Summary of Q&A at Q1 FY2026 Earnings Call
Tokyo Century Corporation

Date: August 10, 2026
Presenter: Tatsuya Hirasaki, Member of the Board, Senior Managing Executive Officer,
Chief Financial Officer, Chief Human Resources Officer, Co-Chief Strategy Officer

Note: Honorifics have been omitted in the text below.

Joint Venture for ACG with ITOCHU Corporation

Q.

Could you provide details regarding the expected financial synergies from the joint venture with ITOCHU Corporation? Specifically, what are the outlooks for expanding future debt capacity, reducing financing costs, and increasing borrowings from Japanese financial institutions?

A.

The joint venture with ITOCHU Corporation strengthens our financial foundation and creditworthiness, with financial synergies expected primarily in two areas:

1. **Expansion of Debt Capacity:** While dependent on credit rating reviews associated with this transaction and thus hypothetical, raising the target D/E ratio—currently managed at approximately 2.5x—up to around 3x is expected to be permissible.
2. **Reduction in Financing Costs:** If the rating benefits from ITOCHU's participation are reflected, internal estimates project a cost reduction of approximately 10 bps to 30 bps. Planned financing costs incorporate an interest rate of around 4% (cost of funds) based on U.S. FF rate trends and corporate bond issuance yields. Furthermore, since ACG has a track record of borrowing from Japanese banks and established networks with overseas financial institutions, the financial impact of increased borrowing opportunities is considered limited. While maintaining the current policy with a primary focus on U.S. dollar-denominated corporate bonds, we will continue to evaluate financing from Japanese banks and other sources flexibly depending on market conditions.

Q.

As ACG aims to become a global top-five player, what is the plan for future portfolio expansion? Additionally, what is the outlook on potential capital injections from ITOCHU Corporation and Tokyo Century?

A.

Under Medium-Term Management Plan 2030, we plan to increase ACG's total assets by approximately $1.0 billion net per year (accumulating to roughly $5.0 billion over five years), expanding its scale approximately 1.6 times. By reducing capital costs and driving cost structure reforms through economies of scale, we aim to double profits relative to the 1.6-fold asset growth.

To drive this portfolio expansion, if portfolio sales by other companies or large-scale M&A opportunities arise in the aviation market, we will conduct joint evaluations with ITOCHU Corporation as appropriate. In such cases, scale expansion will be actively pursued using financial support from both companies and diverse non-debt funding channels as necessary.

Growth Investment and Business Strategy (Data Centers and Storage Batteries)

Q.

What is the status of the investment pipeline and the execution timeframe for the target of ¥2.0 trillion in growth investments set forth in Medium-Term Management Plan 2030?

A.

The pipeline of prospective investments, including M&A and partner collaborations, is expanding, and we may be able to disclose several specific transactions at a relatively early stage. However, achieving the investment target itself will not be treated as the ultimate objective, as we seek to avoid overpaying. We are also preparing alternative options in parallel in case primary deals do not materialize. We will steadily execute disciplined investments across the five-year period.

Q.

While Tokyo Century's data center investments are currently centered overseas, what is the level of interest in and appetite for domestic data center investment opportunities moving forward?

A.

We are currently promoting data center investments primarily through collaborations with the NTT Group and Mitsubishi Estate. If our partners evaluate domestic development and investment expansion, we will actively consider joint investments, provided they make economic sense. We believe our core strengths—such as project execution capabilities with highly specialized partners and deep expertise in evaluating business viability and future asset value—remain unchanged regardless of location.

Q.

Following the Japanese government's announcement to restrict grid connections starting April 2027 for storage batteries and equipment lacking certification under the Labeling Scheme based on Japan Cyber-Security Technical Assessment Requirements (JC-STAR), what is the expected impact on grid connections and development schedules for domestic storage battery projects in the Social Infrastructure segment?

A.

We do not anticipate any impact on development schedules or execution for our domestic storage battery projects (approximately 600 MW) currently underway. Although certification will be required for grid connections starting April 2027 under the new system, we have already completed all necessary procedures, including applications to equipment suppliers and power transmission/distribution operators, allowing our projects to proceed as planned.

