



## **J Trust / 8508**

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## Key financial data

Income statement (JPYmn)								Income statement (JPYmn)							
	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17		FY03/17	FY03/18	FY03/19	FY12/19	FY12/20		
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.		IFRS	IFRS	IFRS	IFRS	Est.		
<b>Operating revenue</b>	<b>16,908</b>	<b>24,508</b>	<b>55,683</b>	<b>61,926</b>	<b>63,281</b>	<b>75,478</b>	<b>85,031</b>	<b>Operating revenue</b>	<b>66,453</b>	<b>74,321</b>	<b>74,935</b>	<b>58,105</b>	<b>84,511</b>		
YoY	2.2%	44.9%	127.2%	11.2%	2.2%	19.3%	12.7%	YoY	-	11.8%	0.8%	-	-		
<b>Operating profit (loss)</b>	<b>4,324</b>	<b>5,539</b>	<b>12,005</b>	<b>13,745</b>	<b>-5,217</b>	<b>-4,114</b>	<b>-5,769</b>	<b>Operating profit (loss)</b>	<b>606</b>	<b>4,759</b>	<b>-32,600</b>	<b>287</b>	<b>1,931</b>		
YoY	3.8%	28.1%	116.7%	14.5%	-	-	-	YoY	-	684.7%	-	-	-		
OPM	25.6%	22.6%	21.6%	22.2%	-	-	-	OPM	0.9%	6.4%	-	0.5%	2.3%		
<b>Recurring profit (loss)</b>	<b>4,323</b>	<b>5,486</b>	<b>13,704</b>	<b>13,351</b>	<b>-2,385</b>	<b>-4,678</b>	<b>-6,747</b>	<b>Pre-tax profit (loss)</b>	<b>-433</b>	<b>2,898</b>	<b>-31,135</b>	<b>-312</b>	<b>1,636</b>		
YoY	0.5%	26.9%	149.8%	-2.6%	-	-	-	YoY	-	-	-	-	-		
RPM	25.6%	22.4%	24.6%	21.6%	-	-	-	Pre-tax margin	-	3.9%	-	-	-		
<b>Net income (loss)</b>	<b>3,233</b>	<b>34,500</b>	<b>13,309</b>	<b>11,145</b>	<b>10,143</b>	<b>-5,712</b>	<b>-9,876</b>	<b>Profit (loss) attributable to owners of parent</b>	<b>-1,270</b>	<b>-731</b>	<b>-36,107</b>	<b>-3,249</b>	<b>-1,531</b>		
YoY	-21.3%	-	-61.4%	-16.3%	-9.0%	-	-	YoY	-	-	-	-	-		
Net margin	19.1%	140.8%	23.9%	18.0%	16.0%	-	-	Profit margin	-	-	-	-	-		
<b>Per share data (split-adjusted; JPY)</b>								<b>Per share data (split-adjusted; JPY)</b>							
Shares issued (year-end; '000)	30,009	30,225	63,162	118,386	118,589	112,447	112,537	Shares issued (year-end; '000)	112,537	112,597	115,470	115,470			
EPS	54.3	576.0	214.4	109.7	85.9	-49.7	-92.8	EPS	-11.9	-7.1	-349.7	-30.7	-14.5		
EPS (fully diluted)	53.9	567.7	208.3	108.1	85.6	-	-	EPS (fully diluted)	-11.9	-7.1	-349.7	-30.7			
Dividend per share	10.0	12.0	7.0	10.0	10.0	12.0	12.0	Dividend per share	12.0	12.0	7.0	1.0	1.0		
Book value per share	232.4	798.2	1,013.9	1,502.5	1,591.1	1,455.9	1,415.9	Book value per share	1,459.9	1,401.6	984.0	944.6			
<b>Balance sheet (JPYmn)</b>								<b>Balance sheet (JPYmn)</b>							
Cash and deposits	14,846	10,362	62,140	132,235	141,742	108,682	101,172	Cash and cash equivalents	80,666	84,723	87,150	81,913			
Operating loans	11,725	27,713	18,227	49,242	65,315	49,505	49,098	Trade and other receivables	78,416	92,723	106,735	113,942			
Loans in the banking business	-	-	48,210	46,701	224,401	230,532	326,996	Marketable securities in banking business	30,459	37,159	46,599	52,805			
Installment credit receivables	1,443	65,024	48,133	39,776	1,395	2,449	2,726	Loans in banking business	311,480	343,400	326,234	370,174			
Purchased receivables	4,008	2,310	2,529	2,527	8,647	9,940	12,146	Operational investment securities	21,494	3,242	2,855	1,895			
<b>Total current assets</b>	<b>34,293</b>	<b>106,963</b>	<b>189,262</b>	<b>298,790</b>	<b>468,260</b>	<b>448,131</b>	<b>553,331</b>	Other financial assets	38,066	46,300	33,416	40,874			
Tangible fixed assets	1,166	5,095	10,836	12,309	9,352	7,510	6,474	Inventories	6,848	6,937	6,742	7,285			
Investments and other assets	1,947	4,366	11,842	15,001	16,002	13,660	14,465	Tangible fixed assets	5,622	3,028	5,119	9,871			
<b>Total assets</b>	<b>37,862</b>	<b>117,546</b>	<b>218,706</b>	<b>334,736</b>	<b>540,718</b>	<b>508,659</b>	<b>608,650</b>	Goodwill	32,140	29,578	33,508	36,232			
Notes discounted	1,291	1,776	1,500	2,173	2,226	1,381	916	<b>Total Assets</b>	<b>619,865</b>	<b>656,961</b>	<b>668,377</b>	<b>731,268</b>			
Short-term loans payable	3,980	5,576	8,071	25,258	13,979	27,768	28,642	Trade and other payables	8,110	9,811	14,613	16,137			
Deposits by banking business	-	-	73,194	77,142	287,452	271,117	364,419	Deposits by banking business	364,462	403,509	437,010	483,402			
Provision for loss on interest payment	3,359	10,172	7,124	4,055	1,089	-	-	Bonds and borrowings	72,139	78,727	86,002	85,105			
<b>Total current liabilities</b>	<b>10,264</b>	<b>43,995</b>	<b>99,471</b>	<b>118,904</b>	<b>322,598</b>	<b>311,642</b>	<b>426,093</b>	Other financial liabilities	8,182	5,272	13,383	19,907			
Long-term loans payable	10,814	13,670	30,487	16,329	13,250	23,957	26,725	<b>Total liabilities</b>	<b>463,952</b>	<b>506,184</b>	<b>557,650</b>	<b>612,315</b>			
Provision for loss on interest payment	2,382	9,711	12,052	9,382	5,219	-	-	Total equity attributable to owners of parent	150,284	144,366	104,173	100,006			
Provision for loss on guarantees	203	290	4,017	441	422	424	352	Non-controlling interests	5,628	6,409	6,554	18,946			
<b>Total non-current liabilities</b>	<b>13,635</b>	<b>24,079</b>	<b>48,339</b>	<b>31,601</b>	<b>23,254</b>	<b>28,360</b>	<b>30,893</b>	<b>Total equity</b>	<b>155,913</b>	<b>150,776</b>	<b>110,727</b>	<b>118,953</b>			
<b>Total liabilities</b>	<b>23,900</b>	<b>68,074</b>	<b>147,810</b>	<b>150,505</b>	<b>345,853</b>	<b>340,002</b>	<b>456,987</b>	Total interest-bearing debt	72,139	78,727	86,002	85,105			
<b>Net assets</b>	<b>13,961</b>	<b>49,471</b>	<b>70,895</b>	<b>184,230</b>	<b>194,865</b>	<b>168,656</b>	<b>151,663</b>	<b>Cash flow statement (JPYmn)</b>							
Total interest-bearing debt	14,794	19,246	38,558	41,587	27,229	51,725	55,367	Cash flows from operating activities	-12,413	4,581	18,831	-20,829			
<b>Cash flow statement (JPYmn)</b>								<b>Cash flow statement (JPYmn)</b>							
Cash flows from operating activities	9,234	-16,489	9,378	11,434	15,452	-32,435	-14,434	Cash flows from investing activities	-4,468	-7,603	-15,190	15,431			
Cash flows from investing activities	-310	-12,424	36,764	-17,775	-15,148	-7,896	-4,774	Cash flows from financing activities	10,612	7,798	-525	18			
Cash flows from financing activities	-908	24,165	-2,441	74,464	-20,593	13,026	10,935	<b>Financial ratios</b>							
<b>Financial ratios</b>								<b>Financial ratios</b>							
ROA (RP-based)	11.4%	7.1%	8.2%	4.8%	-0.5%	-0.9%	-1.2%	ROA (pre-tax profit based)	-0.1%	0.5%	-4.7%	0.0%			
ROE	26.0%	111.4%	23.8%	9.3%	5.6%	-3.3%	-6.4%	ROE	-0.8%	-0.5%	-29.1%	-3.2%			
Net asset ratio	36.9%	42.1%	32.4%	55.0%	36.0%	33.2%	24.9%	Equity ratio	24.2%	22.0%	15.6%	13.7%			

Source: Shared Research based on company data

Note: The company is applying the International Financial Reporting Standards (IFRS) from FY03/18, and IFRS have been retroactively applied to the figures for FY03/17. IFRS-based figures for FY03/17 are unaudited.

Note: In FY03/17 IFRS results, figures down to pre-tax profit/loss exclude results for discontinued operations (Adores, Inc).

Note: Year-on-year rises of over 1,000% are shown by "-".

Note: Since FY12/19 was an irregular nine-month (April–December) fiscal year, YoY growth rates are not shown.

## Executive summary

- J Trust's core business is financial, although the company has a diverse business portfolio including financial and non-financial businesses such as real estate and entertainment. The company earns stable profits from the Financial Business in Japan and Financial Business in South Korea and Mongolia, and is restructuring the Financial Business in Southeast Asia to nurture it into a future growth driver.
- Since 2009, the company has expanded its business through mergers and acquisitions of domestic consumer finance companies and credit card companies, and in 2012 it launched a South Korean savings bank business. In FY03/14–03/15 it used approximately JPY97.6bn raised in a rights offering to acquire a finance company and a savings bank in South Korea, and a commercial bank in Indonesia. In August 2019, it bought a commercial bank in Cambodia.
- At its Financial Business in Japan (FY12/19: 13.2% of operating revenue; segment profit of JPY3.1bn), the company concentrated on growth of the consumer finance, credit card, credit guarantee, and servicer (receivables purchase and collection) businesses through FY03/15. From FY03/16 onward, after effectively exiting the unsecured consumer finance loans business, which had limited medium-term growth potential, the company has been expanding the real estate related credit guarantee business and the servicer business, and logging stable profit.
- The company's Financial Business in South Korea and Mongolia (FY12/19: 50.9% of operating revenue; segment profit of JPY7.5bn) comprises three types of businesses: the savings bank business (primarily involved in retail banking followed by corporate banking), the capital business (primarily involved in providing lease and installment payment), and the servicer business. J Trust launched its finance business in South Korea in 2009. In 2012 it launched the Chinae Savings Bank (now JT Chinae Savings Bank) and from FY03/13 to FY03/15 it grew loans balances in the savings bank business primarily through M&A. Having established the infrastructure for comprehensive financial services, the company now looks to develop businesses organically to maximize their synergies going forward.
- At its Financial Business in Southeast Asia (FY12/19: 16.6% of operating revenue; segment loss of JPY4.6bn) the company purchased Indonesia's Bank Mutiara (currently PT Bank JTrust Indonesia Tbk.) in November 2014. It increased the bank's reserves in FY03/19 for the purpose of writing off all non-performing loans at once. It also has been reforming the lending and screening processes, in addition to switching to a more sound portfolio, and as a result, saw success in increasing the bank's loan balance in December 2019 (monthly basis). J Trust plans to leverage the group's network in Japan, South Korea, and Southeast Asia and expand the Financial Business in Southeast Asia. As part of these moves, in August 2019 it made a Cambodian commercial bank (ANZ Royal Bank (Cambodia) Ltd.) a consolidated subsidiary and changed its name to JTrust Royal Bank Plc.

## Trends and outlook

- For FY12/19 (nine months from April to December 2019), the company reported full-year consolidated operating revenue of JPY58.1bn (JPY74.9bn in FY03/19), an operating profit of JPY287mn (versus loss of JPY32.6bn in FY03/19), a pre-tax loss of JPY312mn (versus loss of JPY31.1bn in FY03/19), and a loss attributable to owners of parent of JPY3.2bn (versus a loss of JPY36.1bn in FY03/19). Operating revenue reached 90.2% of the full-year company forecast and operating profit 4.7x. Net loss was larger than the company forecast as corporate income tax expenses increased after the company reviewed the collectability of deferred tax assets and subsequently conducted a reversal.
- For FY12/20, the company forecasts (as revised on June 30, 2020) called for consolidated operating revenue of JPY84.5bn, an operating profit of JPY1.9bn, pre-tax profit of JPY1.6bn, and a loss attributable to owners of parent of JPY1.5bn. The company expects the following measures to impact operating revenue. First, the company will focus on the credit guarantee business and servicer business in the Financial Business in Japan and promote the diversification of its credit guarantee product lineup. Second, the company will aim to improve the quality of its assets to boost revenue at its Financial Business in South Korea and Mongolia. And third, at its Financial Business in Southeast Asia, the company will focus efforts to restore the PT Bank JTrust Indonesia and expand bank revenue in JTrust Royal Bank Plc. The June 30, 2020 forecast revision factored in consolidated subsidiary KeyHolder, Inc.'s purchase of shares in North River Inc. and the consolidation of the latter's earnings. In addition, operating revenue looks set to be lower than initially forecast due to the COVID-19 outbreak.

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## Strengths and weaknesses

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Shared Research views J Trust's strengths as its ability to proactively develop finance businesses in Asia based on its expertise accumulated in Japan, its purchasing ability, and the management's business execution skills. Its weaknesses are that it is easily affected by regulation, and that its rapid growth entails the risk of personnel shortages. (See Strengths and weaknesses section for further details.)

## Recent updates

### Highlights

On **June 30, 2020**, J Trust Co., Ltd. announced a revision to its full-year FY12/20 earnings forecasts.

The company revised its consolidated earnings forecasts factoring in the impact of the COVID-19 pandemic and the earnings forecast revision at consolidated subsidiary KeyHolder, Inc.

KeyHolder announced a revision to its earnings forecasts on the same day in light of the consolidation of North River Inc.

#### Details of the revision

J Trust revised down its operating revenue estimate by JPY2.0bn to JPY84.5bn while revising up its operating profit estimate by JPY250mn to JPY1.9bn. The company forecasts a lower consolidated operating revenue despite the boost from the consolidation of North River's earnings at subsidiary KeyHolder, as the negative impact of the COVID-19 pandemic is expected to offset this increase. The company also unveiled a previously undisclosed pre-tax profit forecast of JPY1.6bn. Its forecast for loss attributable to owners of the parent at JPY1.5bn is narrower by JPY126mn versus the initial forecast.

#### Forecast revisions

(JPYmn)	Operating revenue	Operating profit	Pre-tax profit	Profit attributable to owners of parent	Basic EPS (JPY)
FY12/20 Initial Est. (A)	86,511	1,681	-	-1,657	-15.65
FY12/20 Revised Est. (B)	84,511	1,931	1,636	-1,531	-14.46
Difference (B) - (A)	-2,000	250	-	126	-
Rate	-2.3%	14.9%	-	-	-
(Ref.) FY12/19 Act.	58,105	243	-356	-3,260	-30.80

Source: Shared Research based on company announcement

On **June 11, 2020**, Shared Research updated the report following interviews with the company.

On **May 12, 2020**, the company announced earnings results for Q1 FY12/20; see the results section for details.

**For previous releases and developments, please refer to the News and topics section.**

## Trends and outlook

### Quarterly trends and results

Cumulative (JPYmn)	FY03/19				FY12/19				FY12/20				FY12/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Init. Est.
Operating revenue	17,388	36,575	55,173	74,935	18,279	36,307	58,105	-	19,500	-	-	-	23.1%	84,511
YoY	1.3%	5.6%	-3.1%	0.8%	-	-	-	-	-	-	-	-	-	-
SG&A expenses	6,359	13,135	20,717	28,488	7,259	17,064	27,370	-	7,663	-	-	-	-	-
YoY	8.3%	10.6%	17.4%	18.1%	-	-	-	-	-	-	-	-	-	-
SG&A, % of operating revenue	36.6%	35.9%	37.5%	38.0%	39.7%	47.0%	47.1%	-	39.3%	-	-	-	-	-
Operating profit	807	25	-29,770	-32,600	433	118	287	-	1,555	-	-	-	80.5%	1,931
YoY	-70.9%	-99.5%	-	-	-	-	-	-	-	-	-	-	-	-
OPM	4.6%	0.1%	-	-	2.4%	0.3%	0.5%	-	8.0%	-	-	-	-	2.3%
Pre-tax profit	1,944	1,160	-28,681	-31,135	104	-423	-312	-	1,410	-	-	-	-	-
YoY	-21.5%	-71.4%	-	-	-	-	-	-	-	-	-	-	-	-
Pre-tax profit margin	11.2%	3.2%	-	-	0.6%	-	-	-	7.2%	-	-	-	-	-
Profit attributable to owners of parent	1,492	-2,182	-32,770	-36,107	-172	-1,279	-3,249	-	1,541	-	-	-	-	-1,531
YoY	-16.2%	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit margin	8.6%	-	-	-	-	-	-	-	7.9%	-	-	-	-	-
Quarterly (JPYmn)	FY03/19				FY12/19				FY12/20					
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Operating revenue	17,388	19,187	18,598	19,762	18,279	18,028	21,798	-	19,500	-	-	-	-	-
YoY	1.3%	9.8%	-16.7%	13.8%	-	-	-	-	-	-	-	-	-	-
SG&A expenses	6,359	6,776	7,582	7,771	7,259	9,805	10,306	-	7,663	-	-	-	-	-
YoY	8.3%	12.9%	31.2%	19.9%	-	-	-	-	-	-	-	-	-	-
SG&A, % of operating revenue	36.6%	35.3%	40.8%	39.3%	39.7%	54.4%	47.3%	-	39.3%	-	-	-	-	-
Operating profit	807	-782	-29,795	-2,830	433	-315	169	-	1,555	-	-	-	-	-
YoY	-70.9%	-	-	-	-	-	-	-	-	-	-	-	-	-
OPM	4.6%	-	-	-	2.4%	-	0.8%	-	8.0%	-	-	-	-	-
Pre-tax profit	1,944	-784	-29,841	-2,454	104	-527	111	-	1,410	-	-	-	-	-
YoY	-21.5%	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-tax profit margin	11.2%	-	-	-	0.6%	-	0.5%	-	7.2%	-	-	-	-	-
Profit attributable to owners of parent	1,492	-3,674	-30,588	-3,337	-172	-1,107	-1,970	-	1,541	-	-	-	-	-
YoY	-16.2%	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit margin	8.6%	-	-	-	-	-	-	-	7.9%	-	-	-	-	-

Source: Shared Research based on company data

Note: In Q4 FY03/18, the company sold all of its shares in Adores, Inc. Further, in Q2 FY03/19, the company resolved to sell all of its shares in Highlights Entertainment Co., Ltd. along with the outstanding loans receivable. These businesses have hence forth been classified as discontinued operations. The operating revenue, operating profit, and pre-tax profit indicated for the fiscal years in comparison have been adjusted to reflect the results of the continuing operations (after deducting those of the discontinued operation).

Note: Since FY12/19 was an irregular nine-month (April–December) fiscal year, YoY growth rates are not shown.

Note: Since the quarterly accounting periods vary between FY12/20 and FY12/19, YoY growth rates are not shown for FY12/20.

