

Consolidated Financial Results For the Six Months Ended September 30, 2017 (IFRS)

November 13, 2017

Company name: J Trust Co., Ltd.

Stock exchange: Tokyo Stock Exchange

URL: <https://www.jt-corp.co.jp/en/>

Securities code: 8508

Representative: Nobuyoshi Fujisawa, Representative Director, President & CEO

Contact: Taiji Hitachi, Director and Executive Officer

Telephone: +81-3-4330-9100

Scheduled date of filing of quarterly securities report:

November 13, 2017

Scheduled date of commencement of dividend payment:

December 5, 2017

Preparation of supplemental materials for quarterly financial results:

Yes

Holding of quarterly earnings presentation (for institutional investors):

Yes

(Figures rounded down to the nearest million yen)

I. Consolidated financial results for the six months ended September 30, 2017 (April 1, 2017 – September 30, 2017)

1. Consolidated operating results (cumulative)

(% indicates year-on-year changes)

	Operating revenue		Operating profit		Profit before income taxes		Profit		Profit attributable to owners of parent		Total comprehensive income	
Six months ended:	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
September 30, 2017	41,411	6.3	4,187	-	3,572	-	2,322	-	2,269	-	4,121	-
September 30, 2016	38,969	-	266	-	(1,407)	-	(2,094)	-	(2,172)	-	(5,637)	-

	Basic earnings per share	Diluted earnings per share
Six months ended:	yen	yen
September 30, 2017	22.04	22.02
September 30, 2016	(19.77)	(19.77)

2. Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent to total assets
As of	million yen	million yen	million yen	%
September 30, 2017	643,638	159,343	153,728	23.9
March 31, 2017	619,865	155,913	150,284	24.2

II. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal year ended/ending:	yen	yen	yen	yen	yen
March 31, 2017	-	6.00	-	6.00	12.00
March 31, 2018	-	6.00	-	-	-
March 31, 2018 (forecast)	-	-	-	6.00	12.00

[Note] Any revision to the latest dividend forecast: No

III. Consolidated financial forecasts for the fiscal year ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(% indicates year-on-year changes)

	Operating revenue		Operating profit		Profit attributable to owners of parent		Basic earnings per share
	million yen	%	million yen	%	million yen	%	yen
Full year	89,490	-	10,058	-	8,137	-	79.05

[Note] Any revision to the latest dividend forecast: No

Translation for reference purpose only
(General notes)

- (1) Material changes in subsidiaries during the current period
(change in specified subsidiaries resulting in a change in the scope of consolidation): No
- (2) Changes in accounting policies and accounting estimates
- (i) Changes in accounting policies required by IFRS: No
- (ii) Changes in accounting policies other than IFRS requirements: No
- (iii) Changes in accounting estimates: No

(3) Number of issued and outstanding shares (common shares)

(i) Number of issued and outstanding shares (including treasury shares)

As of September 30, 2017	112,579,370 shares
As of March 31, 2017	112,536,970 shares

(ii) Number of treasury shares

As of September 30, 2017	9,598,232 shares
As of March 31, 2017	9,598,184 shares

(iii) Average number of shares during the period (cumulative)

April 1, 2017 - September 30, 2017	102,955,027 shares
April 1, 2016 - September 30, 2016	109,871,380 shares

✓ This report does not fall within the scope of quarterly review procedures based upon the Financial Instruments and Exchange Act in Japan.

✓ Explanation regarding the appropriate use of financial forecast and other special remarks

- Any information contained in this document pertaining to future financial performance etc. is based on the information currently available to J Trust and certain other premises judged to be reasonable and J Trust does not guarantee the achievement of this performance. Actual financial performance may vary significantly from the forecasts contained herein. "I. Qualitative information on the current quarterly financial results, (3) Explanation on future forecast including consolidated financial forecast" in the attached document on Page 5 shows the assumptions and premises on which the financial forecast is based.
- Supplemental materials will be posted on the J Trust website (<https://www.jt-corp.co.jp/en/>). Earnings presentation for institutional investors is planned on November 14, 2017. Video and materials of the presentation will be available on the J Trust website afterwards.
- J Trust Group has voluntarily adopted International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2018. Financial results for the six months ended September 30, 2016, and for the fiscal year ended March 31, 2017 are also presented in compliance with IFRS.

Table of Attached Document

I.	Qualitative information on the current quarterly financial results	1
	(1) Explanation on operating results	1
	(2) Explanation on financial position	5
	(3) Explanation on future forecast including consolidated financial forecast	5
II.	Condensed quarterly consolidated financial statements and significant notes	7
	(1) Condensed quarterly consolidated statement of financial position	7
	(2) Condensed quarterly consolidated statement of profit or loss	9
	(3) Condensed quarterly consolidated statement of comprehensive income	10
	(4) Condensed quarterly consolidated statement of changes in equity	11
	(5) Condensed quarterly consolidated statement of cash flow	13
	(6) Notes to condensed quarterly consolidated financial statements	15
	(Notes on premise of going concern)	15
	(Segment information)	15
	(First-time adoption of IFRS)	17

I. Qualitative information on the current quarterly financial results

(1) Explanation on operating results

J Trust Group (hereinafter, “The Group”) has adopted International Financial Reporting Standards (hereinafter, “IFRS”) from the three months ended June 30, 2017. Figures for the six months ended September 30, 2016, and for the fiscal year ended March 31, 2017, which were previously disclosed under Japanese GAAP, are reclassified and presented under IFRS for comparative analysis.

During the first six months of the current fiscal year, the world economy continued to recover moderately with increased profit opportunities led by the strong U.S. and Chinese economies. The prospects of the global economy, however, remain uncertain mainly due to concerns over the implications of Brexit in Europe, policy management in the U.S. and geopolitical risks in the Middle East/East Asia. Meanwhile, the Japanese economy continued to recover moderately as exhibited in improvements in corporate revenue, employment and income owing to the successful implementation of the government measures to restore the economy. In other parts of Asia, the South Korean administration unveiled a policy focusing on income growth and job creation to tackle the country's deeply entrenched low growth and income inequality. Nevertheless, the future outlook remains unclear. Meanwhile, Indonesia is expected to enjoy a steady economic growth because: (i) consumer spending and private investment have been growing solidly supported by government spending and monetary easing; and (ii) consumers' purchasing power is likely to grow with higher income.

In this economic environment, we consider it inevitable to transform our business in anticipation of changes in the global and Japanese economies. We have been expanding business in Asia, which is expected to continue growing economically at a fast pace, and seeking business development by maximizing the synergy of our group network to realize stronger management bases and sustainable growth. During the first six months of the current fiscal year, we continued to work toward the improvement of corporate value and reinforcement of operational bases proactively at home and abroad to achieve sustainable profit expansion centering on core banking service.

(i) Domestic business development

In May 2017, Nihon Hoshou Co., Ltd. (hereinafter, “Nihon Hoshou”) concluded a new credit guarantee contract with the Taisho Bank, Ltd. This has increased the total number of Nihon Hoshou's partner financial institutions to seven.

Meanwhile, ADORES, Inc. (new corporate name: KeyHolder, Inc. effective October 1, 2017; hereinafter, “ADORES”) has subsidiaries, which run general entertainment business, real estate business, etc. On October 1, 2017, ADORES shifted to a holding company structure considering the growing need for organizational restructuring in a timely manner through proactive M&As and optimal allocation of management resources within ADORES Group going forward.

(ii) Business development in South Korea

In savings bank business in South Korea, the financial authorities set regulations to put household loan balances under control. This led to stagnant growth in the number and the amount of new loan disbursement, making it harder for banking business to grow loan balances. To minimize the impact on the revenue front, we are rebalancing our loan portfolio by focusing increasingly on attracting prime customers with renewed screening criteria and on business loans. We are also considering and adopting a variety of measures including start of credit guarantee for receivables transferred to a third party to explore new revenue sources in addition to interest on loans.

In receivable collection business, South Korean regulators have applied tougher rules for savings banks and capital companies, requiring higher provisions of allowance for doubtful accounts. The move is expected to spur NPL (non-performing loan) sales in the market to secure profits and help our business expansion through receivable purchases.