Q1 FY2026 Financial Results

Q.

The Global Business and Social Infrastructure segments tracked below the standard quarterly progress rate of 25% in Q1 FY2026. Is it correct to understand that base earnings power, excluding non-recurring factors, remains sound?

A.

We evaluate that base earnings power in both segments is improving steadily. The Global Business segment continues to show solid growth, driven by strong performance at CSI in the U.S. and robust auto finance operations in Asia, supported by declining interest rates in Singapore. Progress appears lower in Q1 due to anticipated one-time income in the second half, including foreign exchange gains from the liquidation of TC Asia announced in June. Excluding these, our progress is on track.

The real estate business in the Social Infrastructure segment is built upon the business model of accumulating stable income from held assets alongside gains on sales from asset recycling. Profit recognition tends to be back-loaded due to the timing of sales and negotiation progress, while execution is advancing steadily according to plan. Although the environmental infrastructure business by its very nature does not yield large accounting profits in the early phase of investments, new contract acquisitions are progressing well toward medium- to long-term earnings contributions.

Q.

Given the recognition of extraordinary income (approx. ¥30.0 billion) from the partial transfer of shares in ACG this fiscal year, are there any changes to the schedule for portfolio optimization through additional exits from unprofitable businesses or the sale of highly liquid assets?

A.

We recognize that key financial issues, such as impairments in biomass co-firing operations and the restructuring of unprofitable businesses, were largely resolved during the previous medium-term management plan, leaving limited portfolio issues. Because we execute sales of other assets by assessing the optimal timing, we do not envision any changes to our plan, such as intentionally delaying sales.

Q.

What was the background for changing the segment profitability metric from ROA to ROE? How does it link to internal management systems (performance evaluations, etc.)?

A.

We made this change to respond to requests from investors and analysts, as well as to optimize management metrics alongside business diversification. While ROA is simple to calculate and suitable for finance-centric businesses, we determined ROE to be more desirable for management control across current portfolios where diverse assets with varying risk profiles coexist, allowing proper risk-return assessment. Internally, we align performance evaluations and bonus calculations with company-wide KPIs promised to investors (Net Income and ROE).

FY2027 Outlook and Shareholder Return Policy

Q.

What measures are you considering to offset potential downside factors, such as a temporary decrease in net income consolidation next fiscal year as ACG becomes an equity-method affiliate?

A.

We aim for upward profit growth toward the ¥200.0 billion net income target in Medium-Term Management Plan 2030, but fluctuations driven by one-time income may occur during portfolio transformation. If extraordinary income exceeding ¥30.0 billion is realized this fiscal year, we will need to re-evaluate targets for the following fiscal year. We will maintain and evaluate appropriate earnings levels by leveraging measures such as accelerated divestments of cross-shareholdings.

Q.

Is there potential for additional shareholder returns, given the extraordinary income from the partial transfer of shares in ACG this fiscal year? Furthermore, the next fiscal year might see an income decrease due to ACG becoming an equity-method affiliate. Will progressive dividends be maintained even if it requires raising the payout ratio?

A.

Regarding extraordinary income from the sale of shares in ACG, there are uncertain factors, such as the closing timing and foreign exchange fluctuations. Therefore, we are withholding revisions to full-year earnings and dividend forecasts at this time. We will determine dividend levels appropriately in line with our basic policy of "progressive dividends as a baseline with a payout ratio of 35% or higher," considering a balanced approach between growth investments and shareholder returns under the medium-term plan. Shareholder returns for the next fiscal year will likewise be determined under this basic policy, taking into account our overall financial and capital strategies.

Others

Q.

Are there any impacts from the Kumamoto Earthquake? What measures are in place against business continuity risks related to natural disasters or climate change at Tokyo Century?

A.

There is currently no impact of the earthquake on our operations. While localized physical impacts may occur during large-scale disasters in specific regions, we thoroughly maintain risk management across the company by rigorously investigating disaster risks during initial investment and development screenings, limiting our investments to projects with sufficient mitigation measures.