

# JTRUST

1<sup>st</sup> Quarter of FY 2016

# Earnings Presentation

August 2015

J Trust Co., Ltd.

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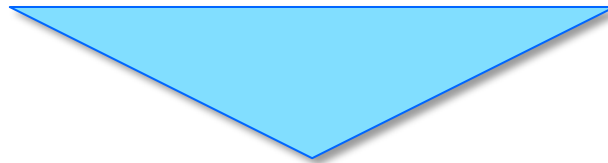
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# *Key Point*

- Operating revenue in line with target
- Operating income below target



Reinforcing initiatives to achieve full-year target

I. Domestic Financial Business: solid progress

II. Financial Business in South Korea: solid progress

III. Financial Business in Southeast Asia:  
reinforcement of initiatives underway to achieve full-  
year operating income of 1.5 billion yen

# Overview of Financial Result for 1<sup>st</sup> Quarter of FY 2016

*Point*

## Consolidated P/L (J-GAAP)

(unit: 100 million yen)

	2014/06	2015/06	Difference
Operating revenue	159	195	36
Operating income (loss)	(3)	(19)	(16)
Ordinary income (loss)	(3)	(15)	(12)
Profit (loss) attributable to owners of parent	(3)	(27)	(24)
Operating profit ratio	(2.25)%	(9.73)%	(7.48)%
ROE	(0.23)%	(1.48)%	(1.25)%



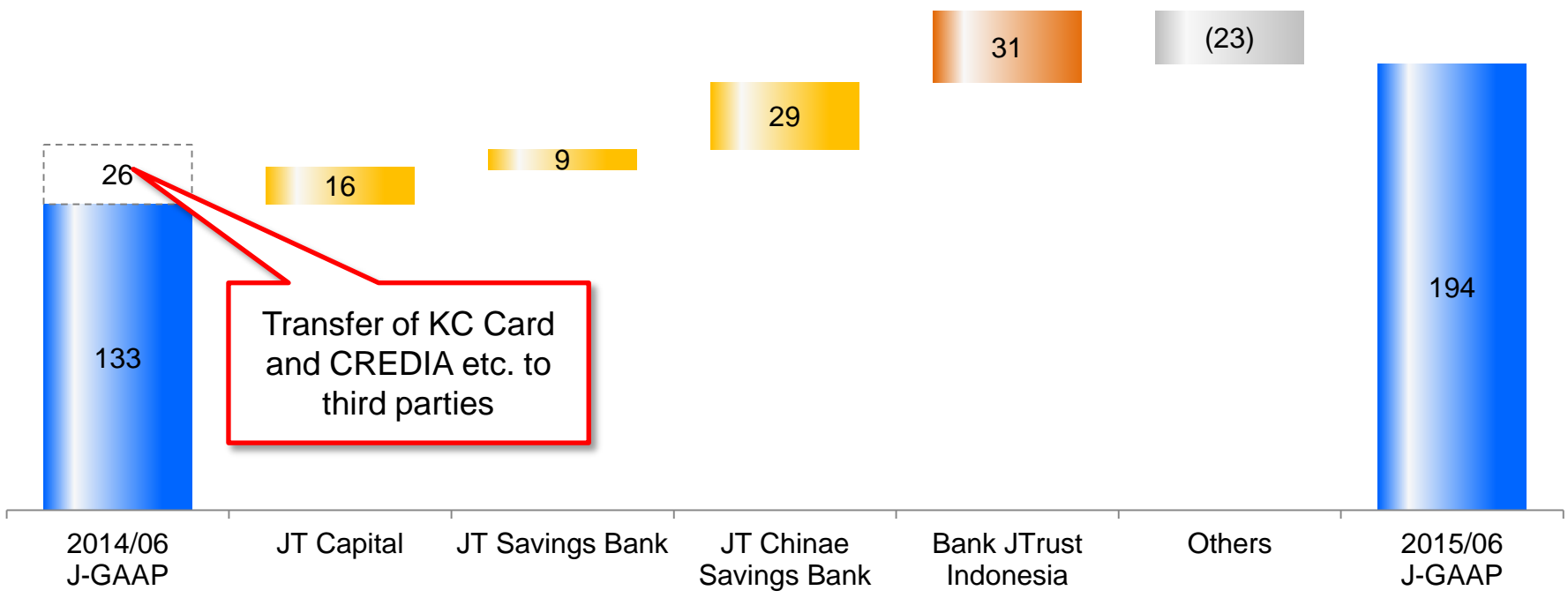
# Overview of Financial Result for 1<sup>st</sup> Quarter/Consolidated Operating Revenue