**Results by segment (cumulative)**

Cumulative (JPYmm)	FY03/19				FY12/19				FY12/20				FY12/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Rev. Est.	Rev. Est.	% of Init. Est.	Init. Est.
Operating revenue	17,388	36,575	55,173	74,935	18,279	36,307	58,105	-	19,500	-	-	-	23.1%	84,511	22.5%	86,511
YoY	1.3%	5.6%	-3.1%	0.8%	-	-	-	-	-	-	-	-	-	-	-	-
Financial Business in Japan	2,370	4,905	7,373	10,701	2,345	4,908	7,676	-	2,366	-	-	-	-	-	28.5%	8,300
YoY	3.4%	-0.6%	3.6%	17.2%	-	-	-	-	-	-	-	-	-	-	-	-
Financial Business in South Korea and Mongolia	10,172	20,248	30,251	39,662	9,777	18,994	29,585	-	9,501	-	-	-	-	-	24.4%	38,876
YoY	15.4%	16.1%	12.9%	10.6%	-	-	-	-	-	-	-	-	-	-	-	-
Financial Business in Southeast Asia	3,139	6,261	9,436	13,025	2,726	5,873	9,673	-	4,102	-	-	-	-	-	18.9%	21,671
YoY	-12.6%	-14.1%	-10.8%	-4.1%	-	-	-	-	-	-	-	-	-	-	-	-
General Entertainment Business	5	547	949	1,520	1,712	3,279	4,849	-	1,683	-	-	-	-	-	18.2%	9,222
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate Business	1,199	2,567	4,119	6,441	1,334	2,312	4,729	-	1,026	-	-	-	-	-	19.6%	5,230
YoY	-21.4%	-8.0%	0.8%	-7.6%	-	-	-	-	-	-	-	-	-	-	-	-
Investment Business	322	655	939	1,214	272	533	815	-	281	-	-	-	-	-	28.4%	990
YoY	-44.5%	-41.2%	-87.2%	-84.0%	-	-	-	-	-	-	-	-	-	-	-	-
Other	332	1,726	2,660	3,227	237	672	1,187	-	687	-	-	-	-	-	27.1%	2,536
YoY	-7.5%	60.4%	55.5%	59.4%	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	808	25	-29,770	-32,600	433	118	287	-	1,555	-	-	-	80.5%	1,931	92.5%	1,681
YoY	-70.9%	-99.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OPM	4.6%	0.1%	-	-	2.4%	0.3%	0.5%	-	8.0%	-	-	-	-	-	-	-
Financial Business in Japan	970	2,151	3,298	4,251	1,078	2,270	3,085	-	1,151	-	-	-	-	-	39.3%	2,930
YoY	-13.5%	-13.5%	-5.6%	2.0%	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit margin	40.9%	43.9%	44.7%	39.7%	46.0%	46.3%	40.2%	-	48.6%	-	-	-	-	-	-	-
Financial Business in South Korea and Mongolia	1,458	2,400	4,002	4,880	2,548	4,258	7,500	-	2,188	-	-	-	-	-	37.5%	5,835
YoY	-11.5%	-2.0%	29.2%	37.3%	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit margin	14.3%	11.9%	13.2%	12.3%	26.1%	22.4%	25.4%	-	23.0%	-	-	-	-	-	-	-
Financial Business in Southeast Asia	-783	-2,418	-14,308	-17,712	-1,889	-1,936	-4,647	-	-1,204	-	-	-	-	-	-	-3,423
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit margin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General Entertainment Business	-13	3	-2	-15	-9	78	-159	-	-162	-	-	-	-	-	-	720
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit margin	-	0.5%	-	-	-	2.4%	-	-	-	-	-	-	-	-	-	-
Real Estate Business	11	41	22	91	-21	168	829	-	40	-	-	-	-	-	13.4%	298
YoY	-88.2%	-72.5%	-89.9%	-86.2%	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit margin	0.9%	1.6%	0.5%	1.4%	-	7.3%	17.5%	-	3.9%	-	-	-	-	-	-	-
Investment Business	186	-291	-20,082	-20,568	-510	-1,093	-1,768	-	-473	-	-	-	-	-	-	-1,853
YoY	-36.9%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit margin	57.8%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-19	49	-1	39	-155	-158	-472	-	-173	-	-	-	-	-	-	-154
YoY	-	6.5%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit margin	-	2.8%	0.0%	1.2%	-	-	-	-	-	-	-	-	-	-	-	-

Source: Shared Research based on company data

Note: In Q2 FY03/19, it classified the General Entertainment Business of Highlights Entertainment Co., Ltd. (develops, produces, and sells computer systems for amusement machines and peripheral equipment) as discontinued. The operating revenue and operating profit indicated for the fiscal years in comparison have been adjusted to reflect the results of the continuing operations (after deducting those of the discontinued operation).

Note: Since FY12/19 was an irregular nine-month (April–December) fiscal year, YoY growth rates are not shown.

Note: Since the quarterly accounting periods vary between FY12/20 and FY12/19, YoY growth rates are not shown for FY12/20.

**Results by segment (quarterly)**

Quarterly (JPYmm)	FY03/19				FY12/19				FY12/20				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Operating revenue	17,388	19,187	18,598	19,762	18,279	18,028	21,798	-	19,500	-	-	-	-
YoY	1.3%	9.8%	-16.7%	13.8%	-	-	-	-	-	-	-	-	-
Financial Business in Japan	2,370	2,535	2,468	3,328	2,345	2,563	2,768	-	2,366	-	-	-	-
YoY	3.4%	-4.1%	13.2%	65.4%	-	-	-	-	-	-	-	-	-
Financial Business in South Korea	10,172	10,076	10,003	9,411	9,777	9,217	10,591	-	9,501	-	-	-	-
YoY	15.4%	16.9%	6.9%	3.8%	-	-	-	-	-	-	-	-	-
Financial Business in Southeast Asia	3,139	3,122	3,175	3,589	2,726	3,147	3,800	-	4,102	-	-	-	-
YoY	-12.6%	-15.6%	-3.6%	19.8%	-	-	-	-	-	-	-	-	-
Real Estate Business	1,199	1,368	1,552	2,322	1,334	978	2,417	-	1,026	-	-	-	-
YoY	-21.4%	8.3%	19.8%	-19.5%	-	-	-	-	-	-	-	-	-
Investment Business	322	333	284	275	272	261	282	-	281	-	-	-	-
YoY	-44.5%	-37.6%	-95.4%	7.0%	-	-	-	-	-	-	-	-	-
Operating profit	808	-783	-29,795	-2,830	433	-315	169	-	1,555	-	-	-	-
YoY	-70.9%	-	-	-	-	-	-	-	-	-	-	-	-
OPM	4.6%	-	-	-	2.4%	-1.7%	0.8%	-	8.0%	-	-	-	-
Financial Business in Japan	970	1,181	1,147	953	1,078	1,192	815	-	1,151	-	-	-	-
YoY	-13.5%	-13.6%	13.9%	41.8%	-	-	-	-	-	-	-	-	-
Segment profit margin	40.9%	46.6%	46.5%	28.6%	46.0%	46.5%	29.4%	-	48.6%	-	-	-	-
Financial Business in South Korea	1,458	942	1,602	878	2,548	1,710	3,242	-	2,188	-	-	-	-
YoY	-11.5%	17.5%	147.2%	91.7%	-	-	-	-	-	-	-	-	-
Segment profit margin	14.3%	9.3%	16.0%	9.3%	26.1%	18.6%	30.6%	-	23.0%	-	-	-	-
Financial Business in Southeast Asia	-783	-1,635	-11,890	-3,404	-1,889	-47	-2,711	-	-1,204	-	-	-	-
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit margin	-	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate Business	11	30	-19	69	-21	189	661	-	40	-	-	-	-
YoY	-88.2%	-46.4%	-	-84.4%	-	-	-	-	-	-	-	-	-
Segment profit margin	0.9%	2.2%	-	3.0%	-	19.3%	27.3%	-	3.9%	-	-	-	-
Investment Business	186	-477	-19,791	-486	-510	-583	-675	-	-473	-	-	-	-
YoY	-36.9%	-	-	-	-	-	-	-	-	-	-	-	-
Segment profit margin	57.8%	-	-	-	-	-	-	-	-	-	-	-	-
Other	-19	68	-50	40	-155	-3	-314	-	-173	-	-	-	-
YoY	-290.0%	88.9%	-	-	-	-	-	-	-	-	-	-	-
Segment profit margin	-5.7%	4.9%	-5.4%	7.1%	-	-	-	-	-	-	-	-	-

Source: Shared Research based on company data

Note: In Q2 FY03/19, it classified the General Entertainment Business of Highlights Entertainment Co., Ltd. (develops, produces, and sells computer systems for amusement machines and peripheral equipment) as discontinued.

Note: Since FY12/19 was an irregular nine-month (April–December) fiscal year, YoY growth rates are not shown.

Note: Since the quarterly accounting periods vary between FY12/20 and FY12/19, YoY growth rates are not shown for FY12/20.

**Q1 FY12/20 results**

Operating revenue: JP¥19.5bn



▷ Operating profit:	JPY1.6bn
▷ Loss*:	JPY1.5bn

\*Loss attributable to owners of parent

\*\*YoY change (%) not shown as the quarterly accounting periods vary between FY12/20 and FY12/19

### Operating revenue and expenses

In Q1 FY12/20, the company reported consolidated operating revenue of JPY19.5bn, giving it 22.5% of its full-year estimate of JPY86.5bn.

Operating revenue for the quarter benefited from the addition of JTrust Royal Bank to the group as a consolidated subsidiary and also got a substantial boost from rising revenue from construction orders for restaurants and other shops received by the commercial facility construction division of Keynote (reported under the Other segment). On the minus side, operating revenue at the group's Financial Business in South Korea and Mongolia was down as gains from adjustments to book value declined following the sale of a large batch of purchased receivables by TA Asset Management the previous fiscal year.

On the operating expense front, expenses were pushed up by the addition of JTrust Royal Bank to the group as a consolidated subsidiary and also by the substantial cost increase at the commercial facilities construction division of Keynote. On the minus side, one of the biggest factors helping to lower operating expenses was the reduction in provision for doubtful accounts following a recalculation of the allowance to reflect changes in expectations of credit losses.

### SG&A expenses

The increase in SG&A expenses was attributed to the addition of JTrust Royal Bank to the group as a consolidated subsidiary.

Breakdown of results by segment is as follows. The Financial Business in Japan and Financial Business in South Korea and Mongolia segments are performing steadily. There was virtually no impact from the novel coronavirus pandemic on the company's results in South Korea. However, in the Financial Business in Southeast Asia, although operating revenue increased YoY due to the consolidation of JTrust Royal Bank, results were affected by the pandemic, starting in March.

### Financial Business in Japan

For Q1 FY12/20, the Financial Business in Japan, whose primary businesses are credit guarantee and receivables collection, reported operating revenue of JPY2.4bn (28.5% of full-year company forecast of JPY8.3bn) and a segment profit of JPY1.2bn (39.3% of full-year company forecast of JPY2.9bn).

#### Credit guarantee services

Nihon Hoshou provides credit guarantee services. According to monthly company data, the credit guarantee balance finished end-March 2020 at JPY212.3bn (+4.9% versus end-March 2019), including condominium loan guarantees of JPY159.2bn (+4.4%). The company guarantees secured loans, including loans for rental condominiums and real estate-backed loans. The company has four partner banks for overseas real estate loan guarantees (for properties mainly in Hawaii and North America). In guarantees for reverse mortgage loans, it partners with the Shonan Shinkin Bank in Kanagawa, and launched a new guarantee partnership with Kawasaki Shinkin Bank in Q1 FY12/20. The company continues to focus on creating products in the crowdfunding market in collaboration with SAMURAI&J PARTNERS (JASDAQ: 4764) with whom it formed a business alliance in March 2019. Shared Research thinks the company successfully keeps the credit guarantee balance stable.

As of end-March 2020, Nihon Hoshou partnered with the following financial institutions in the credit guarantee business: Ehime Bank, Kagawa Bank, Kawasaki Shinkin Bank, Kinki Sangyo Credit Union, Saikyo Bank, Shonan Shinkin Bank, Seikyo Shinkumi, Tokyo Star Bank, Tokushima Taisho Bank, and SBJ Bank.

### Collection of receivables

Receivables collection in Japan is mainly handled by Nihon Hoshou and Partir Servicer. In receivables collection, Partir Servicer's NPL acquisitions trended steadily, driving an increase in the balance of receivables handled. In addition, the claimable loans Nihon Hoshou assumed from the former Takefuji Corp declined roughly JPY20bn from end-FY03/19 to approximately JPY130bn. Including the balance of claimable loans at Partir Servicer, the total was over JPY900bn. Note that under IFRS, the claimable loans Nihon Hoshou assumed from the former Takefuji Corp are recorded as purchased receivables in the statement of financial position, and interest income on the income statement.

### Financial Business in South Korea and Mongolia

JT Chinae Savings Bank and JT Savings Bank operate savings bank businesses, while JT Capital operates installment loan and leasing businesses. TA Asset Management handles the purchase and collection of non-performing loans (NPLs). The company (based on aggregate assets of JT Chinae Savings Bank and JT Savings Bank) ranks third in the South Korean savings bank industry, following SBI Savings Bank and OK Savings Bank.

For Q1 FY12/20, the Financial Business in South Korea and Mongolia reported operating revenue of JPY9.5bn (24.4% of full-year company forecast of JPY38.9bn) and a segment profit of JPY2.2bn (37.5% of full-year company forecast of JPY5.8bn). The company was able to maintain earnings roughly flat YoY, despite the impact of the novel coronavirus pandemic.

The operating revenue figure reflects a decline in gains from adjustments to book value following the sale of a large batch of purchased receivables by TA Asset Management in FY12/19. On the earnings front, segment profit benefited from a reduction in provisioning for doubtful accounts at its savings banks in South Korea following a review of historical collection rates.

### Savings bank, installment loan business, and leasing business

Most new loans in the banking business are at medium-range interest rates, which are not subject to regulatory limits (total lending volume restrictions) provided certain conditions are met. Due in part to tighter regulations, the company maintained growth in the loan balance by increasing the share of relatively safe secured loans to corporations. The aggregate loan balance in the banking business for JT Chinae Savings Bank and JT Savings Bank at end-March 2020 was KRW3.0tn (displayed in won due to weakness in the South Korean currency), up 7.4% from end-March 2019. The operating loan balance for JT Capital was KRW552.9bn (-1.3%). The average delinquency rate (loans in arrears by 90 days or more) for JT Chinae Savings Bank, JT Savings Bank, and JT Capital was 3.55%, down 0.43pp from 3.98% in March 2019. The company said the delinquency rate was trending at historical lows.

### Receivables collection business

Following the sale of roughly JPY26.4bn in receivables on the market in FY12/19, as of the end of December 2019, the balance of claimable loans at TA Asset Management was JPY3.3bn, versus JPY21.8bn in December 2018. It had declined to JPY700mn by end-March 2020. Due to the significant reduction in the balance of claimable loans, the company is considering purchasing receivables, but given the ongoing rise in NPL purchase prices in FY12/19, the company plans to take a cautious approach toward additional purchases.

### Financial Business in Southeast Asia

In Indonesia, PT Bank JTrust Indonesia carries out banking business, PT JTrust Investments Indonesia collects receivables, and PT JTrust Olympindo Multi Finance finances purchases of automobiles and farming equipment. In Cambodia, JTrust Royal Bank Plc. (JTRB) started operating a banking business in August 2019.

For Q1 FY12/20, the Financial Business in Southeast Asia reported operating revenue of JPY4.1bn (18.9% of full-year company forecast of JPY21.7bn) and a segment loss of JPY1.2bn (full-year forecast loss: JPY3.4bn). Operating revenue was bolstered by the addition of JTrust Royal Bank to the group as a consolidated subsidiary. The bank posted operating revenue of JPY1.3bn in Q1. On the earnings front, the segment benefited from a reduction in provision for doubtful accounts (on the order of several hundred million yen) following a recalculation of the allowance to reflect changes in expectations of credit losses. The operating loss shrank by about JPY600mn versus Q1 FY12/19 as JTRB booked operating profit of JPY246mn.

### Banking business

In FY03/19, PT Bank JTrust Indonesia wrote off all non-performing loans at once, and in August 2019 the company consolidated JTRB. As of end-March 2020, loans outstanding at its banking business (aggregate of PT Bank JTrust Indonesia and JTrust Royal Bank) totaled JPY103.6bn. The company indicated that this is still below the amount needed for PT Bank JTrust Indonesia to break even, and said it expects to turn to black on a monthly basis in FY12/21 or later.

According to the company's materials, before consolidation adjustments, the gross NPL ratio at PT Bank JTrust Indonesia was 2.7% at end-March 2020. Given that the ratio was 1.91% at end-December 2019 (7.38% at end-September 2019), credit quality deteriorated. The company said that the impact of the novel coronavirus outbreak started emerging in March 2020. Note that the company's provision for doubtful accounts is enough to cover the outstanding NPLs on a net basis.

The processing of PT Bank JTrust Indonesia's NPLs mainly comprises sale of receivables to PT JTrust Investments Indonesia (JTII). As of end-March 2020, purchased receivables at JTII had declined by JPY5.0bn from JPY29.7bn at end-December 2019 to JPY24.6bn. The share of purchased receivables secured by collateral at JTII following the sale of NPLs is not disclosed, and on the long term, there may arise a need for additional measures to mark the purchased receivable to market depending on how the economy trends. We believe it necessary to look at both PT Bank JTrust Indonesia and JTII in order to assess the company's progress in processing of NPLs.

Amid a certain degree of progress in NPL processing at PT Bank JTrust Indonesia, there are signs that the decline in loan balances is bottoming out. The monthly loan balance at PT Bank JTrust Indonesia had declined to JPY40.8bn at end-November 2019, before rising to JPY41.9bn in December and JPY49.4bn in March 2020. Although growth appeared to pick up in March, it seems the company has been curtailing its lending operations partly due to the impact of the novel coronavirus pandemic.

JTRB has been consolidated since August 2019. The bank's loan balance was JPY48.4bn at end-August 2019, and grew by roughly JPY11.0bn to JPY59.3bn at end-March 2020. The bank's corporate loans grew by JPY8.5bn from JPY32.0bn at end-August 2019 to JPY40.5bn at end-March 2020, and personal loans grew by JPY2.3bn. The NPL ratio remained low at 0.6%.

There were 124 cases of COVID-19 infection in Cambodia and no deaths (as of May 25, 2020. Source: COVID-19 Dashboard by Center for System Science and Engineering at Johns Hopkins University). However, the company said that there were some concerns of a significant impact on business with China, a major trading partner for Cambodia.

### Receivables purchasing business and finance business

PT JTrust Investments Indonesia (JTII) operates a receivables collection business. The balance of purchased receivables was JPY24.6bn at end-March 2020 (JPY29.7bn at end-December 2019). The company is starting to pass on to JTII the expertise in receivables management and collection which it has built up in Japan and South Korea. It boosted the headcount from 39 employees at end-March 2019 to 75 at end-December 2019. The company wants to make best use of its receivables collection expertise in the Indonesian NPL market in light of surging prices for NPLs in South Korea.

The company said that the Indonesian National Land Agency was temporarily closed due to the novel coronavirus outbreak, hindering the transfer of property rights for real estate collateral.

At PT JTrust Olympindo Multi Finance (JTO), new lending was solid in January–March. However, the company said that the novel coronavirus pandemic was starting to have an impact recently.

### General Entertainment

For Q1 FY12/20, the General Entertainment segment reported operating revenue of JPY1.7bn and a segment loss of JPY162mn. While operating revenue at the segment benefited from the addition of Wisenlarge as a consolidated subsidiary, operating revenue finished flat as a result of the disruptions caused by the novel coronavirus pandemic and losses widened under the weight of fixed expenses.

## Real Estate

For Q1 FY12/20, the Real Estate segment reported operating revenue of JPY1.0bn and a segment profit of JPY40mn. Sales of detached houses were weak despite the company's efforts to reconfigure its operating areas and better concentrate its resources, but the segment still managed to finish in the black with the help of additional cost-cutting.

## Investment

For Q1 FY12/20, the Investment segment reported operating revenue of JPY281mn and a segment loss of JPY473mn. The segment consists largely of J Trust Asia, which operates an investment business and provides management support to the companies in which it has invested. The company says it will continue to focus much of its efforts on reducing expenses related to ongoing litigation at J Trust Asia.

**For details on previous results, see the Historical performance section.**

## Full-year FY12/20 company forecast and medium-term outlook

### FY12/20 company forecast

For FY12/20, the company initially forecast operating revenue of JPY86.5bn, operating profit of JPY1.7bn, and a loss attributable to owners of parent of JPY1.7bn. On June 30, 2020, it announced revised forecasts. The company revised down its operating revenue forecast by JPY2.0bn to JPY84.5bn and revised up its operating profit forecast by JPY250mn to JPY1.9bn. It unveiled a previously undisclosed pretax profit forecast of JPY1.6bn, and forecast a loss attributable to owners of the parent of JPY1.5bn (narrower by JPY126mn versus initial forecast). The company revised forecasts to factor in the consolidation of North River Inc.'s earnings at subsidiary KeyHolder and the impact of the COVID-19 pandemic.

The company's earnings depend in large degree on the revitalization of the Financial Business in Southeast Asia. However, considering that the loan balance has started turning around at PT Bank JTrust Indonesia, the full-year contribution from JTRB, and solid earnings at the Financial Business in South Korea and Mongolia, the forecasts look somewhat conservative. The novel coronavirus pandemic spread globally from the end of February 2020. The company said that its businesses started to feel the effects from March, primarily in its Financial Business in Southeast Asia. We should take note of the potential slump in the global economy and deterioration in Japanese consumer confidence triggered by the pandemic.

#### FY12/20 Company Forecasts

(JPYmn)	FY03/19	FY12/19	FY12/20		
	Act.	Act.	Rev. Est. (Jun. 30, 2020)	Init. Est. (Feb. 13, 2020)	Difference
	IFRS	IFRS	IFRS	IFRS	
<b>Operating revenue</b>	<b>74,935</b>	<b>58,105</b>	<b>84,511</b>	<b>86,511</b>	<b>-2,000</b>
SG&A expenses	28,488	27,370	-	-	-
SG&A, % of operating revenue	38.0%	47.1%	-	-	-
<b>Operating profit (loss)</b>	<b>-32,600</b>	<b>287</b>	<b>1,931</b>	<b>1,681</b>	<b>250</b>
OPM	-	0.5%	-	-	-
<b>Pre-tax profit (loss)</b>	<b>-31,135</b>	<b>-312</b>	<b>1,636</b>	-	-
Pre-tax profit margin	-	-	-	-	-
<b>Profit (loss) attributable to owners of parent</b>	<b>-36,107</b>	<b>-3,249</b>	<b>-1,531</b>	<b>-1,657</b>	<b>126</b>
Profit margin	-	-	-	-	-

Shared Research plans to update the below information following interviews with the company.  
Note: Since FY12/19 was an irregular nine-month (April–December) fiscal year, YoY growth rates are not shown.

#### Segment results and forecasts

(JPYmn)	FY03/19	FY12/19	FY12/20	
	Act.	Act. (9mo)	Initial Est.	Revised Est.
	Operating revenue	74,935	58,105	86,511
Financial Business in Japan	10,701	7,676	8,330	-
Financial Business in South Korea and Mongolia	39,662	29,585	38,876	-
Financial Business in Southeast Asia	13,025	9,673	21,671	-
General Entertainment	1,520	4,849	9,222	-
Real Estate	6,441	4,729	5,230	-
Investment Business	1,214	815	990	-
Other	3,227	1,187	2,536	-
Operating profit (loss)	-32,600	287	1,681	1,931
Financial Business in Japan	4,251	3,085	2,930	-
Financial Business in South Korea and Mongolia	4,880	7,500	5,835	-
Financial Business in Southeast Asia	-17,712	-4,647	-3,423	-
General Entertainment	-15	-159	720	-
Real Estate	91	829	298	-
Investment Business	-20,568	-1,768	-1,853	-
Other	39	-472	-154	-

Source: Shared Research based on company data  
Note: Since FY12/19 was an irregular nine-month (April–December) fiscal year, YoY growth rates are not shown

#### Financial Business in Japan

The company forecasts operating revenue of JPY8.3bn (JPY7.7bn in FY03/19) and segment profit of JPY2.9bn (JPY3.1bn in FY03/19).

