use levels for financial institutions are not applied to us. In operating a business, seizing business opportunities, such as the opportunity to take part in M&A activities, is also an 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 control framework aimed at the efficient allocation of management resources through an ERM approach. In fiscal 2023, the first year of the plan, we will introduce, on a trial basis, risk exposure guidelines (soft limits) for the categories that account for a large portion of our risk profile (aviation, investment, and real estate). These guidelines will be used to drive the diversification of the Company's business portfolio and otherwise enhance portfolio management (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.

Major Risks, Management Frameworks, and Risk Management

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 light of the extraordinary losses recorded in relation to operations in Russia, ACG has implemented a new risk management framework to be used in dispersing previously concentrated risks on a country and airline bases and ensuring an appropriate risk and return balance based on the characteristics of a given project. This framework will be introduced for managing individual projects on a trial basis in fiscal 2023.

\* For information on the monitoring activities by the Company's committees, please refer to P.75 "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	<ul style="list-style-type: none"> <li>Focus on investments in widely applicable assets that promise reliable leasing rates and residual value</li> <li>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.)</li> </ul>
Medium Risks to be mitigated or transferred	Neutral	Residual value risk 2 Country/geopolitical risk Credit risk Aviation market risk	<ul style="list-style-type: none"> <li>Discussion and assessment as part of internal approval flow with regard to transactions with airlines in countries exposed to conflict and other risks</li> </ul>
	Positive	Remarketing risk 3 Model risk 4 Operational risk	<ul style="list-style-type: none"> <li>Portfolio management based on defined risk management indicators (diversification of lease maturities and new aircraft delivery timings)</li> </ul>
Low Risks to be avoided	Positive	Capital management risk Interest rate risk Liquidity risk Currency risk Reputational risk	<ul style="list-style-type: none"> <li>Hedging within a predefined range based on stringent risk management indicators (interest rate duration mismatch, debt-to-equity ratio limitation, etc.)</li> <li>Upper limits for ratio of loans with variable interest rates</li> <li>Regular stress tests in preparation for potential operating environment changes</li> </ul>

\*1 Proactive and autonomous management made possible by ACG's high level of expertise  
\*2 Examinations underway with regard to feasibility of introducing new category of ESG risk and related risk levels and risk management methodologies

**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 the residual value anticipated at the time of leasing  
**3. Remarketing risk:** Risk that lessees cannot be found for new or re-lease aircraft 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 into lease rates in pricing models

Non-Financial (Non-Quantitative) Risks

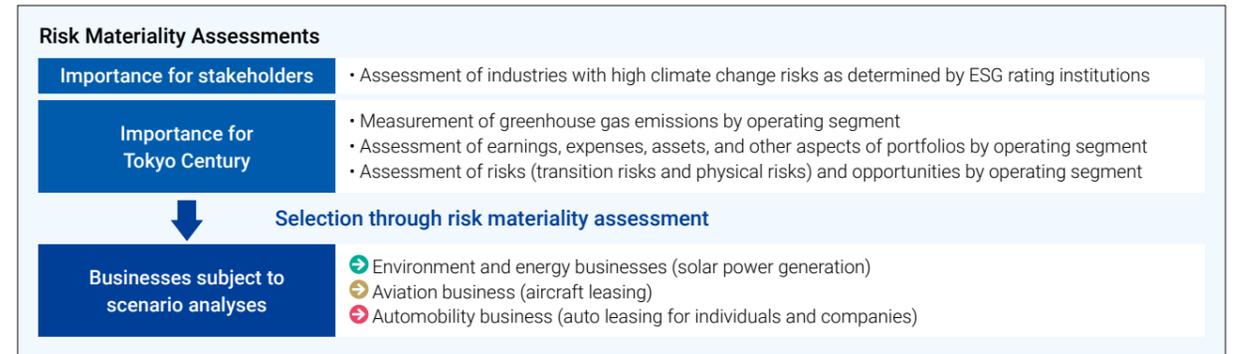
As our business domain grows and we branch out from the financial sector to provide business services, it is becoming increasingly important to account for non-financial operational risks that cannot be measured quantitatively. Based on this recognition, Tokyo Century has established key risk indicators (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<sub>2</sub> 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).

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 operates in five business fields, 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.



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 the adoption of next-generation aircraft that are powered by alternative forms of fuel, electricity, or hydrogen.
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 secondhand 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.

**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 credit portfolio.

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.

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

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

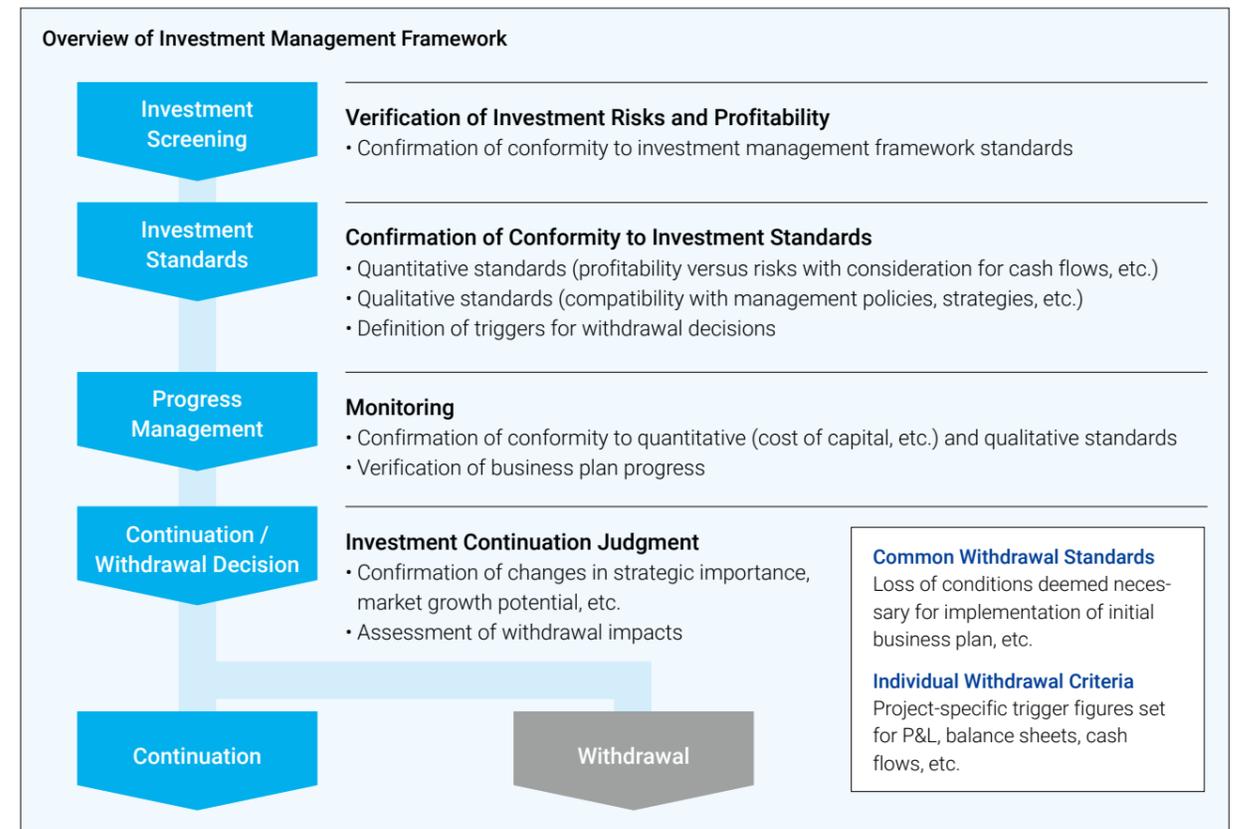
**Response to Expansion of Business Domain**

**Investment Management Framework**

For the purposes of effectively controlling diversifying investment risks and optimizing its business portfolio, the Tokyo Century Group has instituted an investment management framework. Primary focuses of this framework include clarifying investment screening, continuation, and withdrawal standards and developing standardized monitoring processes.

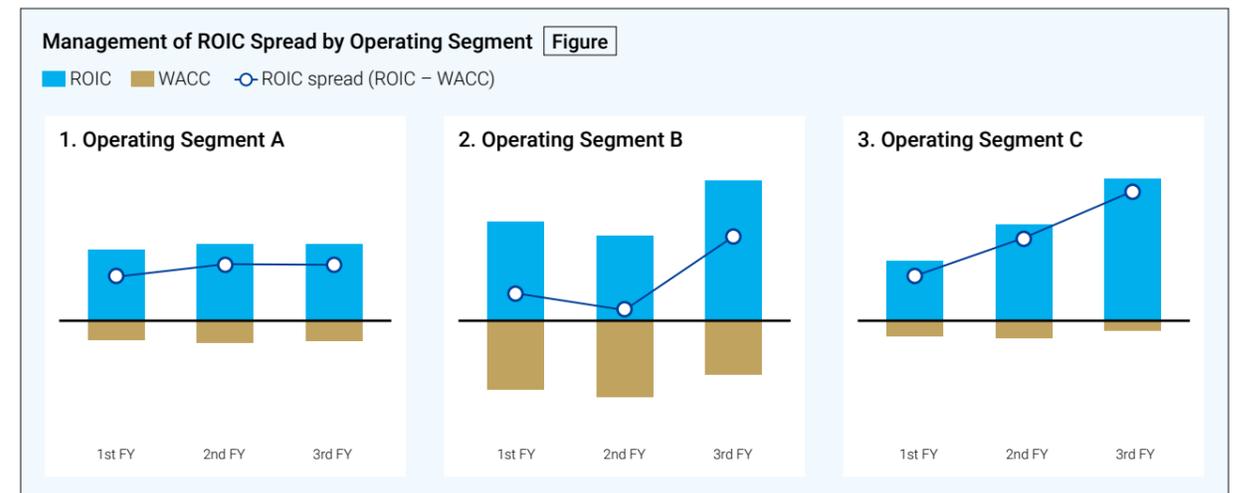
Under this framework, meetings of the Investment Management Committee are held prior to discussions by the Management Meeting as part of the process for screening investments of a predetermined scale, in order to confirm the anticipated level of profitability after considering capital costs based on the inherent risks (quantitative standards) and the compatibility with Tokyo Century's strategies (qualitative standards). In addition, multifaceted evaluations are conducted by business divisions with regard to business plans, investment structures, and projected risk exposure and environmental impacts. Shared standards for determining when withdrawal from an investment should be discussed (withdrawal standards) are applied to all projects, and clear numerical values for financial indicators are defined on an individual project basis to serve as the trigger for commencing the withdrawal process. By clarifying the standards for withdrawal in this manner, the Company is practicing effective portfolio management.

After investment, projects will continue to be monitored through standardized processes, and the status of projects and their conformity to the scenarios formulated at the time of their selection will be confirmed regularly. Should a project become applicable under withdrawal standards, the Investment Management Committee will provide opinions and assess the appropriateness of continuation, and the Management Meeting will determine whether or not investment should be continued based on a comprehensive evaluation of such factors.



**ROIC Monitoring in Operating Segments**

Tokyo Century regularly monitors the return on invested capital (ROIC) spread (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. Business and risk characteristics are accounted for in this monitoring. 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 will continue its approach toward managing risks and returns with an emphasis on cost of capital. At the same time, enhancements to this approach will be pursued by reviewing methods for managing the ROIC spread by operating segment and incorporating this indicator into performance evaluations and portfolio allocation.