(iii) Business development in Southeast Asia

JTRUST ASIA PTE. LTD. (hereinafter, “JTA”) takes a stake in a multi-finance company PT Group Lease Finance Indonesia (hereinafter, “GLFI”). GLFI was set up in Indonesia by Group Lease PCL (the Kingdom of Thailand; listed on the Stock Exchange of Thailand; hereinafter, “GL”), the digital finance firm in the ASEAN market. GLFI's business scheme is that they are in charge of marketing, credit screening and collecting the loan claims of their customers in need of agriculture-related equipment, motorcycle, automobile and microfinance; and PT Bank JTrust Indonesia Tbk. (hereinafter, “Bank JTrust Indonesia”), a subsidiary of J Trust Co., Ltd., provides financing to GLFI's customers. Bank JTrust Indonesia's loan balance targeting GLFI customers successfully reached 157 billion IDR as of the end of September 2017. Meanwhile, JTA owns GL

shares as part of its investment in the fast-growing market. As of the end of September 2017, JTA holds 122,163,100 shares of common stock (ownership ratio: 8.01%) and USD 180 million of convertible bonds of GL.

(iv) Other

The Group has voluntarily adopted IFRS from the first quarter of the current fiscal year with the aim of enhancing operational transparency by accelerating management's decision-making and the international comparability of financial information under the unified group-wide accounting method, and raising the convenience of stakeholders.

Operating revenue for the first six month of the current fiscal year was 41,411 million yen (up 6.3% year on year). Operating profit was 4,187 million yen (operating profit of 266 million yen during the same period of the previous fiscal year), profit attributable to owners of parent was 2,269 million yen (loss attributable to owners of parent of 2,172 million yen during the same period of the previous fiscal year).

Segment performance is shown below.

The balance of trade receivables in the report shows before deducting provision of allowances for doubtful accounts.

[1] Domestic financial business

(Credit guarantee services)

Credit guarantee services are handled by Nihon Hoshou. Nihon Hoshou's major business is real-estate related credit guarantee. It focuses on guarantee for a syndicated Flat 35 rental housing loan in partnership with a major housing developer, Flat 35 loan agencies and others. Also, Nihon Hoshou added Real Estate-Backed Card Loan (Reverse Mortgage type) to its guarantee product lineup, boosting credit guarantee balances briskly. The number of partner regional financial institutions reached seven as of the end of September 2017. It aims to expand guarantee services and tie-up loan products.

As a result, the balance of credit guarantee was 112,191 million yen (up 72.5% year on year) at the end of the second quarter of the current fiscal year. The breakdown was 16,789 million yen in credit guarantees on unsecured loan (up 7.9%) and 95,402 million yen in credit guarantees on secured loan (up 92.9%) with an increase in guarantees for rental housing loan.

(Collection of accounts receivable)

Collection of accounts receivable in Japan is mainly handled by Nihon Hoshou and Partir Servicer Co., Ltd. Amid the shrinking number of domestic *servicers*, we will pursue profits as a remaining player through M&As of other *servicers* on the strength of our superior collection capability. Also, we will reinforce collection of corporate loans receivables and provide corporate revitalization services.

As a result, the balance of purchased receivables was 12,564 million yen (up 27.3% year on year) at the end of the second quarter of the current fiscal year since we won a bid for large NPLs.

(Credit and consumer credit services)

Credit and consumer credit services are handled by J TRUST Card Co., Ltd. In fact, we withdrew from consumer loan business, no longer handling unsecured loan anew except cash advances. On the other hand, we strive to secure an adequate level of earnings by focusing on third-party sales credit business including installment sales and credit card shopping even with the balance of advances paid – installment remained nearly unchanged.

As a result, the balance of advances paid – installment, was 2,683 million yen (down 3.9% year on year) at the end of the second quarter of the current fiscal year.

(Other financial services)

Other financial services in Japan are mainly handled by Nihon Hoshou. The loan balance has been on the decline with a shift to real estate related credit guarantee business.

As a result, the loan balance at the end of the second quarter of the current fiscal year were 925 million yen (down 2.0% year on year) in commercial notes and 2,944 million yen (down 29.2%) in accounts receivable – operating loans.

In summary, operating revenue in domestic financial business was 4,982 million yen (up 5.7% year on year). Segment profit was 2,488 million yen (down 7.0%).

[2] Financial business in South Korea

(Savings bank business and capital business)

JT Chinae Savings Bank Co., Ltd. and JT Savings Bank Co., Ltd. conduct savings bank business. JT Capital Co., Ltd. (hereinafter, "JT Capital") provides installment financing and leasing services. Having established an operational base as a comprehensive financial group, we will further expand business through organic collaboration of each business entity to maximize synergy. We are working to improve profitability by increasing high-quality loans for individuals and ensure a stable loan portfolio by placing a greater emphasis on loan for large corporations, secured loan, government-backed loan, etc. Loans by banking business increased with a growing number and the amount of new loan contracts thanks to effective sales and marketing strategies. Meanwhile, accounts receivable – operating loans were on the decline following JT Capital's transfer of consumer credit loans receivables to abide by the regulation of consumer credit loan limits under the revised Specialized Credit Finance Business Act effective September 2016. However, the balance has expanded even under the new regulation thanks to the growth in business loans excluding guarantee for retail customers.

As a result, the loan balance grew favorably. In savings bank business, loans by banking business were 247,134 million yen (up 36.6% year on year). In capital business, accounts receivable – operating loans receivable were 57,074 million yen (up 72.5%). This was mainly attributable to increases in secured loans (real estate, government guaranteed loans, etc.) and loans to large corporations.

(Collection of accounts receivable business)

TA Asset Management Co., Ltd. is engaged in purchase and collection of NPLs. It has accumulated the balance of receivables on the strength of its distinctive collection ability.

As a result, the balance of purchased receivables stood at 1,739 million yen (up 44.9% year on year) at the end of the second quarter of the current fiscal year.

In summary, operating revenue in financial business in South Korea was 17,439 million yen (up 29.1%). Segment profit was 2,449 million yen (up 93.8%).

[3] Financial business in Southeast Asia

(Banking business)

Bank JTrust Indonesia conducts banking operations in Indonesia. Until the previous fiscal year, the Group undertook the bank's restructuring, which had long been supervised by Indonesia Deposit Insurance Corporation. To this end, we reviewed loans receivables and added massive provision of allowance for doubtful accounts to restore the bank's financial health. Moreover, following the completion of the staff reduction and consolidation/integration of duplicated branch offices, we have finally developed our operational bases. We will work toward achieving stronger earnings base. Moving forward, we will lower the bank's average deposit interest and raise CASA ratio (ratio of current account and savings account against total deposit balance). Moreover, we will rebalance our loan portfolio to increase net interest income by reducing large-lot and low-interest corporate loan of around 1 billion yen, and by increasing medium loan whose size is 0.1 billion to 0.5 billion yen. Meanwhile, strong growth in financing to GLFI customers is expected to boost high-quality operating assets. Capitalizing on this success model, we are set to expand business by taking full advantage of the growth opportunities in emerging economies in Southeast Asia.

As a result, the balance of loans by banking business grew steadily to 92,558 million yen (up 14.8% year on year) at the end of the second quarter of the current fiscal year.

(Collection of accounts receivable)

PT JTRUST INVESTMENTS INDONESIA conducts collection of accounts receivable business in Indonesia. The purchased receivables assigned from Bank JTrust Indonesia in October 2015 stood at 2,113 million yen (down 26.6% year on year) at the end of the second quarter of the current fiscal year. We will increase earnings by facilitating the collection through such measures as prompt disposal of collateralized assets and business rehabilitation.

As a result, operating revenue in financial business in Southeast Asia was 7,290 million yen (up 5.7% year on year). Segment loss was 256 million yen (segment loss of 2,815 million yen during the same period of the previous fiscal year). It improved compared with the same period of the previous fiscal year in which business structure improvement expenses were posted at Bank JTrust Indonesia.

[4] General entertainment business

ADORES operates amusement arcades and other facilities in general entertainment business. On October 1, 2017, ADORES Company Split Preparation, Inc.(*), a wholly-owned subsidiary of ADORES, succeeded the aforementioned business through a company split.

*The corporate name was changed to ADORES, Inc. effective October 1, 2017.

Meanwhile, Highlights Entertainment Co., Ltd. develops, produces and sells computer systems for amusement machines and their peripheral equipment.

ADORES intensified its efforts to bolster sales by planning and holding various joint programs at anime collaboration cafes, etc. in content business, and by commencing the sales of original VR equipment to undertake full-scale marketing activities. Such activities include: (i) introducing new virtual reality (VR) attractions and VR equipment for cross-industry collaboration projects at VR entertainment facility "VR PARK TOKYO" for a limited period; (ii) leasing VR equipment for events; and (iii) concluding VR equipment sales distributorship agreements. However, both sales and profits remained soft because exceptionally unusual weather during a summer vacation season affected customer traffic. For Highlights Entertainment Co., Ltd., sales and profits were subdued because it adopted rental payments for new amusement machines, which took longer to recognize revenue than the outright sale of the machines.