J Trust will continue to focus on the credit guarantee and receivables collection businesses. In the credit guarantee business, the company thinks that growth in the balance of condominium loan guarantees is unlikely to maintain its historical pace due to a

change in the lending stance of Japanese banks. As such, it is working to diversify its guarantee products into areas such as overseas real estate secured loans and crowdfunding guarantees.

J Trust Card issued credit cards for foreign residents in Japan, who can apply without a bank account simply by placing a deposit (guarantee). The company says the response has been excellent as credit cards improve their living circumstances.

### Financial Business in South Korea and Mongolia

The company forecasts operating revenue of JPY38.9bn (JPY29.6bn in FY03/19) and segment profit of JPY5.8bn (JPY7.5bn in FY03/19). J Trust will aim to manage the business with an emphasis on the quality of assets, while maintaining the size of assets. Key initiatives are as follows:

- ▷ For personal loan customers, focus on loans with medium-range interest rates and strengthen means to maintain stable relationships by analyzing customer attributes.
- ▷ Introduce a screening system leveraging financial technologies (FinTech); focus on acquiring sound receivables and curtail NPLs applying strict screening criteria.
- ▷ Strengthen system for loan collection.

### Financial Business in Southeast Asia

The company forecasts operating revenue of JPY21.7bn (JPY9.7bn in FY03/19) and segment loss of JPY3.4bn (JPY4.7bn loss in FY03/19). Trading of PT Bank JTrust Indonesia (BJI) shares has resumed on the Indonesia Stock Exchange, marking a re-start in the bank's revitalization. Key initiatives in this segment include:

- ▷ Focus on joint financing with JTO in new loans; retail banking that allows risk dispersion to be positioned as business pillar.
- ▷ Obtain low-cost deposits using mobile banking to lower the share of legacy high-interest-rate deposits; widen spreads by reducing fundraising costs while increasing the loan balance.
- ▷ Strengthen sources of one-time revenue such as foreign exchange transactions.
- ▷ JTII: To maximize the collection amount of receivables, improve management division structure and business schemes; strengthen the legal-front of the collection business.
- ▷ JTO: Develop new products leveraging BJI's back financing capabilities, and expand the sales network to grow earnings.

### General Entertainment

The company forecasts operating revenue of JPY9.2bn and a turnaround to segment profit of JPY720mn. It aims to strengthen the foundations of new businesses while continuing to pursue proactive developments to attain earnings.

On May 14, 2020, subsidiary KeyHolder, Inc. decided to sign a basic agreement to acquire all the shares of North River Inc., which holds a 50% stake in Nogizaka 46 LLC, management company for female pop group Nogizaka 46. Nogizaka 46 LLC also handles concert production and merchandise sales. By adding Nogizaka 46 to its entertainment content, the company expects it will generate synergies among group companies and boost earnings power. According to information disclosed in June 2020, KeyHolder first purchased 15% of North River shares from Vernalossam Co., Ltd. before purchasing 35% of the remaining 85% outstanding from their owner, Kyoraku Sangyo Co., Ltd.

### Real Estate

The company forecasts operating revenue of JPY5.2bn and segment profit of JPY298mn. It aims to strengthen its marketing prowess by consolidating its sales personnel and improving efficiency, and boost margins by focusing on sound projects.

### Investment

The company forecasts operating revenue of JPY990mn and segment loss of JPY1.9bn (segment loss of JPY1.8bn in FY12/19).

## Medium-term outlook

### Growth strategies for three main financial businesses

#### Financial Business in Japan

- ▷ Collaboration with domestic regional banks
- ▷ Diversification of guarantee products such as crowdfunding guarantees
- ▷ Launch of J Trust Global Card for non-Japanese residents

#### Financial Business in Mongolia and South Korea

- ▷ Minimize default risk while looking for high margins
- ▷ Grow portfolio of assets that can cope with lower maximum interest rates accompanying tighter regulations on maximum rates

#### Financial Business in Southeast Asia

- ▷ In Indonesia, grow portfolio of sound assets and make progress on receivables collection
- ▷ In Cambodia, grow assets by gradually broadening customer demographic

## Business description

J Trust adopted the following new segment classifications, which serve as the basis for information disclosure: Financial Business in Japan, Financial Business in South Korea and Mongolia, Financial Business in Southeast Asia, General Entertainment, Real Estate, Investment, and Other.

The company's primary businesses are the Financial Business in Japan, the Financial Business in South Korea and Mongolia, and the Financial Business in Southeast Asia.

New segments	Business description
Financial Business in Japan	Credit guarantee, receivables collection, credit card and consumer credit, and other financing services in Japan
Financial Business in South Korea and Mongolia	Savings bank services, receivables collection services, and capital business in South Korea
Financial Business in Southeast Asia	Banking services, finance services, receivables collection services in in Indonesia and banking services in Cambodia
General Entertainment	Mainly studio management, TV program production and performing arts production
Real Estate	Sales and purchase, brokerage, and leasing services of real estate
Investment	Investment business in Japan and overseas

Source: Shared Research based on company data

### Performance by segment

(JPYmm)	FY03/15	FY03/16	FY03/17	FY03/17	FY03/18	FY03/19	FY12/19
	JGAAP	JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS
Operating revenue	63,281	75,478	85,031	66,453	74,321	74,935	58,105
YoY	2.2%	19.3%	12.7%	-	11.8%	0.8%	-
Financial Business in Japan	18,731	10,842	10,994	9,761	9,027	10,554	7,673
YoY	-	-42.1%	1.4%	-	-7.5%	16.9%	-
Financial Business in South Korea and Mongolia	19,857	25,480	29,140	29,178	35,855	39,515	29,563
YoY	-	28.3%	14.4%	-	22.9%	10.2%	-
Financial Business in Southeast Asia	-	12,292	17,791	14,325	13,578	13,025	9,673
YoY	-	-	44.7%	-	-5.2%	-4.1%	-
General Entertainment Business	15,075	16,557	15,397	2,072	-	1,520	4,847
YoY	-	9.8%	-7.0%	-	-	-	-
Real Estate Business	5,821	6,217	6,763	6,266	6,907	6,440	4,718
YoY	-	6.8%	8.8%	-	10.2%	-6.8%	-
Investment Business	-	2,634	2,514	2,462	7,290	1,036	734
YoY	-	-	-4.6%	-	196.1%	-85.8%	-
Other	3,795	1,453	2,430	2,384	1,662	2,843	895
YoY	-	-61.7%	67.2%	-	-30.3%	71.1%	-
Segment profit (loss)	-3,142	-1,444	-2,304	4,173	7,125	-32,600	287
YoY	-	-	-	-	70.7%	-557.5%	-
Financial Business in Japan	1,852	3,799	4,636	5,582	4,167	4,251	3,085
YoY	-	105.1%	22.0%	-	-25.3%	2.0%	-
Financial Business in South Korea and Mongolia	-5,811	260	1,633	3,197	3,555	4,880	7,500
YoY	-	-	528.1%	-	11.2%	37.3%	-
Financial Business in Southeast Asia	-	-7,898	-8,642	-3,980	1,545	-17,712	-4,647
YoY	-	-	-	-	-	-	-
General Entertainment Business	483	-475	-219	-856	-2,403	-15	-159
YoY	-	-	-	-	-	-	-
Real Estate Business	402	500	536	480	659	91	829
YoY	-	24.4%	7.2%	-	37.3%	-86.2%	-
Investment Business	-	2,562	-175	-198	-2,852	-20,568	-1,768
YoY	-	-	-	-	-	-	-
Other	-69	-193	-73	-82	57	39	-472
YoY	-	-	-	-	-	-31.6%	-

Source: Shared Research based on company data

Note: Under IFRS, values are presented after deducting discontinued operations. Consolidated subsidiary KeyHolder, Inc. transferred its General Entertainment operations to its wholly owned subsidiary Adores in October 2017, and subsequently sold all shares in Adores.

Note: Since FY12/19 was an irregular nine-month (April–December) fiscal year, YoY growth rates are not shown



## Financial Business in Japan

(FY12/19: 13.1% of operating revenue; segment profit of JPY3.1bn)

### Financial Business in Japan performance

(JPYmn)	FY03/15	FY03/16	FY03/17	FY03/17	FY03/18	FY03/19	FY03/20
	JGAAP	JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS
Operating revenue	18,731	10,842	10,994	9,761	9,027	10,554	7,673
YoY	-25.6%	-42.1%	1.4%	-	-7.5%	16.9%	-
Segment profit	1,852	3,799	4,636	5,582	4,167	4,251	3,085
YoY	-83.8%	105.1%	22.0%	-	-25.3%	2.0%	-

Source: Shared Research based on company data

Note: Since FY12/19 was an irregular nine-month (April–December) fiscal year, YoY growth rates are not shown.

The Financial Business in Japan is comprised mainly of the credit guarantee and servicer businesses, and its key subsidiaries are Nihon Hoshou and Partir Servicer. The former provides credit guarantee services, while the latter engages in receivables collection. The company transferred the KC Card brand in FY03/15, so the contribution of credit card and consumer credit operations to operating revenue has been in decline since FY03/16. Further, the company effectively left the unsecured loan business in FY03/16.

### Credit guarantee

In the credit guarantee business, when a borrower is unable to or has difficulties repaying a loan, the guarantee company pays the bank in lieu of the borrower. Financial institutions such as banks lend money through unsecured loans at a rate of around 15%, while secured loan rates are around 8%. Interest is shared between the provider and the company as follows: for unsecured loans, one third goes to the loan provider and two thirds to J Trust, and secured loan interest is split equally. When a borrower is unable to pay off a loan, J Trust pays off the loan to the loan provider, and that loan amount becomes a cost to J Trust.

The company carries on this business through its consolidated subsidiary Nihon Hoshou. As of end-March 2020, Nihon Hoshou had tie-ups with the following financial institutions in the credit guarantee business: Ehime Bank, Kagawa Bank, Kawasaki Shinkin Bank, Kinki Sangyo Credit Union, Saikyo Bank, Shonan Shinkin Bank, Seikyo Shinkumi, Tokyo Star Bank, Tokushima Taisho Bank, and SBJ Bank.

A financial guarantee contract is initially recognized at fair value and booked under trade and other liabilities in the consolidated statement of financial position.

### Credit guarantee balance and guarantee commission received

(JPYmn)	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY12/19 (9 mo)
Total credit guarantee balance	36,712	53,354	85,975	141,881	202,810	210,824
YoY	-10.1%	45.3%	61.1%	65.0%	42.9%	-
Unsecured	13,890	15,376	14,829	16,168	18,019	15,808
YoY	-33.9%	10.7%	-3.6%	9.0%	11.4%	-
% of total	37.8%	28.8%	17.2%	11.4%	8.9%	7.5%
Secured	22,821	37,978	71,146	125,712	184,791	195,015
YoY	15.1%	66.4%	87.3%	76.7%	47.0%	-
% of total	62.2%	71.2%	82.8%	88.6%	91.1%	92.5%
Guarantee commission received	2,443	1,853	1,935	1,738	2,166	1,993
YoY	2.8%	-24.2%	4.4%	-10.2%	24.6%	-
Guarantee fee ratio	6.3%	4.1%	2.8%	1.5%	1.3%	-

Source: Shared Research based on company data

Note: The guarantee fee ratio = guarantee commission received / credit guarantee balance (average of the start and end of the fiscal year).

Through FY03/14 the company's guarantees outstanding rose as the number of alliance banks increased and guarantee commissions received also grew. In FY03/15, the credit guarantee balance fell temporarily, because the transfer of the KC Card brand (in January 2015) included the credit guarantee business, which reduced the number of local financial institutions that

were partners in the credit guarantee business by six. However, as is detailed below, the balance has trended upward, especially for secured real-estate loans, from FY03/16.

### **Background to loan guarantee business**

J Trust intends to partner with more banks and build up its credit guarantee balance, the bulk of which is for condominium loans. The interest rate on condominium loans tends to be lower than on consumer loans, and J Trust's income is only around 1% of loan amounts. But this business has potential for medium term growth because contracts are large at around JPY95–100mn per contract—compared with JPY500,000 for consumer loans—meaning the loan balance is easy to grow. Furthermore, they are secured and write-off risks are limited. Note that Nihon Hoshou has managed to maintain its occupancy rate above 98% due to careful selection of property areas (98% occupancy in Tokyo, Nagoya, Osaka, and Fukuoka), choosing buildings that are only a 10-min walk from the nearest station, and strict selection of housing manufacturers that provide adequate property management and repair services. However, as screening criteria of financial institutions are becoming stricter, the company plans to expand its credit guarantee business, including guarantees for reverse mortgages and overseas real estate-backed loans targeting wealthy borrowers.

### **New initiatives in the credit guarantee business**

In March 2019, J Trust, and its consolidated subsidiary, Nihon Hoshou, announced the formation of a business alliance with SAMURAI&J PARTNERS Co., Ltd. (JASDAQ 4764). The purpose of the alliance is to jointly conduct product structuring, promotions and credit guarantee services in the crowdfunding market. In addition to the development of new credit guarantee products, it seems the companies will look to increase partnerships with peer-to-peer lending companies in the growing crowdfunding market.

In FY12/19, the company began providing credit guarantees for Kagawa Bank's overseas real estate secured loans in collaboration with the bank. The company aims to further grow its balance of credit guarantees by collaborations in guaranteeing overseas real estate secured loans.

### **Servicer business**

The servicer business came into being in 1999 to deal with bad debts held by financial institutions under the Act on Special Measures Concerning Claim Management and Collection Businesses. Within Financial Business in Japan, Partir Servicer is the main company involved in receivables collection.

The servicer (receivables collection) business involves managing and recovering "specific monetary debts" either on behalf of a financial institution or transferred from one. Specified monetary debts are those based on guarantee contracts or loan receivables, leasing and credit card receivables owed to a financial institution and those belonging to an entity in the midst of legal bankruptcy proceedings.

Servicers buy non-performing loans (NPLs) from financial institutions at a discount to fully claimable amounts. The purchased debts are accounted for at book value as purchased receivables under current assets. As of end-December 2019, the balance of purchased receivables stood at JPY15.4bn (JPY14.6bn as of end-March 2019), and the claimable loan balance (the principal for the purchased receivables) was JPY792.8bn (JPY782.8bn as of end-March 2019).

Money recovered from debtors is the company's revenue and accounted for as collection of purchased receivables, loan interest income, and gains on the book value adjustments of purchased receivables in the income statement. Operating expenses in this business are recorded as receivable purchase costs, because they refer to the price required to acquire the receivables (the amortized cost method is used for receivables with which it is possible to estimate future cash flows).

J Trust's strengths lie in its ability to collect debts owed by individuals. Further, the company says that its ability to analyze collection gives it a competitive advantage when bidding. J Trust said that it has been able to blend the expertise gained by its past acquisitions of a variety of companies which enables it to have a high collection rate.

## Gains from recovering written-off NPLs

In Japanese accounting standards, gains from recovering written-off NPLs reflect revenue from collection of NPLs—purchased receivables assumed by Nihon Hoshou from defunct Takefujii—that have already been written off the balance sheet. Written-off NPLs have no book value, so recovery implies zero-cost profits. Through use of its proprietary expertise, the company is making progress in recoveries. Under current IFRS standards, the book value is calculated based on estimated cash flows and recorded as purchased receivables in the statement of financial position, and revenue is recorded as interest income.

As of end-FY12/19, the loan balance assumed from the former Takefujii Corp amounted to approximately JPY130.0bn. The average amount recovered on a monthly basis appears to exceed JPY200mn.

## Financial Business in South Korea and Mongolia

(FY12/19: 50.9% of operating revenue; segment profit of JPY7.5bn)

This segment is made up of three businesses: the savings bank business (JT Chinae Savings Bank and JT Savings Bank), the capital business which is part of the specialty finance industry (JT Capital), and the receivables collection business (TA Asset Management).

### Performance for Financial Business in South Korea and Mongolia and its main subsidiaries

(JPYmn)	FY03/15	FY03/16	FY03/17	FY03/17	FY03/18	FY03/19	FY12/19
	JGAAP	JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS
Operating revenue	19,857	25,480	29,140	29,178	35,855	39,515	29,563
Savings bank	14,203	21,830	23,663	24,043	28,840	31,851	22,932
JT Chinae Savings Bank	13,614	17,985	18,228	18,928	21,064	21,695	14,932
JT Savings Bank	589	3,845	5,435	5,115	7,776	10,156	8,000
JT Capital	-	10,372	5,114	4,982	5,934	5,938	4,201
TA Asset Management	2,858	1,586	1,925	1,879	1,519	1,993	2,385
Segment profit	-5,811	260	1,633	3,197	3,555	4,880	7,500
Savings bank	-5,718	3,340	2,220	3,468	3,158	4,112	5,511
JT Chinae Savings Bank	-6,070	2,607	1,894	2,846	1,592	2,459	3,577
JT Savings Bank	352	733	326	622	1,566	1,653	1,934
JT Capital	-	3,770	168	-148	449	47	328
TA Asset Management	292	1,719	951	1,349	482	887	1,771

Source: Shared Research based on company materials

## South Korean savings bank industry

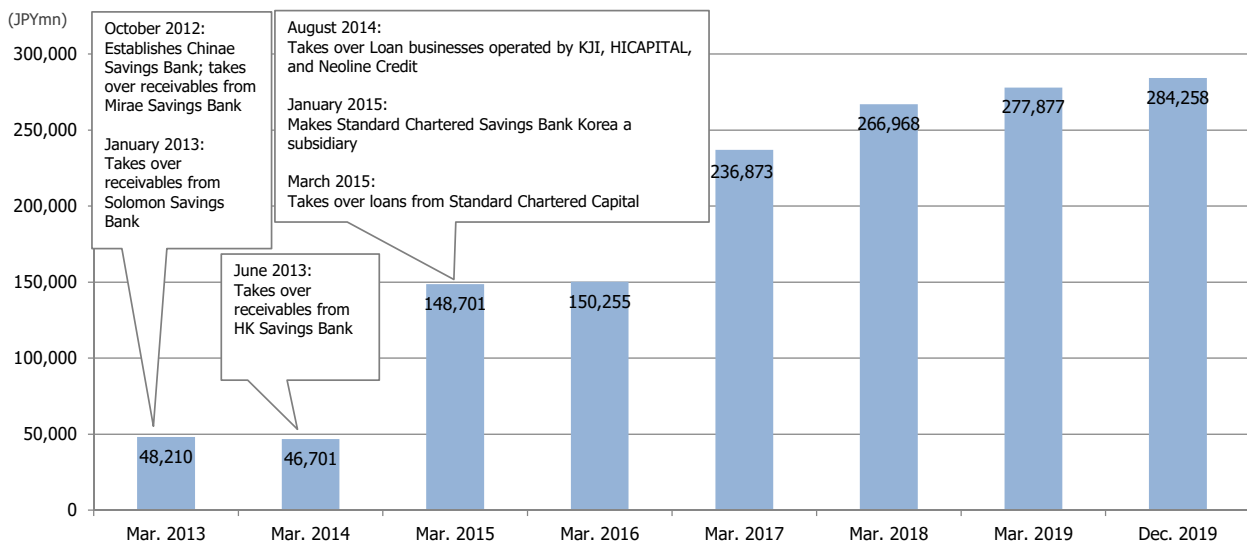
Three groups provide consumer loans in South Korea. The first tier comprises banks; the second tier is non-bank financial institutions (mutual savings banks, credit unions, insurance companies, credit card providers, and specialist credit companies); the third tier is money lenders outside the financial regulatory system. The banks target creditworthy customers; the non-banks target both creditworthy customers and those needing finance in an emergency; the money lenders target those with poor credit ratings. In South Korea, customers are graded according to their creditworthiness; the mutual savings banks' customers cluster in the grade 5 to grade 9 range (from normal to questionable receivables; discussed below).

### Starts consumer finance business in South Korea in 2009, founds JT Chinae Savings Bank in 2012

In October 2012, J Trust set up JT Chinae Savings Bank in South Korea, and began its savings bank operations with a focus on consumer loan services, integrating the expertise in credit screening and receivables management it gained in the Financial Business in Japan. Neoline Credit joined J Trust group in 2011 having previously launched a South Korean consumer financial business in 2009. Neoline Credit had been tracking steady growth. As such, J Trust already had knowledge of South Korea's consumer loan market when it established Chinae Savings Bank.

As shown below, the company has grown its loans outstanding in the South Korean banking business, which is the revenue base for savings banks, through buying receivables and M&A. In FY12/19, loans outstanding in the banking businesses under Financial Business in South Korea and Mongolia reached JPY284.3bn.

- ▶ FY03/13: In October 2012 takes over approximately JPY20bn in consumer loan receivables from Mirae Savings Bank. In January 2013 buys JPY29.9bn of consumer loan receivables from Solomon Savings Bank.
- ▶ FY03/14: In June 2013 J Trust buys JPY22.0bn of consumer loan receivables from HK Savings Bank. Loans outstanding in banking business reach JPY46.7bn.
- ▶ FY03/15: In August 2014, J Trust transfers loan businesses operated by KJI (currently TA Asset Management), HICAPITAL, and Neoline Credit to JT Chinae Savings Bank. (KJI Consumer Finance LLC and HICAPITAL Co., Ltd., made consolidated subsidiaries in FY03/14). In January 2015, makes Standard Chartered Savings Bank Korea Co., Ltd. (currently JT Savings Bank) a subsidiary. In March 2015, takes over loans from subsidiary Standard Chartered Capital (Korea) Co., Ltd. (currently JT Capital).
- ▶ FY03/16 onward: Loans outstanding rose driven by an increase in the number and balance of new loans as a result of an effective sale and marketing strategy.