## 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 Activities

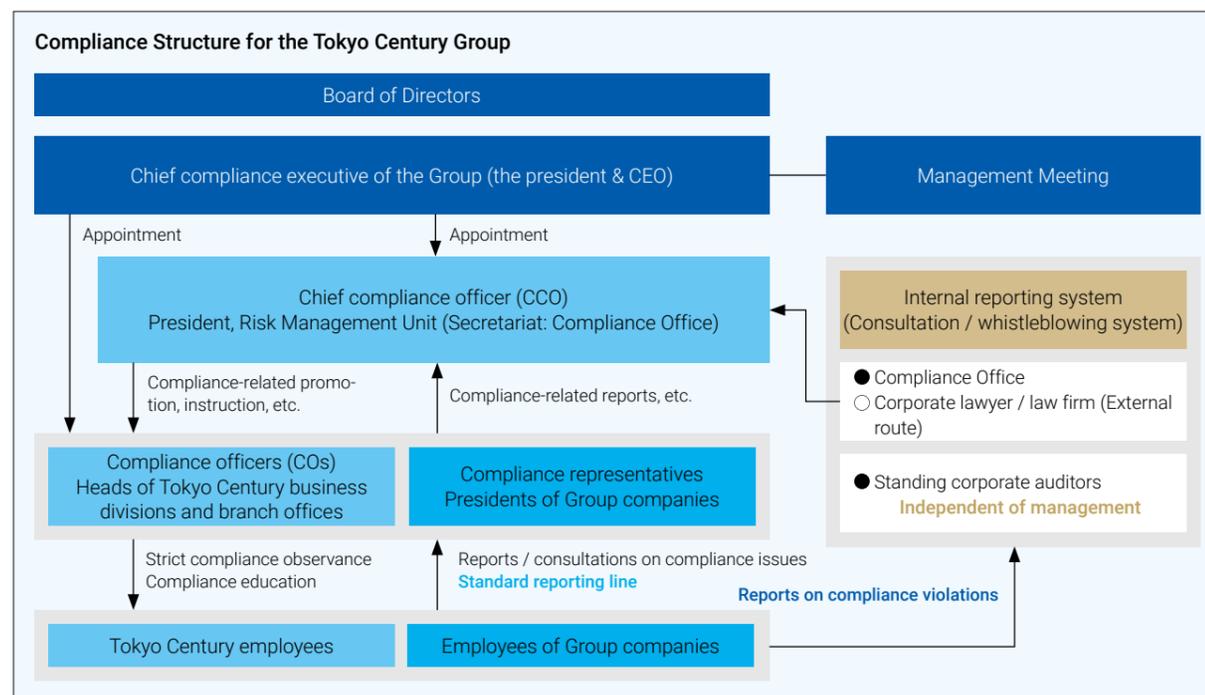
Compliance activity plans are formulated through discussions by the Management Meeting at the beginning of each fiscal year, and these plans are reported to the Board of Directors. The adequacy of the progress of these plans is reviewed every six months by the Management Meeting and the Board of Directors.

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

In response to the revision of Japan's law regarding the protection of whistleblowers that went into effect in June 2022, the Tokyo Century Group has taken steps to reinforce and clarify the already stringent whistleblower protection measures of its internal reporting system. 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 internal and external consultation venues, conducting regular awareness surveys regarding the system, and disclosing information pertaining to its implementation status. The ratios of reports and reports from domestic and overseas Group companies indicate that this system is well entrenched and functioning appropriately.



### Human Rights Consultation Contact Points

As part of its efforts to promote respect for human rights in its business activities, the Tokyo Century Group has established contact points for human rights consultations. These contact points can be used by business partners and external stakeholders to receive consultation regarding human rights violations by Group officers or employees. Remedies are instituted to rectify the damages caused to the victims of any verified violations.

Provisions are in place to protect people submitting reports and other involved parties using these contact points.

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 for Preventing Corruption**

<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](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 security training for employees and officers.

The TC-CSIRT (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 periodically having our cybersecurity measures assessed by third-party institutions, sharing information with external partners through membership in the Nippon CSIRT Association, and participating in drills for exercising the knowledge acquired in this manner.

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. In 2022, the services of external experts were enlisted to revise the security guidelines that act as the minimum standard for security at Group companies with the aim of reinforcing global security governance. Based on the revised guidelines, assessments of overseas subsidiaries are performed to identify issues and implement response measures. In addition, we encourage closer collaboration with 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, English, and Chinese 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>

# ESG STRATEGY

## CHAPTER 7 ESG Strategies

---

**85** The Tokyo Century Group's Climate Change Initiatives

---

**87** Human Resource and Organizational Strategies

---

**91** Roundtable Discussion on Diversity

---

**95** Evolution of Tokyo Century's Corporate Governance System

---

**104** Message from an External Director

---

# The Tokyo Century Group's Climate Change Initiatives

## Importance of Responding to Climate Change

The Tokyo Century Group's Management Philosophy calls on us to contribute to the creation of an environmentally sound, sustainable economy and society. We recognize the fight against climate change as an important opportunity for growth toward accomplishing this objective, and a concerted Groupwide response is thus being furnished to address climate change. One of the key issues of Tokyo Century's materiality is "contribution to decarbonized society," and we are striving to help resolve social issues while achieving ongoing growth and improvements to corporate value.

In its response toward climate change, the Tokyo Century Group is accelerating reductions to its greenhouse gas emissions. At the same time, we are positioning environment-related businesses as opportunities for growth. By creating businesses and services that contribute to the environment in relation to renewable energy and circular economies, the Group aims to ensure that its services are competitive while increasing the value it provides to customers.

**POINT 1**  
**Reduction of greenhouse gas emissions volumes and other measures to address climate change risks**

**POINT 2**  
**Utilization of growth opportunities to expand environment-related businesses, services, etc.**

## Greenhouse Gas Emissions and Reduction Targets POINT 1

**Scope 1 and Scope 2**

Greenhouse Gas Emissions (thousands of t-CO <sub>2</sub> )			
	Fiscal 2020	Fiscal 2021	Fiscal 2022
Scope 1	4	11	1,083
Scope 2*1	8	9	15
<b>Total</b>	<b>12</b>	<b>20</b>	<b>1,098</b>

\*1 Location standard  
 \*2 Reduction in comparison with base amount (1,365,000 t-CO<sub>2</sub>) calculated by combining fiscal 2021 emissions with estimated annual emissions associated with biomass co-firing power plant of Shunan Power Corporation and hotel business

**Reason for Increase:** New inclusion of newly operational biomass co-firing power plant of Shunan Power Corporation and newly consolidated hotel business in scope of calculation from fiscal 2022

**Reduction Targets\*2**  
 Fiscal 2030: **50% reduction**  
 Fiscal 2040: **Net-zero emissions**

**Scope 3**

Greenhouse Gas Emissions (thousands of t-CO <sub>2</sub> )	
Fiscal Year	Emissions
2020	1,044
2021	6,195
2022 (FY)	7,727

**Reason for Increase:** New inclusion of Aviation Capital Group LLC and three aviation business subsidiaries and shipping business in scope of Category 13 calculation in fiscal 2021

**Future Directives**  
**Expansion of scope of calculation, refinement of calculation methods, and promotion of initiatives for reducing greenhouse gas emissions**

**Greenhouse Gas Emissions by Scope 3 Category** (thousands of t-CO<sub>2</sub>)

Total: **7,727,000 t-CO<sub>2</sub>**

Category 13: **90%**

Category 1: **8%**

Scope of Calculation

- Category 1: Purchased goods and services
- Category 2: Capital goods
- Category 3: Fuel- and energy-related activities
- Category 4: Upstream transportation and distribution
- Category 5: Waste generated in operations
- Category 6: Business travel
- Category 7: Employee commuting
- Category 11: Use of sold products
- Category 12: End-of-life treatment of sold products
- Category 13: Downstream leased assets
- Category 15: Investments

For more information, please refer to Tokyo Century's latest sustainability data book.  
<https://www.tokyoency.com.jp/en/sustainability/databook/>

## TOPIC Formation of GX Task Force POINT 2

The Tokyo Century Group recognizes the need for a concerted approach toward green transformation (GX) if it is to achieve its goal of carbon neutrality while also expanding and enhancing the range of environment-related services it supplies to customers.

Based on this recognition as well as the necessity of cross-organizational, cross-Group coordination to create new businesses, we formed the GX Task Force in April 2023. This task force is charged with sharing expertise and knowledge among operating segments and facilitating a unified approach toward customers.

## Scope 1 and Scope 2 Emissions Reduction Initiatives POINT 1

### 1. Direct Emissions and Indirect Emissions Originating from Energy Use

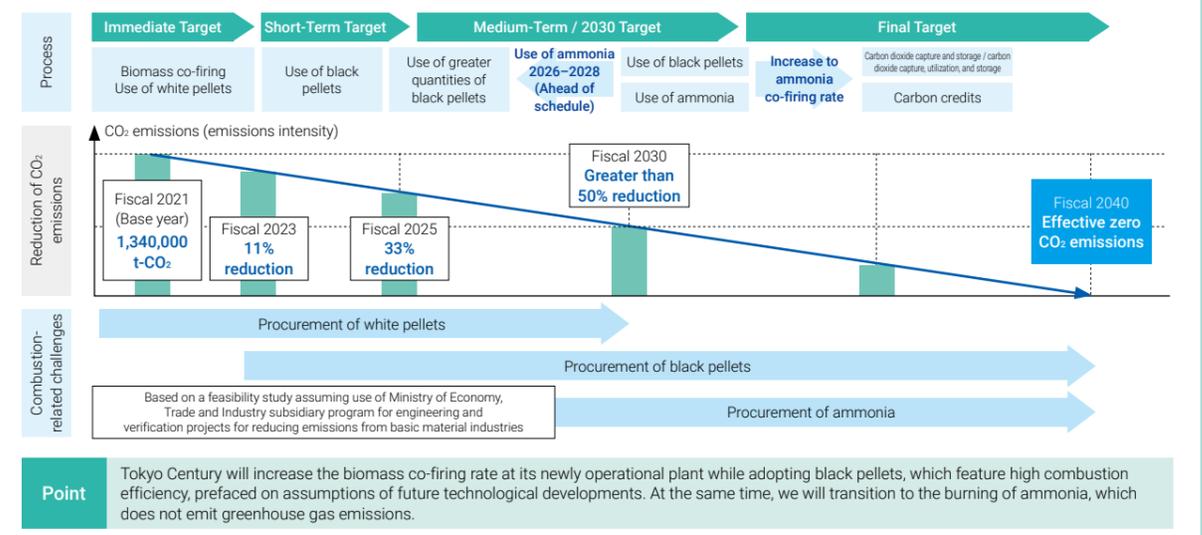
To reduce direct emissions, Tokyo Century is planning a phased shift from gasoline-fueled vehicles to electric vehicles (EVs) and other electrified vehicles for its Company fleet. In addition, gas-powered equipment will be replaced with electric equipment or with equipment that is more energy efficient or more efficient overall while offices will be relocated to buildings that utilize renewable energy. For indirect emissions, we will seek to effectively switch to renewable energy by procuring green power and purchasing certificates verifying that our power does not come from fossil fuels.

### 2. Transition Plan for Biomass Co-Firing Power Plant

Approximately 98% of the Tokyo Century Group's total greenhouse gas emissions are attributable to emissions from its biomass co-firing power plant. Targeting the accomplishment of net-zero greenhouse gas emissions as quickly as possible, with the goal of fiscal 2040, we have formulated a transition road map, which has received third-party verification.\*3 Measures are currently underway based on this road map.

\*3 Verification by Japan Credit Rating Agency, Ltd.

### Transition Road Map for Biomass Co-Firing Power Plant



**Point** Tokyo Century will increase the biomass co-firing rate at its newly operational plant while adopting black pellets, which feature high combustion efficiency, prefaced on assumptions of future technological developments. At the same time, we will transition to the burning of ammonia, which does not emit greenhouse gas emissions.

For more information on the transition road map, please refer to the following website.  
[https://www.tokyoency.com.jp/assets/pdf/sustainability/220901\\_newsrelease02\\_en.pdf](https://www.tokyoency.com.jp/assets/pdf/sustainability/220901_newsrelease02_en.pdf)

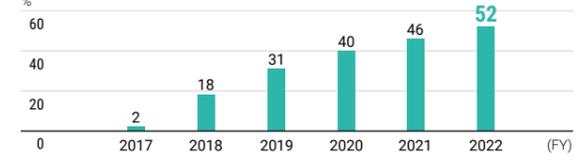
## Scope 3 Emissions Reduction Initiatives POINT 1 POINT 2

### Introduction of Highly Fuel-Efficient, New Technology Aircraft in Aviation Business

Aviation Capital Group LLC (ACG), an aircraft leasing subsidiary, and other aviation business companies are pursuing reductions in greenhouse gas emissions by introducing into their fleets new technology aircraft with high levels of fuel efficiency. The A320neo, a mainstay aircraft

of Airbus SE, offers a 20% reduction in greenhouse gas emissions compared with prior aircraft. The Tokyo Century Group is committed to increasing the portion of its aircraft portfolio accounted for by such eco-friendly aircraft and thereby reducing greenhouse gas emissions. Another pressing task in reducing the emissions of the aviation industry is the shift toward sustainable aviation fuel. Recognizing the business opportunity this shift represents, we are assessing how we can act to take advantage of this opportunity.