**Point**

- Compared with same period of previous fiscal year, operating revenue increased due to newly added consolidated subsidiaries and increase in operating revenue at JT Chinae Savings Bank

Unit: 100 million yen

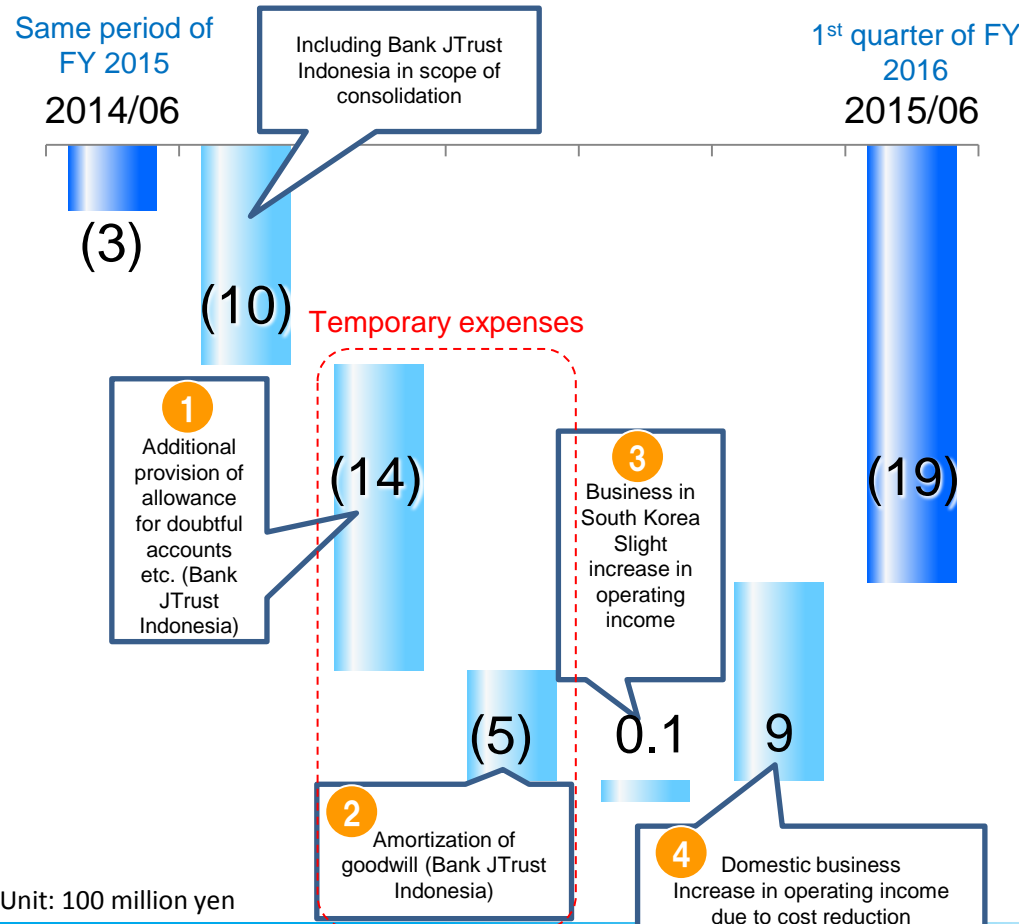
## Consolidated Operating Revenue



# Overview of Financial Result for 1st Quarter/Consolidated Operating Income

## Point

- Compared with same period of previous fiscal year, profit decreased owing to provision of allowance for doubtful accounts at Bank JTrust Indonesia and amortization of goodwill



1

### Accelerated disposal of NPL to improve financial health of Bank JTrust Indonesia

- Temporary increase in provision of allowance for doubtful accounts due to accelerated disposal of NPL to improve financial health of Bank JTrust Indonesia
- Since voluntary adoption of IFRS in March 2016 is scheduled, financial result of Bank JTrust Indonesia for the 1st quarter will not be included in the full year financial results.

2

### Recorded amortization of goodwill owing to delay in voluntary adoption of IFRS

- Under IFRS, impairment test is conducted for amortization of goodwill. In case that there is no indication of impairment, expenses are not recorded. Since the timing of voluntary adoption of IFRS has been changed from June 2015 to March 2016, amortization of goodwill was recorded as expense.