As a result, operating revenue in general entertainment business was 6,541 million yen (down 14.0% year on year). The decline was mainly because: (i) BREAK Co., Ltd. and BREAK ASIA LIMITED, which produced and sold amusement machine toys, were excluded from the scope of consolidated subsidiaries following the share transfer at the end of the previous fiscal year; and (ii) operation of medal and crane games remained slack. Segment loss was 357 million yen (segment profit of 252 million yen during the same period of the previous fiscal year).

[5] Real estate business

Keynote Co., Ltd. (hereinafter, "Keynote") handles sales of ready-built residential housing. Keynote's sales grew favorably due to an increase in the number of orders received along with the expansion of marketing areas. In terms of profit, it remained weak mainly due to the increases in land prices and construction-related personnel cost. Meanwhile, ADORES' real estate asset business enjoyed solid growth due to a steady stream of rental income from their properties.

As a result, operating revenue in real estate business was 3,004 million yen (up 1.5% year on year). Segment profit was 156 million yen (up 21.1%).

[6] Investment business

JTA mainly conducts investment business and provides management support for investees. Going forward, JTA will proactively invest in projects that can achieve maximum synergies, thereby expanding business in rapidly growing Southeast Asia.

As a result, operating revenue in investment business was 1,309 million yen (down 40.6% year on year) due to the lack of gain on sales of shares of Bank Mayapada International Tbk., which was recorded as other operating revenue during the second quarter of the previous fiscal year. Segment profit was 1,073 million yen (up 75.6%). It improved compared to the second quarter of the previous fiscal year in which an unrealized loss for the option component of GL's convertible bonds was recorded.

[7] Other business

J Trust System Co., Ltd. provides system development, operation and management of computers for the Group, and Keynote constructs commercial facilities. Meanwhile, ADORES offers currency exchange service as part of its measure to capture inbound tourism demand. It opened an in-store currency exchange store "ADORES EXCHANGE Akihabara" at the corner of the existing amusement facility in an area popular with foreign tourists. In July 2017, ADORES installed automated currency exchange machines at two stores located in the Tokyo metropolitan area. Effective October 1, 2017, ADORES Company Split Preparation, Inc., a wholly owned subsidiary of ADORES, succeeded the aforementioned business through a company split.

As a result, operating revenue in other business was 1,273 million yen (down 14.8% year on year). It decreased from the previous fiscal year in which Keynote recorded sales for large-lot construction projects in the commercial facility construction business. Segment profit was 53 million yen (segment loss of 26 million yen during the same period of the previous fiscal year).

(2) Explanation on financial position

[1] Status of assets, liabilities and equity

Assets grew by 23,772 million yen to 643,638 million yen from the end of the previous fiscal year. This is mainly due to increases in loans by banking business by 12,438 million yen and trade and other receivables by 10,401 million yen.

Liabilities rose by 20,342 million yen to 484,294 million yen from the end of the previous fiscal year. This is mainly due to increases of: (i) 15,126 million yen in deposits by banking business; and (ii) 5,930 million yen in bonds and borrowings.

Equity increased by 3,430 million yen to 159,343 million yen from the end of the previous fiscal year. Major factors are as follows: (i) higher “other comprehensive income” led to a rise in “other components of equity” by 1,786 million yen; (ii) profit attributable to owners of parent of 2,269 million yen boosted retained earnings by 1,666 million yen despite paying dividends of surplus of 617 million yen.

[2] Status of Cash Flow

Consolidated cash and cash equivalents (hereinafter, “Funds”) at the end of the second quarter of the current fiscal year dropped by 2,023 million yen to 78,642 million yen from the end of the previous fiscal year.

The following is an overview of cash flow during the first six months of the current fiscal year with relevant factors.

(Cash flows from operating activities)

Funds ended in a decrease of 7,677 million yen (an increase of 1,429 million yen during the same period of the previous year). Major factors that boost Funds were as follows: (i) profit before income taxes rose by 3,572 million yen in; and (ii) deposits by banking business grew by 18,787 million yen. On the other hand, factors that reduce Funds were: (i) loans by banking business increased by 17,318 million yen; (ii); trade and other receivables rose by 9,562 million yen and (iii) operational investment securities grew by 1,191 million yen.

(Cash flows from investing activities)

Funds ended in an increase of 2,696 million yen (down 78.1% year on year). Funds increased because proceeds from sale of marketable securities for banking business of 53,705 million yen exceeded purchase of marketable securities for banking business of 50,430 million yen.

(Cash flows from financing activities)

Funds ended in an increase of 3,315 million yen (a decrease of 1,058 million yen during the same period of the previous year). Contributing factors are as follows: Funds decreased mainly due to a net decrease in short-term borrowings of 1,007 million yen, redemption of bonds of 3,701 million yen and dividends paid of 617 million yen reduced Funds. However, proceeds from issuance of bonds of 5,855 million yen and net increase in short-term bonds payable of 3,847 million yen increased Funds.

(3) Explanation on future forecast including consolidated financial forecast

According to news release announced on website of The Securities and Exchange Commission (hereinafter, “SEC”), SEC has filed a criminal complaint with the Department of Special Investigation (DSI) against Mr. Mitsuji Konoshita, Chief Executive Officer of GL, for falsification and corporate fraud case. He has lost the qualification for holding the positions of directors and executives in GL under the Securities Exchange Act of Thailand and already stepped down from them.

On October 19, 2017, SEC requested GL to amend its financial statements. GL’s Independent Auditor EY (hereinafter, “EY”) modified the previous reports with an unqualified conclusion to disclaimer of conclusion dated as of October 17, 2017.

Concerning the business relations between the Company and GL, JTA, a subsidiary of the Company, currently holds 122,163,100 shares of GL (Ownership ratio: 8.01%) and USD 180 million of convertible bonds. JTA also holds 20% of GLFI, established in Indonesia.

For details, please refer to our release “Acknowledgement for the Current Situation on Group Lease PCL and Our View on the Future Direction” dated November 13, 2017.

Excluding the matter mentioned above, our financial results for the first six months of the current fiscal year stay largely on track. In addition, Bank JTrust Indonesia’s loan balance targeting GLFI customers has been growing favorably. There is a possibility that any developments on GL could affect the Group’s results. However, as of

Translation for reference purpose only

now, J Trust's full-year financial forecast for the fiscal year ending March 31, 2018 remains unchanged from the consolidated financial forecast figures announced in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2017" dated May 12, 2017.

Note that actual results, etc. may differ from the forecast depending on any further developments.

II. Condensed quarterly consolidated financial statements and significant notes

(1) Condensed quarterly consolidated statement of financial position

(unit: million yen)

	Notes	IFRS transition date April 1, 2016	As of March 31, 2017	As of September 30, 2017
Assets				
Cash and cash equivalents		87,137	80,666	78,642
Trade and other receivables		74,875	78,416	88,818
Marketable securities for banking business		26,198	30,459	29,412
Loans by banking business		218,885	311,480	323,918
Operational investment securities		13,057	21,494	25,030
Marketable securities		970	144	124
Other financial assets		33,017	38,066	39,051
Investments accounted for using the equity method		-	168	167
Inventories		4,382	6,848	8,215
Assets held for sale		933	4,199	4,021
Property, plant and equipment		5,823	5,622	5,768
Investment property		2,919	2,249	756
Goodwill		32,517	32,140	32,118
Intangible assets		3,905	3,459	3,131
Deferred tax assets		1,726	1,476	1,453
Other assets		2,421	2,971	3,005
Total assets		508,772	619,865	643,638

(unit: million yen)

	Notes	IFRS transition date April 1, 2016	As of March 31, 2017	As of September 30, 2017
Liabilities				
Trade and other payables		6,589	8,110	9,402
Deposits by banking business		271,496	364,462	379,589
Bonds and borrowings		52,825	72,139	78,069
Other financial liabilities		5,565	8,182	5,828
Income taxes payable		768	1,205	740
Provisions		1,940	2,128	2,535
Deferred tax liabilities		1,361	759	1,286
Other liabilities		5,766	6,963	6,842
Total liabilities		346,313	463,952	484,294
Equity				
Share capital		53,616	53,630	53,635
Capital surplus		51,581	52,743	52,728
Treasury shares		(406)	(7,685)	(7,685)
Other components of equity		132	2,091	3,878
Retained earnings		52,196	49,504	51,171
Total equity attributable to owners of parent		157,121	150,284	153,728
Non-controlling interests		5,336	5,628	5,615
Total equity		162,458	155,913	159,343
Total liabilities and equity		508,772	619,865	643,638