### Ratio of New Technology Aircraft among the Tokyo Century Group's Fleet



**Notes:**  
 1. For more information on calculation methods and other details, please refer to Tokyo Century's latest sustainability data book.  
 2. To view the environmental, social, and governance report of Aviation Capital Group, please refer to the following website.

<https://www.aviationcapitalgroup.com/wp-content/uploads/2023/08/2022-ESG-Report.pdf>

### Expansion of EV Offerings and Entry into EV Battery Business in Auto Leasing and Car Rental Businesses

- ➔ Provision of EVs to the NTT Group, in light of declared commitment to transition completely to EVs (participation in EV100 initiative), and promotion of EV adoption by other customers
- ➔ Commencement of transactions of electric taxis and buses and other electrified micro-mobility options
- ➔ Enhancement of value chain to provide EV-related services

### Adoption of Renewable Energy in Real Estate Business

- ➔ Adoption of electricity sourced from renewable energy
- ➔ Installation of solar panels on Company-owned properties

Promotion of greenhouse gas emissions reduction initiatives to develop businesses and services that contribute to the resolution of social issues and to improve customer value proposition

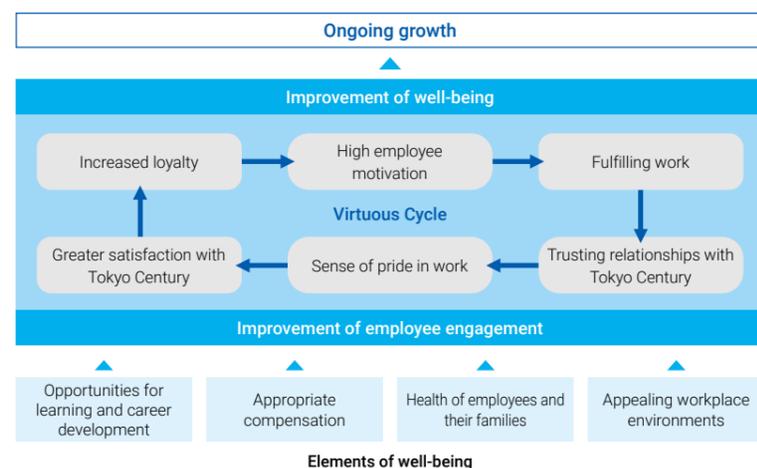
# Human Resource and Organizational Strategies

Tokyo Century carries out human resource and organizational strategies to foster people with a propensity for self-transformation and who possess creativity and ambition and are thus capable of advancing its management and business strategies.



## Improvement of Employee Well-Being

Tokyo Century believes that cultivating an awareness of well-being among officers and employees is imperative to the advancement of its human resource and organizational strategies. For this purpose, we aim to create a virtuous cycle built on trust between the Company and its employees and on strong employee engagement in order to enhance well-being. We are convinced that this process will contribute to the ongoing growth of Tokyo Century.



## Details of Human Resource and Organizational Strategies

Tokyo Century is moving forward with a variety of initiatives aimed at the development of highly capable organizations and the empowerment of individual employees.

Category	Directives under Medium-Term Management Plan 2027	Major Initiatives
Human Resource Strategies	<b>Improvement of employee engagement</b>	<ul style="list-style-type: none"> <li>▶ TC Biz Challenge Project (new business proposal system)</li> <li>▶ Career Challenge Program (internal recruitment system)</li> <li>▶ TC-Mee+ (internal communication enhancement project)</li> <li>▶ 360-degree evaluations</li> <li>▶ One-on-one meetings</li> </ul> <p><b>Major KPIs and Targets of Medium-Term Management Plan 2027</b></p> <ul style="list-style-type: none"> <li>• Employee engagement index: Maintain and improve ratio of positive responses</li> </ul>
	<b>Acceleration of human resource recruitment and development initiatives</b>	<ul style="list-style-type: none"> <li>➔ Recruitment of individuals with specialized expertise who can lead transformation of management and business strategies</li> <li>➔ Introduction of human resource systems for utilizing highly specialized individuals</li> <li>➔ Provision of opportunities for learning to allow employees to tackle new challenges</li> <li>➔ Cultivation of human resources capable of creating new businesses</li> </ul> <ul style="list-style-type: none"> <li>▶ Digital transformation training</li> <li>▶ Career development support</li> <li>▶ Dispatches to business schools</li> <li>▶ Human resource development programs</li> </ul> <p><b>Major KPIs and Targets of Medium-Term Management Plan 2027</b></p> <ul style="list-style-type: none"> <li>• Ratio of mid-career hires: Maintain or improve ratio</li> <li>• Investments in human resource recruitment and development: More than ¥800 million by fiscal 2027</li> </ul>
	<b>Allocation and positioning of human resources</b>	<ul style="list-style-type: none"> <li>➔ Allocation of human resources to growth areas</li> <li>➔ Talent management approach for strategic human resource positioning</li> <li>➔ Appropriate compensation in reflection of growth</li> </ul> <ul style="list-style-type: none"> <li>▶ Establishment of Basic Policy on Health and Productivity Management (fiscal 2021)</li> </ul> <p><b>Other KPIs and Targets</b></p> <ul style="list-style-type: none"> <li>• Ratio of employees receiving specific health guidance: More than 80%</li> <li>• Rate of employees undergoing regular health check-ups: 100%</li> <li>• Rate of employees undergoing stress checks: 100%</li> </ul>
Organizational Strategies	<b>Development of safe and secure workplace environments</b>	<ul style="list-style-type: none"> <li>➔ Cultivation of health awareness and support for prevention, early diagnosis, and treatment of illnesses</li> <li>➔ Improvement of productivity through development of comfortable and motivating workplaces</li> </ul>
	<b>Organizational management</b>	<ul style="list-style-type: none"> <li>➔ Development of frameworks not bound by the conventional confines of organizations in focus areas</li> <li>➔ Promotion of systems that reward ambition</li> <li>➔ Creation of frameworks for communication and knowledge sharing</li> </ul> <ul style="list-style-type: none"> <li>▶ Formulation of diversity plan (fiscal 2023)</li> <li>▶ Establishment of Tokyo Century Group Human Rights Policy (fiscal 2021)</li> </ul> <p><b>Major KPIs and Targets of Medium-Term Management Plan 2027</b></p> <ul style="list-style-type: none"> <li>• Ratio of women among new-graduate hires: Maintain or improve ratio (fiscal 2022: 42.1%)</li> </ul> <p><b>Other KPIs and Targets</b></p> <ul style="list-style-type: none"> <li>• Ratio of female managers: 30% or more by 2030</li> <li>• Ratio of employees with disabilities: Maintain ratio above legally mandated level</li> </ul>
	<b>Promotion of diversity, equity, and inclusion</b>	<ul style="list-style-type: none"> <li>➔ Fostering of corporate culture founded on respect for human rights</li> <li>➔ Development of workplaces in which diverse individuals can exercise their unique skills</li> </ul>
	<b>Branding</b>	<ul style="list-style-type: none"> <li>➔ Advancement of internal branding activities targeting employees</li> <li>➔ Enhancement of brand image to aid in human resource recruitment</li> </ul>

## Human Resource Development Initiatives

Creating value requires employees to enhance their expertise in relation to their specific areas of business while also heightening their ability to transform themselves. Tokyo Century is formulating and implementing a variety of training programs for the purpose of endowing employees with these skills.



Case Study

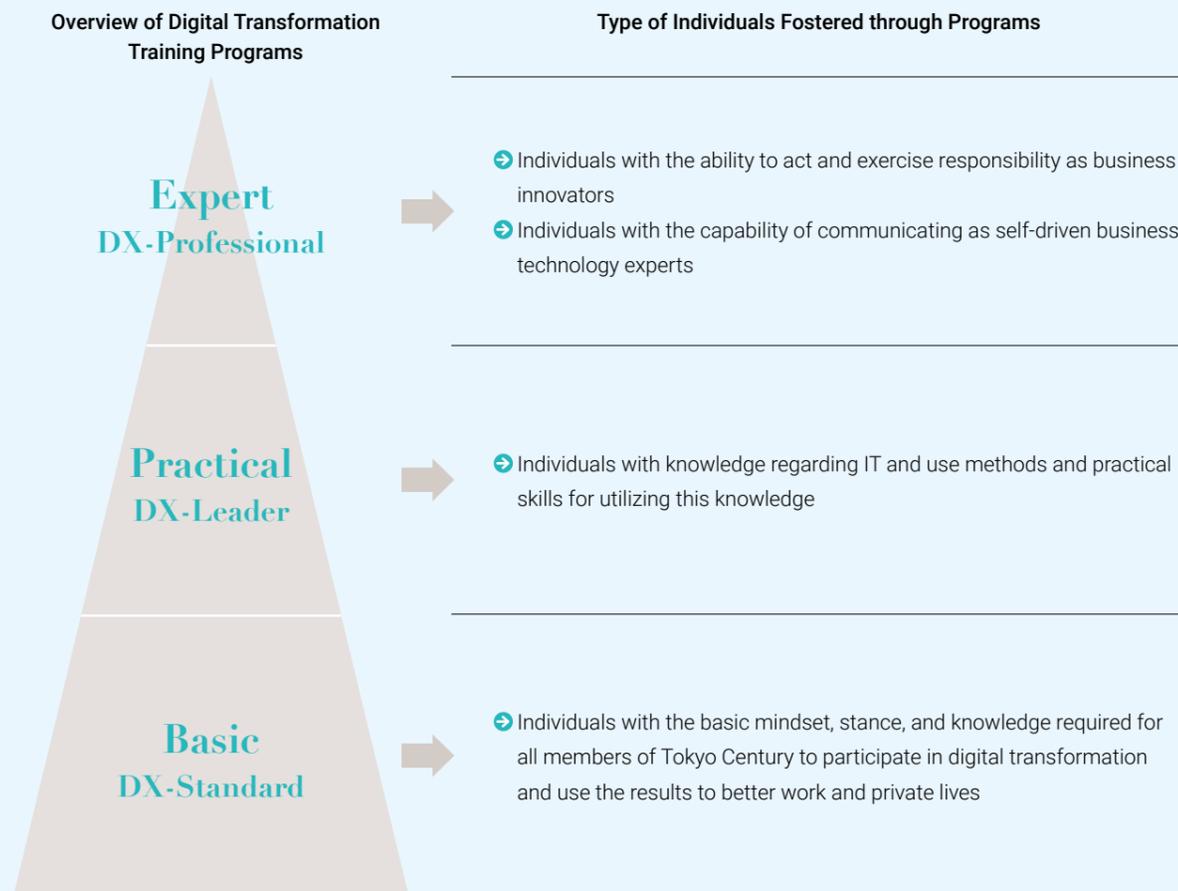
1

### Provision of opportunities for learning to allow employees and officers to tackle new challenges

➔ Reskilling and educational programs for employees so they can adapt to rapidly changing operating environment

### Digital Transformation Literacy Improvement Programs

In fiscal 2023, Tokyo Century introduced a new three-level program aimed at cultivating employees with proficiency in relation to digital transformation. The basic-level course (DX-Standard) launched in the first year of the program is open to all employees and officers and is intended to foster understanding and build a shared consensus with regard to what digital transformation entails for Tokyo Century.



Case Study

2

### Cultivation of human resources capable of creating new businesses

➔ Support for autonomous career development of all employees

### Career Development Support

Tokyo Century established the Career Design Office in fiscal 2019 to offer support for career development to aid employees in acting of their own volition to become the architects of their own careers.