3

### Business in South Korea

- Banking business revenue increased due to business transfer and increase in new loan
- Historical bad debt ratio and bad debt expenses decreased due to improvement in delinquency ratio

4

### Domestic Business

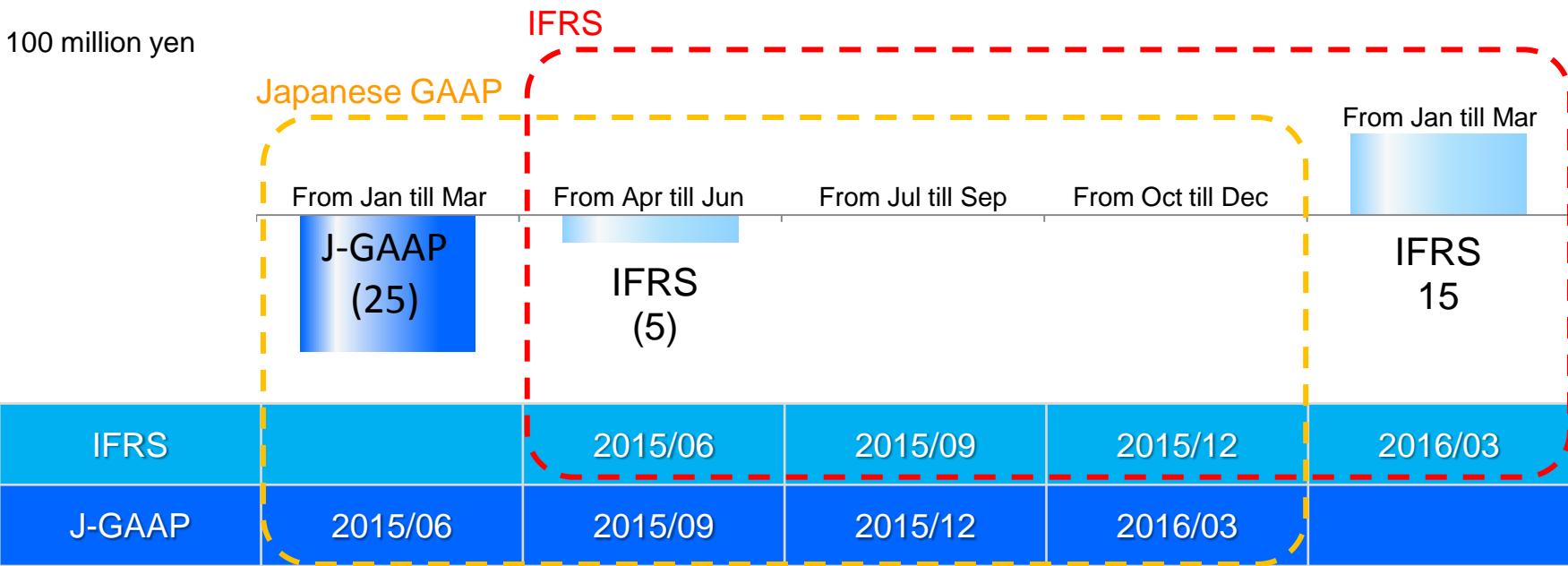
- Progress in business restructuring at Nihon Hoshou contributed to a decrease in selling, general and administrative expenses and profit increased

# Overview of Financial Result for 1st Quarter/Difference in Accounting Period

- Point
- Different accounting period to be reflected in consolidated financial statements regarding Bank JTrust Indonesia

■ Financial result (operating income) of Bank JTrust Indonesia to be reflected in consolidated financial statements (image)

Unit: 100 million yen



# Segment Performance

# Segment Performance/Operating Revenue from Each Segment

## Point

- Smooth progress with operating revenue per segment. Operating revenue from domestic financial business declined due to transfer of KC Card and CREDIA
- Business in South Korea and Southeast Asia will drive growth

	2014/06 J-GAAP	2015/06 J-GAAP	YOY
Domestic Financial Business	52	28	(45.2)%
Financial Business in South Korea	49	74	+49.0%
Financial Business in Southeast Asia	-	32	-
Non-Financial Business	57	61	+4.1%
Total	159	194	+22.4%

Unit: 100 million yen

\*Total reflects consolidation adjustment

# Segment Performance/Operating Income from Each Segment

## Point

- Domestic business: Stable progress
- South Korea: In the black
- Southeast Asia: Below target due to provision of allowance for doubtful accounts etc.