(2) Condensed quarterly consolidated statement of profit or loss

(unit: million yen)

	Notes	Six months ended September 30, 2016	Six months ended September 30, 2017
Operating revenue		38,969	41,411
Operating expenses		23,869	24,691
Selling, general and administrative expenses		13,581	13,088
Other income		854	673
Other expenses		2,105	116
Operating profit		266	4,187
Finance income		136	20
Finance costs		1,807	634
Share of profit of investments accounted for using the equity method		(2)	(0)
Profit (loss) before income taxes		(1,407)	3,572
Income taxes		687	1,250
Profit (loss)		(2,094)	2,322
Profit (loss) attributable to:			
Owners of parent		(2,172)	2,269
Non-controlling interests		77	53
Profit (loss)		(2,094)	2,322
Earnings (loss) per share (attributable to owners of parent)			
Basic earnings (loss) per share (Yen)		(19.77)	22.04
Diluted earnings (loss) per share (Yen)		(19.77)	22.02

(3) Condensed quarterly consolidated statement of comprehensive income

(unit: million yen)

	Notes	Six months ended September 30, 2016	Six months ended September 30, 2017
Profit (loss)		(2,094)	2,322
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(47)	(1)
Total of items that will not be reclassified to profit or loss		(47)	(1)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(9,002)	538
Net change in fair values of available-for-sale financial assets		5,519	1,262
Share of other comprehensive income of investments accounted for using the equity method		(11)	0
Total of items that may be reclassified subsequently to profit or loss		(3,495)	1,801
Other comprehensive income, net of tax		(3,542)	1,799
Comprehensive income		(5,637)	4,121
Comprehensive income attributable to:			
Owners of parent		(5,742)	4,056
Non-controlling interests		105	65
Comprehensive income		(5,637)	4,121

(4) Condensed quarterly consolidated statement of changes in equity

Six months ended September 30, 2016

(unit: million yen)

	Notes	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total Equity
Balance as of April 1, 2016		53,616	51,581	(406)	132	52,196	157,121	5,336	162,458
Profit (loss)		-	-	-	-	(2,172)	(2,172)	77	(2,094)
Other comprehensive income		-	-	-	(3,570)	-	(3,570)	27	(3,542)
Total comprehensive income		-	-	-	(3,570)	(2,172)	(5,742)	105	(5,637)
Issuance of new shares		7	7	-	-	-	14	-	14
Dividends of surplus		-	-	-	-	(784)	(784)	-	(784)
Purchase of treasury shares		-	-	(7,279)	-	-	(7,279)	-	(7,279)
Other		-	7	-	-	0	7	-	7
Total contributions by and distributions to owners		7	14	(7,279)	-	(783)	(8,040)	-	(8,040)
Dividends to non-controlling interests		-	-	-	-	-	-	(79)	(79)
Other		-	-	-	-	-	-	3	3
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	(75)	(75)
Total transactions with owners		7	14	(7,279)	-	(783)	(8,040)	(75)	(8,116)
Balance as of September 30, 2016		53,624	51,596	(7,685)	(3,437)	49,241	143,338	5,366	148,705

Six months ended September 30, 2017

(unit: million yen)

	Notes	Share capital	Capital surplus	Treasury shares	Other components of equity	Retained earnings	Total equity attributable to owners of parent	Non-controlling interests	Total Equity
Balance as of April 1, 2017		53,630	52,743	(7,685)	2,091	49,504	150,284	5,628	155,913
Profit		-	-	-	-	2,269	2,269	53	2,322
Other comprehensive income		-	-	-	1,786	-	1,786	12	1,799
Total comprehensive income		-	-	-	1,786	2,269	4,056	65	4,121
Issuance of new shares		4	4	-	-	-	9	-	9
Dividends of surplus		-	-	-	-	(617)	(617)	-	(617)
Purchase of treasury shares		-	-	(0)	-	-	(0)	-	(0)
Other		-	(19)	-	-	15	(4)	-	(4)
Total contributions by and distributions to owners		4	(14)	(0)	-	(602)	(612)	-	(612)
Dividends to non-controlling interests		-	-	-	-	-	-	(79)	(79)
Other		-	(0)	-	-	-	(0)	(0)	(0)
Total changes in ownership interests in subsidiaries		-	(0)	-	-	-	(0)	(79)	(79)
Total transactions with owners		4	(14)	(0)	-	(602)	(612)	(79)	(691)
Balance as of September 30, 2017		53,635	52,728	(7,685)	3,878	51,171	153,728	5,615	159,343

(5) Condensed quarterly consolidated statement of cash flow

(unit: million yen)

	Notes	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities			
Profit (loss) before income taxes		(1,407)	3,572
Depreciation and amortization		1,188	1,313
Impairment losses		60	4
Interest and dividend income		(20,208)	(26,826)
Interest expenses		6,624	8,209
Other (profit) loss		1,279	(2,060)
(Increase) decrease in trade and other receivables		(1,016)	(9,562)
Increase (decrease) in changes in deposits by banking business		43,721	18,787
(Increase) decrease in loans by banking business		(45,685)	(17,318)
(Increase) decrease in changes in operational investment securities		(1,950)	(1,191)
Increase (decrease) in trade and other payables		4,248	(1,055)
Other		(648)	228
Subtotal		(13,794)	(25,898)
Interest and dividends received		21,132	27,059
Interest paid		(5,998)	(8,313)
Income taxes paid		(1,384)	(1,075)
Income taxes refund		1,473	552
Net cash provided by (used in) operating activities		1,429	(7,677)
Cash flows from investing activities			
Purchase of investments accounted for using equity method		(171)	-
Net (increase) decrease in time deposits		(508)	(110)
Purchase of property, plant and equipment, and investment property		(728)	(840)
Proceeds from sale of property, plant and equipment, and investment property		1,020	4
Purchase of intangible assets		(544)	(268)
Purchase of marketable securities for banking business		(8,291)	(50,430)
Proceeds from sale of marketable securities for banking business		11,444	53,705
Proceeds from redemption of marketable securities for banking business		9,957	786
Proceeds from acquisition of subsidiaries		46	-
Payments for sales of shares of subsidiaries		-	(49)
Other		65	(101)
Net cash provided by investing activities		12,290	2,696

	Notes	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from financing activities			
Net increase (decrease) in notes discounted		(457)	3
Net increase (decrease) in short-term borrowings		(2,891)	(1,007)
Net increase (decrease) in short-term bonds payable		5,907	3,847
Repayments of long-term borrowings		(4,474)	(9,696)
Proceeds from long-term borrowings		13,314	8,834
Redemption of bonds		(4,275)	(3,701)
Proceeds from issuance of bonds		150	5,855
Repayments of lease obligations		(211)	(127)
Payments for purchase of treasury shares		(7,279)	(0)
Proceeds from exercise of employee share options		8	5
Dividends paid		(784)	(617)
Dividends paid to non-controlling interests		(79)	(79)
Other		14	(0)
Net cash provided by (used in) financing activities		(1,058)	3,315
Net increase (decrease) in cash and cash equivalents		12,660	(1,665)
Cash and cash equivalents at the beginning of period		87,137	80,666
Effect of change in exchange rates on cash and cash equivalents		(4,421)	(357)
Cash and cash equivalents at the end of period		95,376	78,642

(6) Notes to condensed quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

(Segment information)

1. Overview of reportable segments

The Group's reportable segments consist of constituent units for which separate financial information is available. The reportable segment is also subject to periodic review by the Company's Board of Directors, which is responsible for deciding the allocation of management resources and assessing business performance.

The Group classifies reportable segments by business and conducts activities of 6 segments, namely "Domestic financial business," "Financial business in South Korea," "Financial business in Southeast Asia," "General entertainment business," "Real estate business" and "Investment business."

"Domestic financial business" provides credit guarantee services, collection of accounts receivable, credit and consumer credit services, and other financial services. "Financial business in South Korea" offers savings bank business, collection of accounts receivable business and capital business. "Financial business in Southeast Asia" handles banking business, collection of accounts receivable and hire-purchase financing services. "General entertainment business" operates amusement arcades and other facilities, sells toys for amusement machines and develops, produces and sells computer systems for peripheral equipment of amusement machines. "Real estate business" mainly handles purchase & sale of detached housing and other properties, and real estate asset business. "Investment business" is investment at home and overseas.

2. Segment revenue and business results

Revenue and business results by reportable segments are as follows. Operating revenue from inter-segment transactions or transfers are based on prevailing market prices or arm's length prices.