**Bank business loan balance (JT Chinae Saving Bank, JT Saving Bank)**


Source: Shared Research based on company data

The group's combined savings bank business (JT Chinae Savings Bank and JT Savings Bank) ranks third in terms of total assets and deposits (as of September 2019).

**79 savings banks ranked by assets (KRWbn)**

Rank	Head office location	Bank name	Total assets
1	Seoul	SBI	8,411.0
2	Seoul	OK	6,591.6
3	Seoul + Gyeonggi-do	JT Chinae + JT Savings	3,683.4
4	Gyeonggi-do	KIC	3,379.7
5	Gyeonggi-do	Pepper Savings Bank	3,054.9

Source: Shared Research based on company materials

**79 savings banks ranked by loan value (KRWbn)**

Rank	Head office location	Bank name	Total loan value
1	Seoul	SBI	6,822.3
2	Seoul	OK	6,382.2
3	Gyeonggi-do	KIC	2,981.3
4	Seoul + Gyeonggi-do	JT Chinae + JT Savings	2,977.9
5	Gyeonggi-do	Pepper Savings Bank	2,780.7

Source: Shared Research based on company materials

**South Korea’s savings bank business highly profitable**

South Korea’s consumer finance arena can be more profitable than Japan’s. South Korea allows loan rates up to 24.0% (lowered from 34.9% to 27.9% in March 2016, and further to 24.0% in February 2018), has no stipulations demanding refunds of overcharged interest, and levies a lower corporate tax rate. Contrary to Japan, South Korea does not have the issue of demands for refunds of overcharged interest.

According to the company, in FY12/19, the company’s average lending rate was 11.29% (the weighted average for JT Chinae Savings Bank, JT Savings Bank and JT Capital). Its average deposit rate was 2.47% (the weighted average for JT Chinae Savings Bank and JT Savings Bank). In FY12/19, JT Chinae Savings Bank’s NPL ratio (balance of delinquent loans of 90 days or more to total loan balance) was 5.35% (5.78% in FY03/19), and its NPL ratio after deducting allowance for doubtful accounts was 0.6% (0.33% in FY03/19).

**Savings bank business performance**

Revenue from the savings bank business (operating revenue in the banking business) primarily comes from interest income from loans and is obtained by multiplying the average lending rate by the loan balance. At end-FY12/19, loans in the banking business (simple sum for JT Chinae Savings Bank and JT Savings Bank) came to JPY284.3bn (JPY277.9bn at end-FY03/19), and interest income in the banking business (on loans and credit cards, etc.; simple sum for JT Chinae Savings Bank and JT Savings Bank) was JPY20.5bn (JPY29.0bn at end-FY03/19).

The main expenses in the savings bank business are interest on deposits, credit costs (provision of allowance for doubtful accounts and NPL write-offs), and SG&A expenses. In FY12/19, the average deposit interest rate (weighted average for JT Chinae Savings Bank, JT Savings Bank, and JT Capital) was 2.47%, and credit costs (the simple sum for JT Chinae Savings Bank and JT Savings Bank) amounted to JPY4.8bn (1.7% of the total loans in the banking business from JT Chinae Savings Bank and JT Savings Bank).

**South Korea's consumer loan market**

**Personal credit ratings**

In South Korea, personal credit ratings are used for deciding whether to grant a loan during the screening process as well as to set the loan interest rate. Further, they are used when issuing credit cards and as registration screening criteria for insurance and other products. They are assigned by credit bureaus after gathering and evaluating information about an individual’s credit history. The bureau calculates points that reflect a number of evaluation criteria based on information provided by banks, savings banks and credit card companies: repayment history, debt levels, length type and format of dealings with the institution. Personal credit ratings range from 1 to 10 depending on the failure rate (likelihood of bankruptcy).

**Personal credit rating levels and risks**

1 - 4	5 - 6	7 - 8	9 - 10
Good	Ordinary	Watch	At risk
Superior/low risk			Inferior/high risk

\* Above ratings classification is arbitrary standard and each financial company has own standard in interpretation of credit ratings.

Source: Company data

There are two private sector credit rating companies: Korea Credit Bureau (KCB) and National Information and Credit Evaluation Inc. (NICE). Many financial institutions use the credit information supplied by the credit rating companies.

**Providers of consumer loans in South Korea**

Three groups provide consumer loans in South Korea. The first tier comprises banks; the second tier is non-bank deposit taking institutions, specialist credit companies and others); the third tier is money lending organizations.

**Classification of consumer loan providers in South Korea**

	Tier	Broad classification	Detailed classification
<b>Regulated sector</b>	Tier 1	Banks	General banks (city banks, regional banks, foreign banks) Specialist banks (farm co-ops, fisheries co-ops Korea Development Bank etc.)
	Tier 2	Non-bank deposit taking institutions	Savings banks Credit co-ops (co-ops, Saemaul finance firms) General finance companies
		Specialist credit companies	Capital companies Credit card companies
		Others	Insurance companies Securities companies
<b>Unregulated sector</b>	Tier 3	Money lending organizations	Money lending companies

Source: Shared Research based on company data

Note: Regulated financial institutions are those under the direct control and supervision of, and licensed by, South Korean regulators.

Note: The above are not legal classifications criteria but are conventions used in the South Korean society.

The banks target creditworthy customers; the non-banks target both creditworthy customers and those needing finance in an emergency; the money lending companies target those with poor credit ratings. As detailed above, customers are given a personal credit rating according to their creditworthiness. Capital companies' customers mainly range from grade 1 to grade 4, savings banks' customers from grade 5 to grade 9, and the money lenders' customers from grade 7 to grade 9.

Interest rates are regulated under the Lending Business Law and apply to all credit providers. The interest rate ceiling was lowered from 49.0% to 44.0% in July 2010, to 39.0% in June 2011, and to 34.9% in April 2014. It was lowered again to 27.9% in March 2016, and further to 24.0% in February 2018. South Korean President Moon has publicly promised to lower it to 20.0% during his term in office.

**Mutual savings banks**

Mutual savings banks are small financial institutions serving SMEs and providing home loans in various regions.

**Mutual savings banks' business operations**

Key business areas	Main products and services
Deposits	Ordinary deposits, savings deposits, free deposits Periodic deposits (time deposits, accommodation drafts) Installment deposits: trust deposits (free installment deposits, periodic installment deposits)
Lending	Personal loans, loans secured by real estate and chattels, low-interest government guaranteed financial products aimed at people on low incomes Development of products suited to regions' and customers' characteristics, stimulating relationship banking
Ancillary businesses	Domestic exchange (settlement of payables and receivables for domestic financial institutions and funds transfers) Sale of insurance products Installment finance (mutual savings banks that meet certain conditions (period of at least two years, maintaining BIS capital ratio of at least 10%) may operate installment finance businesses) (JT Savings Bank meets the criteria) Mutual savings banks may operate a number of businesses in addition to the above, and the scope is expanding

Source: Shared Research based on company data

Japanese companies first entered the South Korean mutual savings bank market in 2010. That year Orix group (TSE1: 8591) bought Pureun 2 Mutual Savings Bank, and launched Orix Mutual Savings Bank. In 2012, J Trust took over part of the assets and liabilities from Mirae Bank, which had ceased operations. Also in 2012, through a take-up of new shares, SBI Holdings (TSE1: 8473) bought Hyundai Swiss Savings Bank, South Korea's largest mutual savings bank, and made it a consolidated subsidiary.

There are major differences in how money lenders and mutual savings banks raise funds. Shared Research thinks that the mutual savings banks have a competitive edge in this respect. Money lenders in South Korea are restricted in raising funds from banks

and other regulated financial institutions. They are allowed to make private placements of bonds, but public bond issuances need approval from the Financial Supervisory Service. According to J Trust, mutual savings banks can accumulate low-cost deposits, while making loans at similar interest rates to the money lenders.

#### Capital companies

Capital companies are one type of specialist finance company established under the specialist finance industry law and are classified as tier 2 specialist finance companies. Capital companies are those in the specialist finance industry excluding credit card companies and are involved in installment finance, leasing, and venture capital financing.

#### State of South-Korean regulations governing consumer lending

According to the company, South Korea first introduced restrictions on total lending volume for savings banks in 2017. Specifically, increases in consumer loan assets from end-2016 were capped at 5%. Under KGAAP, savings bank reserve ratios for loans with interest rates of 20% and above were raised by 1.5x in 2017. This has depressed profit levels.

In terms of regulatory developments from 2018, the company looks for the introduction of IFRS 9, changes in the debtor rehabilitation receivables framework, a lowering of the maximum interest rate, and an increase in the doubtful account reserve ratio for delinquent loans (impact under KGAAP).

- ▷ IFRS 9: Consumer loan providers such as savings banks and capital companies have thus far calculated their reserves based on historical credit loss rates. After the introduction of IFRS 9, such companies will need to accumulate reserves that also factor in projections for future credit loss. This is expected to increase reserves.
- ▷ Changes in debtor rehabilitation receivables framework: The repayment period for receivables that have gone through debtor rehabilitation proceedings may be shortened from the original five years to three years, and the average reduction rate may be raised from the past level of around 30% to a maximum of 60%.
- ▷ Maximum interest rate: In February 2018, the maximum interest rate was lowered from 27.9% to 24.0%. South Korean President Moon has publicly promised to lower it to 20.0% during his term in office.
- ▷ Increase in the doubtful account reserve ratio for delinquent loans: The company says the ratio will gradually increase over three years based on the classification of delinquent loan. Under KGAAP, for normal receivables, the ratio will go up from the current 0.5% to a maximum of 1.5%; for questionable loans, the ratio will rise from the current 2% to a maximum of 15%.

J Trust's consumer finance operations in Japan have faced an environment of tightening regulations such as lower maximum interest rates and the introduction of caps on total lending volume from the late 2000s, and the company has thus accumulated experience in this area. It therefore believes it can implement flexible policies to adapt to the tightening regulatory framework for consumer lending in South Korea. Specific measures accompanying changes to the company's loan portfolio in FY03/18 included the lowering of the weighting of loans with interest rates of 20% and above, and a reduction in loan interest rates. Consequently, loan balance increased due to a shift in the company's loan portfolio from consumer to corporate loans amid a tightening of restrictions on consumer loan balances by regulatory authorities.

## Loan servicing business in South Korea

### Establishment of loan servicing business

J Trust purchased South Korean consumer finance company Neoline Credit in 2011, and in March 2014 it bought South Korean loan companies KJI Consumer Finance LLC (currently TA Asset Management LLC) and HICAPITAL Co., Ltd. In August 2014, J Trust transferred its loan businesses operated by KJI, HICAPITAL, and Neoline Credit to Chinae Savings Bank. After the business transfer, KJI, HICAPITAL, and Neoline Credit began operating as KJI Consumer Finance, with the organization specializing in purchasing and recovering NPLs.



### Focusing on unsecured loan servicing business

Subsidiary TA Asset Management focuses on the business of recovering unsecured NPLs in South Korea. According to the company, the market in South Korea is estimated at KRW3.3tn, and is growing at an annual rate of 10%. Characteristics of the unsecured NPL market are: it is bothersome to operate the business; internal controls are necessary; and recovery expertise is necessary. As a result, there are few companies in the market, with many small operators, so only a limited number of companies are able to participate in bidding for NPLs above a certain amount.

TA Asset Management's strengths in recovering NPLs are derived from the combination of J Trust's expertise in the servicer business in Japan and its business development know-hows in South Korea. TA Asset Management also has branches nationwide in South Korea, and can collect receivables by physically visiting the debtors. This leads to high recovery rates, which allows it to offer competitive prices when making bids to purchase NPLs, and have a high success rate in winning the bids. Also, it places a strong emphasis on legal compliance, enabling it to bid in large NPL auctions such as those conducted by megabanks.

### TA Asset Management earnings

TA Asset Management's claimable loan balance was JPY29.0bn at end-FY03/19, and declined to JPY3.3bn by end-December 2019, because the company sold JPY26.4bn worth of claimable loans on market. We understand that purchase prices on South Korea's secondary market for NPLs are rising strongly and the company booked gains of JPY1.8bn on the sale.

TA Asset Management's operating revenue comes from interest on loans, gains on the book value adjustments of purchased receivables, gains on recovering written-off NPLs, and other operating revenue. In FY03/18, TA Asset Management's main revenue source was interest on loans, which is generated when the company recovers purchased NPLs, and gains on the book value adjustments.

#### TA Asset Management earnings

(JPYmn)	FY03/15 (JGAAP)	FY03/16 (JGAAP)	FY03/17 (JGAAP)	FY03/17 (IFRS)	FY03/18 (IFRS)	FY03/19 (IFRS)	FY12/19 (IFRS)
Operating revenue	2,858	1,586	1,925	1,879	1,519	1,993	2,385
YoY	-	-44.5%	21.4%	-	-19.2%	31.2%	-
Interest on loans	2,448	320	186	461	885	938	468
Book value adjustment loss (purchased receivables)	-	-	-	717	406	906	149
Collection on purchased receivables	159	768	670	-	-	-	-
Gain on doubtful accounts recovered	149	129	84	84	47	33	17
Other financial revenue	100	367	984	414	134	114	1,750
Operating expenses	354	107	-	-117	333	264	-2
Credit costs	-	-	-	-117	304	254	-9
Other operating expenses	-	-	-	-	-	9	-
SG&A expenses	2,211	-240	973	669	718	849	616
YoY	-	-	-	-	7.3%	18.2%	-
SG&A ratio	77.4%	-15.1%	50.5%	35.6%	47.3%	42.6%	25.8%
Personnel expenses	616	486	417	390	425	461	319
Other	495	352	258	278	292	387	296
Operating profit (loss)	292	1,719	951	1,349	482	887	1,771
YoY	-	488.7%	-44.7%	-	-64.3%	84.0%	-
OPM	10.2%	108.4%	49.4%	71.8%	31.7%	44.5%	74.3%

Source: Shared research based on company data

### Financial Business in Southeast Asia

(FY12/19: 16.6% of operating revenue; segment loss of JPY4.6bn)

In Indonesia, J Trust operates PT Bank JTrust Indonesia Tbk. (the former PT Bank Mutiara Tbk.; BJI), a commercial bank; PT JTrust Investments Indonesia (JTII), which is involved in collections of NPLs; and PT JTrust Olypindo Multi Finance (JTO), which conducts financing services. The company is following its South Korean structure in Indonesia with a three-pronged business structure of banking, receivables collections, and financing. In August 2019, the company purchased 55% of the shares of ANZ



Royal Bank (Cambodia) Ltd. and made it a consolidated subsidiary from August 2019. The company changed its name to JTrust Royal Bank Plc. (JTRB).

### **PT Bank JTrust Indonesia (BJI)**

#### **Bank Mutiara (currently PT Bank JTrust Indonesia) became a subsidiary in November 2014**

In November 2014, the company acquired 99.0% of shares in Bank Mutiara Tbk. (currently PT Bank JTrust Indonesia Tbk.), an Indonesian commercial bank, and consolidated it as a subsidiary. Indonesian law dictates that foreign entities may only hold up to 40% of ownership in a commercial bank, but as a special case, J Trust has been allowed to hold up to a 100% share in PT Bank JTrust Indonesia, as the bank had been rescued by the Indonesia Deposit Insurance Corporation.

PT Bank JTrust Indonesia is an Indonesian commercial bank with a branch network of 62 branches spread across Indonesia and with total assets of about IDR13tn as of the end of March 2014 (JPY120bn; based on an exchange rate of IDR/JPY0.009 as of November 19, 2014). In November 2008, Bank Mutiara came under the control of the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan [LPS]). Bank Mutiara restructured its operations under LPS' supervision, and LPS began the public bidding process for the sale of all shares in Bank Mutiara in March 2014.

PT Bank JTrust Indonesia's primary revenue source comes from interest on loans (operating revenue in the banking business). According to the company, in FY12/19, loans by the banking business were JPY38.5bn (JPY63.6bn in FY03/19), and the average lending rate was 11.48%. PT Bank JTrust Indonesia worked to reform its management structure from FY03/16. Under a new management team, it aimed to increase the loan balance in a stable way by reducing low-interest and large-lot corporate loans of about JPY1.0bn, focusing on loans for consumers and loans acquired from collaborating with Fintech companies such as P2P lenders, and expanding business alliances with multi-finance companies. However, in FY03/19, the company reshuffled the management and changed its management policy following an increase in NPLs.

The main line items under operating expenses were the deposit interest rate, credit costs, and SG&A expenses. In FY12/19, the average deposit interest rate was 7.58% on time deposits and 4.01% for CASA deposits. PT Bank JTrust Indonesia's deposits were held mostly by large time deposit accounts holders, making the cost of funds relatively high. However, the company is working to decrease the average deposit interest rate by increasing the CASA ratio (ratio of current account and savings account deposits as a percentage of overall deposits).

#### **Indonesian business environment**

Indonesia is an attractive market with a population of 260mn, GDP growth rate averaging over 6% since 2010, with half of the population under 28 years old and prospects for an expanding middle class. At the same time, the country consists of a group of islands that stretch over a wide area, and 120 million Indonesians (or 46% of the total population) live in non-urban areas. Such individuals only rarely deal with financial institutions.

Also, only around 40% of the population (roughly 100mn people) hold a bank account in Indonesia. Of the population over 15—approximately 180mn people—there will be some 80mn potential customers as incomes grow, according to the company.

### **PT JTrust Investments Indonesia (JTII)**

In June 2015, the company established PT JTrust Investments Indonesia (JTII; ownership is JTrust Asia Pte. Ltd. 84.36% and the company 14.79%). In October 2015, it purchased NPLs from PT Bank JTrust Indonesia, and dedicated itself to managing and collecting the receivables. The aim of setting up and launching operations at JTII was to get first-mover advantage with an eye on future market growth in a country where there was a dearth of specialist receivables collection companies. The company said it wanted to capitalize on profit opportunities by combining its expertise on receivables management and collection it had built up in its business in South Korea and Japan. It significantly boosted the number of employees involved in receivables management and collection from 39 at end-March 2019 to 75 at end-December 2019.

As of end-December 2019, JTII had a claimable loan balance of JPY45.3bn (converted at JPY0.0079/IDR), a four-fold increase from the level when it launched the business (JPY10.9bn). The amount collected reached JPY173mn, (about JPY10mn when it began operations).

### PT JTrust Olympindo Multi Finance (JTO)

In October 2018 the company purchased 60% of the shares in multi-finance provider Olympindo Multi Finance (now JTO). In April that year, the company's consolidated subsidiary JTrust Asia resolved to underwrite a third-party allocation of new shares from Olympindo Multi Finance and its owner Ang Andi Bintoro and family.

Established in 1993, Olympindo Multi Finance is a veteran of the automobile loan industry specializing in multi-finance business for used car loans. It had 40 branches nationwide in Indonesia and a broad network of financial institutions including major banks at that time. In recent years however credit risk in the automobile loan industry in Indonesia has been rising, worsening the fundraising environment for independent multi-finance companies.

However, the fundraising environment for the company's consolidated subsidiary JTO improved with the backing of PT Bank JTrust Indonesia, and from October 2018 it started joint finance operations with PT Bank JTrust Indonesia and resumed dealings with large used car dealers, which had been on a downtrend. This led to an upturn in monthly new loan numbers and amounts for JTO. In May 2019, the company made 997 new loans and lent IDR115.4bn, 4.3x and 6.0x the respective April 2018 levels. The loan balance has also been in an uptrend since joint finance operations were launched in October 2018. The NPL ratio at JTO had risen to 2.61% before consolidation, but declined to 1.48% in May 2019. It was 1.25% as of December 2019.

In addition to its mainstay business of used vehicle financing, since July 2018 the company has entered business partnerships with dealers that sell agricultural equipment brands such as Kubota, Yanmar and Kioti (Korean agricultural machinery). In January 2019, the company entered a new business alliance with PT Rutan and added the Iseki brand to its lineup. When JTO joined the group in October 2018, it was writing 519 new loans for agricultural equipment per month, worth JPY440mn. In December 2019, it was writing 1,210 new loans per month with a value of JPY1.1bn.

JTO aims to increase the size and territorial coverage of its finance business by handling new products such as agricultural equipment finance and microfinance. JTO posted an operating loss of JPY369mn in FY12/19, but the company foresees a turn to profit in FY12/20.

### JTrust Royal Bank (JTRB)

In May 2018, the company decided to acquire 55.0% of total common shares issued by ANZ Royal Bank (Cambodia) Ltd. and completed the acquisition in August 2019. The bank became the company's consolidated and specified subsidiary and changed its name to JTrust Royal Bank Plc. (JTRB) (Results consolidated from August 2019.)

At end-December 2018 the Cambodian banking market comprised 42 commercial banks and 14 specialist banks for a total of 56. It is a growth market with total assets of KHR1,397tn (KHR4,018/USD, or roughly JPY3.8tn), which saw a 20.9% increase YoY. Total assets for ANZ Royal Bank Cambodia at that time were JPY102.5bn (2.7% of total assets), ranking it No. 10 out of 56. Pre-tax profit was JPY2.9bn. It had 10 locations in the capital Phnom Penh, four in the regions, and 409 employees. JTRB has two segments: retail and corporate. Its business strategy targets the top 1% of companies in Cambodia and wealthiest 5% of the population.

Following its consolidation, J Trust plans to expand JTRB's business strategy to encompass the middle class market, which has a larger market size and higher growth potential. It is also expanding the business further by using the JTRB's multinational client list, and the group's receivables collection expertise and network of Japanese companies. The company said it would also like to use the bank to expand the business further in the Mekong region with an aim to expand into Myanmar and Laos.

As of end-December 2019, JTRB's loan balance before consolidation adjustments was JPY52.6bn, up JPY6.0bn from JPY46.6bn in September 2019. The bank is aggressively providing secured loans to the retail sector and trade finance to companies.