	2014/06 J-GAAP	2015/06 J-GAAP	YOY
Domestic Financial Business	10	9	(10.7)%
Financial Business in South Korea	(12)	0.1	+12
Financial Business in Southeast Asia	-	(25)	-
Non-Financial Business	3	2	(42.1)%
Total	(3)	(19)	-

Unit: 100 million yen

\* Total reflects consolidation adjustment

# Domestic Financial Business

## Point

- Substantially scale down unsecured loan business and focus on real estate secured loan, receivable collection business and credit guarantee business

## Domestic Financial Business

- Although operating revenue declined compared with previous fiscal year due to transfer of KC Card and CREDIA, operating income increased compared with previous fiscal year
- Collection of off-balance receivable assumed from Takefuji progressed smoothly
- Introduction of elective retirement plan is expected to reduce personnel expenses by 1.5 billion yen compared with previous fiscal year and this compensates for the effect from transfer of KC Card and CREDIA
- Receivable collection business is satisfactory in general
- In credit guarantee business, reinforce marketing effort on rental housing loan to increase balance during the 2<sup>nd</sup> half of this fiscal year

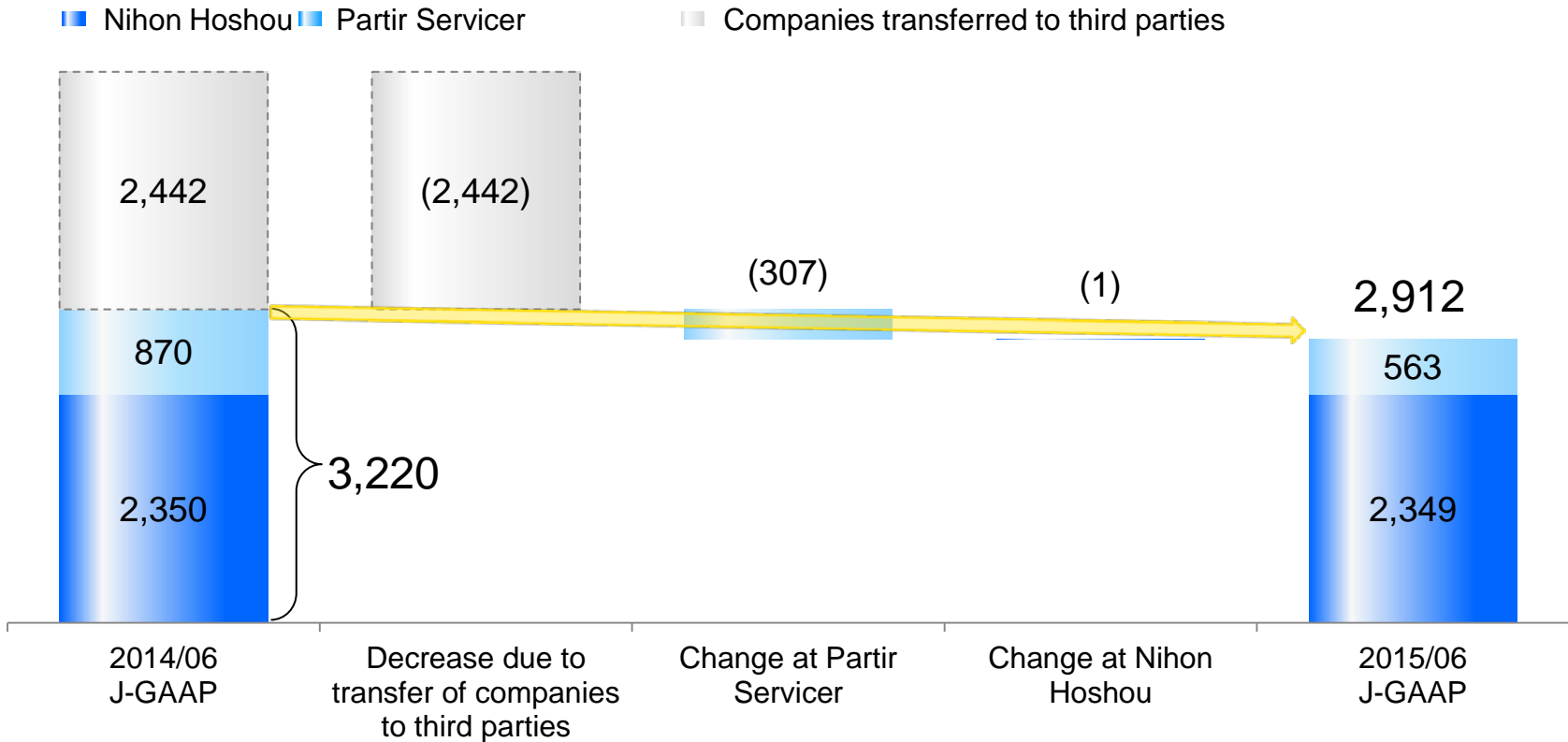


**Point**

➤ Credit guarantee business and receivable collection business as main source of profit