<Six months ended September 30, 2016>

(unit: million yen)

	Reportable segments							Other (Note 1)	Eliminati on of inter- company transacti on	Total
	Domestic financial business	Financial business in South Korea	Financial business in Southeast Asia	General entertain- ment business	Real estate business	Investment business	Sub Total			
Operating revenue										
External customers	4,692	13,512	6,896	7,605	2,949	2,005	37,662	1,306	-	38,969
Intersegment operating revenue or transfers	23	-	0	-	9	196	229	187	(417)	-
Total	4,715	13,512	6,896	7,605	2,959	2,202	37,892	1,494	(417)	38,969
Segment profit (loss)	2,677	1,263	(2,815)	252	129	611	2,117	(26)	20	2,112

Company-wide expenses, etc. (Note 2)

(1,845)

Operating profit

266

Finance income

136

Finance costs

(1,807)

Share of profit of investments accounted for using the equity method

(2)

Profit (loss) before income taxes

(1,407)

Note 1: "Other," which refers to business segments that are not attributable to reportable segments, includes commercial facility construction, system businesses.

Note 2: "Company-wide expenses, etc." are general and administrative expenses that are not attributable to reportable segments.

<Six months ended September 30, 2017>

(unit: million yen)

	Reportable segments							Other (Note 1)	Elimi- nation of inter- company transacti- on	Total
	Domestic financial business	Financial business in South Korea	Financial business in South east Asia	General entertain- ment business	Real estate busine- ss	Invest- ment business	Sub Total			
Operating revenue										
External customers	4,936	17,437	7,290	6,541	3,003	1,114	40,324	1,086	-	41,411
Intersegment operating revenue or transfers	45	1	0	-	0	195	242	186	(429)	-
Total	4,982	17,439	7,290	6,541	3,004	1,309	40,567	1,273	(429)	41,411
Segment profit (loss)	2,488	2,449	(256)	(357)	156	1,073	5,553	53	(32)	5,574

Company-wide expenses, etc. (Note 2)	(1,386)
Operating profit	4,187
Finance income	20
Finance costs	(634)
Share of profit of investments accounted for using the equity method	(0)
Profit (loss) before income taxes	3,572

Note 1: "Other," which refers to business segments that are not attributable to reportable segments, includes commercial facility construction and system businesses.

Note 2: "Company-wide expenses, etc." include general and administrative expenses that are not attributable to reportable segments.

(First-time adoption of IFRS)

The Group discloses condensed quarterly consolidated financial statements under International Financial Reporting Standards (IFRS) from the first quarter of the fiscal year ending March 31, 2018. The most recent consolidated financial statements prepared under Japanese GAAP were for the fiscal year ended March 31, 2017. The date of transition to IFRS is April 1, 2016.

IFRS 1 Exemptions:

Under IFRS, companies adopting IFRS for the first time (hereinafter, "First-time adopters") are required, in principle, to apply the standards required under IFRS retrospectively. However, for some standards required under IFRS, IFRS 1 First-time adoption of International Financial Reporting Standards (hereinafter, "IFRS 1") provides optional exemptions and mandatory exceptions from the requirement for the retrospective application. The effects upon application of the aforementioned exemptions are adjusted through "retained earnings" or "other components of equity" as of the date of transition to IFRS. The Group has adopted the following exemptions in shifting from Japanese GAAP to IFRS.

- Business combinations

First-time adopters may choose not to apply retrospectively IFRS 3 Business combinations (hereinafter, "IFRS 3"). The Group has adopted the exemption and do not apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS. As a result, the amount of goodwill arising from business combinations before the date of transition is calculated using the book value as of the transition date under Japanese GAAP. The Group performs impairment tests of goodwill as of the date of transition regardless of whether indicators of impairment are present or not.

- Cumulative translation difference on foreign operations

Under IFRS 1, First-time adopters may choose to reset to zero the cumulative translation difference on foreign operations as of the date of transition to IFRS. The Group has chosen the option and the cumulative translation difference is deemed to be zero as of the transition date.

- Share-based payments

Under IFRS 1, companies are encouraged, but not mandatorily required to apply IFRS 2 share-based payment (hereinafter, "IFRS 2") to share-based payments granted on or after November 7, 2002 and vested before the IFRS transition date or January 1, 2005, whichever is later. The Group has chosen not to apply IFRS 2 to share-based payments vested before the transition date.

- Leases

Under IFRS 1, First-time adopters may assess whether a contract contains leases at the date of transition to IFRS. The Group has adopted the exemptions for leases and judges whether a contract contains leases depending on the facts and circumstances existing at the time of the transition date.

Mandatory exceptions of IFRS 1

IFRS 1 prohibits retrospective application for "Accounting estimates," "De-recognition of financial assets and financial liabilities" and "Non-controlling interests." The Group has prospectively applied IFRS for these items from the transition date.

The table below presents reconciliation that is required to be disclosed on First-time adoption of IFRS. "Closing date adjustments" in the table shows adjustments that are made due to a difference in the account closing date of the Company and that of the subsidiary, and "Reclassification" includes differences with Japanese GAAP as a result of reviewing the reclassification of presentation items under IFRS, and "Effect of transition" shows the effect of the adjustments to comply with IFRS.

Reconciliation of equity as of April 1, 2016 (date of transition to IFRS)

(unit: million yen)

Presentation under Japanese GAAP	Japanese GAAP	Closing date adjustments	Reclassification	Effect of transition	IFRS	Notes	Presentation under IFRS
Assets							Assets
Cash and deposits	108,682	(4,811)	(19,479)	2,746	87,137	(1)	Cash and cash equivalents
	-	(294)	67,271	7,898	74,875	(2),(4),(5)	Trade and other receivables
Commercial notes	1,428	-	(1,428)	-	-		
Accounts receivable - operating loans	49,505	-	(49,505)	-	-		
	-	910	25,287	-	26,198	(2),(4)	Marketable securities for banking business
Loans by banking business	230,532	4,309	(10,451)	(5,505)	218,885	(2),(3),(4)	Loans by banking business
Advances paid - installment	2,449	-	(2,449)	-	-		
Purchased receivables	9,940	-	(9,940)	-	-		
Subrogation receivable	1,462	-	(1,462)	-	-		
Operational investment securities	13,057	-	-	-	13,057		Operational investment securities
Securities	25,287	-	(24,317)	-	970	(2),(4)	Marketable securities
	-	30	35,692	(2,705)	33,017	(1),(2),(4)	Other financial assets
Merchandise and finished goods	2,445	-	1,936	-	4,382		Inventories
Work in process	1,604	-	(1,604)	-	-		
Deferred tax assets (current)	1,106	-	(1,106)	-	-		
Accounts receivable - other	9,754	-	(9,754)	-	-		
Other (current)	7,684	-	(7,684)	-	-		
Allowance for doubtful accounts (current)	(16,809)	-	16,809	-	-		
	-	-	933	-	933		Assets held for sale
	-	(250)	5,973	101	5,823	(7)	Property, plant and equipment
Buildings and structures, net	3,304	-	(3,304)	-	-		
Amusement machine, net	981	-	(981)	-	-		
Land	2,050	-	(2,050)	-	-		
Other (property, plant and equipment), net	1,174	-	(1,174)	-	-		
	-	-	2,919	-	2,919		Investment property
Goodwill	34,536	(1,546)	(472)	-	32,517	(6)	Goodwill
Other (Intangible assets)	4,820	7	(922)	-	3,905		Intangible assets
Investment securities	970	-	(970)	-	-		
Investments in capital	355	-	(355)	-	-		
Long-term operating loans receivable	2,083	-	(2,083)	-	-		
Deferred tax assets (investments and other)	1,445	(63)	1,106	(762)	1,726	(8)	Deferred tax assets
Other (investments and other)	11,690	112	(9,471)	89	2,421		Other assets
Allowance for doubtful accounts (investments and other)	(2,884)	-	2,884	-	-		
Total assets	508,659	(1,595)	(154)	1,862	508,772		Total assets

Translation for reference purpose only

(unit: million yen)