**Reference: JTrust Royal Bank earnings**

(JPYmn)	FY03/15 (JGAAP)	FY03/16 (JGAAP)	FY03/17 (JGAAP)	FY03/17 (IFRS)	FY03/18 (IFRS)	FY03/19 (IFRS)	FY12/19 (IFRS)
Loans in banking business	-	-	-	-	-	-	52,646
YoY	-	-	-	-	-	-	-
Deposits in banking business	-	-	-	-	-	-	64,386
YoY	-	-	-	-	-	-	-
Operating revenue	-	-	-	-	-	-	1,733
YoY	-	-	-	-	-	-	-
Operating revenue / Loan balance	-	-	-	-	-	-	3.3%
Operating expenses	-	-	-	-	-	-	262
Deposit interests	-	-	-	-	-	-	129
Deposit interests / Deposit balance	-	-	-	-	-	-	0.2%
Credit costs	-	-	-	-	-	-	82
Credit costs / Loans	-	-	-	-	-	-	0.2%
Other	-	-	-	-	-	-	51
SG&A expenses	-	-	-	-	-	-	1,165
YoY	-	-	-	-	-	-	-
SG&A ratio	-	-	-	-	-	-	67.2%
Personnel expenses	-	-	-	-	-	-	644
Other expenses	-	-	-	-	-	-	521
Operating profit (loss)	-	-	-	-	-	-	299
YoY	-	-	-	-	-	-	-
OPM	-	-	-	-	-	-	17.3%

Source: Shared Research based on company data  
The above data are before consolidation adjustments.

## Strengths and weaknesses

### Strengths

- **Ability to proactively develop business in Asia by leveraging expertise gained in Japan:** J Trust has accumulated expertise in various aspects of the consumer finance business in Japan, including acquisitions, operations, and dealing with regulations. The ability to leverage such expertise in Asia is one of the company's strengths. J Trust believes that the changes observed in the business environment for consumer lending in Japan in the 2000s will also play out in South Korea. It believes that South Korea will lower maximum interest rates, that interest rates on consumer loans will fall, and that banks will account for an increasing share of loans to consumers. In response to such changes in business conditions, the company notes that it has been able to employ a proactive business strategy offering low-interest products to quality customers ahead of its competitors based on its experience in consumer lending in Japan. In FY12/19, the company raised its share of receivables with medium- to low-interest rates and reduced its share of receivables with high rates in anticipation of revisions to regulations such as restrictions on lending volume.
- **Purchasing ability:** The company excels in buying undervalued businesses and receivables. The company uses its proprietary knowledge and business models to collect efficiently. These qualities bear fruit in how the company recovers written-off receivables of Takefuji Corp (defunct) and credit guarantee services where the company strategically partners with banks, introducing customers and dispatching specialists. In addition, the company voluntarily adopted IFRS from Q1 FY03/18. This means it will no longer have to apply straight-line amortization of goodwill required under Japanese accounting standards for future large-scale M&A deals, although under IFRS goodwill will require review by an audit firm based on an impairment test. With the move to IFRS, the company believes there is little chance for existing goodwill particularly in the Indonesian business to negatively impact consolidated earnings for the group, provided the present management stance is maintained.
- **Management can execute:** Shared Research believes J Trust excels at developing businesses in new areas ahead of its rivals. Senior management led by President Fujisawa has been instrumental in this respect, exerting its market analysis and execution capabilities. Senior management led all the activities to date: launch of South Korean savings bank services (2012), rights offering (2013), and the acquisition of Indonesian commercial bank PT Bank Mutiara Tbk in 2014.

### Weaknesses

- **Susceptible to regulation:** The company's main businesses, its Financial Business in Japan, its Financial Business in South Korea and Mongolia, and its Financial Business in Southeast Asia, are all regulated businesses. Specifically, its Financial Business in Japan is regulated under the Moneylending Business Act and the Servicer Act, its Financial Business in South Korea and Mongolia is regulated under the Mutual Savings Bank Act, and its Southeast Asia business is regulated by capital adequacy requirements as well as other various regulations. As a result, changes in the regulatory environment can lead to fluctuations in the company's earnings. Until FY03/14, the domestic unsecured loan business was impacted by an amendment to the Moneylending Business Act, etc., and as of September 2016 the company said it was difficult to expect growth in this business, and had effectively exited it.
- **Rapid growth entails risk of personnel shortages:** The company may face problems arising from personnel shortages when undertaking due diligence related to acquisitions or conducting post-acquisition operations. The company employed a large number of accounting officers in preparation of the IFRS adoption, and it is also bringing on M&A personnel and reinforcing its human resources through new hires in fields such as internal control and auditing. Despite these efforts, however, personnel shortages remain a weakness for the company.

## Key group companies

J Trust has set up a holdings structure where each group company operates under J Trust. Among the group companies, JT Chinae Savings Bank and Nihon Hoshou in particular provide significant earnings contributions.

### Financial Business in Japan

Business area	Key group companies
Credit guarantee	Nihon Hoshou
Credit card and consumer credit	J Trust Card
Servicing (receivables collection)	Nihon Hoshou Partir Servicer

- ▶ Nihon Hoshou (100%): Focuses on credit guarantee services, as well as receivables collection. It was formed in March 2012 following the merger of Lopro Corporation (taking over the consumer financial business of Takefuji, defunct) and Nihon Hoshou (credit guarantor). As of June 2018, Nihon Hoshou suspended any new lending operations targeting consumers.
- ▶ J Trust Card (99.90%): Operates credit card and consumer credit services.
- ▶ Partir Servicer (100%): Loan servicing (receivables collection etc.) company in the financial industry.

### Financial Business in South Korea and Mongolia

Business area	Key group companies
Savings bank	JT Chinae Savings Bank JT Savings Bank
Capital business	JT Capital
Servicing (receivables collection)	TA Asset Management
Finance business (Mongolia)	J Trust Credit NBFJ

- ▶ JT Chinae Savings Bank (100%): Made a subsidiary and began operating mainly in the Seoul area, South Korea, in October 2012. Running 11 branches, the bank operates internet banking, smartphone banking, automatic teller machine services, and others. It aims to raise profitability by integrating J Trust's expertise in credit screening and receivables management, along with consumer loan operations in South Korea, and by buying well-performing consumer loan receivables.
- ▶ JT Savings Bank (100%): Made a subsidiary in January 2015. Four branches in South Korea; mainly provides consumer loans.
- ▶ JT Capital (100%): Made a subsidiary in March 2015. Provides financial services in South Korea such as home loans, real estate secured loans, car loans, and car leasing.
- ▶ TA Asset Management (100%). Changed name from KJI Consumer Finance in April 2015. Operates receivables purchase and collection business in South Korea
- ▶ J Trust Credit NBFJ (100%): Made a subsidiary in May 2018. Operates finance business in Ulaanbaatar.

### Financial Business in Southeast Asia

Business area	Key group companies
Banking	PT Bank JTrust Indonesia JTrust Royal Bank
Servicing (receivables collection)	PT JTrust Investments Indonesia
Finance business	PT JTrust Olympindo Multi Finance

- ▶ PT Bank JTrust Indonesia (92.36%): Made a subsidiary in November 2014. Offers comprehensive financial services in Indonesia including loans to SMEs and foreign-exchange business.
- ▶ JTrust Royal Bank (55.00%): Made a subsidiary in August 2019. Engaged in retail and corporate business in Cambodia.
- ▶ PT JTrust Investments Indonesia (99.15%): Established in June 2015. Purchases loan receivables from financial institutions and non-banks and recovers them from debtors.
- ▶ PT JTrust Olympindo Multi Finance (67.90%): Subsidiary since October 2018. Engaged in financing business in Indonesia covering used car loans, agricultural equipment, and new cars.

**General Entertainment**

KeyHolder (38.75%): Made a subsidiary in June 2012. Engages in General Entertainment business.

**Real Estate**

Keynote (100% owned by KeyHolder, Inc.): Made a subsidiary in March 2013. Real estate. Real estate brokerage/agent. Also develops detached houses and condominiums and buys and restores houses for resale.

J Trust System (100%): Established in May 2009. Carries out system development, infrastructure-related support, and web-related services.

**Investment**

JTrust Asia (100%): Established in October 2013. Center for Investment Business operations overseas and in the ASEAN region.

## Historical performance

### Full-year FY12/19 results

#### Earnings summary

▷ Operating revenue:	JPY58.1bn
▷ Operating profit:	JPY287mn
▷ Loss*:	JPY3.2bn

\*Loss attributable to owners of parent

In June 2019, J Trust changed its fiscal year from April through the following March to January through December. FY12/19 is a nine-month transition period covering April–December 2019.

FY12/19 was an irregular nine-month fiscal year. Although operating revenue fell short of the company's initial forecast of JPY64.4bn (progress was 90.2%) operating profit of JPY287mn was 4.7x the initial forecast (JPY61mn). Although the company booked profit in the Financial Business in South Korea and Mongolia, it recorded a loss of JPY3.2bn versus the initial forecast of a JPY1.1bn loss. The larger-than-expected loss was attributable to the booking of an additional JPY830mn in corporate income tax expenses due to a reversal of deferred tax assets the company conducted after reviewing their recoverability.

By segment, the Financial Business in Japan was stable, and the Financial Business in South Korea and Mongolia boosted profit due to reduction of provision for doubtful accounts and increased gains on the sale of receivables. The Financial Business in Southeast Asia remained in the red following FY03/19 as rebuilding continued. Shared Research remains on watch to see if clear signs of an earnings recovery start to emerge in the Financial Business in Southeast Asia, but on the positive side, there are emerging signs that the loan balance at PT Bank JTrust Indonesia is bottoming out.

#### Operating revenue

Operating revenue was JPY58.1bn, a shortfall of JPY6.3bn versus the initial company forecast of JPY64.4bn. Operating revenue in the Financial Business in Japan exceeded the initial forecast of JPY7.0bn by JPY695mn, and in the Financial Business in South Korea and Mongolia, it exceeded the initial forecast of JPY29.0bn by JPY626mn. Both businesses posted solid earnings. However, operating revenue in the Financial Business in Southeast Asia finished JPY3.3bn below the JPY13.0bn forecast, and in the General Entertainment Business it fell JPY3.0bn short of the JPY7.8bn forecast, causing consolidated operating revenue to undershoot the company target.

Operating revenue in the Financial Business in Southeast Asia business included contributions of JTrust Royal Bank starting August 2019, but was negatively impacted by lower interest income accompanying declining loan balances at PT Bank JTrust Indonesia. In the General Entertainment Business, revenue from advertising agencies associated with allfuz was reported on a net basis under IFRS revenue recognition standards, and there was a delay in the timing of color contact lens sales at FA Project. Both factors weighed on the operating revenue as well.

#### Operating expenses

Operating expenses were JPY35.7bn. Factors pushing up operating expenses included higher cost of sales from business expansion at Zest, allfuz, and UNITED PRODUCTIONS in the General Entertainment business. Pushing down operating expenses were a reduction in provision for doubtful accounts at the company's savings bank in South Korea following a review of historical loss rates on receivables collection and accompanying lower doubtful account reserve ratio at the Financial Business in South Korea and Mongolia. Operating expenses also dropped in the absence of a large provision for doubtful accounts the company made in FY03/19 in association with a receivables-related litigation. In the General Entertainment business, cost of sales declined at Keynote's construction operations for commercial facilities.

### SG&A expenses

SG&A expenses were JPY27.4bn. While commissions paid rose accompanying increases in M&A and litigation costs, SG&A expenses came in lower YoY due to the irregular nine-month fiscal year in FY12/19.

### Other revenue

The company booked a gain on negative goodwill of JPY3.3bn due to making JTrust Royal Bank a consolidated subsidiary in the Financial Business in Southeast Asia.

### Operating profit and other

Operating profit of JPY287mn was 4.7x the initial forecast of JPY61mn. In FY03/19, JTrust Asia posted foreign exchange gains of JPY1.2bn but in FY12/19 it posted foreign exchange losses of JPY406mn, which led to a pre-tax loss of JPY312mn. While the Financial Business in South Korea put in a strong performance, an increase in corporate income tax expenses and a greater income tax burden associated with the reversal of deferred tax assets at KeyHolder following a review of their recoverability led to an overall loss attributable to owners of parent of JPY3.2bn.

## Results by segment

### Financial Business in Japan

For FY12/19, the Financial Business in Japan reported operating revenue of JPY7.7bn and a segment profit of JPY3.1bn. Operating revenue reached 110.0% and operating profit 103.6% of the company's full-year FY12/19 forecasts. Guarantee fee revenue increased on rising loan guarantee balance, and operating revenue for the segment was steady as a result. The company focused on new guarantee products including those for overseas real estate-backed loans and crowdfunding products in addition to condominium loan guarantees.

#### Credit guarantee services

Credit guarantee services are provided by Nihon Hoshou. The credit guarantee balance, the base of revenues in the business, finished the year at JPY210.8bn (JPY202.8bn at end-March 2019). Of this amount, the balance of credit guarantees on unsecured loans totaled JPY15.8bn (down YoY), and the balance of credit guarantees on secured loans totaled JPY195.0bn (up YoY). The rise in credit guarantee balance for secured loans reflected increases in guarantee on loans for rental condominiums and real estate-backed loans. Also, the company worked to diversify its credit guarantee product lineup, adding four partner banks for overseas real estate loan guarantees (for properties mainly in Hawaii and North America) in addition to guarantees for reverse mortgage loans. The company created three products in the crowdfunding market in collaboration with SAMURAI&J PARTNERS (JASDAQ: 4764) with whom it formed a business alliance in March 2019, and the products were sold out on the first day.

#### Collection of receivables

Receivables collection in Japan is mainly handled by Nihon Hoshou and Partir Servicer. In receivables collection, Partir Servicer's NPL acquisitions trended strongly, driving an increase in the balance of receivables handled. In addition, the claimable loans Nihon Hoshou assumed from the former Takefuji Corp declined roughly JPY20bn from end-FY03/19 to approximately JPY130bn. Including the balance of claimable loans at Partir Servicer, the total was over JPY900bn. Note that under IFRS, the claimable loans Nihon Hoshou assumed from the former Takefuji Corp are recorded as purchased receivables in the statement of financial position, and interest income on the income statement.

### Financial Business in South Korea and Mongolia

JT Chinae Savings Bank and JT Savings Bank operate savings bank businesses, while JT Capital operates installment loan and leasing businesses. TA Asset Management handles the sale and collection of non-performing loans (NPLs).

For FY12/19, the Financial Business in South Korea reported operating revenue of JPY29.6bn and a segment profit of JPY7.5bn. Progress versus full-year forecasts was operating revenue 102.2% and segment profit 227.0%.

Interest income at the company's savings banks fell on sluggish lending growth from tightened regulations, and the drop in average lending rate due to an increase in personal loans with medium-range interest rates. The aggregate loan balance in the



banking business for JT Chinae Savings Bank and JT Savings Bank stood at JPY284.3bn, reflecting the rise in medium-range interest rate loans. The sale of roughly JPY26.4bn in receivables by TA Asset Management boosted operating revenue. Segment profit finished at JPY7.5bn (JPY4.9bn in FY03/19) thanks to the reduction of provision for doubtful accounts following a review of historical loss rates on receivables collection at JT Chinae Savings Bank. The sale of receivables by TA Asset Management contributed about JPY1.8bn to the segment profit.

#### Savings bank, installment loan business, and leasing business

Loans extended by the banking business increased mainly for new loans with medium-range interest rates, which are not subject to regulatory limits (total lending volume restrictions) provided certain conditions are met. That said, the loan balance finished at JPY284.3bn from sluggish lending growth caused by tighter regulations as well as progress made in receivables collection and sales. The operating loan balance in aggregate for JT Capital and TA Asset Management declined to JPY57.5bn (JPY60.0bn at end-FY03/19) as a result of receivables collection and NPL sales. The average delinquency rate (loans in arrears by 90 days or more) for JT Chinae Savings Bank, JT Savings Bank, and JT Capital was 3.62%, improving by 0.57pp from 4.19% in December 2018. The company said the delinquency rate was trending at historical lows.

#### Receivables collection business

Following the December 2019 sale of roughly JPY26.4bn in receivables on the market, as of the end of December 2019, the balance of claimable loans at TA Asset Management was JPY3.3bn, versus JPY21.8bn in December 2018. Due to the significant reduction in the balance of claimable loans, the company is considering purchasing receivables, but given the ongoing rise in NPL purchase prices, the company plans to take a cautious approach toward additional purchases.

#### Financial Business in Southeast Asia

In Indonesia, PT Bank JTrust Indonesia carries out banking business, PT JTrust Investments Indonesia collects receivables, and PT JTrust Olympindo Multi Finance finances purchases of automobiles and farming equipment. In Cambodia, JTrust Royal Bank Plc. (JTRB) started operating a banking business in August 2019.

In FY12/19, the Financial Business in Southeast Asia reported operating revenue of JPY9.7bn and a segment loss of JPY4.6bn. Results fell short of the company's initial FY12/19 forecast for operating revenue of JPY13.0bn and segment loss of JPY1.8bn. In FY03/19, interest income at PT Bank JTrust Indonesia declined on lower loan balances outstanding at the banking business resulting from a one-time processing of non-performing loans. The segment booked a loss as a result of valuation losses on foreclosed assets at PT Bank JTrust Indonesia and losses at newly consolidated PT JTrust Olympindo Multi Finance (consolidated in Q3 FY03/19), but the losses were smaller thanks to the gain on negative goodwill of JPY3.3bn booked in connection with the inclusion of JTrust Royal Bank in consolidated results.

#### Banking business

In August 2019 the company included JTrust Royal Bank in consolidated results and this, combined with the one-time processing of non-performing loans at PT Bank JTrust Indonesia in FY03/19, left loans outstanding at its banking business (aggregate of JTrust Royal Bank and PT Bank JTrust Indonesia) at JPY100.2bn. The company indicated that this is still below the amount needed for PT Bank JTrust Indonesia to break even, and said it expects to turn to black on a monthly basis in FY12/20 or later.

According to the company's materials, before consolidation adjustments, the gross NPL ratio at PT Bank JTrust Indonesia was 1.91% at end-December 2019 (7.38% at end-September 2019) due to the early collection and sale of delinquent loans. The loan balance declined due to progress in processing of NPLs, and the balance of NPLs at least 90 days in arrears likewise declined from JPY3.2bn at end-September to JPY733mn. The company's provision for doubtful accounts is enough to cover the outstanding NPLs on a net basis.

The processing of PT Bank JTrust Indonesia's NPLs mainly comprises sale of receivables to PT JTrust Investments Indonesia (JTII). As of end-December 2019, purchased receivables at PT JTrust Investments Indonesia had increased to JPY29.7bn from JPY15.2bn at end-FY03/19. The share of purchased receivables secured by collateral at JTII following the sale of NPLs is not disclosed, and on the long term, there may arise a need for additional measures to mark the purchased receivable to market depending on how the

economy trends. We believe it necessary to look at both PT Bank JTrust Indonesia and JTII in order to assess the company's progress in processing of NPLs.

Amid progress in NPL processing at PT Bank JTrust Indonesia, there are signs that the decline in loan balances is bottoming out. The monthly loan balance at PT Bank JTrust Indonesia had declined to JPY47.9bn at end-November 2019, before rising to JPY49.1bn in December and JPY49.9bn in January 2020.

As for the deposits and loans strategy, at the Q1 FY12/19 results announcement, PT Bank JTrust Indonesia indicated its intent to reduce financing costs by changing the deposit portfolio through the introduction of mobile banking. The bank had aimed to raise the deposit balance from JPY89.7bn at end-June 2019 to JPY99.9bn by end-December 2019. At the same time, it released a plan to reduce cost of funds from 7.20% as of end-June 2019 to 6.59% by the end of December. In August 2019 it launched mobile banking services. As of end-December, there was insufficient evidence to assess progress in rebalancing the deposit portfolio and reducing cost of funds.

At end-December 2018, the capital adequacy ratio of PT Bank JTrust Indonesia factoring in market risk, credit risk, and operational risk was 14.03% (14.15% at end-December 2017 according to PT Bank JTrust Indonesia's annual report). According to the company, its capital adequacy ratio after processing NPLs was 13.3% at end-June 2019, 13.7% at end-September and 14.5% at end-December. Regulatory authorities require a capital adequacy ratio of at least 8%.

JTrust Royal Bank was consolidated from August 19, 2019. The company booked a gain on negative goodwill of JPY3.3bn on the consolidation. Accompanying the consolidation, the company also booked systems transfer and other initial expenses, so operating profit was just JPY299mn. The bank's ranking among commercial banks in Cambodia was No. 10 in terms of assets (Source: National Bank of Cambodia, Annual Supervision Report 2018). Commercial bank asset growth from 2017 to 2018 was 20.8% YoY (average of 42 largest commercial banks). The company said that its main customers were the top 1% of blue-chip companies and high net worth individuals, and its NPL ratio was 0.9%, versus an average of 2.2% for the 42 commercial banks (as of end-September 2019).

#### Receivables purchasing business and finance business

PT JTrust Investments Indonesia (JTII) operates a receivables collection business. The balance of purchased receivables was JPY29.7bn (JPY14.4bn at end-March 2019). The company is starting to pass on to JTII the expertise in receivables management and collection which it has built up in Japan and South Korea. It boosted the headcount from 39 employees at end-March 2019 to 75 at end-December 2019. The company wants to make best use of its receivables collection expertise in the Indonesian NPL market in light of surging prices for NPLs in South Korea.

#### General Entertainment

In FY12/19, the General Entertainment segment reported operating revenue of JPY4.9bn and a segment loss of JPY159mn. The General Entertainment segment includes allfuz Inc., which provides ad planning and development services and operates a live concerts and entertainment business; UNITED PRODUCTIONS Inc., which operates a video production business; FA Project Inc., which provides planning, development and production services for entertainment content; and Zest Inc., which operates a performing arts production businesses. (Zest changed its name from SKE Inc. in July 2019). Revenue from advertising agencies in allfuz Inc. was reported on a net-basis under IFRS. In addition, higher personnel expenses put pressure on profits.