### Career Design Training

Tokyo Century offers career design training to provide opportunities for employees to reflect on their career and assess their strengths, weaknesses, and values. Moreover, these training programs allow employees to use trait analysis tools to gain an objective understanding of their personalities and the skills they should build upon to be used when considering their future careers. After training sessions, meetings are held with participants to discuss what actions they should take to achieve their individual career goals. In fiscal 2023, we began enhancing the types of career support offered to veteran employees.

Number of participants in fiscal 2022

100

**Targets:** Employees in third and 10th year in workforce, employees aged 40 and 50 for age-based programs, and employees aged 55 for life design training

### Career Design Consultations

Career design consultations are offered to provide employees with a venue for receiving consultation on a wide range of career-related topics to help them objectively evaluate these concepts to shape their career plans, feel empowered and exercise their individuality at work, and determine how best to approach their goals.

Programs conducted in fiscal 2022

Consultations by career staff with nationally recognized career consultant qualifications or by external consultants

**Targets:**  
All employees (when desired)

### TC Career Seminars

Tokyo Century began arranging TC Career Seminars in fiscal 2021 to help employees learn about the types of thinking and actions required to chart their own career paths. In fiscal 2023, we plan to organize new seminars for fostering the necessary career understanding among various employee groups, including supervisors and female employees.



Number of participants in fiscal 2022

442

**Targets:**  
Junior, mid-rank, and veteran employees for age-based programs

**Chika Kato**

Deputy General Manager  
Diversity Promotion Office  
Personnel Division

**Keisuke Yoshida**

Deputy General Manager  
Real Estate Finance Division II

**Kyoko Asami**

Deputy General Manager  
Environmental Infrastructure  
Strategic Planning Division



## Roundtable Discussion on Diversity —Evolution Driven by a Diverse and Flat Organizational Culture

Tokyo Century aspires to craft a diverse and flat organizational culture. We arranged a roundtable discussion on the subject of Tokyo Century's evolution in which frank opinions were shared regarding the thoughts and careers of the participants, specifically two individuals who had previously taken childcare leave and the deputy general manager of the Diversity Promotion Office.

**Career at Tokyo Century**

**Yoshida:** After joining the Company in 2004, I spent two years in a sales position for leasing operations in the Equipment Leasing segment. I was then transferred to the International Business segment, where I was charged with supporting subsidiaries in China and other parts of Asia, which even included a four-year appointment in Thailand. I was later moved to the Ship Finance Division of the Specialty Financing segment before taking up my current position in Real Estate Finance Division II. When I was stationed in Thailand, my first child was born, which led to my returning to Japan to take three months of childcare leave.

**Asami:** I joined in 2005, at which time I was positioned in what would later become the Structured Finance Division. There, I gained experience in a wide range of areas, including securitization of notes and receivables, private finance initiatives, and inventory financing. It was in this position that I took maternity and childcare leave for my first child. I would then go on to do the same after the birth of my second child when working in the Specialty Finance Strategic Planning Division. In April 2023, I was transferred to the Environmental Infrastructure Strategic Planning Division of the newly established Environmental Infrastructure segment. In this position, I am responsible for planning and promoting strategies through tasks such as formulating sales targets and evaluation systems and monitoring our numerical data during set periods.

**Kato:** It was in 2006 when I joined, after which I spent around eight years in leasing sales targeting hospitals and clinics in the Medical & Healthcare Division. I was then transferred to a division that would later become part of the Environmental Infrastructure segment, where I assumed project finance duties. In April 2023, I was assigned to the Diversity Promotion Office in the Personnel Division. Here, I am trying to foster an organizational culture that empowers employees while allowing them to balance their work and private lives.

**Corporate Culture Supporting Changes in Life Events and Workstyles**

— **Mr. Yoshida, could you please tell us what led you to take childcare leave?**

**Yoshida:** My wife wanted to keep working even after we got married. When we talked about it, we agreed that we would need to share the household duties if we were both going to work. Tokyo Century introduced some work-life balance support systems around 2008, which prompted me to take childcare leave.

While there was no precedent of a male employee taking childcare leave at Tokyo Century,

I thought I had no choice but to do so if I was going to share the household responsibilities with my wife. I therefore had no hangups about my decision. Taking childcare leave did not impede my work at all, but it did really change how I thought about working. My wife and I have defined a clear division of responsibility for household duties such as dropping off and picking up our children, and I generally leave the office on time twice a week. In the past, I would work overtime almost every day, but the need to avoid working late forced me to rethink how I work, making me even more conscious of the importance of working efficiently.

However, as we do have busy periods at Tokyo Century, it is important that I maintain the understanding and cooperation of my colleagues. I am very grateful for how accommodating my subordinates and other coworkers are toward my chosen workstyle.

— **Ms. Asami, what do you value when trying to balance your career with your family responsibilities?**

**Asami:** When I was pregnant with my first child, I remember having to go on sales calls a lot, which was quite physically demanding. However, the fact that I faced no restrictions in my work allowed me to completely devote myself to both my job and my child. Raising a child means limiting the amount of time one can work. It is also not unusual for a child to come down with a fever or other ailment, and this created cases in which I was unable to complete my work by myself. Although I did my best to finish my work by myself at such times, I made sure to keep my group up-to-date or have another person assigned to my projects so as to ensure that someone else could step in and help when I could not get it all done on my own. In this manner, I went about my work with the understanding of my coworkers.

Being a manager entails an increased burden in terms of work volume and responsibility, while being a parent involves participating in the various life events of your child. Striking a balance between parental and professional responsibilities requires the understanding of both my family and my colleagues. It is not all about getting help for myself; I also think it is important to actively try and offer support and help to those around me. My husband is able to work remotely, and I was therefore able to trust him with a majority of the housework and child-rearing responsibilities when I was struggling to get used to my position in a new division. As this shows, my husband is also working with the understanding of his colleagues.

Roundtable Discussion on Diversity



— **Ms. Kato, what do you focus on when trying to support the diverse workstyles and life events of employees as a member of the Personnel Division?**

**Kato:** Rather than thinking about things in terms of differences in age or gender, I try to remember that everyone's situation is different. It is always best, to the extent possible, to offer people the support they need and when they need it based on their own individual circumstances. Common questions people ask me about concern, as you would guess, childbirth and other life events. We thus arrange opportunities to meet with employees and explain Tokyo Century's systems at junctures such as before they take childcare leave or when they are preparing to return. I attend such meetings, which makes me privy to the wide range of requests and opinions that employees can have. I therefore hope to refine our systems to make it easier to gather feedback directly from employees.

Tokyo Century has a 100% rate of male employees taking childcare leave, but I understand that some people feel hesitant to

go on extended periods of leave that span multiple months. There are a lot of reasons people might feel such hesitation, whether it be concern for the future of their career, issues with turning their projects over to another person, or a lack of staff in their division. This is why it is so important for us to raise understanding among all employees with regard to system use, workstyles, and diversity. We do so by offering training and e-learning programs to employees at various levels of the hierarchy, including system users as well as management.

**Evolution of Diversity at Tokyo Century**

**Yoshida:** All of the career-track employees who joined the Company around the same time as me were men, and there were almost no female managers or non-Japanese employees at that time. Today, however, around half of new-graduate hires in any given year are women, and we have seen a rise in the number of female managers and non-Japanese colleagues. This is indicative of a massive change in the environment at Tokyo Century. Being able to expose myself to various ways of thinking thanks to this environment is really amazing.

**Asami:** The number of women is on the rise throughout the Company, thereby also increasing

the number of employees who have experienced childbirth or child-rearing as well as the number of people who have taken up management positions after returning from childcare leave. These changes are a benefit of Tokyo Century's giving employees the ability to work from home. This ability means that pregnant women can avoid the physical burden of commuting to and from the office, while people who need to be at home for their children do not necessarily need to take a full day off. Moreover, people working from home do not have to be shut out from what is going on in the office, which is important to the development of their careers.

**Kato:** I too have noticed the change in terms of the diversification of workstyles that Ms. Asami speaks of. Another big change has been the increase in mid-career hires. The resulting opportunities to interact with people who have diverse backgrounds not limited to finance has a positive influence by giving us exposure to different sets of values. This understanding of diverse values comes along naturally, which in turn helps us transition from a mindset of expecting things to be a certain way to one of realizing that there is no single answer to any given question. I truly feel that Tokyo Century as a whole has become more accepting to such diverse ways of thinking.

**Importance of Diversity to Tokyo Century's Growth**

**Yoshida:** As implied by Ms. Kato, the ability to be exposed to and be receptive toward ideas that differ from what you are used to will likely be critical to the future growth of Tokyo Century. I think it would be a good idea for Tokyo Century to continue to bolster its staff of people recruited from different industries and other individuals with different backgrounds. At the same time, as changing one's company has now become commonplace in Japan, we are faced with a situation in which people may choose to leave the moment they feel the work they do at the Company is no longer fulfilling. It would be a waste if we lost talented individuals for this reason. It is therefore crucial for Tokyo Century to inspire employees to remain at the Company for as long as possible by making its vision resonate with employees and having managers clarify the roles and missions of each member



of their team. Once this is done, we should focus on the development and operation of organizations that align everyone along the same vector so that we are a unified company.

**Kato:** If we want employees to stay with us longer, it is definitely important that our vision resonates with them. In addition, feeling that one's work is contributing to society is another way that people develop a sense of attachment toward their company. Conversely, if there is a lack of communication in the workplace, it is possible that even a small concern might prompt a quick decision to change jobs, as one will feel that they have no one to talk to about their concerns. This is why, in addition to career training, the Personnel Division arranges forums for exchanges between employees. Having someone to talk to can help prevent people from leaving, and I hope that we can continue to improve our workplace environment to ensure such openness.

**Asami:** I suspect that, when someone is looking to change company mid-career, they are more likely to apply for a position at a company that is promoting diversity and which is more accepting toward diverse values, because they will probably perceive such companies as being more conducive to allowing people to exercise their unique individual skills. The reverse is also likely true; companies that are less diverse will see fewer applicants.

**Yoshida:** Last year, my department welcomed a mid-career individual who was recruited from the real estate industry. I have learned a lot from this person as they have been proposing ideas from a completely different perspective than my department while also making use of their connections

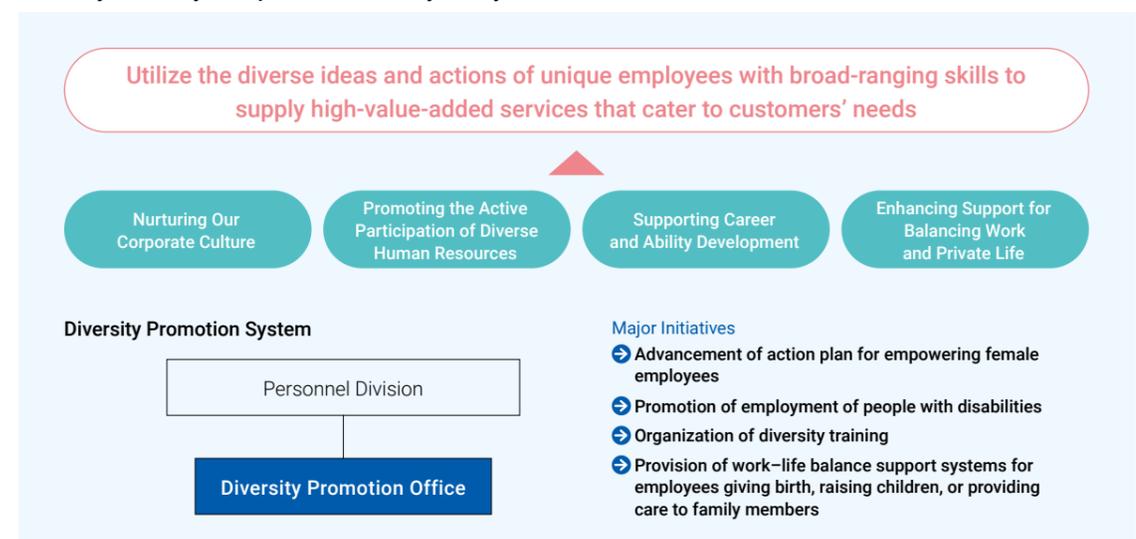
within the real estate industry. However, even if something seems new to us, it might be just a matter of course for someone from a different industry, and these differences in perspectives make talking with people from other industries incredibly engaging.