Presentation under Japanese GAAP	Japanese GAAP	Closing date adjustments	Reclassification	Effect of transition	IFRS	Notes	Presentation under IFRS
Liabilities							Liabilities
	-	-	1,158	5,430	6,589	(5)	Trade and other payables
Deposits by banking business	271,117	332	46	-	271,496		Deposits by banking business
Notes discounted	1,381	-	(1,381)	-	-		
	-	(128)	52,954	-	52,825		Bonds and borrowings
Current portion of bonds	60	-	(60)	-	-		
Short-term loans payable	14,317	-	(14,317)	-	-		
Current portion of long-term loans payable	13,391	-	(13,391)	-	-		
	-	(108)	6,109	(435)	5,565		Other financial liabilities
Income taxes payable	769	(0)	0	-	768		Income taxes payable
	-	(12)	1,878	75	1,940		Provisions
Other (current)	10,604	-	(10,604)	-	-		
Bonds payable	2,169	-	(2,169)	-	-		
Long-term loans payable	21,788	-	(21,788)	-	-		
Provision for loss on guarantees	424	-	(424)	-	-		
Net defined benefit liability	579	-	(579)	-	-		
Provision for loss on litigation	1,192	-	(1,192)	-	-		
	-	0	852	508	1,361		Deferred tax liabilities
Other (non-current))	2,205	590	2,756	213	5,766	(9)	Other liabilities
Total liabilities	340,002	672	(154)	5,793	346,313		Total liabilities
Net assets							Equity
Capital stock	53,616	-	-	-	53,616		Share capital
Capital surplus	52,572	-	167	(1,158)	51,581	(10)	Capital surplus
Retained earnings	60,777	(2,144)	-	(6,437)	52,196	(13)	Retained earnings
Treasury shares	(406)	-	-	-	(406)		Treasury shares
	-	(123)	(3,445)	3,701	132	(11)	Other components of equity
Valuation difference on available-for-sale securities	136	-	(136)	-	-		
Foreign currency translation adjustment	(3,469)	-	3,469	-	-		
Remeasurements of defined benefit plans	(112)	-	112	-	-		
	163,115	(2,267)	167	(3,893)	157,121		Total equity attributable to owners of parent
Subscription rights to shares	167	-	(167)	-	-		
Non-controlling interests	5,373	-	-	(37)	5,336		Non-controlling interests
Total net assets	168,656	(2,267)	-	(3,930)	162,458		Total equity
Total liabilities and net assets	508,659	(1,595)	(154)	1,862	508,772		Total Liabilities and equity

Reconciliation of equity as of September 30, 2016 (second quarter of fiscal 2017)

(unit: million yen)

Presentation under Japanese GAAP	Japanese GAAP	Closing date adjustments	Reclassification	Effect of transition	IFRS	Notes	Presentation under IFRS
Assets							Assets
Cash and deposits	113,034	1,932	(21,885)	2,294	95,376	(1)	Cash and cash equivalents
	-	(453)	55,285	8,581	63,413	(2),(4),(5)	Trade and other receivables
Commercial notes	943	-	(943)	-	-		
Accounts receivable - operating loans	37,614	-	(37,614)	-	-		
	-	(1,710)	13,277	-	11,567	(2),(4)	Marketable securities for banking business
Loans by banking business	264,124	(1,758)	(13,644)	(1,596)	247,125	(2),(3),(4)	Loans by banking business
Advances paid - installment	2,788	-	(2,788)	-	-		
Purchased receivables	10,282	-	(10,282)	-	-		
Subrogation receivable	1,259	-	(1,259)	-	-		
Operational investment securities	18,644	-	-	-	18,644		Operational investment securities
Securities	13,277	-	(12,730)	-	546	(2),(4)	Marketable securities
	-	1,352	38,564	(2,035)	37,882	(1),(2),(4)	Other financial assets
	-	-	156	-	156		Investments accounted for using the equity method
Merchandise and finished goods	2,546	-	4,013	-	6,559		Inventories
Work in process	2,919	-	(2,919)	-	-		
Other (current)	22,383	-	(22,383)	-	-		
Allowance for doubtful accounts (current)	(20,582)	-	20,582	-	-		
	-	-	2,633	-	2,633		Assets held for sale
Property, plant and equipment	6,832	(28)	(1,481)	80	5,402	(7)	Property, plant and equipment
	-	-	2,548	-	2,548		Investment property
Goodwill	29,736	(770)	(292)	1,231	29,904	(6)	Goodwill
Other (Intangible assets)	4,650	(23)	(1,285)	-	3,341		Intangible assets
Long-term operating loans receivable	1,766	-	(1,766)	-	-		
	-	(0)	2,417	(877)	1,539	(8)	Deferred tax assets
Other (investments and other)	13,092	(7)	(10,783)	37	2,339		Other assets
Allowance for doubtful accounts (investments and other)	(2,507)	-	2,507	-	-		
Total assets	522,806	(1,466)	(73)	7,715	528,982		Total assets

(unit: million yen)

Presentation under Japanese GAAP	Japanese GAAP	Closing date adjustments	Reclassification	Effect of transition	IFRS	Notes	Presentation under IFRS
Liabilities	-	-	1,405	6,128	7,534	(5)	Liabilities
Deposits by banking business	298,914	(4,366)	33	-	294,582		Trade and other payables
Notes discounted	923	-	(923)	-	-		Deposits by banking business
	-	-	52,346	-	52,346		Bonds and borrowings
Current portion of bonds	90	(38)	(51)	-	-		
Short-term loans payable	10,598	8	(10,606)	-	-		
Current portion of long-term loans payable	13,393	-	(13,393)	-	-		
	-	3,736	10,728	(359)	14,104		Other financial liabilities
Income taxes payable	971	(12)	-	45	1,003		Income taxes payable
	-	(4)	3,275	76	3,348		Provisions
Provision for business structure improvement	1,592	-	(1,592)	-	-		
Other (current)	16,513	-	(16,513)	-	-		
Bonds payable	2,005	-	(2,005)	-	-		
Long-term loans payable	25,446	-	(25,446)	-	-		
Provision for loss on guarantees	401	-	(401)	-	-		
Net defined benefit liability	608	-	(608)	-	-		
Provision for loss on litigation	1,070	-	(1,070)	-	-		
	-	4	370	525	901		Deferred tax liabilities
Other (non-current)	2,317	(382)	4,380	141	6,456	(9)	Other liabilities
Total liabilities	374,847	(1,055)	(73)	6,558	380,277		Total liabilities
Net assets							Equity
Capital stock	53,624	-	-	-	53,624		Share capital
Capital surplus	52,579	-	174	(1,158)	51,596	(10)	Capital surplus
Retained earnings	52,327	(1,712)	-	(1,373)	49,241	(13)	Retained earnings
Treasury shares	(7,685)	-	-	-	(7,685)		Treasury shares
	-	1,301	(8,440)	3,701	(3,437)	(11)	Other components of equity
Valuation difference on available-for-sale securities	5,439	-	(5,439)	-	-		
Foreign currency translation adjustment	(13,768)	-	13,768	-	-		
Remeasurements of defined benefit plans	(112)	-	112	-	-		
	142,405	(410)	174	1,169	143,338		Total equity attributable to owners of parent
Subscription rights to shares	174	-	(174)	-	-		
Non-controlling interests	5,378	-	-	(11)	5,366		Non-controlling interests
Total net assets	147,958	(410)	-	1,157	148,705		Total equity
Total liabilities and net assets	522,806	(1,466)	(73)	7,715	528,982		Total liabilities and equity

Reconciliation of equity as of March 31, 2017

(The most recent consolidated financial statements prepared under Japanese GAAP)

(unit: million yen)

Presentation under Japanese GAAP	Japanese GAAP	Closing date adjustments	Reclassification	Effect of transition	IFRS	Notes	Presentation under IFRS
Assets							Assets
Cash and deposits	101,172	-	(22,811)	2,304	80,666	(1)	Cash and cash equivalents
	-	-	70,170	8,245	78,416	(2),(4),(5)	Trade and other receivables
Commercial notes	928	-	(928)	-	-		
Accounts receivable – operating loans	49,098	-	(49,098)	-	-		
	-	-	30,459	-	30,459	(2),(4)	Marketable securities for banking business
Loans by banking business	326,996	-	(16,411)	895	311,480	(2),(3),(4)	Loans by banking business
Advances paid - installment	2,726	-	(2,726)	-	-		
Purchased receivables	12,146	-	(12,146)	-	-		
Subrogation receivable	1,223	-	(1,223)	-	-		
Operational investment securities	21,494	-	-	-	21,494		Operational investment securities
Securities	30,459	-	(30,314)	-	144	(2),(4)	Marketable securities
	-	-	39,838	(1,772)	38,066	(1),(2),(4)	Other financial assets
	-	-	168	-	168		Investments accounted for using the equity method
Merchandise and finished goods	3,221	-	3,626	-	6,848		Inventories
Work in process	3,015	-	(3,015)	-	-		
Deferred tax assets (current)	1,287	-	(1,287)	-	-		
Accounts receivable - other	8,806	-	(8,806)	-	-		
Other (current)	14,555	-	(14,555)	-	-		
Allowance for doubtful accounts (current)	(23,801)	-	23,801	-	-		
	-	-	4,199	-	4,199		Assets held for sale
	-	-	5,568	54	5,622	(7)	Property, plant and equipment
Buildings and structures, net	2,811	-	(2,811)	-	-		
Amusement machine, net	901	-	(901)	-	-		
Land	1,541	-	(1,541)	-	-		
Other (Property, plant and equipment), net	1,220	-	(1,220)	-	-		
	-	-	2,249	-	2,249		Investment property
Goodwill	29,727	-	(150)	2,564	32,140	(6)	Goodwill
Other (intangible assets)	4,650	-	(1,190)	-	3,459		Intangible assets
Investment securities	144	-	(144)	-	-		
Investments in capital	362	-	(362)	-	-		
Net defined benefit asset	0	-	(0)	-	-		
Long-term operating loans	1,578	-	(1,578)	-	-		
Deferred tax assets (investments and other)	1,143	-	1,287	(954)	1,476	(8)	Deferred tax assets
Other (investments and other)	13,434	-	(10,501)	38	2,971		Other assets
Allowance for doubtful accounts (investments and other)	(2,198)	-	2,198	-	-		
Total assets	608,650	-	(160)	11,375	619,865		Total assets