#### Real Estate

In FY12/19, the Real Estate segment reported operating revenue of JPY4.7bn and a segment profit of JPY829mn. At Keynote Co., Ltd., which operates the real estate business, sales of detached residences were low. On the other hand, it booked sales revenue from the sale of real estate holdings. Booking gains on the sale of fixed assets drove up profits.

#### Investment

In FY12/19, the Investment segment reported operating revenue of JPY815mn and a segment loss of JPY1.8bn. J Trust Asia operates the Investment Business and provides management support to the companies in which it has invested. In addition to

the decline of interest income on loans, higher segment loss in FY12/19 reflected rising costs related to ongoing litigation (booked under SG&A expenses).

### 1H FY12/19 results

- ▷ Operating revenue: JPY36.3bn (-0.7% or JPY268mn YoY; 56.4% of full-year FY12/19 forecast)
- ▷ Operating profit: JPY118mn (+372.0% or JPY93mn YoY; 193.4%)
- ▷ Loss\*: JPY1.3bn (versus year-earlier loss of JPY2.2bn; company forecast loss of JPY1.1bn in FY12/19)

\*Loss attributable to owners of parent

Although operating revenue fell 0.7% YoY, operating profit was up 372.0% to JPY118mn, above the full-year forecast of JPY61mn. On a year-on-year basis, the Financial Business in Japan was steady, profit at the Financial Business in South Korea and Mongolia increased due to reduced provision for doubtful accounts despite lower revenue, and the Financial Business in Southeast Asia remained in the red as rebuilding continued. The company incurred expenses of JPY2.2bn in Q2 accompanying the purchase of shares in ANZ Royal Bank (Cambodia) Ltd. Shared Research will be watching to see if clear signs of an earnings recovery start to emerge in the Financial Business in Southeast Asia heading into FY12/20.

### Operating revenue

Operating revenue fell JPY268mn YoY. It rose JPY2.7bn YoY in the General Entertainment Business and JPY3mn in the Financial Business in Japan, but declined JPY1.3bn YoY in the Financial Business in South Korea and Mongolia, JPY1.1bn in Other businesses, JPY388mn at the Financial Business in Southeast Asia, JPY255mn in the Real Estate Business, and JPY122mn in the Investment Business.

- ▷ On the plus side, the company saw operating revenue rise JPY2.7bn YoY at its General Entertainment business as it grew the business through M&A which drove revenue at subsidiaries including ZEST, United Productions, and allfuz.
- ▷ On the minus side, operating revenue at the Financial Business in South Korea and Mongolia fell JPY1.3bn YoY as interest income came down along with the decline in the average lending rate as personal loans that mainly charge mid-level interest rates increased.
- ▷ Operating revenue at the Financial Business in Southeast Asia fell JPY388mn YoY as loan balances outstanding decreased at PT Bank JTrust Indonesia.
- ▷ Operating revenue also fell JPY1.1bn YoY in Other businesses due to a decline in construction orders at commercial facilities such as event halls and dining/drinking establishments. The construction business is run by Keynote's commercial facility construction division.

### Operating expenses

Operating expenses declined JPY178mn YoY. Factors pushing up operating expenses included impairment losses on foreclosed collateral at PT Bank JTrust Indonesia in the Financial Business in Southeast Asia, and higher service costs in the General Entertainment business accompanying business expansion. Pushing down operating costs were a reduction in provision for doubtful accounts at the company's savings bank in South Korea following a review of historical loss rates on receivables collection and accompanying lower doubtful account reserve ratio at the Financial Business in South Korea and Mongolia. In the General Entertainment business, cost of revenue declined at the commercial facility construction division of Keynote Co., Ltd.

### SG&A expenses

SG&A expenses rose JPY3.9bn YoY due to higher commission expenses stemming from increased M&A and litigation costs.

### Other revenue

The company booked a gain on negative goodwill of JPY2.2bn due to making JTrust Royal Bank a consolidated subsidiary in the Financial Business in Southeast Asia, and KeyHolder, Inc. in the General Entertainment business booked a gain on the sale of fixed assets.

### Operating profit

Operating profit rose JPY93mn YoY to JPY118mn. In FY12/18, JTrust Asia posted foreign exchange gains of JPY1.2bn but in 1H FY12/19 it posted foreign exchange losses of JPY327mn, which was the main factor in a JPY423mn pretax loss. While the Financial Business in South Korea and Mongolia put in a strong performance, the company posted a net loss of JPY1.3bn due to increased income taxes.

- ▷ At the Financial business in South Korea and Mongolia, operating profit jumped JPY1.9bn YoY in response to lower doubtful account reserve ratio following a review of historical loss rates on receivables collection and a corresponding reduction in provision for doubtful accounts at the company's savings banks in South Korea.
- ▷ At the Financial Business in Southeast Asia, the operating loss shrank by JPY482mn YoY thanks to the gain on negative goodwill booked in connection with the company's inclusion of JTrust Royal Bank in consolidated results.
- ▷ At the Investment Business, the operating loss widened by JPY802mn YoY on rising costs related to ongoing litigation (booked under SG&A expenses). The company also reported a JPY208mn decline in operating profit for Other businesses.

In June 2019, J Trust changed its fiscal year from April through the following March to January through December. FY12/19 is a nine-month transition period covering April–December 2019.

In Q2 FY03/19, the company classified the General Entertainment Business of Highlights Entertainment Co., Ltd. (develops, produces, and sells computer systems for amusement machines and peripheral equipment) as discontinued.

### Financial Business in Japan

For 1H FY12/19, the Financial Business in Japan reported operating revenue of JPY4.9bn (+0.1% YoY) and a segment profit of JPY2.3bn (+5.5% YoY). Operating revenue was 70.3% and operating profit 76.2% of the company's full-year FY12/19 forecasts. Guarantee fee revenue increased on rising loan guarantee balance, and operating revenue for the segment remained essentially flat YoY as a result. Meanwhile, the increase in segment profit reflects the company's move to reduce provisioning for doubtful accounts after reassessing estimates for future cash flow from purchased receivables.

#### Credit guarantee services

Credit guarantee services are provided by Nihon Hoshou. The balance of credit guarantees, the base of revenues in the business, finished the six-month period at JPY208.2bn (+20.1% YoY). Of this amount, the balance of credit guarantees on unsecured loans totaled JPY17.0bn (-9.0% YoY), and the balance of credit guarantees on secured loans totaled JPY191.2bn (+23.7% YoY). The balance of condominium loan guarantees has been flat since Q1, and is unlikely to increase in light of the lending environment. Meanwhile, the company worked to diversify its credit guarantee product lineup, adding three partner banks (and a fourth in December 2019) for overseas real estate loan guarantees (for properties mainly in Hawaii and North America) in addition to guarantees for reverse mortgage loans. The company created three products in the crowdfunding market in collaboration with SAMURAI&J PARTNERS (JASDAQ: 4764) with whom it formed a business alliance in March 2019, and the products were sold out on the first day.

#### Collection of receivables

Receivables collection in Japan is mainly handled by Nihon Hoshou and Partir Servicer. In receivables collection, Partir Servicer's NPL acquisitions trended strongly, driving an increase in the balance of receivables handled. In addition, the claimable loans Nihon Hoshou assumed from the former Takefuji Corp increased roughly JPY10bn YoY to approximately JPY150bn. Including the balance of claimable loans at Partir Servicer, the total was over JPY900bn.

### Financial Business in South Korea and Mongolia

JT Chinae Savings Bank and JT Savings Bank operate savings bank businesses, while JT Capital operates installment loan and leasing businesses. TA Asset Management handles the purchase and collection of non-performing loans (NPLs).

For 1H FY12/19, the Financial Business in South Korea reported operating revenue of JPY19.0bn (-6.2% YoY) and a segment profit of JPY4.3bn (+77.4% YoY). Progress versus full-year forecasts was operating revenue 65.6% and segment profit 128.9%. Segment profit in 1H exceeded the company's full-year FY12/19 forecasts.

Operating revenue fell as the loan balance at the company's savings banks languished amid tightened regulations. Another contributing factor was the drop in average lending rate during the quarter due to an increase in personal loans with medium-range interest rates, which drove a decline in interest income. Loan balances in the banking business were down 10.8% YoY to JPY264.5bn, partly due to progress in receivables collection and sales. Segment profit rose 77.4% YoY to JPY4.3bn, due primarily to reduced provision for doubtful accounts following a review of historical loss rates on receivables collection at JT Chinae Savings Bank.

#### Savings bank, installment loan business, and leasing business

Loans extended by the banking business increased mainly for new loans with mid-level interest rates, which are not subject to regulatory limits (total lending volume restrictions) provided certain conditions are met. That said, the loan balance dropped 10.8% YoY to JPY264.5bn from sluggish lending growth caused by tighter regulations overall as well as progress made in receivables collection and sales. Operating loans receivables finished the six-month period down 13.0% YoY to JPY56.4bn, reduced by a combination of receivables collection and NPL sales. The average delinquency rate (loans in arrears by 90 days or more) for JT Chinae Savings Bank, JT Savings Bank, and JT Capital was 3.8%, an improvement of 0.2pp YoY from 4.0%. The company said the delinquency rate was trending at historical lows.

#### Receivables collection business

As of the end of September 2019, the balance of claimable loans at TA Asset Management was JPY28.4bn versus JPY21.7bn at the same time last year. Given rising NPL purchase prices, the company plans to take a cautious approach toward additional purchases.

#### Financial Business in Southeast Asia

In Indonesia, PT Bank JTrust Indonesia carries out banking business, PT JTrust Investments Indonesia collects receivables, and PT JTrust Olympindo Multi Finance finances purchases of automobiles and farming equipment. In Cambodia, JTrust Royal Bank Plc. started operating a banking business in August 2019.

For 1H FY12/19, the Financial Business in Southeast Asia reported operating revenue of JPY5.9bn (-6.2% YoY) and a segment loss of JPY1.9bn (versus year-earlier loss of JPY2.4bn). Operating revenue was 45.2% of the company's full-year FY12/19 forecast. It forecasts a full-year segment loss of JPY1.8bn. Operating revenue was down at PT Bank JTrust Indonesia, hurt by a reduction in interest income following a decline in loan balances outstanding at the banking business resulting from a one-time processing of non-performing loans. The segment booked a loss as a result of valuation losses on foreclosed assets and losses at newly consolidated PT JTrust Olympindo Multi Finance (consolidated in Q3 FY12/18), but the losses were smaller than the same period last year thanks to the gain on negative goodwill of JPY2.2bn booked in connection with the inclusion of JTrust Royal Bank in consolidated results.

#### Banking business

In Q2 FY12/19 the company included JTrust Royal Bank in consolidated results and this combined with the one-time processing of non-performing loans at PT Bank JTrust Indonesia left loans outstanding at its banking business in Indonesia up 7.6% YoY, at JPY97.3bn. The company indicated that this is still below the amount needed for PT Bank JTrust Indonesia to break even, and said it expects to turn to black on a monthly basis in FY12/20 or later.

According to the company's materials, before consolidation adjustments, the gross NPL ratio was 7.38% at the end of September 2019 due to the early collection and sale of delinquent loans (versus 4.27% at end-June 2019). Although the loan balance declined due to progress in processing of NPLs, the balance of NPLs at least 90 days in arrears rose from JPY2.1bn at end-June to JPY3.2bn at end-September, pushing up the delinquency ratio. However, provision for doubtful accounts also increased, giving

full NPL coverage on a net basis. Recently the volume of NPLs delinquent at least 90 days is increasing, so the bank may have to further process NPLs.

The processing of PT Bank JTrust Indonesia's NPLs mainly comprises sale of receivables to PT JTrust Investments Indonesia (JTII). The share of loan receivables secured by collateral at JTII following the sale of NPLs is not disclosed, and there may be a need for additional measures depending on how the economy trends. We believe it necessary to look at both PT Bank JTrust Indonesia and JTII in order to assess the company's progress in processing of NPLs.

As for the deposits and loans strategy, as of the Q1 results announcement, PT Bank JTrust Indonesia aimed to reduce financing costs by changing the deposit portfolio through the introduction of mobile banking.

The bank aims to raise the deposit balance from JPY89.7bn at end-June 2019 to JPY99.9bn by end-December 2019. At the same time, it aims to reduce cost of funds from 7.20% as of end-June 2019 to 6.59% by the end of December. In August 2019 it launched mobile banking services. As of end-September, there was insufficient evidence to assess progress in rebalancing the deposit portfolio and reducing cost of funds.

At end-December 2018, the capital ratio of PT Bank JTrust Indonesia factoring in market risk, credit risk, and operational risk was 14.03% (14.15% at end-December 2017 according to PT Bank JTrust Indonesia's annual report). According to the company, its capital adequacy ratio after processing NPLs was 13.3% at end-June and 13.7% at end-September. Regulatory authorities require a capital adequacy ratio of at least 8%.

#### PT Bank JTrust Indonesia's balance sheet and income statement

(JPYmn)	FY03/16 (JGAAP)	FY03/17 (JGAAP)	FY03/17 (IFRS)	FY03/18 (IFRS)	FY03/19 (IFRS)	FY03/19 1H (IFRS)	FY12/19 1H (IFRS)
Loans in banking business	81,826	90,173	89,630	90,791	63,577	90,436	43,721
YoY	7.5%	10.2%	-	1.3%	-30.0%	-5.0%	-51.7%
Deposits in banking business	100,313	114,081	114,081	119,588	123,677	116,400	101,228
YoY	-6.6%	13.7%	-	4.8%	3.4%	-3.7%	-13.0%
Operating revenue	11,871	16,870	13,573	13,818	11,779	6,065	4,500
YoY	-	42.1%	-	1.8%	-14.8%	49.9%	-25.8%
Operating revenue / Loan balance	14.5%	18.7%	15.1%	15.2%	18.5%	6.7%	10.3%
Operating revenue from banking	11,871	16,870	13,573	13,818	11,779	6,065	4,500
Operating expenses	10,555	12,155	11,871	8,685	11,472	6,238	3,324
Deposit interests	8,391	10,094	8,080	8,053	7,893	3,787	3,764
Deposit interests / Deposit balance	8.1%	9.4%	-	6.9%	6.5%	79.8%	3.5%
Credit costs	-	-	2,286	-686	1,530	1,868	-1,950
Reserve ratio	-	-	2.6%	-	-	221.0%	-
Other	2,163	2,060	1,505	851	1,374	583	1,510
SG&A expenses	7,626	11,077	4,244	4,905	5,332	2,251	2,176
YoY	-	45.3%	-	15.6%	8.7%	95.4%	-3.3%
SG&A ratio	64.2%	65.7%	31.3%	35.5%	45.3%	37.1%	48.4%
Personnel expenses	3,006	2,707	1,906	2,158	2,288	1,135	995
Other expenses	2,224	2,613	2,338	2,747	3,044	1,116	1,181
Operating profit (loss)	-6,310	-6,362	-4,149	1,106	-5,901	-2,383	613
YoY	-	-	-	-	-	-	-
OPM	-	-	-	8.0%	-	-	13.6%

Source: Shared Research based on company data

Note: The table above is based on data before consolidation adjustments; figures differ those in body text which are adjusted for consolidation

#### PT Bank JTrust Indonesia's NPL ratio

Bank J Trust Indonesia (JPYmn)		2018				2019		
		March	June	September	December	March	June	September
Total loan balance	(a)	90,791	93,244	90,436	75,062	63,577	48,632	43,721
Balance of delinquent loans (90+ days)	(b)	2,335	3,249	3,978	8,353	6,437	2,077	3,228
Allowance for doubtful accounts	(c)	8,022	10,066	10,536	11,328	10,136	7,032	7,967
Allowance for doubtful accounts on loan balance	(1)	3,807	5,735	6,091	6,681	5,473	2,461	3,438
NPL ratio (gross)	(b) / (a)	2.57%	3.48%	4.40%	11.13%	10.12%	4.27%	7.38%
NPL ratio (net)	(b)-(1) / (a)	0.00%	0.00%	0.00%	2.23%	1.52%	0.00%	0.00%
Allowance for doubtful accounts on others	(2)	4,215	4,330	4,444	4,647	4,663	4,570	4,528

Source: Shared Research based on company data

Note: The table above is based on data before consolidation adjustments; figures differ those in body text which are adjusted for consolidation

JTrust Royal Bank was consolidated from August 19, 2019, and included in the 1H consolidated accounts for 42 days up to September 30. The company booked a gain on negative goodwill of JPY2.2bn on the consolidation. The bank's ranking among commercial banks in Cambodia was No. 10 in terms of assets (Source: National Bank of Cambodia, Annual Supervision Report 2018). Commercial bank asset growth from 2017 to 2018 was 20.8% YoY (average of 42 largest commercial banks). The company said that its main customers were the top 1% of blue-chip companies and high net worth individuals, and its NPL ratio was 0.9%, versus an average of 2.2% for the 42 commercial banks. Operating profit is trending at about JPY3.0bn.

#### Receivables purchasing business and finance business

- ▷ PT JTrust Investments Indonesia, which operates a receivables collection business, reported a purchased receivables balance of JPY21.7bn as of the end of 1H FY12/19 (versus JPY1.3bn the same time last year).
- ▷ PT JTrust Olympindo Multi Finance (JTO) operates a finance business that makes loans to finance purchases of automobiles and agricultural equipment. With the inclusion of JTO in consolidated results starting in Q3 last year, the balance of operating loans outstanding was brought up to JPY4.1bn.

#### General Entertainment

For 1H FY12/19, the General Entertainment segment reported operating revenue of JPY3.3bn (+499.5% YoY) and a segment profit of JPY78mn (versus a year-earlier profit of JPY3mn). Operating revenue was 42.0% of the company's full-year FY12/19 forecast and segment profit 20.6%. The General Entertainment segment includes allfuz Inc., which provides ad planning and development services and operates a live concerts and entertainment business; UNITED PRODUCTIONS Inc., which operates a video production business; FA Project Inc., which provides planning, development and production services for entertainment content; and Zest Inc., which operates a performing arts production businesses. (Zest changed its name from SKE Inc. in July 2019).

#### Real Estate

For 1H FY12/19, the Real Estate segment reported operating revenue of JPY2.3bn (-9.9% YoY) and a segment profit of JPY168mn (+309.8% YoY). Operating revenue was 42.1% of the company's full-year FY12/19 forecast and segment profit surpassed the full-year forecast of JPY40mn. The real estate business is mainly operated by subsidiary Keynote Co., Ltd. while KeyHolder, Inc. runs the real estate asset business. The jump in segment profit reflects a combination of cost-cutting and gains on sales of fixed assets.

#### Q1 FY12/19 results

- ▷ Operating revenue: JPY18.3bn (+5.1% YoY; +JPY891mn)
- ▷ Operating profit: JPY481mn (-40.4% YoY; -JPY327mn)
- ▷ Loss\*: JPY160mn (JPY1.5bn profit in Q1 FY03/19)

\*Loss attributable to owners of parent

Operating revenue growth mainly came from higher interest income due to the consolidation of J Trust Olympindo (JTO) and higher service revenue in the General Entertainment business due to the consolidation of KeyProduction, allfuz, and FOOLENLARGE. Operating revenue in the General Entertainment business was up JPY1.7bn YoY versus Q1 FY03/19. Factors dragging on growth included a decline in interest income at the company's savings banks in South Korea due to a lower average lending rate during the quarter on an increase in personal loans with medium interest rates. The decline caused a JPY395mn YoY fall in operating revenue in the Financial Business in South Korea and Mongolia. Interest income also declined due to a lower outstanding loan balance at PT Bank JTrust Indonesia, bringing operating revenue for the Financial Business in Southeast Asia down JPY413mn YoY.

Operating profit dropped due to rises in operating expenses and SG&A expenses. By segment, operating profit was up JPY107mn YoY in the Financial Business in Japan and JPY1.1bn YoY in the Financial Business in South Korea and Mongolia, but fell JPY1.1bn YoY in the Financial Business in Southeast Asia.



Profit fell and the company recorded a loss attributable to owners of parent. Items below pre-tax profit were affected by lower operating profit and foreign exchange losses of JPY191mn, versus foreign exchange gains of JPY1.1bn in Q1 FY03/19.

Q1 operating profit of JPY481mn already exceeded the full-year forecast of JPY61mn, thanks to stable earnings in the Financial Business in Japan and Financial Business in South Korea and Mongolia. According to J Trust, Q1 results overall (including the financial businesses in Japan, South Korea and Mongolia, and Southeast Asia) exceeded initial forecasts but the company has not changed its projections for the full year.

In June 2019, J Trust changed its fiscal year from April through the following March to January through December. FY12/19 is a nine-month transition period covering April–December 2019.

### Financial Business in Japan

Segment operating revenue was steady at JPY2.3bn (-1.1% YoY). Segment profit was JPY1.1bn (+11.1% YoY), progressing 36.2% versus the full-year forecast of JPY3.0bn.

Fee income from condominium loan guarantees fell due to fewer loans being written, and gains on book value adjustments declined due to a review of future cash flows from purchased receivables. However, an increase in the balance of outstanding loan guarantees allowed the company to book steady guarantee fee revenue and solid interest income from the collection of receivables. Segment profit increased due to lower provision for doubtful accounts accompanying the review of future cash flows from purchased receivables.

#### Credit guarantee services

Credit guarantee services are provided by Nihon Hoshou. The balance of credit guarantees, the base of revenues in the business, finished at JPY208.9bn (+30.8% YoY). Of this amount, the balance of credit guarantees on unsecured loans totaled JPY18.1bn (+4.6% YoY), and the balance of credit guarantees on secured loans totaled JPY190.9bn (+34.0% YoY). Growth in condominium loan guarantees slackened. Meanwhile, the company worked to diversify its credit guarantee product lineup, adding three partner banks for overseas real estate loan guarantees (for properties mainly in Hawaii and North America) in addition to guarantees for reverse mortgage loans. The company created two products in the crowdfunding market in collaboration with SAMURAI&J PARTNERS (JASDAQ: 4764) with whom it formed a business alliance in March 2019.