**Kato:** We have seen highly specialized individuals transfer to the Specialty Financing segment, the Environmental Infrastructure segment, and other parts of the Company. These employees have completely different expertise and connections than those who started their career at Tokyo Century. Accordingly, the presence of such individuals is sure to be a great source of strength for the Tokyo Century Group as well as a driver of innovation.

Another benefit of a diverse workplace is the opportunity to talk to people who have experienced diverse careers and life events. This can help us notice any unconscious biases we might have, and this awareness will make it easier for us to understand and communicate with other people. Moreover, hearing about a field that you have not experienced or have no knowledge of can heighten your creativity, which is an important skill for business. As a member of the Personnel Division, I intend to continue to proactively promote diversity at the Tokyo Century Group so that we can take advantage of these benefits.



**The Tokyo Century Group's Basic Diversity Policy and Initiatives**



# Evolution of Tokyo Century's Corporate Governance System

## Tokyo Century's History of Strengthening Its Corporate Governance System to Improve Corporate Value

Tokyo Century has proceeded to implement various diversity-minded measures to separate the executive function from the oversight function and otherwise strengthen its corporate governance system.

Year	Board of Directors			Committees		Others
	Overall	External directors	Female directors	Nomination Committee	Compensation Committee	
2011		Appointment of one external director				
2012						
2013						
2014						
2015		Number of external directors increased to two				Compliance with Japan's Corporate Governance Code
2016				Establishment of the Nomination and Compensation Committee		Holding of Board Effectiveness Review Council meeting
2017		Number of external directors increased to three				
2018		Number of external directors increased to four		Establishment of the standalone Nomination Committee	Establishment of the standalone Compensation Committee	
2019		Number of external directors increased to five (External directors represent at least one-third of all directors.)		Appointment of external director as chairperson	Appointment of external director as chairperson	
2020						
2021	Reduction of number of directors (from 15 to 13)		Appointment of one female director			
2022			Number of female directors increased to two	Increase in the ratio of external directors on the committee (63% → 71%)	Increase in the ratio of external directors on the committee (63% → 71%)	
2023						

Composition of the Board of Directors (As of June 26, 2023)

**Internal Directors**

8



Men

**External Directors**

5



Men

Woman

**External Directors**

38% (5)



**Ratio of Female Directors**

15% (2)



Woman

## Major Items Raised at Meetings of the Board of Directors in Fiscal 2022

**General Management**

- Policies of Medium-Term Management Plan 2027
- Profit target formulation and progress management
- Discussions on stock acquisitions and sales and investments exceeding predefined amounts
- Reports on results of investment management framework monitoring
- Investor relations activity reports

**ESG**

- Evaluation of Board of Directors' effectiveness and report on evaluation
- Details of meetings of the Nomination Committee and the Compensation Committee
- Progress and results of medium- to long-term sustainability management initiatives (Sustainability Road Map)
- Carbon-neutrality policy

**Other Matters**

- Compliance initiative plans and progress reports
- Audit plans and implementation reports
- Risk management reports

## Evaluation of the Effectiveness of the Board of Directors and Issues

Tokyo Century has established the Board Effectiveness Review Council as an advisory body to the Board of Directors. The council conducts an analysis and review of the effectiveness of the Board of Directors once a year, in principle, on aspects such as the effectiveness of its supervisory functions, status of deliberations, systems, and meeting proceedings, taking into account the self-evaluations submitted by each director.

**Important Themes and Evaluation in Fiscal 2022**

<b>Medium- to Long-Term Discussions Looking toward 10 to 15 Years in the Future</b>	Lively discussions are taking place on the Tokyo Century Group's medium- to long-term vision and management strategies based on the circumstances surrounding the Group and its operating environment. Discussions were held as part of the process of formulating Medium-Term Management Plan 2027, which began in fiscal 2023, at meetings of the Board of Directors as well as at free discussion forums arranged as a facet of officer training sessions and on other occasions.
<b>Risk Management and Group governance</b>	Improvements with regard to risk management and internal control systems are being seen with each passing year, and discussions are taking place at meetings of the Board of Directors based on appropriate reporting. The Investment Management Committee is engaging in brisk discussions while identifying issues, thereby advancing the implementation of investment management frameworks. Business expansion and significant losses are creating a need for more rigorous Groupwide management of geopolitical and other risks.

**Important Themes for Fiscal 2023**

**Overall Business Portfolio Structure and Vision**

Discussions will be advanced from a medium- to long-term perspective at free discussion and other forums on the overall structure of the Company's business portfolio and our vision for this portfolio with consideration paid to factors such as allocations of management resources and capital efficiency.

# Management Team

(As of June 26, 2023)

## Representative Directors



**Masataka Yukiya**  
Chairman & Co-CEO,  
Representative Director



**Koichi Baba**  
President & CEO,  
Representative Director

## External Directors\*1 \*3



**Masao Yoshida**  
External Director



**Akio Nakamura**  
External Director



**Toshio Asano**  
External Director



**Miho Tanaka**  
External Director



**Tsuyoshi Numagami**  
External Director

## Directors (As of June 26, 2023)

Position	Name	Age	Reason for appointment	Approx. number of shares of the Company's stock held	Areas of expertise and expected contributions						Committee appointments
					Corporate Management	Global Operations	Finance / Risk Management	Legal Affairs / Accounting / Taxation	Sustainability	IT / Digital Transformation	
Chairman & Co-CEO, Representative Director	Masataka Yukiya	67	Masataka Yukiya has been appointed as a director after his being deemed capable of contributing to ongoing growth and to the improvement of corporate value. He is able to do so by appropriately managing the Company and providing oversight based on his abundant experience and wide-ranging knowledge gained in corporate management at a general trading company and in operational execution in fields including sales and finance.	8,000	●		●		●	●	N   C   ALM   IT
President & CEO, Representative Director	Koichi Baba	62	Koichi Baba has been appointed as a director after his being deemed capable of contributing to ongoing growth and to the improvement of corporate value. He is able to do so by appropriately managing the Company and providing oversight based on his abundant experience and wide-ranging knowledge gained in operational execution in fields including international business and sales at financial institutions as well as corporate planning at the Company.	6,000	●	●	●		●	●	N   C   ALM   IT
External Director	Masao Yoshida	74	Masao Yoshida has abundant experience and wide-ranging knowledge gained in corporate management over his many years as the manager of Furukawa Electric Co., Ltd. He has been appointed as an external director to utilize this expertise in the management of the Company and because he has been judged to be capable of contributing to ongoing growth and to the improvement of corporate value by providing oversight of operational execution from his independent perspective.	4,000	●	●	●	●			N   C
	Akio Nakamura	67	Akio Nakamura has a wealth of insight regarding government finance and taxation gained through his experience as director-general of the Financial Bureau of the Ministry of Finance of Japan. He has been appointed as an external director because he has been judged to be capable of contributing to ongoing growth and to the improvement of corporate value by providing oversight of operational execution from his independent perspective and by offering advice with regard to the Company's overall management from an objective standpoint based on his insight.	2,000	●		●	●			N   C
	Toshio Asano	70	Toshio Asano has abundant experience and broad knowledge of corporate management gained through his involvement in corporate management at Asahi Kasei Corporation. He has been appointed as an external director to utilize this expertise in the management of the Company and because he has been judged to be capable of contributing to ongoing growth and to the improvement of corporate value by providing oversight of operational execution from his independent perspective.	1,000	●	●			●		N   C
	Miho Tanaka	48	Miho Tanaka has abundant knowledge and experience in corporate affairs and M&A as an attorney-at-law. She has been appointed as an external director to utilize her exceptional insight and abundant experience in the management of the Company and because she has been judged to be capable of contributing to ongoing growth and to the improvement of corporate value by providing oversight of operational execution from her independent perspective.	0			●	●			N   C
	Tsuyoshi Numagami	63	Tsuyoshi Numagami has deep academic knowledge as a corporate management researcher, particularly with regard to corporate strategy and organizations, gained through his experience as a professor of the Graduate School of Business Administration of Hitotsubashi University. He has been appointed as an external director to utilize his exceptional insight and knowledge in the management of the Company and because he has been judged to be capable of contributing to ongoing growth and to the improvement of corporate value by providing oversight of operational execution from his independent perspective.	0	●	●			●		N   C
Deputy President, Director and Executive Officer	Akihiko Okada	63	Akihiko Okada has been appointed as a director after his being deemed capable of contributing to ongoing growth and to the improvement of corporate value. He is able to do so by appropriately managing the Company and providing oversight based on his abundant experience and wide-ranging knowledge gained in corporate management at a general trading company and operational execution in fields including international business and sales.	4,000	●	●	●				ALM   IC   CR
	Hiroshi Sato	63	Hiroshi Sato has been appointed as a director after his being deemed capable of contributing to ongoing growth and to the improvement of corporate value. He is able to do so by appropriately managing the Company and providing oversight based on his abundant experience and wide-ranging knowledge gained in corporate management at a general trading company and operational execution in fields including international business and sales.	0	●	●		●	●		ALM
Director and Senior Managing Executive Officer	Toshio Kitamura	60	Toshio Kitamura has been appointed as a director after his being deemed capable of contributing to ongoing growth and to the improvement of corporate value. He is able to do so by appropriately managing the Company and providing oversight based on his abundant experience and extensive insight from his involvement in overseas and sales operations at financial institutions and in the execution of sales, overseas, and other operations at the Company.	3,000		●	●		●	●	
	Mahoko Hara	58	Mahoko Hara has been appointed as a director after her being deemed capable of contributing to ongoing growth and to the improvement of corporate value. She is able to do so by appropriately managing the Company and providing oversight based on her abundant experience and extensive insight in planning and product development at financial institutions as well as in the execution of overseas, sales, and other operations at the Company.	2,000		●	●		●	●	
Director and Managing Executive Officer	Tatsuya Hirasaki	55	Tatsuya Hirasaki has been appointed as a director after his being deemed capable of contributing to ongoing growth and to the improvement of corporate value. He is able to do so by appropriately managing the Company and providing oversight based on his abundant experience and wide-ranging knowledge gained in operational execution in fields including accounting and corporate planning at the Company.	3,000			●	●		●	ALM   IC   CR   CRM   IT S   IM
Director	Shunichi Asada	74	Shunichi Asada has been appointed as a director after his being deemed capable of contributing to ongoing growth and to the improvement of corporate value. He is able to do so by appropriately managing the Company and providing oversight based on his abundant experience and wide-ranging knowledge gained in corporate management at financial institutions and operational execution in fields including sales, markets, and international business.	29,000	●	●	●				

Committee membership legend: **N**: Nomination Committee **C**: Compensation Committee **ALM**: Asset Liability Management Committee  
**IC**: Internal Control Committee **CR**: Comprehensive Risk Management Committee **CRM**: Credit Risk Management Committee  
**IT**: IT and Administration Strategy Management Committee **S**: Sustainability Committee **IM**: Investment Management Committee  
**●**: Chairperson

\*1 "Outside Director" as stipulated by Article 2-15 of the Companies Act of Japan  
 \*2 "Outside Company Auditor" as stipulated by Article 2-16 of the Companies Act of Japan  
 \*3 Designated independent director or auditor as stipulated by the Tokyo Stock Exchange