(unit: million yen)

Presentation under Japanese GAAP	Japanese GAAP	Closing date adjustments	Reclassification	Effect of transition	IFRS	Notes	Presentation under IFRS
Liabilities	-	-	1,425	6,684	8,110	(5)	Liabilities
Deposits by banking business	364,419	-	43	-	364,462		Trade and other payables
Notes discounted	916	-	(916)	-	-		Deposits by banking business
	-	-	72,139	-	72,139		Bonds and borrowings
Current portion of bonds	111	-	(111)	-	-		
Short-term loans payable	9,798	-	(9,798)	-	-		
Current portion of long-term loans payable	18,733	-	(18,733)	-	-		
	-	-	8,642	(460)	8,182		Other financial liabilities
Income taxes payable	1,213	-	(7)	-	1,205		Income taxes payable
	-	-	2,013	114	2,128		Provisions
Other (current)	30,900	-	(30,900)	-	-		
Bonds payable	2,372	-	(2,372)	-	-		
Long-term loans payable	24,353	-	(24,353)	-	-		
Provision for loss on guarantees	352	-	(352)	-	-		
Net defined benefit liability	151	-	(151)	-	-		
Provision for loss on litigation	1,138	-	(1,138)	-	-		
	-	-	215	544	759		Deferred tax liabilities
Other (non-current)	2,525	-	4,195	242	6,963	(9)	Other liabilities
Total liabilities	456,987	-	(160)	7,125	463,952		Total liabilities
Net assets							Equity
Capital stock	53,630	-	-	-	53,630		Share capital
Capital surplus	53,716	-	168	(1,141)	52,743	(10)	Capital surplus
Retained earnings	49,499	-	-	5	49,504	(13)	Retained earnings
Treasury shares	(7,685)	-	-	-	(7,685)		Treasury shares
	-	-	(3,409)	5,500	2,091	(11)	Other components of equity
Valuation difference on available-for-sale securities	1,904	-	(1,904)	-	-		
Foreign currency translation adjustment	(5,343)	-	5,343	-	-		
Net defined benefit liability							
Remeasurements of defined benefit plans	30	-	(30)	-	-		
	145,752	-	168	4,363	150,284		Total equity attributable to owners of parent
Subscription rights to shares	168	-	(168)	-	-		
Non-controlling interests	5,742	-	-	(113)	5,628		Non-controlling interests
Total net assets	151,663	-	-	4,249	155,913		Total equity
Total liabilities and net assets	608,650	-	(160)	11,375	619,865		Total liabilities and equity

Reconciliation of profit or loss and comprehensive income for the six month ended September 30, 2016

(unit: million yen)

Presentation under Japanese GAAP	Japanese GAAP	Closing date adjustments	Reclassification	Effect of transition	IFRS	Notes	Presentation under IFRS
Operating revenue	40,135	13	(533)	(646)	38,969	(3),(5), (12)	Operating revenue
Operating expenses	19,940	(371)	8,903	(4,602)	23,869	(2),(5), (7),(12)	Operating expenses
Operating gross profit	20,194	385	(9,436)	3,956	15,099		
Selling, general and administrative expenses	24,135	73	(9,378)	(1,248)	13,581	(6),(7), (9)	Selling, general and administrative expenses
	-	-	865	(11)	854		Other income
	-	-	2,095	10	2,105		Other expenses
Operating loss	(3,940)	311	(1,286)	5,182	266		Operating profit
Non-operating income	158	116	(275)	-	-		
Non-operating expenses	1,622	(9)	(1,612)	-	-		
Extraordinary income	772	(12)	(760)	-	-		
Extraordinary losses	2,385	(1)	(2,383)	-	-		
	-	-	136	-	136		Finance income
	-	-	1,807	-	1,807		Finance costs
	-	-	2	-	2		Share of loss of investments accounted for using the equity method
Loss before income taxes	(7,016)	427	-	5,182	(1,407)		Loss before income taxes
Income taxes - current	1,074	(6)	(480)	98	687	(8)	Income taxes
Income taxes - deferred	(482)	1	480	-	-		
Loss	(7,609)	431	-	5,083	(2,094)		Loss
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans, net of tax	1	(31)	-	(16)	(47)		Remeasurements of defined benefit plans
	1	(31)	-	(16)	(47)		Total of items that will not be reclassified to profit or loss
							Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustment	(10,288)	(2,185)	-	3,471	(9,002)	(11)	Exchange differences on translation of foreign operations
Valuation difference on available-for-sale securities	5,333	(29)	-	215	5,519		Net change in fair values of available-for-sale financial assets
Share of other comprehensive income of entities accounted for using equity method	(59)	-	-	47	(11)		Share of other comprehensive income of investments accounted for using the equity method
	(5,015)	(2,215)	-	3,734	(3,495)		Total of items that may be reclassified subsequently to profit or loss
Total other comprehensive income	(5,014)	(2,246)	-	3,717	(3,542)		Other comprehensive income, net of tax
Comprehensive income	(12,623)	(1,815)	-	8,801	(5,637)		Comprehensive income

Reconciliation of profit or loss and comprehensive income as of March 31, 2017
(The most recent consolidated financial statements prepared under Japanese GAAP)

(unit: million yen)

Presentation under Japanese GAAP	Japanese GAAP	Closing date adjustments	Reclassification	Effect of transition	IFRS	Notes	Presentation under IFRS
Operating revenue	85,031	(3,560)	(834)	(513)	80,123	(3),(5), (12)	Operating revenue
Operating expenses	43,963	(2,700)	13,757	(5,232)	49,788	(2),(5), (7),(12)	Operating expenses
Operating gross profit	41,068	(860)	(14,592)	4,719	30,334		
Selling, general and administrative expenses	46,837	(1,537)	(14,341)	(3,238)	27,719	(6),(7), (9)	Selling, general and administrative expenses
	-	-	1,513	(89)	1,424		Other income
	-	-	2,700	20	2,721		Other expenses
Operating profit (loss)	(5,769)	677	(1,437)	7,846	1,317		Operating profit
Non-operating income	334	(10)	(324)	-	-		
Non-operating expenses	1,312	(77)	(1,235)	-	-		
Extraordinary income	1,335	(12)	(1,323)	-	-		
Extraordinary losses	2,948	(1)	(2,946)	-	-		
	-	-	282	-	282		Finance income
	-	-	1,377	-	1,377		Finance costs
	-	-	(2)	-	(2)		Share of profit (loss) of investments accounted for using the equity method
Loss before income taxes	(8,359)	733	-	7,846	220		Profit (loss) before income taxes
Income taxes - current	1,690	-	(359)	(44)	1,286	(8)	Income taxes
Income taxes - deferred	(368)	9	359	-	-		
Loss	(9,681)	723	-	7,891	(1,065)		Loss
Other comprehensive income							Other comprehensive income
							Items that will not be reclassified to profit or loss
Remeasurements of defined benefit plans	144	12	-	(6)	151		Remeasurements of defined benefit plans
	144	12	-	(6)	151		Total of items that will not be reclassified to profit or loss
							Items that may be reclassified subsequently to profit or loss
Foreign currency translation adjustment	(2,054)	(1,343)	-	3,998	600	(11)	Exchange differences on translation of foreign operations
Valuation difference on available-for-sale securities	1,800	61	-	(623)	1,237		Net change in fair values of available-for-sale financial assets
Share of other comprehensive income of entities accounted for using equity method	(0)	-	-	-	(0)		Share of other comprehensive income of investments accounted for using the equity method
	(254)	(1,282)	-	3,375	1,838		Total of items that may be reclassified subsequently to profit or loss
Total other comprehensive income	(109)	(1,270)	-	3,369	1,989		Other comprehensive income, net of tax
Comprehensive income	(9,790)	(546)	-	11,260	923		Comprehensive income

Reconciliation of cash flows for the six months ended September 2016 and fiscal year ended March 31, 2017. (the most recent consolidated financial statements prepared under Japanese GAAP)

There are no material differences between the consolidated statement of cash flows that was disclosed in accordance with Japanese GAAP and those disclosed under IFRS except that we made necessary adjustments related to account closing date differences between subsidiaries and those of the Company.