Unit: million yen

Operating Revenue from Domestic Financial Business



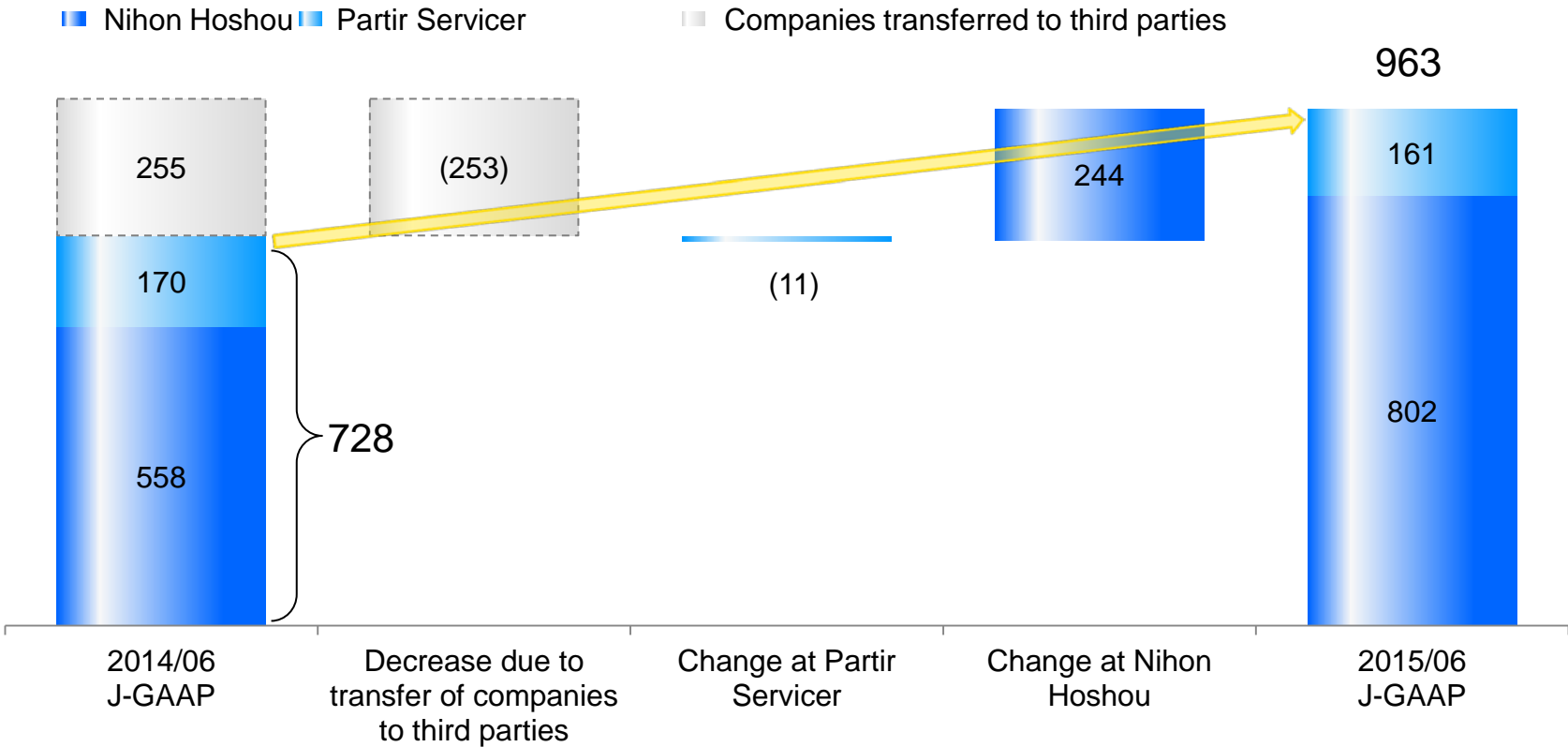
\*Since the above graph shows the total of operating revenue of each subsidiary, above financial result of each company includes profit generated from internal transaction and others.