## Directors



**Akihiko Okada**  
Deputy President,  
Director and Executive Officer



**Hiroshi Sato**  
Deputy President, Director and  
Executive Officer



**Toshio Kitamura**  
Director and Senior Managing  
Executive Officer



**Mahoko Hara**  
Director and Senior Managing  
Executive Officer



**Tatsuya Hirasaki**  
Director and Managing  
Executive Officer



**Shunichi Asada**  
Director

## Corporate Auditors



**Futoshi Okada**\*2  
Standing Corporate Auditor  
External Corporate Auditor



**Katsuya Amamoto**  
Standing Corporate Auditor



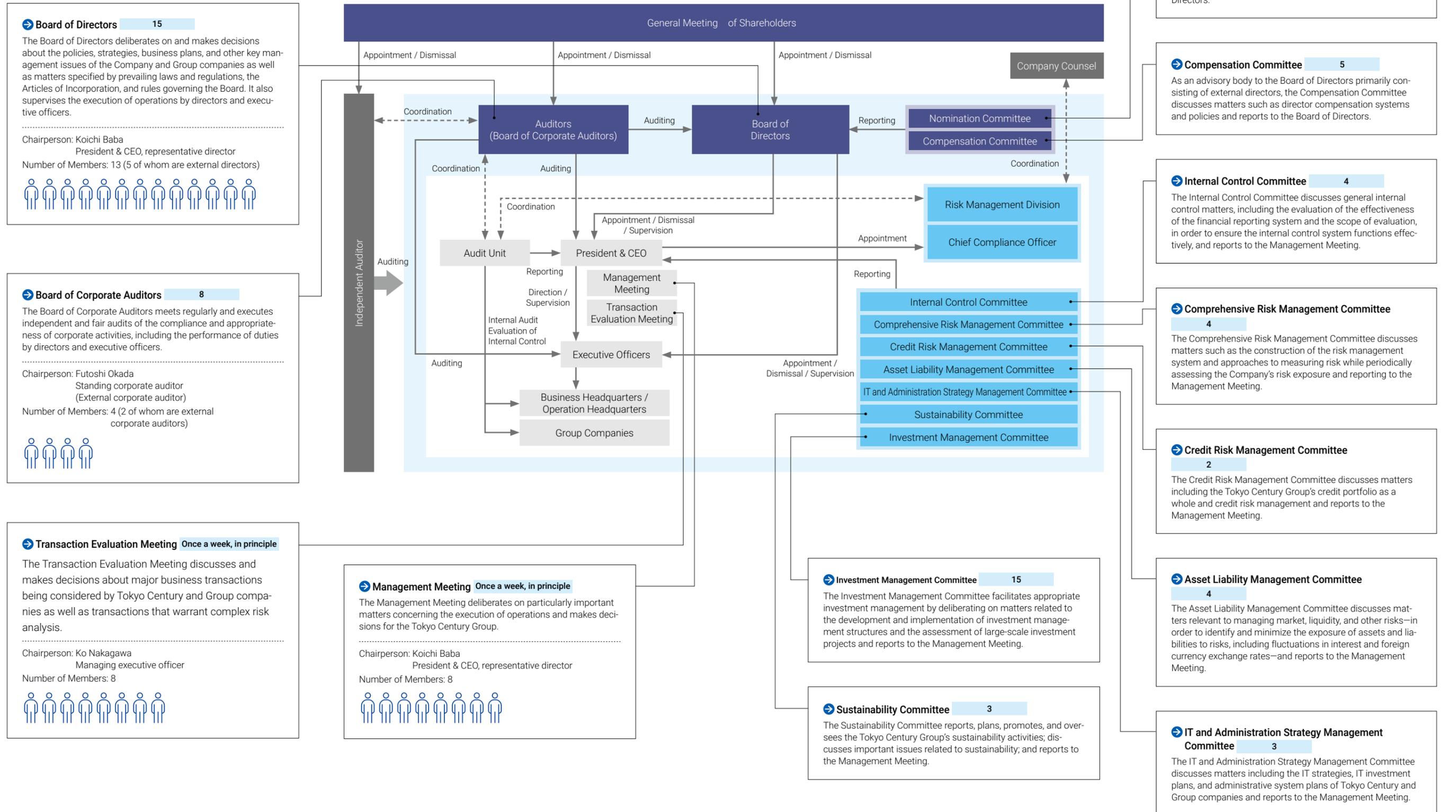
**Yoshio Nomura**  
Standing Corporate Auditor



**Masao Fujieda**\*2 \*3  
Corporate Auditor  
External Corporate Auditor

Meetings Held in Fiscal 2022

## Management Structure Comprising Ideal Committees



## Officer Compensation

### Officer Compensation Policies

Director compensation policies call for the provision of healthy incentives to contribute to the ongoing growth of the Company and frameworks for linking compensation to the medium- to long-term development of its businesses. Systems for director compensation are designed to raise directors' awareness regarding the enhancement of shareholder value by aligning the interests of directors with those of shareholders. Moreover, director compensation systems aim to attract outstanding talent in order to allow the Company to recruit and cultivate individuals who can drive the improvement of the Company's corporate value.

### Overview of Officer Compensation

In addition to basic compensation, which is fixed compensation, the Company provides performance-based compensation in the form of bonuses and stock options to contribute to the improvement of overall corporate value and to the maximization of shareholder interests.

Officer Compensation Systems			
	Basic Compensation	Bonuses	Stock Options as Stock-Based Compensation
Fixed / variable compensation	Fixed Compensation	Performance-Based Compensation	
	Determined based on comprehensive consideration of duties, roles, and responsibilities	Determined according to achievements and performance	
Ratios of compensation (approximate)	1.0	1.0-2.5	
Determination process	Request for compensation proposal from the Compensation Committee by the Board of Directors Report submitted by the Compensation Committee based on input from external experts and research data on compensation levels by third-party institutions Decision by president based on authority delegated by the Board of Directors with respect paid to proposal by the Compensation Committee	Resolution by the Board of Directors with respect paid to proposal by the Compensation Committee	
Amounts of annual compensation	Upper limit of ¥1 billion* * Includes salaries paid to directors who serve concurrently as executive officers; ¥100 million for external directors	Upper limit of amount equivalent to 1% of net income attributable to owners of parent Approx. 50% Upper limit of fair value of ¥400 million Approx. 50%	
Date of resolution at General Meeting of Shareholders	June 24, 2016		
Notes:	1. The compensation of external directors consists entirely of basic compensation based on their roles. 2. The compensation of corporate auditors consists entirely of basic compensation based on their roles and is set within a limit determined by the corporate auditors. The maximum compensation for corporate auditors, as resolved at the Extraordinary General Meeting of Shareholders held on February 25, 2009, is ¥150 million per year.		

### Discussions by the Compensation Committee

#### Overview of the Compensation Committee

Tokyo Century has established the Compensation Committee as an advisory body to the Board of Directors in order to ensure the independence of its functions. This committee comprises a majority of external directors designated as independent directors and is chaired by an external director designated as an independent director. The Compensation Committee discusses matters such as compensation amounts, systems, and policies and reports to the Board of Directors on these matters. In fiscal 2022, the committee met five times.

#### Major Topics of Discussions

The Compensation Committee engages in ongoing discussions on topics such as indicators for evaluating medium- to long-term performance, the introduction of ESG-related indicators, and ideal frameworks for allocating stock-based compensation. Through this process, the committee works to ensure that the Company offers healthy incentives to contribute to the ongoing growth of the Company and frameworks for linking compensation to the medium- to long-term development of its businesses.

#### Topics of Reports Submitted in Fiscal 2022

In fiscal 2022, the Compensation Committee submitted reports to the Board of Directors on its reviews of basic compensation amounts for different ranks.

### Payment of Officer Compensation Amounts

Compensation and Eligible Officers in Fiscal 2022

Officer Category	Total Compensation (Millions of Yen)	Total Compensation by Type (Millions of Yen)			Number of Eligible Officers
		Fixed Compensation	Performance-Based Compensation	Non-Monetary Compensation	
Directors (excluding external directors)	498	267	79	151	11
Corporate auditors (excluding external corporate auditors)	41	41	—	—	3
External directors and corporate auditors	132	132	—	—	8

Notes: 1. Stock options provided as stock-based compensation are accounted for under "Non-monetary compensation," although they constitute performance-based compensation. Accordingly, amounts of stock options provided as stock-based compensation are not included under "Performance-based compensation."  
2. Although the total number of directors and the total number of corporate auditors as of March 31, 2023, were 13 and 4, respectively, the above compensation amounts also include payments to four directors and one corporate auditor who retired on June 27, 2022.

## Cross-Shareholdings

The Company holds investment securities for purposes other than pure investment. These securities are the shares of the stock issued by important stakeholders of the Group, including business partners, shareholders, and borrowers, and are held based on their necessity to the medium- to long-term business activities of the Group.

#### Process for Reviewing Holdings



## Protection of Minority Shareholders

ITOCHU Corporation holds 30% of the voting rights in Tokyo Century, and the Company is thus an equity-method affiliate of ITOCHU. No officers of ITOCHU hold concurrent positions as officers of the Company. However, ITOCHU has seconded 12 individuals to the Company who have immediately applicable skills necessary for supplementing the Company's operational execution capabilities (as of April 1, 2023).

The Company engages in business transactions with ITOCHU and ITOCHU Group companies. Negotiations regarding said transactions are conducted with these companies on an individual basis, as would be done with a standard transaction counterparty, and the Company's own decision criteria are applied to these transactions. Accordingly, ITOCHU does not impose any restrictions on the business activities of the Company, and the Company maintains a certain degree of independence from ITOCHU. We are determined to ensure that this relationship does not threaten the interests of minority shareholders.

## 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 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.

### Basic Audit Policies

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

1. Identification of latent risks to provide proposals and advice for improving operations and preventing misconduct
2. Enhancement of risk identification, analysis, and verification capabilities through ongoing skills improvement by Audit Unit staff
3. Support for and coordination among Group companies to strengthen the Groupwide audit system

### The Tokyo Century Group's Audit System



### Message from the President of the Audit Unit

Tokyo Century kicked off Medium-Term Management Plan 2027 in fiscal 2023. This plan calls on us to go beyond simply responding to changes to transform ourselves and become a corporate group that brings about creative change. Robust governance and strong risk management are imperative to accomplishing this objective. 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



## Message from an External Director



I aim to use my unique insight to support the rapid growth of the Tokyo Century Group with its limitless potential.

Tsuyoshi Numagami  
External Director

As an external director, I took part in the discussions that led up to the formulation of Medium-Term Management Plan 2027. This plan is based on the theme of four types of transformation, of which I feel that portfolio transformation is the most important. Accomplishing the plan's management targets for ROA and ROE will entail the replacement of unprofitable assets and the reinvestment of the funds created through this process in growth businesses. Whether divesting from existing businesses or investing in new businesses, it is crucial to make management decisions based on a long-term perspective. For example, there are cases in which an investment might initially only generate limited returns but will grow into a highly profitable business over the long term. For this reason, introducing frameworks for assessing performance from both short-term and long-term perspectives is an effective way to optimize portfolios.

The Board of Directors is in the position of viewing the Company from an overarching standpoint, and it is therefore critical that we make decisions on important matters based on considerations such as capital allocation, the creation of synergies with existing businesses, and the need to maintain the soundness of corporate management. With regard to capital allocation, specifically, there is a need for frameworks that allow the Board of Directors to monitor overall operations and operating segments and to support

decision-making in order to ensure that the executive team can make effective decisions.

Other important considerations for advancing management strategies are human resource development and organizational management. In an organization with a lot of employees, there is a tendency for people to focus primarily on the performance of their particular team. However, I think it is worth considering the possibility of fostering an organization in which everyone at the Company goes about their job while on the same page, since such organizations tend to have substantial potential to grow over the medium to long term. This is why I intend to offer advice from my unique perspective on how Tokyo Century can share an understanding of the vision of its new medium-term management plan of bringing about change with all employees while developing an organization that motivates employees to think and act autonomously.

I specialize in corporate and organizational strategies. I therefore think I have an important role to play in supporting the healthy growth of Tokyo Century from the perspectives of human resource development and organizational management. In the past, I was involved in various research projects and executive programs. As an external director, I aim to use the insight and experience gained through this involvement to support the rapid growth of the Tokyo Century Group with its limitless potential.