Notes to reconciliation

The reconciliation tables provides a reconciliation from Japanese GAAP to IFRS. Major contents are as follows:

[1] Account closing date adjustment

Under Japanese GAAP, we prepared consolidated financial statements based on the financial statements as of the account closing date of the subsidiaries or entities using the equity method, even if the account closing date of subsidiaries or entities adopting the equity method was different from that of the Company. Under IFRS, however, different account closing date is not permitted unless impracticable. Accordingly, we made the necessary adjustments.

The difference between the closing dates of relevant subsidiaries and the Company under Japanese GAAP was eliminated during the previous fiscal year.

[2] Reclassification

Reclassification applies to condensed quarterly consolidated statement of financial position, condensed quarterly consolidated statement of profit or loss and condensed quarterly consolidated statement of comprehensive income, and there is no effect on retained earnings.

The major reclassifications are as follows:

- Assets and liabilities are presented without the classification of “current” or “non-current.”
- “Restricted deposits” and “long-term deposits,” which were included in “cash and deposits” under Japanese GAAP, were reclassified into “other financial assets” under IFRS, and “cash and deposits” under Japanese GAAP is presented as “cash and cash equivalents” under IFRS.
- “Allowance for doubtful accounts,” which was separately presented under Japanese GAAP, is reclassified by directly deducting the amount from “trade and other receivables,” “loans by banking business” and “other financial assets,” and the net amount is presented under IFRS.
- Asset retirement obligation, which was included in “other non-current liabilities” under Japanese GAAP, is reclassified and presented as “provisions” under IFRS.
- Items presented as “non-operating income,” “non-operating expenses,” “extraordinary income” and “extraordinary loss” under Japanese GAAP are presented as “finance income” and “finance costs” for finance-related profit or loss under IFRS, and other items are presented as “other income,” and “other expenses.”
- “Assets held for sale” under IFRS is presented as “property, plant and equipment” or “investments and other assets” under Japanese GAAP.

[3] Effects of IFRS transition

(1) Scope of consolidation

Under Japanese GAAP, special purpose companies (SPCs) which meet certain criteria are treated as non-subsidiaries. Under IFRS, however, the parent company needs to consolidate such SPCs as an investment in subsidiaries, if it has a substantial control over them. The scope of consolidation is accordingly expanded.

(2) Impairment losses on financial assets

Under Japanese GAAP, if market value of available-for-sale securities significantly declines, the market value should equal balance sheet value unless there is a possibility of recovery, and the related valuation differences are recognized in losses during the period. For securities without market value, if their value in substance decreases dramatically stemming from the aggravation of financial conditions of the issuing companies, considerable reductions are made, and valuation differences are accounted for through losses during the period. Meanwhile, we classify operating loans receivables and loans receivable, etc. into the following 3 categories: (i) hard-to-recover receivables; (ii) doubtful receivables; and (iii) substandard receivables, in accordance with debtors’ financial conditions and operating results, and estimate the uncollectible amounts in consideration of the above category.

Under IFRS, the Group assesses whether there is any objective evidence of impairment of financial assets (i.e. debtors’ default or deferred payment) or not on a quarterly basis.

- The impairment of loans and receivables is measured as the difference between the asset’s book value and the present value of the estimated future cash flow discounted at the asset’s initial effective interest.
- The objective evidence of impairment regarding equity instruments categorized as available-for-sale financial asset includes a significant or prolonged decline in fair value below its acquisition cost. Cumulative losses are reclassified from other comprehensive income to profit or loss if objective evidence of

impairments exists.

(3) Deferral of upfront fee

Under Japanese GAAP, a certain amount of upfront fees is received at the time of loan execution, and revenue is recognized collectively at the time of the receipt.

On the other hand, under IFRS, once the upfront fee is recognized as the “integral part of effective interest,” revenue is recognized (deferral of revenue) under the effective interest method.

(4) Classification of financial instruments

Under Japanese GAAP, securities are classified and measured according to their holding purposes while other financial assets are judged separately by their nature.

Pursuant to uniform provisions, IFRS requires financial assets to be classified into the following 4 categories: (i) financial assets measured at fair value through profit or loss; (ii) held-to-maturity investments; (iii) loans and receivable; and (iv) available-for-sale financial assets, and they are used to measure the financial assets.

(5) Financial guarantee contracts

Japanese GAAP does not require companies to record guarantees initially at fair value on the balance sheet. However, provision for loss on guarantees is recorded if possibilities of losses arising out of guarantee are highly likely and that the amount can be reasonably estimated.

Under IFRS, financial guarantee contracts are measured at fair value at the time of initial contracts and subsequently measured at the higher of: (i) the best estimated expenditures required for the settlement of obligations arising from the financial guarantee contracts; or (ii) the unamortized balance of the sum of guarantee commissions to be received.

(6) Adjustments to goodwill

Goodwill is amortized under Japanese GAAP, but not under IFRS. Due to this, goodwill amortization expensed in the previous fiscal year under Japanese GAAP is reversed.

(7) Adjustments resulting from changes in depreciation methods of property, plant and equipment

The Group, in principle, used the declining balance method for the depreciation of property, plant and equipment, excluding leased assets under Japanese GAAP. However, the straight-line method is adopted, in principle, under IFRS. As a result of the change, “operating expenses” and “selling, general and administrative expenses,” in which depreciation was included, are adjusted accordingly. Moreover, “gain or loss on sales of fixed assets”, which was recorded based on the previous depreciation method, was recalculated. The acquisition tax of fixed assets, which was expensed under Japanese GAAP, is capitalized as assets under IFRS.

(8) Re-examination of recoverability of deferred tax assets

While tax effects due to the elimination of unrealized gain or loss were calculated using the effective tax rates of the company subject for sale under Japanese GAAP, the effective tax rates of the company subject for purchase are used under IFRS.

The recoverability of deferred tax assets including temporary differences arising from the adjustment process between Japanese GAAP and IFRS is re-examined.

(9) Adjustments to paid vacation accrual

While there are no specific requirements for “paid vacation accrual” under Japanese GAAP, it is accounted for as personnel expenses under IFRS, and “selling, general and administrative expense” and “other liabilities” are adjusted.

(10) Incidental cost for equity transactions

Direct issue fees of equity instruments are accounted for as losses under Japanese GAAP. On the other hand, direct issue fees of equity transaction (net of tax) are deducted directly from capital surplus under IFRS.

(11) Reclassification of cumulative translation difference on foreign operations

The Group has adopted the IFRS 1 exemption for first-time adoption of IFRS, and all cumulative translation differences as of the transition date are reclassified into retained earnings.

(12) Adjustments relating to operating revenue

Regarding transactions that the Group acted on behalf of another person or business and the sum of revenue and cost are presented under Japanese GAAP, the net amount is presented as “operating revenue” under IFRS.

(13) Adjustments to retained earnings

(unit: million yen)

	Notes	Date of transition to IFRS (April 1, 2016)	2Q FY2017 (September 30, 2016)	FY2017 (March 31, 2017)
Adjustments resulting from changes in the depreciation method for property, plant and equipment	(7)	55	33	23
Adjustments to goodwill	(6)	-	1,253	3,009
Adjustments to paid vacation accrual	(9)	(220)	(216)	(246)
Reclassification of cumulative translation difference on foreign operations	(11)	(3,469)	(3,469)	(3,469)
Adjustments to recording allowance for doubtful accounts	(2)	(5,530)	(1,512)	(1,256)
Effects of applying the amortized cost method under the effective interest method	(2),(3)	1,836	1,484	1,034
Incidental cost for equity transactions	(10)	1,170	1,170	1,170
Adjustments to non-controlling interests		10	(10)	32
Other		(290)	(107)	(292)
Total		(6,437)	(1,373)	5