#### Collection of receivables

Receivables collection in Japan is mainly handled by Nihon Hoshou and Partir Servicer. The balance of purchased receivables was JPY14.7bn (+10.7% YoY) and the claimable loan balance was JPY937.4bn (+2.6% YoY; +0.5% QoQ), increasing on a higher balance of receivables handled by Partir Servicer. In addition, the claimable loans Nihon Hoshou assumed from the former Takefuji Corp increased roughly JPY10.0bn YoY to approximately JPY150.0bn, on par with the balance at end-FY03/19.

### Financial Business in South Korea and Mongolia

Segment operating revenue was JPY9.8bn (-3.9% YoY). Segment profit was JPY2.5bn (+74.7% YoY), progressing 77.1% versus full-year forecast of JPY3.3bn.

Operating revenue fell as the loan balance at the company's savings banks languished amid tightened regulations. Another contributing factor was the drop in average lending rate during the quarter due to an increase in personal loans with medium-range interest rates, which drove a decline in interest income.

Segment profit grew JPY1.1bn YoY due to a decline in provision for doubtful accounts following a review of historical loss rates on receivables collection, mainly at JT Chinae Savings Bank, in addition to gains on sales of NPLs. Provision for doubtful accounts related to JT Chinae Savings Bank's loan balance (as of end June 2019) fell JPY8.6bn (-1.2bn QoQ). The NPL ratio for loans delinquent over 90 days fell from 6.0% in Q1 FY03/19 to 5.6% and gains on sales of NPLs were roughly JPY300mn above



company forecasts. The company was able to sell its NPLs within Q1, faster than its previous estimate of being able to do so within FY12/19.

The combined lending portfolio of JT Chinae Savings Bank, JT Savings Bank, and JT Capital (as of end-June 2019) included JPY102.1bn (+17.5% YoY) in relatively safe secured loans to corporations as the company emphasized improving the quality of its receivables. The delinquency rate for loans delinquent over 90 days was stable at 3.9%.

#### Loan servicing business

TA Asset Management handles the purchase and collection of non-performing loans (NPLs). At the end of Q1 FY12/19, the balance of purchased receivables was JPY3.1bn (+27.4% YoY) and the balance of claims was JPY29.8bn (+27.9% YoY).

#### Financial Business in Southeast Asia

Segment operating revenue was JPY2.7bn (-13.2% YoY), and the segment loss was JPY1.9bn (versus a loss of JPY783mn in Q1 FY03/19). The company expects a segment loss (operating loss) of JPY1.8bn for the full year.

Operating revenue fell at PT Bank JTrust Indonesia due to lower interest income on a decline in loans at the banking business following the batch processing of NPLs. The segment booked a loss due to the booking of foreclosed asset valuation losses and losses at newly consolidated JTO.

#### Banking business

PT Bank JTrust Indonesia Tbk (PT Bank JTrust Indonesia) conducts the company's banking operations in Indonesia. The company continued to process NPLs, and as a result, the loan balance in the banking business as of end-Q1 FY12/19 came to JPY53.8bn (-42.3% YoY; -19.7% QoQ) and deposits totaled JPY104.0bn (-12.8% YoY; -15.9% QoQ). The NPL ratio on a gross-basis was 4.27% as of end-June 2019 owing to early collection and processing of delinquent loans. NPLs were fully covered on a net basis that factors in provision for doubtful accounts.

The processing of PT Bank JTrust Indonesia's NPLs mainly comprised sale of receivables to PT JTrust Investments Indonesia (JTII). The share of loan receivables secured by collateral at JTII following the sale of NPLs will remain an issue, and there may be a need for additional measures depending on how the economy trends. We believe it necessary to look at both PT Bank JTrust Indonesia and JTII in order to assess the company's progress in processing of NPLs.

As for the deposits and loans strategy, PT Bank JTrust Indonesia aims to reduce financing costs by changing the deposit portfolio through the introduction of mobile banking.

The bank aims to raise the deposit balance from JPY89.7bn at end-June 2019 to JPY99.9bn by end-December 2019. At the same time, it aims to reduce cost of funds from 7.20% as of end-June 2019 to 6.59% by the end of December. On the lending side, the bank will focus on joint financing with PT JTrust Olympindo Multi Finance (JTO).

At end-December 2018, the capital ratio of PT Bank JTrust Indonesia factoring in market risk, credit risk, and operational risk was 14.03% (14.15% at end-December 2017 according to PT Bank JTrust Indonesia's annual report). Regulatory authorities require a capital adequacy ratio of at least 8%. The bank had not disclosed its capital adequacy ratio as of end-June 2019 after processing NPLs.

**PT Bank JTrust Indonesia's balance sheet and income statement**

(JPYmn)	FY03/16		FY03/17		FY03/17		FY03/18		FY03/19		FY12/19	
	JGAAP	JGAAP	JGAAP	JGAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	Q1 IFRS	IFRS
Loans in banking business	81,826	90,173			89,630	90,791	63,577	48,632				
YoY	7.5%	10.2%			-	1.3%	-30.0%	-47.8%				
Deposits in banking business	100,313	114,081			114,081	119,588	123,677	103,980				
YoY	-6.6%	13.7%			-	4.8%	3.4%	-12.8%				
Operating revenue	11,871	16,870			13,573	13,818	11,779	2,297				
YoY	-	42.1%			-	1.8%	-14.8%	-23.7%				
Operating revenue / Loan balance	14.5%	18.7%			15.1%	15.2%	18.5%					
Operating revenue from banking	11,871	16,870			13,573	13,818	11,779	2,297				
Operating expenses	10,555	12,155			11,871	8,685	11,472	162				
Deposit interests	8,391	10,094			8,080	8,053	7,893	1,935				
Deposit interests / Deposit balance	8.1%	9.4%			-	6.9%	6.5%	1.7%				
Credit costs	-	-			2,286	-686	1,530	-2,986				
Reserve ratio	-	-			2.6%	-	-	-				
Other	2,163	2,060			1,505	851	1,374	971				
SG&A expenses	7,626	11,077			4,244	4,905	5,332	1,044				
YoY	-	45.3%			-	15.6%	8.7%	-2.3%				
SG&A ratio	64.2%	65.7%			31.3%	35.5%	45.3%	45.5%				
Personnel expenses	3,006	2,707			1,906	2,158	2,288	513				
Other expenses	2,224	2,613			2,338	2,747	3,044	409				
Operating profit (loss)	-6,310	-6,362			-4,149	1,106	-5,901	2,698				
YoY	-	-			-	-	-	-				
OPM	-	-			-	-	-	-				

Source: Shared Research based on company data

Note: The table above is based on data before consolidation adjustments; figures differ those in body text which are adjusted for consolidation

**PT Bank JTrust Indonesia's NPL ratio**

Bank J Trust Indonesia							
(JPYmn)		Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019
Total loan balance	(a)	90,791	93,244	90,436	75,062	63,577	48,632
Balance of delinquent loans (90+ days)	(b)	2,335	3,249	3,978	8,353	6,437	2,077
Allowance for doubtful account	(c)	8,022	10,066	10,536	11,328	10,136	7,032
Allowance for doubtful account on loan balance	(1)	3,807	5,735	6,091	6,681	5,473	2,461
NPL ratio (gross)	(b) / (a)	2.57%	3.48%	4.40%	11.13%	10.12%	4.27%
NPL ratio (net)	(b)-(1) / (a)	0.00%	0.00%	0.00%	2.23%	1.52%	0.00%
Allowance for doubtful account on others	(2)	4,215	4,330	4,444	4,647	4,663	4,570

Source: Shared Research based on company data

**Loan servicing business**

In Indonesia, PT JTrust Investments Indonesia (JTII) conducts receivables collection services. The balance of purchased receivables at JTII reached JPY22.1bn (versus JPY849mn in Q1 FY03/19) as a result of purchases of receivables held by PT Bank JTrust Indonesia. JTII plans to collect receivables while paying attention to collateral values.

**Acquisition of ANZ Royal Bank (Cambodia) Ltd.**

In May 2018, the company decided to acquire 55.0% of total common shares issued by ANZ Royal Bank (Cambodia) Ltd. and completed the acquisition in August 2019. The bank became the company's consolidated and specified subsidiary and changed its name to JTrust Royal Bank Plc. (JTRB).

JTRB has two segments: retail and corporate. Its business strategy centers on the low-risk market, targeting the top 1% of companies in Cambodia and wealthiest 5% of the population. J Trust plans to expand JTRB's business strategy to encompass the middle class market, which has a large market size and high growth potential.

The company is currently assessing JTRB's revenue contributions in detail. In FY12/18, its pre-tax profit was JPY2.9bn.

**Earnings and key financials of JTrust Royal Bank Plc.**

(JPYmn)	FY 12/16	FY 12/17	FY 12/18
Net assets	17,958	20,354	22,768
Total assets	113,025	111,227	102,520
Operating revenue	5,154	5,154	5,387
Pre-tax profit	2,882	3,281	2,874
Net income	2,285	2,386	2,414

Source: Shared Research based on company data

**General Entertainment**

allfuz Inc. provides ad planning and development services, KeyStudio, Inc. operates a live entertainment business, KeyProduction, Inc. and FOOLENLARGE Inc. create television programs, FA Project Inc. provides planning, development and policy services for entertainment content, and SKE Inc. operates a performing arts production business. The segment generated operating revenue of JPY1.7bn (JPY5mn in Q1 FY03/19) and a segment profit of JPY39mn (versus a segment loss of JPY13mn in Q1 FY03/19).

There were mergers and name changes within the KeyHolder group companies. As of August 2019, allfuz Inc. ran an ad planning and development business in addition to a live concerts and entertainment business, UNITED PRODUCTIONS Inc. ran a video production business, FA Project Inc. ran entertainment and content planning and development business, and Zest Inc. ran a performing arts production business.

**Real Estate**

Segment operating revenue was JPY1.3bn (+11.3% YoY) and the segment loss was JPY21mn (versus segment profit of JPY11mn in Q1 FY03/19). Keynote Co., Ltd. operates the real estate business, and KeyHolder, Inc. runs the real estate asset business. Operating revenue posted solid YoY growth. The segment posted a loss as the company constrained procurement of real estate for sale.

**Investment**

Segment operating revenue came to JPY272mn (-15.5% YoY) and the segment loss to JPY510mn (versus segment profit of JPY186mn in Q1 FY03/19). JTrust Asia operates the Investment Business and provides management support to the investee companies. The segment posted a loss as an increase in legal expenses for JTrust Asia's claims against GL drove SG&A expenses up.

**Investment**

For 1H FY12/19, the Investment segment reported operating revenue of JPY533mn (-18.6% YoY) and a segment loss of JPY1.1bn (versus year-earlier loss of JPY291mn). Operating revenue was 51.2% of the company's full-year FY12/19 forecast and the company forecast segment loss of JPY645mn. JTrust Asia operates the Investment Business and provides management support to the companies in which it has invested. The increase in the segment loss in 1H FY12/19 reflects rising costs related to ongoing litigation (booked under SG&A expenses).

## Balance sheet

Balance sheet (JPY mn)	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17	Balance sheet (JPY/mn)	FY03/17	FY03/18	FY03/19	FY12/19
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.		IFRS	IFRS	IFRS	IFRS
<b>Assets</b>								<b>Assets</b>				
Cash and deposits	14,846	10,362	62,140	132,235	141,742	108,682	101,172	Cash and cash equivalents	80,666	84,723	87,150	81,913
Commercial notes	1,900	2,119	1,656	2,369	2,355	1,428	928	Trade and other receivables	78,416	92,723	106,735	113,942
Operating loans	11,725	27,713	18,227	49,242	65,315	49,505	49,098	Marketable securities in banking business	30,459	37,159	46,599	52,805
Loans in banking business	-	-	48,210	46,701	224,401	230,532	326,996	Loans in banking business	311,480	343,400	326,234	370,174
Advances paid-installment	1,443	65,024	48,133	39,776	1,395	2,449	2,726	Operational investment securities	21,494	3,242	2,855	1,895
Purchased receivables	4,008	2,310	2,529	2,527	8,647	9,940	12,146	Marketable securities	144	208	1,179	721
Subrogation receivable	518	506	656	798	1,124	1,462	1,223	Other financial assets	38,066	46,300	33,416	40,874
Marketable securities	-	-	788	10,787	17,874	25,287	30,459	Investments accounted for by equity method	168	144	126	118
Inventories	565	1,314	1,691	2,570	3,203	4,049	6,236	Inventories	6,848	6,937	6,742	7,285
Deferred tax assets	139	154	184	3,013	2,273	1,106	1,287	Assets held for sales	4,199	1,807	2,310	1,102
Others	985	4,274	16,622	20,429	20,456	30,500	-2,741	Total tangible assets	5,622	3,028	5,119	9,871
Allowance for doubtful accounts	-1,836	-6,813	-11,574	-11,657	-20,525	-16,809	23,801	Investment property	2,249	610	916	2,309
<b>Total current assets</b>	<b>34,293</b>	<b>106,963</b>	<b>189,262</b>	<b>298,790</b>	<b>468,260</b>	<b>448,131</b>	<b>553,331</b>	<b>Goodwill</b>	<b>32,140</b>	<b>29,578</b>	<b>33,508</b>	<b>36,232</b>
<b>Total tangible assets</b>	<b>1,166</b>	<b>5,095</b>	<b>10,836</b>	<b>12,309</b>	<b>9,352</b>	<b>7,510</b>	<b>6,474</b>	<b>Intangible assets</b>	<b>3,459</b>	<b>3,087</b>	<b>3,790</b>	<b>7,027</b>
Goodwill	344	805	5,761	5,694	41,438	34,536	29,727	Deferred tax assets	1,476	1,502	2,373	939
Others	111	315	1,003	2,939	5,664	4,820	4,650	Other assets	2,971	2,505	9,317	4,053
<b>Total intangible assets</b>	<b>455</b>	<b>1,120</b>	<b>6,764</b>	<b>8,633</b>	<b>47,102</b>	<b>39,356</b>	<b>34,378</b>					
Long-term operating receivables	2,286	8,487	4,686	3,951	2,405	2,083	1,578					
Others	1,043	3,602	11,625	15,548	23,689	14,461	15,085					
Allowance for doubtful accounts	-1,382	-7,723	-4,469	-4,498	-10,092	-2,884	-2,198					
<b>Investments and other assets</b>	<b>1,947</b>	<b>4,366</b>	<b>11,842</b>	<b>15,001</b>	<b>16,002</b>	<b>13,660</b>	<b>14,465</b>					
<b>Total noncurrent assets</b>	<b>3,569</b>	<b>10,582</b>	<b>29,443</b>	<b>35,945</b>	<b>72,458</b>	<b>60,527</b>	<b>55,319</b>					
<b>Total assets</b>	<b>37,862</b>	<b>117,546</b>	<b>218,706</b>	<b>334,736</b>	<b>540,718</b>	<b>508,659</b>	<b>608,650</b>	<b>Total assets</b>	<b>619,865</b>	<b>656,961</b>	<b>668,377</b>	<b>731,268</b>
<b>Liabilities</b>								<b>Liabilities</b>				
Notes discounted	1,291	1,776	1,500	2,173	2,226	1,381	916	Trade and other payables	8,110	9,811	14,613	16,137
Current portion of bonds	-	-	-	2,610	130	60	111	Deposits by banking business	364,462	403,509	437,010	483,402
Short-term loans payable	2,465	3,039	3,062	6,225	7,862	14,317	9,798	Bonds and borrowings	72,139	78,727	86,002	85,105
Current portion of long-term loans payable	1,515	2,537	5,009	16,423	5,987	13,391	18,733	Other financial liabilities	8,182	5,272	13,383	19,907
Income taxes payable	1,062	254	829	1,034	1,157	769	1,213	Income taxes payable	1,205	629	1,215	962
Deposits by banking business	-	-	73,194	77,142	287,452	271,117	364,419	Provision	2,128	353	1,114	1,214
Reserve for loss on interest repayment	3,359	10,172	7,124	4,055	1,089	-	-	Deferred tax liabilities	759	850	1,076	1,720
Other	572	26,217	8,753	9,242	16,695	10,607	30,903	Other liabilities	6,963	7,029	3,233	3,864
<b>Total current liabilities</b>	<b>10,264</b>	<b>43,995</b>	<b>99,471</b>	<b>118,904</b>	<b>322,598</b>	<b>311,642</b>	<b>426,093</b>	<b>Total liabilities</b>	<b>463,952</b>	<b>506,184</b>	<b>557,650</b>	<b>612,315</b>
Corporate bonds	-	-	-	1,875	2,241	2,169	2,372					
Long-term loans payable	10,814	13,670	30,487	14,454	11,009	21,788	24,353					
Provision for loss on interest repayment	2,382	9,711	12,052	9,382	5,219	-	-					
Provision for loss on guarantees	203	290	4,017	441	422	424	352					
Other	236	408	1,783	5,449	4,363	3,979	3,816					
<b>Total noncurrent liabilities</b>	<b>13,635</b>	<b>24,079</b>	<b>48,339</b>	<b>31,601</b>	<b>23,254</b>	<b>28,360</b>	<b>30,893</b>					
<b>Total liabilities</b>	<b>23,900</b>	<b>68,074</b>	<b>147,810</b>	<b>150,505</b>	<b>345,853</b>	<b>340,002</b>	<b>456,987</b>					
<b>Net assets</b>												
Capital stock	4,496	4,530	4,625	53,578	53,604	53,616	53,630	Capital stock	53,630	53,638	54,760	54,760
Capital surplus	2,230	2,265	3,966	52,920	52,945	52,572	53,716	Capital surplus	52,743	52,713	53,844	54,082
Retained earnings	7,235	41,377	54,320	64,626	73,709	60,777	49,499	Other components of equity	2,091	-1,854	-3,170	-4,219
Treasury stock	-73	-72	-194	-197	-197	-406	-7,685	Treasury stock	-7,685	-7,685	-7,685	-7,685
Accumulated other comprehensive income	5	-32	908	6,335	7,972	-3,445	-3,409	Other components of equity	150,284	144,366	104,173	100,006
Share subscription rights	52	103	140	117	167	167	168	Non-controlling interests	5,628	6,409	6,554	18,946
Non-controlling interests	14	1,300	7,130	6,848	6,663	5,373	5,742	<b>Total equity</b>	<b>155,913</b>	<b>150,776</b>	<b>110,727</b>	<b>118,953</b>
<b>Total net assets</b>	<b>13,961</b>	<b>49,471</b>	<b>70,895</b>	<b>184,230</b>	<b>194,865</b>	<b>168,656</b>	<b>151,663</b>	Total interest-bearing debt	72,139	78,727	86,002	85,105
Total interest-bearing debt	14,794	19,246	38,558	41,587	27,229	51,725	55,367	Net debt	-8,527	-5,996	-1,148	3,192
Net debt	-52	8,884	-23,582	-90,648	-114,513	-56,957	-45,805					

Source: Shared Research based on company data

Note: FY03/17 IFRS results exclude results for discontinued operations (Adores, Inc).

## Assets

J Trust's assets grew due to acquisitions from FY03/09. In FY12/19, the primary categories were cash and deposits, operating and other receivables, and loans by the banking business. Total assets rose by JPY62.9bn from end-FY03/19 to JPY731.3bn. The main reason was that the company made JTrust Royal Bank a consolidated subsidiary in August 2019.

## Operating and other receivables

Operating and other receivables include operating loans and purchased receivables. Operating loans mainly consist of loans at Korean subsidiary JT Capital. Purchased receivables mostly include purchased receivables in the receivables collection business operated by Japanese subsidiary Nihon Hoshou.

## Loans by the banking business

Loans by the banking business consist of the loans recorded for JT Chinae Savings Bank and JT Savings Bank (savings bank operations in South Korea), for PT Bank JTrust Indonesia (banking operations in Indonesia) and JTrust Royal Bank. In FY12/19, loans by the banking business were JPY384.5bn: JPY284.3bn for South Korea (JT Chinae Savings Bank and JT Savings Bank), JPY38.5bn for Indonesia (PT Bank JTrust Indonesia), and JPY52.6bn for Cambodia (JTrust Royal Bank).

Historically, loan amounts exhibited notable fluctuations in FY03/13, FY03/15, FY03/17, and FY12/19.

- ▷ In FY03/13, loans by the banking business totaled JPY48.2bn. JT Chinae Savings Bank started savings bank operations in October 2012, and took over part of Mirae Savings Bank's assets as well as loan receivables from Solomon Savings Bank (January 2013).
- ▷ In FY03/15, the company expanded loans by JPY177.7bn YoY (+381% YoY). In South Korea, the corresponding increase was JPY102bn YoY (+218% YoY). JT Chinae Savings Bank took over the lending business of three group companies in South Korea as well as receivables from JT Capital, and increased the amount of new loan receivables through television commercials and other advertising initiatives and by turning JT Savings Bank into a subsidiary. The conversion of PT Bank Mutiara Tbk. (currently PT Bank JTrust Indonesia) into a subsidiary drove further increase.
- ▷ In FY03/17, the company recorded increases in both the volume and value of new loans.
- ▷ In FY12/19, they increased due to the consolidation of JTrust Royal Bank (Cambodia).

## Liabilities

The main categories on the liabilities side are banking business deposits, corporate bonds, and loans.

### Bank deposits

Bank deposits are deposits at Chinae Savings Bank in South Korea and at PT Bank JTrust Indonesia. Historically, deposit amounts exhibited notable fluctuations in FY03/13, FY03/15, FY03/17, and FY12/19.

- ▷ J Trust launched a mutual savings bank business therein October 2012. Due to taking over some of Mirae Savings Bank's liabilities, J Trust booked deposits in FY03/13.
- ▷ In FY03/15, deposits increased owing to Chinae Savings Bank's takeover of the lending business of three group companies as well as receivables from JT Capital, and to the conversion of JT Savings Bank and Indonesia's PT Bank Mutiara Tbk. into subsidiaries.
- ▷ In FY12/19, they increased due to the consolidation of JTrust Royal Bank (Cambodia).