# CORPORATE DATA

## CHAPTER 8

### Data Section

---

**107** Performance Highlights

---

**109** Financial Summary

---

**111** Main Subsidiaries and Affiliates

---

**113** Corporate and Stock Information

---

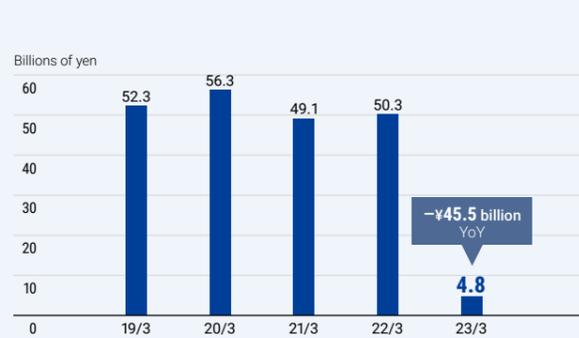
# Performance Highlights

## Financial Information

### Ordinary Income

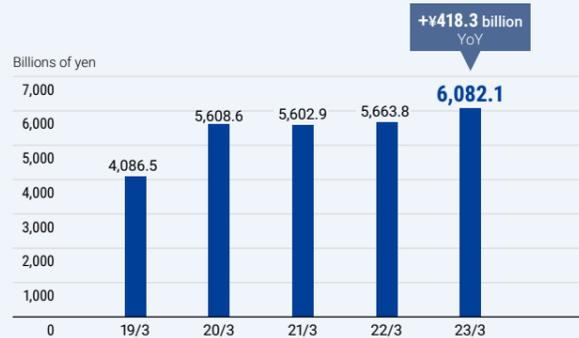


### Net Income Attributable to Owners of Parent



**Reasons for Changes** Ordinary income increased ¥15.7 billion year on year, largely as a result of the Specialty Financing and Automobility segments, but a massive decrease of ¥45.5 billion was seen in net income attributable to owners of parent due to losses associated with Russian airlines recorded in the Specialty Financing segment.

### Total Assets



### ROA (Ratio of Net Income to Total Assets)



**Reasons for Changes** Total assets on March 31, 2023, were up ¥418.3 billion from March 31, 2022, due to increases in assets in the Specialty Financing segment and the International Business segment stemming from yen depreciation. ROA was down 0.8 percentage point, due to the decrease in net income attributable to owners of parent.

### Net Income per Share ROE



### Interest-Bearing Debt

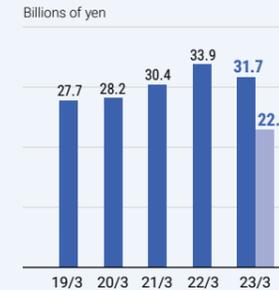


**Reasons for Changes** Return on equity was down 7.4 percentage points year on year due to an increase attributable to translation adjustments resulting from yen depreciation coupled with a decrease in net income attributable to owners of parent. Interest-bearing debt on March 31, 2023, was up ¥267.3 billion from March 31, 2022.

## Performance by Segment

### Equipment Leasing

#### Ordinary Income / Net Income Attributable to Owners of Parent<sup>\*1</sup>



#### Segment Assets / ROA<sup>\*2</sup>



■ Ordinary income  
■ Net income attributable to owners of parent

■ Segment assets  
■ ROA

Figures for fiscal 2022 reflect the adjustments made accompanying the establishment of the Environmental Infrastructure segment.

### Automobility

#### Ordinary Income / Net Income Attributable to Owners of Parent<sup>\*1</sup>



#### Segment Assets / ROA<sup>\*2</sup>

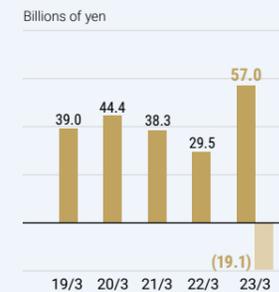


■ Ordinary income  
■ Net income attributable to owners of parent

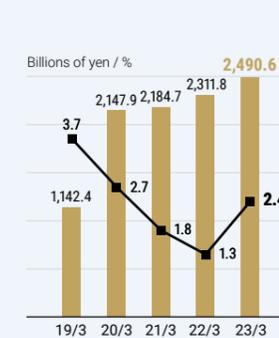
■ Segment assets  
■ ROA

### Specialty Financing

#### Ordinary Income / Net Income (Loss) Attributable to Owners of Parent<sup>\*1</sup>



#### Segment Assets / ROA<sup>\*2</sup>



■ Ordinary income  
■ Net income (loss) attributable to owners of parent

■ Segment assets  
■ ROA

Figures for fiscal 2022 reflect the adjustments made accompanying the establishment of the Environmental Infrastructure segment.

### International Business

#### Ordinary Income (Loss) / Net Income (Loss) Attributable to Owners of Parent<sup>\*1</sup>



#### Segment Assets / ROA<sup>\*2</sup>

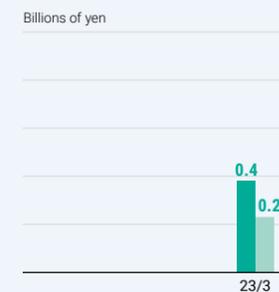


■ Ordinary income (loss)  
■ Net income (loss) attributable to owners of parent

■ Segment assets  
■ ROA

### Environmental Infrastructure

#### Ordinary Income / Net Income Attributable to Owners of Parent<sup>\*1</sup>



#### Segment Assets / ROA<sup>\*2</sup>

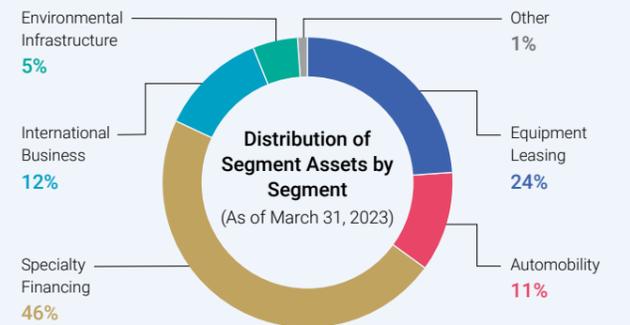


■ Ordinary income  
■ Net income attributable to owners of parent

■ Segment assets  
■ ROA

Income figures and ROA are displayed for fiscal 2022 and segment asset figures are recorded for fiscal 2019 onward.

\*1 Based on disclosure method adopted in fiscal 2022 \*2 Calculated as rate of ordinary income to segment assets  
Note: For non-financial information, please refer to Tokyo Century's sustainability data books. <https://www.tokyoCentury.co.jp/en/sustainability/databook/>



# Financial Summary

		First	Second				Third	Fourth	New Fourth					
		Medium-Term	Medium-Term	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
		Management Plan	Management Plan				Management Plan	Management Plan	Management Plan					
<b>Operating Results*1</b> (Billions of yen)	Revenues			691.1	828.6	883.0	940.5	976.1	1,012.2	1,067.6	1,166.6	1,200.2	1,278.0	<b>1,325.0</b>
	Costs			620.2	731.2	759.3	803.6	823.3	849.0	885.9	958.7	999.2	1,070.9	<b>1,099.5</b>
	Gross profit			70.9	97.3	123.7	136.8	152.8	163.2	181.7	207.9	201.0	207.1	<b>225.5</b>
	Sales revenues (gross profit before deducting funding costs)			80.7	106.5	134.1	150.2	170.3	184.8	208.0	239.0	244.8	255.0	<b>293.2</b>
	Selling, general and administrative expenses			28.9	45.9	65.2	70.9	80.8	89.5	104.0	119.6	123.8	124.4	<b>134.3</b>
	Personnel and non-personnel expenses			29.8	46.0	66.3	69.7	79.6	89.8	103.8	115.5	114.4	116.9	<b>133.7</b>
	Credit costs			(0.9)	(0.1)	(1.1)	1.2	1.2	(0.3)	0.3	4.1	9.5	7.5	<b>0.5</b>
	Operating income			42.0	51.4	58.4	65.9	72.0	73.7	77.7	88.3	77.2	82.7	<b>91.2</b>
	Ordinary income			46.3	55.2	60.7	68.0	73.5	79.0	86.3	91.1	78.1	90.5	<b>106.2</b>
	Extraordinary income (losses)			(0.1)	(0.1)	(1.0)	0.5	0.2	0.4	0.1	3.8	1.7	(1.1)	<b>(70.6)</b>
Net income attributable to owners of parent			28.9	33.1	34.1	40.0	43.6	51.3	52.3	56.3	49.1	50.3	<b>4.8</b>	
<b>Financial Condition*1</b> (Billions of yen)	Total assets			2,465.8	2,884.8	3,151.9	3,317.9	3,579.9	3,755.1	4,086.5	5,608.6	5,602.9	5,663.8	<b>6,082.1</b>
	Segment assets*2 *6			2,253.3	2,605.0	2,895.6	3,000.2	3,243.8	3,338.7	3,630.9	4,773.0	4,800.5	4,879.4	<b>5,363.8</b>
	Equipment Leasing			1,496.3	1,532.9	1,535.4	1,465.1	1,425.3	1,369.8	1,372.8	1,471.1	1,489.1	1,379.7	<b>1,287.1</b>
	Automobility			130.5	358.1	380.5	414.1	462.3	521.4	592.7	631.2	629.5	611.8	<b>611.6</b>
	Specialty Financing			491.8	542.1	711.9	846.4	897.6	978.9	1,142.4	2,008.7	2,034.4	2,152.5	<b>2,490.6</b>
	International Business			134.6	172.0	267.9	272.4	457.4	462.6	512.9	510.6	483.1	557.1	<b>655.7</b>
	Environmental Infrastructure			—	—	—	—	—	—	—	139.2	150.3	159.4	<b>277.9</b>
	Interest-bearing debt			1,939.2	2,211.7	2,419.9	2,551.5	2,733.0	2,810.7	3,041.2	4,278.2	4,280.9	4,247.4	<b>4,514.7</b>
Net assets			233.7	285.5	336.5	374.9	404.8	456.0	524.4	660.1	688.3	795.6	<b>889.0</b>	
<b>Cash Flows*1</b> (Billions of yen)	Cash flows from operating activities			(89.7)	(28.3)	(171.0)	(136.6)	(0.7)	26.4	(59.2)	(50.7)	51.3	227.4	<b>(31.4)</b>
	Cash flows from investing activities			(5.6)	10.0	(18.7)	(3.1)	(30.1)	(107.9)	(123.9)	(315.2)	(97.4)	(16.1)	<b>(31.3)</b>
	Cash flows from financing activities			135.9	54.5	156.9	155.8	27.5	81.6	189.0	523.1	18.9	(201.4)	<b>6.9</b>
	Cash and cash equivalents at end of year			83.1	115.8	71.9	91.8	85.7	86.4	89.7	250.1	216.9	240.0	<b>201.3</b>
<b>Per-Share Data (Yen)</b>	Net income			272.32	311.64	322.84	379.34	413.51	486.09	494.93	524.96	402.57	411.56	<b>38.95</b>
	Net assets			2,092.46	2,386.02	2,776.37	3,033.61	3,360.27	3,750.35	4,039.68	4,543.43	4,670.45	5,507.50	<b>6,222.16</b>
	Dividends			48.00	52.00	65.00	80.00	100.00	114.00	124.00	136.00	138.00	143.00	<b>143.00</b>
<b>Significant Indicators (%)</b>	Return on equity (ROE)*3			14.0	13.9	12.5	13.1	12.9	13.7	12.7	11.5	8.7	8.1	<b>0.7%</b>
	Return on assets (ROA)*4			1.2	1.2	1.1	1.2	1.3	1.4	1.3	1.2	0.9	0.9	<b>0.1%</b>
	Shareholders' equity ratio			9.0	8.8	9.3	9.6	9.9	10.5	10.4	9.9	10.2	11.9	<b>12.5%</b>
	Overhead ratio (OHR)*5			42.1	47.2	53.6	50.9	52.1	55.0	57.1	55.5	56.9	56.5	<b>59.3%</b>
	Dividend payout ratio			17.6	16.7	20.1	21.1	24.2	23.5	25.1	25.9	34.2	34.7	<b>367.1%</b>
<b>Other Data (Persons)</b>	Employees (Consolidated)			1,676	3,309	4,113	4,124	5,430	6,035	7,016	7,365	7,438	7,634	<b>7,878</b>

\*1 Data is rounded to the nearest unit.

\*2 Segment assets include the investment in equity-method affiliates, goodwill, etc., belonging to each segment.

\*3 ROE = Net income attributable to owners of parent / Equity (simple average of beginning and end-of-term balance sheet figures) × 100

\*4 ROA = Net income attributable to owners of parent / Total assets (simple average of beginning and end-of-term balance sheet figures) × 100

\*5 OHR = (Personnel expenses + Non-personnel expenses) / Gross profit × 100

\*6 Figures for fiscal 2019 onward have been restated to reflect the disclosure methods adopted following the establishment of the Environmental Infrastructure segment.

## Main Subsidiaries and Affiliates (As of September 1, 2023)

### Japan

Company	Location	Main Business	Voting Rights*1
● Nippon Car Solutions Co., Ltd.	Japan	Auto leasing	60%
● Nippon Rent-A-Car Service, Inc.	Japan	Car rental	89%
● Orico Auto Leasing Co., Ltd.	Japan	Auto leasing for individuals	50%
● FLCS Co., Ltd.	Japan	IT equipment leasing	80%
● IHI Finance Support Corporation	Japan	General leasing and finance	67%
● Orico Business Leasing Co., Ltd.	Japan	General leasing	50%
● ITEC Leasing Co., Ltd.	Japan	General leasing	85%
● S.D.L. Co., Ltd.	Japan	General leasing	100%
● TRY Corporation	Japan	Refurbishment of IT equipment	80%
● TC Tsukushima Energy Solution LLC	Japan	Sale of electricity generated using biogas	90%
● Amada Lease Co., Ltd.	Japan	General leasing	60%
● TC Kobelco Real Estate Co., Ltd.	Japan	Real estate business	70%
● TC Property Solutions Corporation	Japan	Property management	100%
● TC Hotels & Resorts Karuizawa Co., Ltd.	Japan	Hotel business	100%
● TC Hotels & Resorts Beppu Co., Ltd.	Japan	Hotel business	100%
● Kyocera TCL Solar LLC	Japan	Sale of electricity generated using solar power	81%
● TCLA Godo Kaisha	Japan	General leasing and installment sales	100%
● Shunan Power Corporation	Japan	Sale of electricity	60%
● A&Tm Corporation	Japan	Operation, maintenance, and management of power generation businesses	51%
● TC Agency Corporation	Japan	Casualty insurance	100%
○ NTT TC Leasing Co., Ltd.	Japan	General leasing and finance	50%
○ NX•TC Lease & Finance Co., Ltd.	Japan	General leasing and finance	49%
○ ITOCHU TC Construction Machinery Co., Ltd.	Japan	Sale of and rental services for construction and other equipment	50%
○ IBeeT Corporation	Japan	Subscription services for decentralized power supplies and related equipment	50%
○ Nanatsujima Biomass Power LLC	Japan	Sale of electricity generated using biomass power	25%
○ Bplats, Inc.	Japan	Subscription-based business	31%
○ FFG Lease Co., Ltd.	Japan	General leasing	25%
○ Chuo-Nittochi Asset Management Co., Ltd.	Japan	Management and formation of real estate investment funds	30%
○ BOT Lease Co., Ltd.	Japan	General leasing	25%

### Europe

Company	Location	Main Business	Voting Rights*1
● TC Skyward Aviation Ireland Ltd.	Ireland	Aviation leasing and finance	100%
● TC Aviation Capital Ireland Ltd.	Ireland	Aviation leasing and finance	100%
● Tokyo Leasing (UK) Plc	U.K.	General leasing	100%

### Asia

Company	Location	Main Business	Voting Rights*1
● Tokyo Century Leasing China Corporation	China	General leasing	80%
● Tokyo Century Factoring China Corporation	China	Factoring services	100%
● Tokyo Leasing (Hong Kong) Ltd.	Hong Kong	General leasing	100%
● Tokyo Century Leasing (Singapore) Pte. Ltd.	Singapore	General leasing	100%
● Tokyo Century Asia Pte. Ltd.	Singapore	Investment and shareholding services and ancillary business	100%
● Tokyo Century Capital (Malaysia) Sdn. Bhd.	Malaysia	General leasing	100%
● TISCO Tokyo Leasing Co., Ltd.	Thailand	General leasing	49%
● HTC Leasing Co., Ltd.	Thailand	Construction machinery finance	70%
● TC Advanced Solutions Co., Ltd.	Thailand	Reverse factoring and other services	59%
● TC Car Solutions (Thailand) Co., Ltd.	Thailand	Auto financing and services	99%
● PT. Tokyo Century Indonesia	Indonesia	General leasing	85%
● BPI Century Tokyo Lease & Finance Corporation	The Philippines	General leasing	51%
○ Dalian Bingshan Group Hua Hui Da Financial Leasing Co., Ltd.	China	General leasing and finance	40%
○ Suzhou New District Furui Leasing Co., Ltd.	China	General leasing and finance	16%
○ President Tokyo Corporation	Taiwan	Automobile leasing and general leasing	49%
○ NTT Global Data Centers Holding Asia NAV2 Pte. Ltd.	Singapore	IT services and equipment leasing	30%
○ NTT Global Data Centers Holding Asia BOM8 Pte. Ltd.	Singapore	IT services and equipment leasing	75%
○ PT. Hexa Finance Indonesia	Indonesia	Construction machinery finance	20%

### U.S.A.

Company	Location	Main Business	Voting Rights*1
● TC Skyward Aviation U.S., Inc.	U.S.A.	Aviation leasing and finance	100%
● TC Realty Investments Inc.	U.S.A.	Real estate investment	100%
● CSI Leasing, Inc.	U.S.A.	IT equipment leasing	100%
● Tokyo Century (USA) Inc.	U.S.A.	General leasing	100%
● Aviation Capital Group LLC	U.S.A.	Aviation leasing and finance	100%
● Allegiant Partners Inc.*2	U.S.A.	General leasing and finance	100%
● Fiber Marketing International, Inc.*3	U.S.A.	Sale of small construction equipment, etc.	100%
○ GA Telesis, LLC	U.S.A.	Provision of products, services, and solutions to the commercial aerospace industry	49%
○ Gateway Engine Leasing, LLC	U.S.A.	Aircraft engine leasing	20%
○ ZAXIS Financial Services Americas, LLC	U.S.A.	Construction machinery finance	35%

\*1 Voting right percentages are rounded to the nearest whole number.

\*2 Trade name is AP Equipment Financing.

\*3 Trade name is FMI Equipment.

● Consolidated subsidiaries ○ Equity-method affiliates

# Corporate and Stock Information

## Corporate Information (As of March 31, 2023)

Company Name	Tokyo Century Corporation
Head Office	FUJISOFT Bldg., 3 Kanda-neribeicho, Chiyoda-ku, Tokyo 101-0022, Japan
Founded	July 1, 1969
Paid-in Capital	¥81,129 million
Company Representatives	Chairman & Co-CEO: Masataka Yukiya President & CEO: Koichi Baba
Number of Employees	7,878 (953 on a non-consolidated basis)
Closing of Accounts	March 31
Main Banks	Mizuho Bank, Ltd.; MUFG Bank, Ltd.; Sumitomo Mitsui Banking Corporation; The Norinchukin Bank; Sumitomo Mitsui Trust Bank, Limited; and Japan Bank for International Cooperation
Independent Auditor	Deloitte Touche Tohmatsu LLC
Major Locations	Domestic: Head office, Sapporo, Sendai, Saitama, Yokohama, Shizuoka, Nagoya, Kanazawa, Kyoto, Osaka, Kobe, Okayama, Hiroshima, and Fukuoka  Overseas: Tokyo Century operates in more than 30 countries and regions in Asia, North America, Central and South America, Europe, and elsewhere.

## Management Personnel (As of June 26, 2023)

Board of Directors	Corporate Auditors	Executive Officers
Chairman & Co-CEO, Representative Director Masataka Yukiya	Standing Corporate Auditor (External Corporate Auditor)* <sup>2</sup> Futoshi Okada	Deputy President, Executive Officer Yoichiro Nakai
President & CEO, Representative Director Koichi Baba	Standing Corporate Auditor Katsuya Amamoto Yoshio Nomura	Managing Executive Officer Koichiro Sato Takashi Yonetsu Masato Osugi Ko Nakagawa Junji Tsutsui Yoshihiro Ueda Minoru Kuwahara Shintaro Yamazaki
Director (External Director)* <sup>1</sup> * <sup>3</sup> Masao Yoshida Akio Nakamura Toshio Asano Miho Tanaka Tsuyoshi Numagami	Corporate Auditor (External Corporate Auditor)* <sup>2</sup> * <sup>3</sup> Masao Fujieda	Executive Officer Toshihiko Tamura Toshiyuki Otobe Yukihiro Tanaka Makoto Honda Takeshi Fujimoto Katsusuke Hirako Masatoshi Hiraga Tatsuo Hayama Hideharu Suekane Masaaki Teragami
Deputy President, Director and Executive Officer Akihiko Okada Hiroshi Sato		
Director and Senior Managing Executive Officer Toshio Kitamura Mahoko Hara		
Director and Managing Executive Officer Tatsuya Hirasaki		
Director Shunichi Asada		

\*1 "Outside Director" as stipulated by Article 2-15 of the Companies Act of Japan

\*2 "Outside Company Auditor" as stipulated by Article 2-16 of the Companies Act of Japan

\*3 Designated independent director or auditor as stipulated by the Tokyo Stock Exchange

## Stock Information (As of March 31, 2023)

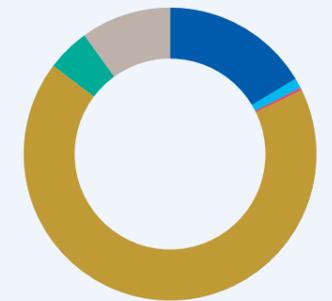
Transfer Agent	Mizuho Trust & Banking Co., Ltd.	Number of Shares of Common Stock Authorized	400,000,000 shares
Stock Listing	Tokyo Stock Exchange, Prime Market	Number of Shares of Common Stock Issued	123,028,320 shares
Securities Code	8439	Number of Shareholders	20,595
Trading Lot Size	100 shares		

## Major Shareholders (As of March 31, 2023)

Shareholders	Number of Shares Held (Thousands)	Shareholding Ratio* (%)
ITOCHU Corporation	36,714	30.00
Chuo-Nittochi Co., Ltd.	17,160	14.02
Nippon Telegraph and Telephone Corporation	12,302	10.05
KSO Co., Ltd.	10,326	8.44
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,437	4.44
Mizuho Bank, Ltd.	4,688	3.83
Seiwa Building Co., Ltd.	4,002	3.27
Custody Bank of Japan, Ltd. (Trust Account)	3,554	2.90
Nippon Life Insurance Company	2,117	1.73
Custody Bank of Japan, Ltd. as trustee for Orient Corporation Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	1,900	1.55

\* The shareholding ratio is calculated by excluding treasury stock (627,532 shares).

## Breakdown of Shareholders



Financial institutions	16.6%
Securities companies	0.9%
Treasury stock	0.5%
Other domestic institutions	67.3%
Individuals and others	4.9%
Foreign investors	9.8%

## Bond Ratings (As of July 1, 2023)

Issuer: Tokyo Century Corporation (Securities Code: 8439)

	Credit Rating Agency	Japan Credit Rating Agency, Ltd. (JCR)	Rating and Investment Information, Inc. (R&I)	S&P Global Ratings Japan, Inc. (S&P)
Long-term	Issuer rating	Rating: <b>AA</b>	<b>AA-</b>	<b>BBB</b>
		Outlook: Stable	Stable	Stable
	Preliminary rating for bonds registered for issuance*	Rating: <b>AA</b> Expected issue amount: ¥400 billion	<b>AA-</b> ¥400 billion	
	Issue period: Two years beginning February 25, 2022	Two years beginning February 25, 2022	Two years beginning February 25, 2022	
Euro medium-term note program	Rating: <b>AA</b>	<b>AA-</b>		
	Maximum outstanding amount: Equivalent of U.S.\$2 billion	Equivalent of U.S.\$2 billion	Equivalent of U.S.\$2 billion	
Short-term	Commercial paper	Rating: <b>J-1+</b>	<b>a-1+</b>	
	Maximum outstanding amount: ¥800 billion	¥800 billion	¥800 billion	

\* Each bond will be rated by each rating agency upon issuance. (Reference)

<https://www.tokyocentury.co.jp/en/ir/br.html>