## Net assets

J Trust's net assets grew by approximately 22x from FY03/09 to FY03/17, mainly reflecting a build-up of net income and fund procurement through rights offerings.

Net assets grew especially rapidly in FY03/12 and FY03/13. In FY03/12, a major contributing factor to the increase in net assets was the booking of a JPY29.4bn gain on negative goodwill from the KC Card consolidation. Net assets rose by JPY21.4bn in FY03/13. The main factors were net income of JPY13.3bn as well as an increase of JPY5.8bn in minority interests following the consolidation of Adores as a subsidiary.

Net assets in FY03/14 came to JPY184.2bn, an increase of JPY113.3bn from FY03/13, with net income of JPY11.1bn and a rise in net worth of JPY97.9bn due to the rights offering in July 2013.

In FY03/19, total equity fell 26.6% YoY following an operating loss of JPY32.6bn as the company dealt with NPLs at PT Bank JTrust Indonesia and booked provisions for doubtful accounts in the Investment Business.

## Statement of cash flows

Cash flow statement (JPYmn)								Cash flow statement (JPYmn)				
	FY03/11	FY03/12	FY03/13	FY03/14	FY03/15	FY03/16	FY03/17		FY03/17	FY03/18	FY03/19	FY12/19
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	(JPYmn)	IFRS	IFRS	IFRS	IFRS
<b>Cash flows from operating activities (1)</b>	<b>9,234</b>	<b>-16,489</b>	<b>9,378</b>	<b>11,434</b>	<b>15,452</b>	<b>-32,435</b>	<b>-14,434</b>	<b>Cash flows from operating activities (1)</b>	<b>-12,413</b>	<b>4,581</b>	<b>18,831</b>	<b>-20,829</b>
Pre-tax profit (loss)	4,614	35,319	13,821	11,689	1,106	-5,602	-8,359	Pre-tax profit (loss)	-433	2,898	-31,135	-312
Depreciation	120	216	2,560	2,311	2,957	2,549	2,390	Depreciation	2,636	2,456	1,535	2,722
Gain on negative goodwill	-	-29,444	-294	-1,060	-14,573	-	-24	Change in trade and other receivables	-10,805	-11,644	497	840
Goodwill amortization	86	110	687	1,320	1,334	3,147	3,308	Change in deposits in banking business	86,236	49,354	39,554	-13,724
Change in provision for doubtful accounts	-3,108	-3,342	-4,865	-6,964	-6,518	-7,207	6,225	Change in loans in banking business	-87,500	-42,789	-5,395	-17,559
Loan loss write-offs	4,655	8,007	10,252	9,081	9,532	7,701	4,185	Income taxes paid	-1,922	-2,231	-2,332	-2,574
Change in deposits in banking business	-	-	2,311	-10,612	60,271	10,981	89,868					
Income taxes paid	-828	-1,654	-1,324	-2,206	-2,411	-3,251	-1,922					
Increase in operating loans	-3,616	-7,847	-6,824	-4,198	-9,483	-25,830	-35,028					
Decrease in operating loans	4,145	8,328	13,205	7,965	22,273	33,163	35,813					
Change in loans in banking business	-	-	-25,392	6,601	-43,878	-40,298	-95,597					
<b>Cash flows from investing activities (2)</b>	<b>-310</b>	<b>-12,424</b>	<b>36,764</b>	<b>-17,775</b>	<b>-15,148</b>	<b>-7,896</b>	<b>-4,774</b>	<b>Cash flows from investing activities (2)</b>	<b>-4,468</b>	<b>-7,603</b>	<b>-15,190</b>	<b>15,431</b>
Purchase of tangible assets	-135	-239	-2,121	-3,713	-2,948	-2,948	-1,937	Purchase of tangible assets and investment property	-1,843	-1,474	-1,941	-1,636
Purchase of intangible assets	-9	-29	-380	-1,201	-2,771	-2,771	-1,558	Proceeds from sale of tangible assets and investment property	1,162	270	48	737
Purchase of marketable securities	-	-	-31,004	-147,430	-1,621	-76,581	-130,242	Purchase of intangible assets	-1,537	-794	-1,983	-2,312
Proceeds from sale of marketable securities	-	-	36	64	94	34,770	101,208	purchase of marketable securities in banking business	-102,457	-106,170	-105,252	-74,266
Proceeds from redemption of marketable securities	-	-	35,052	147,453	10	34,419	24,984	Proceeds from sale of marketable securities in banking business	73,739	97,229	95,565	67,529
Proceeds from business transfer	-	-	40,766	-	-	-	-	Proceeds from redemption of marketable securities in banking business	24,984	984	5,869	1,331
Payments for absorption-type company exit	-	-16,894	-	-	-	-	-					
<b>Free cash flow (1+2)</b>	<b>8,924</b>	<b>-28,913</b>	<b>46,142</b>	<b>-6,341</b>	<b>304</b>	<b>-40,331</b>	<b>-19,208</b>	<b>Free cash flow (1+2)</b>	<b>-16,881</b>	<b>-3,022</b>	<b>3,641</b>	<b>-5,398</b>
<b>Cash flows from financing activities</b>	<b>-908</b>	<b>24,165</b>	<b>-2,441</b>	<b>74,464</b>	<b>-20,593</b>	<b>13,026</b>	<b>10,935</b>	<b>Cash flows from financing activities</b>	<b>10,612</b>	<b>7,798</b>	<b>-525</b>	<b>18</b>
Proceeds from short-term borrowings	5,837	28,131	3,817	5,761	10,986	22,190	21,423	Net change in short-term borrowings	-4,635	4,112	-4,929	-770
Repayment of short-term borrowings	-6,636	-7,998	-6,460	-4,593	-10,151	-15,229	-26,059	Net change in current portion of bonds	14,959	5,915	-5,487	-4,251
Proceeds from long-term borrowings	800	5,791	7,293	5,543	17,004	36,718	26,189	Repayments of long-term borrowings	-10,751	-18,938	-26,946	-20,349
Repayment of long-term borrowings	-1,094	-1,924	-6,533	-28,668	-32,642	-21,677	-18,122	Proceeds from long-term borrowings	26,189	17,850	31,964	23,344
Proceeds from issuance of shares	-	-	-	96,602	-	-	-	Redemption of bonds	-7,446	-6,577	-5,956	-6,371
Purchase of treasury shares	-0	-	-	-2	-	-6,271	-7,279	Proceeds from issuance of bonds	470	7,060	9,540	10,050
Dividends paid	-356	-358	-366	-839	-1,180	-1,164	-1,401	Purchase of treasury shares	-7,279	-	-	-
								Dividends paid	-1,401	-1,235	-1,236	-105

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods

Note: FY03/17 IFRS results exclude results for discontinued operations (Adores, Inc).

### Cash flows from operating activities

Cash flows from operating activities are primarily influenced by fluctuations in pre-tax profit or loss, operating and other receivables, and changes in the value of deposits and loans in the banking business.

### Cash flows from investing activities

Cash flows from investing activities are heavily influenced by fund flows accompanying acquisitions and business transfers.

### Cash flows from financing activities

There is a tendency for cash flows from financing activities to fluctuate in line with changes in interest-bearing debt, share issuance, and dividend payments.

## Other information

### History

**Nobuyoshi Fujisawa (born 1970) is J Trust's president.** He is a graduate of Tokyo University's Faculty of Medicine. In 2001, after graduating and working for a year, he joined Be Japan KK (a real estate-backed loan lender), attracted by a high starting salary. There he developed a knack for financial workouts, collecting receivables and making property-backed loans. He became president after just two years, expanding Be Japan's loan book and turning around the once-struggling operator. As reward for his efforts, he became the company's largest shareholder, holding about a one-third share of the business.

In 2005 Be Japan partnered with Livedoor; Livedoor then bought out Be Japan. Fujisawa sold his shares at a substantial profit but remained with Livedoor, becoming the CEO of several subsidiaries under the financial/real estate arms of Livedoor Financial Group.

Livedoor began fraying in 2006 when its executives were accused of securities fraud. At the end of the same year, all shares of Livedoor Financial Holdings (now Kazaka Financial Group) were transferred to private equity fund Advantage Partners. Fujisawa was chosen to manage Kazaka Finance's operations.

Fujisawa bought out Kazaka Finance in 2009 establishing Neoline Holdings and becoming CEO. He then made a successful takeover bid for business loan lender Ikko Corporation (now J Trust) in 2008 with his own capital, thereby becoming the largest shareholder.

Since 2009, J Trust has grown rapidly through acquisition (details follow). Fujisawa was the CEO of both J Trust and Neoline Holdings, but his businesses were consolidated when Neoline Holdings became part of J Trust group in 2012.

The company has strengthened its overseas operations since 2012. It began savings bank operations in South Korea in October 2012, and established an investment base in Singapore in October 2013. In addition, it acquired a commercial bank in Indonesia in November 2014.

As of June 2018, the company is focusing on the Domestic Financial Business, the Financial Business in South Korea, and the Financial Business in Southeast Asia.

March 2009	Bought 100% of Station Finance (now Nihon Hoshou) from Hankyu Corp.
September 2010	Bought 100% of Lopro Corporation (now Nihon Hoshou).
August 2011	Bought 97.76% of KC Card (formerly Rakuten KC) from Rakuten.
March 2012	Bought and transferred the consumer financial business of Takefuji Corp. (now TFK under corporate rehabilitation) to Lopro Corporation (now Nihon Hoshou) via an absorption-type split.
April 2012	Company bought Next Japan Holdings through a stock swap.
June 2012	Made Adores a consolidated subsidiary.
July 2012	Bought 100% of JT Investment (formerly Neoline Holdings) from NLHD.
October 2012	Obtained a South Korean savings bank business license via Chinae; launched savings bank business with the establishment of Chinae Savings Bank (currently JT Chinae Savings Bank).
July 2013	Procured JPY97.6bn of funds via rights offering (non-commitment/gratis-allotment of listed conversion options).
October 2013	Established JTrust Asia Pte. Ltd. in Singapore as a foothold for advancement into Southeast Asia.
March 2014	Bought 100% of KJI Consumer Finance LLC and HICAPITAL CO., LTD., making them subsidiaries.
November 2014	In Indonesia acquired 99.0% of Indonesian commercial bank PT Bank Mutiara Tbk.'s shares from Indonesia Deposit Insurance Corporation, making it a consolidated subsidiary.

January 2015	Demerged the credit card business of KC Card, which was taken over by KC Card's Subsidiary KC (currently YJ Card) with all of KC's shares sold to Yahoo Japan Corporation and SoftBank Payment Service Corp. Also, KC Card's trading name changed to J Trust Card.
January 2015	In South Korea, purchased all the shares of Standard Chartered Savings Bank Korea Co., Ltd., made it a consolidated subsidiary, and changed trading name to JT Savings Bank.
March 2015	In South Korea, purchased all the shares of Standard Chartered Capital (Korea) Co., Ltd., made it a consolidated subsidiary, and changed trading name to JT Capital.
June 2015	Established PT JTrust Investments Indonesia in Indonesia as a subsidiary of JTrust Asia Pte. Ltd.
October 2017	Transferred the General Entertainment business, part of the Real Estate business, and Other business (money exchange services) of Adores, Inc. to Adores Company Split Preparatory Company through a company split (absorption-type split). At the same time, Adores, Inc. changed its trading name to KeyHolder, Inc., and Adores Company Split Preparatory Company changed its to Adores, Inc.
March 2018	Sold all shares in Adores, Inc. to Wide Leisure, K.K., and subsequently excluded Adores from the scope of consolidation.
May 2018	Purchased all the shares of Capital Continent Investment NBFi (now, J Trust Credit NBFi), which conducts automobile loans, from Japan Pocket Co. Ltd., and entered the Mongolian market.
October 2018	In Indonesia, JTrust Asia Pte. Ltd. acquired shares of PT Olympindo Multi Finance (now, PT JTrust Olympindo Multi Finance) and 60% of new shares via third-party allotment to make PT JTrust Olympindo Multi Finance a consolidated subsidiary.
August 2019	Company completed share purchases of ANZ Royal Bank (Cambodia) Ltd. and made it a consolidated subsidiary.

## News and topics

### February 2020

On **February 26, 2020**, the company announced changes in its representative director and executives.

At the Board of Directors meeting held on the same day, the company resolved on the following change in its representative director, which will be put to effect on March 26, 2020.

Name	New title	Current title
Joji Eguchi	representative director, president and chief executive officer	—
Nobuyoshi Fujisawa	chairman and director	representative director, president and chief executive officer

### August 2019

On **August 19, 2019**, the company announced the completion of share purchases of ANZ Royal Bank (Cambodia) Ltd.

The company resolved to purchase 55.0% of all common shares issued of ANZ Royal Bank (Cambodia) Ltd. (hereafter ANZR) from ANZ Funds Pyt. Ltd. back in May 2018, and completed the purchase at this time. As a result of the share purchase, ANZR became the company's consolidated and specified subsidiary, and changed its trade name to JTrust Royal Bank Plc. (JTRB).

Latest earnings results of ANZR are as follows. Note that the company is currently reviewing the possible impact of the share purchase on its consolidated earnings results; as of now, it has not revised its earnings forecasts for FY03/20.

#### Business results and financial position of ANZR for the past three years (JPYmn, converted using an exchange rate of JPY108.64/USD of July 31, 2019)

	FY12/16	FY12/17	FY12/18
Net assets	17,958	20,354	22,768
Total assets	113,025	111,227	102,520
Operating revenue	5,154	5,154	5,387
Pre-tax profit	2,882	3,281	2,874
Net income	2,285	2,386	2,414



Source: Shared Research based on company data

## Major shareholders

Top shareholders	Shares held ('000)	Shareholding ratio
NLHD Co., Ltd.	26,698	25.22%
Nobuyoshi Fujisawa	14,907	14.08%
Korea Securities Depository-Shinhan Investment	5,261	4.97%
Taiyo Hanei Fund, L.P.	5,101	4.82%
State Street Bank and Trust Company 505227	4,154	3.92%
Taiyo Fund, L.P.	3,806	3.60%
Saikyo Leasing Co., Ltd.	2,890	2.73%
JAPAN POCKET Co., Ltd.	1,780	1.68%
Japan Trustee Services Bank, Ltd. (Trust account 9)	1,480	1.40%
Japan Trustee Services Bank, Ltd. (Trust account)	1,134	1.07%
<b>SUM</b>	<b>67,210</b>	<b>63.48%</b>

Source: Shared Research based on company data  
Shareholding percentages calculated after excluding treasury shares  
As of end-December 2019

## Shareholder return

The company views the appropriate return of profits to shareholders as a matter of importance. It strives to redistribute profits, while also taking into account the future operating environment and industry conditions.

### Dividends

In FY12/19, the company expects to pay a year-end dividend of JPY1.0 per share payable to shareholders of record as of December 31, 2019.

### Acquisition of treasury stock

In FY03/16, the company bought back 6,250,000 shares (upper limit) (5.29% of shares outstanding) worth JPY6.3bn. It then retired the 6.3mn shares.

The company purchased 6,000,000 of its own shares (5.35% of shares outstanding) on August 15, 2016 and another 3,188,000 of its shares (3.01%) on August 16, 2016.

## Company profile

<b>Company</b>	<b>Head office</b>
J Trust Co., Ltd.	Toranomon First Garden, 1-7-12 Toranomom, Minato-Ku, Tokyo 105-0001
<b>Phone</b>	<b>Exchange listing</b>
+81-3-4330-9100	Tokyo Stock Exchange 2nd Section
<b>Established</b>	<b>Listed on</b>
March 18, 1977	September 8, 1998
<b>Website</b>	<b>Fiscal year-end</b>
<a href="https://www.jt-corp.co.jp/en/">https://www.jt-corp.co.jp/en/</a>	December
<b>IR web</b>	<b>IR mail</b>
<a href="https://www.jt-corp.co.jp/en/ir/">https://www.jt-corp.co.jp/en/ir/</a>	<a href="mailto:ir@jt-corp.co.jp">ir@jt-corp.co.jp</a>

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

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ADJUVANT COSME JAPAN CO., LTD.	Digital Arts Inc.	Kawanishi Holdings, Inc.	SANIX INCORPORATED
Aeon Delight Co., Ltd.	Digital Garage Inc.	KFC Holdings Japan, Ltd.	Sanrio Company, Ltd.
Aeon Fantasy Co., Ltd.	DIP Corporation	KI-Star Real Estate Co., Ltd.	SATO HOLDINGS CORPORATION
Ai Holdings Corporation	Doshisha Corporation	Kodotec Inc.	SBS Holdings, Inc.
AI Inside Inc.	Dream Incubator Inc.	Kumiai Chemical Industry Co., Ltd.	Seikagaku Corporation
AirTrip Corp.	Earth Corporation	Lasertec Corporation	Seria Co.,Ltd.
and factory, inc.	Edion Corporation	Locondo, Inc.	SHIFT Inc.
ANEST IWATA Corporation	Elecom Co., Ltd.	LUCKLAND CO., LTD.	Shikigaku Co., Ltd
AnGes Inc.	en-Japan Inc.	MATSUI SECURITIES CO., LTD.	SHIP HEALTHCARE HOLDINGS, INC.
Anicom Holdings, Inc.	euglena Co., Ltd.	Media Do Holdings Co., Ltd.	SIGMAXYZ Inc.
Anritsu Corporation	FaithNetwork Co., Ltd.	Medical System Network Co., Ltd.	SMS Co., Ltd.
Apaman Co., Ltd.	Ferrotec Holdings Corporation	MEDINET Co., Ltd.	Snow Peak, Inc.
ARATA CORPORATION	FIELDS CORPORATION	MedPeer, Inc.	Solasia Pharma K.K.
Artspark Holdings Inc.	Financial Products Group Co., Ltd.	Mercuria Investment Co., Ltd.	SOURCENEXT Corporation
AS ONE CORPORATION	First Brothers Col, Ltd.	Micronics Japan Co., Ltd.	Star Mica Holdings Co., Ltd.
Ateam Inc.	FreeBit Co., Ltd.	MIRAIT Holdings Corporation	Strike Co., Ltd.
Aucfan Co., Ltd.	Fujita Kanko Inc.	Monex Goup Inc.	SymBio Pharmaceuticals Limited
AVANT CORPORATION	Gamecard-Joyco Holdings, Inc.	MORINAGA MILK INDUSTRY CO., LTD.	Syncho Food Co., Ltd.
Axell Corporation	GameWith, Inc.	Mortgage Service Japan Limited.	TAIYO HOLDINGS CO., LTD.
Azbil Corporation	GCA Corporation	NAGASE & CO., LTD	Takashimaya Company, Limited
AZIA CO., LTD.	Good Com Asset Co., Ltd.	NAIGAI TRANS LINE LTD.	Take and Give Needs Co., Ltd.
AZoom, Co., Ltd.	Grandy House Corporation	NanoCarrier Co., Ltd.	Takihyo Co., Ltd.
Base Co., Ltd	Hakuto Co., Ltd.	Net Marketing Co., Ltd.	TEAR Corporation
BEEVOS Inc.	Hamee Corp.	Net One Systems Co.,Ltd.	Tenpo Innovation Inc.
Bell-Park Co., Ltd.	Happinet Corporation	Nichi-Iko Pharmaceutical Co., Ltd.	3-D Matrix, Ltd.
Benefit One Inc.	Harmonic Drive Systems Inc.	Nihon Denkei Co., Ltd.	TKC Corporation
B-1ot Co.,Ltd.	HOUSEDO Co., Ltd.	Nippon Koei Co., Ltd.	TKP Corporation
Broadleaf Co., Ltd.	H2O Retailing Corporation	NIPPON PARKING DEVELOPMENT Co., Ltd.	Tsuzuki Denki Co., Ltd.
CanBas Co., Ltd.	IDOM Inc.	NIPRO CORPORATION	TOCALO Co., Ltd.
Canon Marketing Japan Inc.	IGNIS LTD.	Nisshinbo Holdings Inc.	TOKAI Holdings Corporation
Career Design Center Co., Ltd.	i-mobile Co.,Ltd.	NS TOOL CO., LTD.	Tokyu Construction Co., Ltd.
Carna Biosciences, Inc.	Inabata & Co., Ltd.	OHIZUMI MFG. CO., LTD.	TOYOBO CO., LTD.
CARTA HOLDINGS, INC	Infocom Corporation	Oisix ra daichi Inc.	Toyo Ink SC Holdings Co., Ltd
CERES INC.	Infomart Corporation	Oki Electric Industry Co., Ltd	Toyo Tanso Co., Ltd.
Chiyoda Co., Ltd.	Intelligent Wave, Inc.	ONO SOKKI Co., Ltd.	Tri-Stage Inc.
Chori Co., Ltd.	ipet Insurance CO., Ltd.	ONWARD HOLDINGS CO.,LTD.	TSURUHA Holdings
Chugoku Marine Paints, Ltd.	Itochu Emex Co., Ltd.	Pan Pacific International Holdings Corporation	VISION INC.
cocokara fine Inc.	JMDC Inc.	PARIS MIKI HOLDINGS Inc.	VISIONARY HOLDINGS CO., LTD.
COMSYS Holdings Corporation	JSB Co., Ltd.	PIGEON CORPORATION	WirelessGate, Inc.
COTA CO.,LTD.	JTEC Corporation	QB Net Holdings Co., Ltd.	YELLOW HAT LTD.
CRE, Inc.	J Trust Co., Ltd	RACCOON HOLDINGS, Inc.	YOSHINOYA HOLDINGS CO., LTD.
CREEK & RIVER Co., Ltd.	Japan Best Rescue System Co., Ltd.	Raysum Co., Ltd.	YUMESHIN HOLDINGS CO., LTD.
Daiichi Kigenso Kagaku Kogyo Co., Ltd.	JINS HOLDINGS Inc.	RESORTTRUST, INC.	ZAPPALLAS, INC.
Daiseki Co., Ltd.	JP-HOLDINGS, INC.	ROUND ONE Corporation	

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