**Point**

➤ Nihon Hoshou compensates for profit from companies transferred to third parties

Unit: million yen

Operating Income from Domestic Financial Business



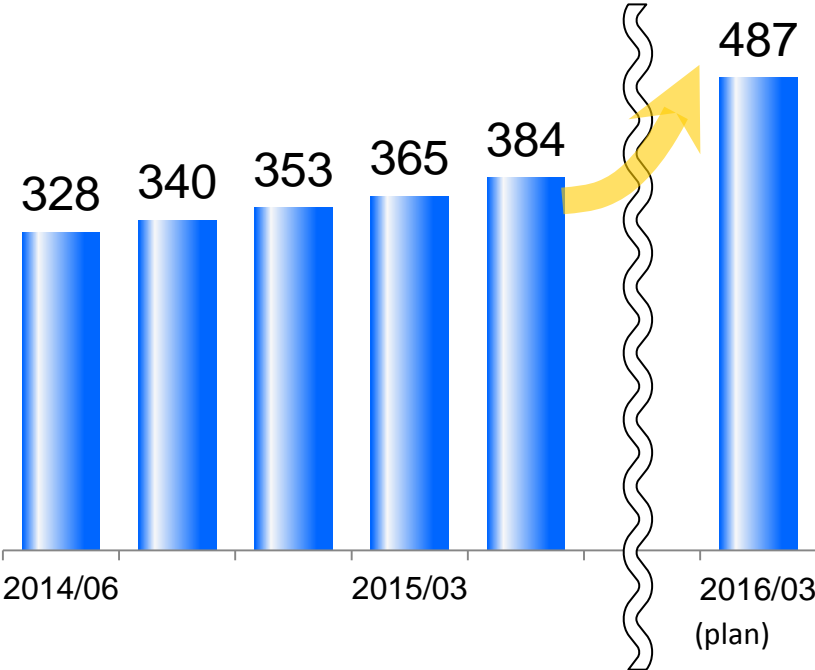
\*Since the above graph shows the total of operating income of each subsidiary, above financial result of each company includes profit generated from internal transaction and others.

**Point**

- Although increase in credit guarantee balance was insignificant, we are making progress to achieve year-end target of 48.7 billion yen.
- Intend to increase balance mainly in rental housing loans going forward

## Credit Guarantee Balance at Nihon Hoshou

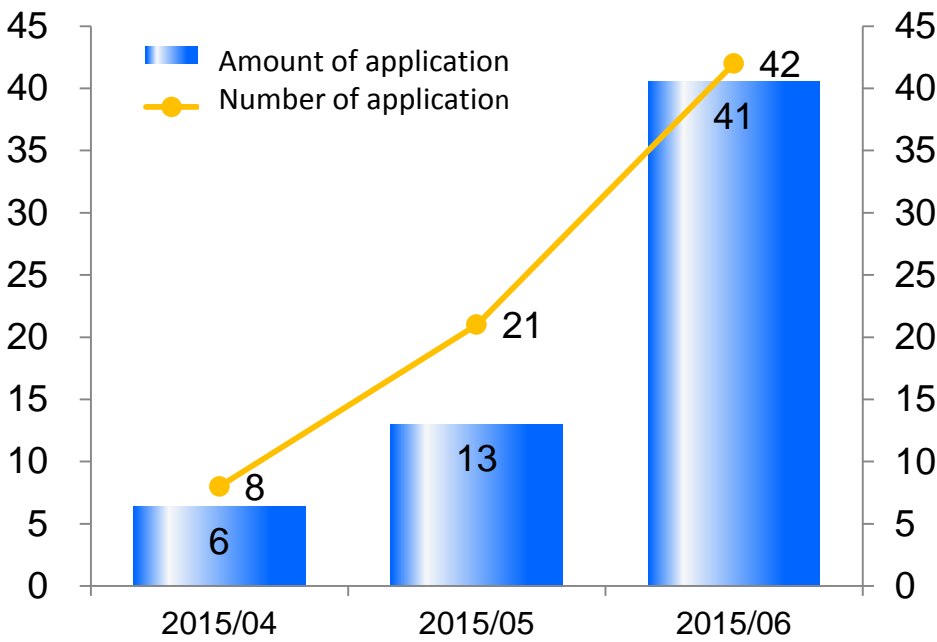
Unit: 100 million yen



## Application for Rental Housing Loan

Unit: 100 million yen

Unit: number of application

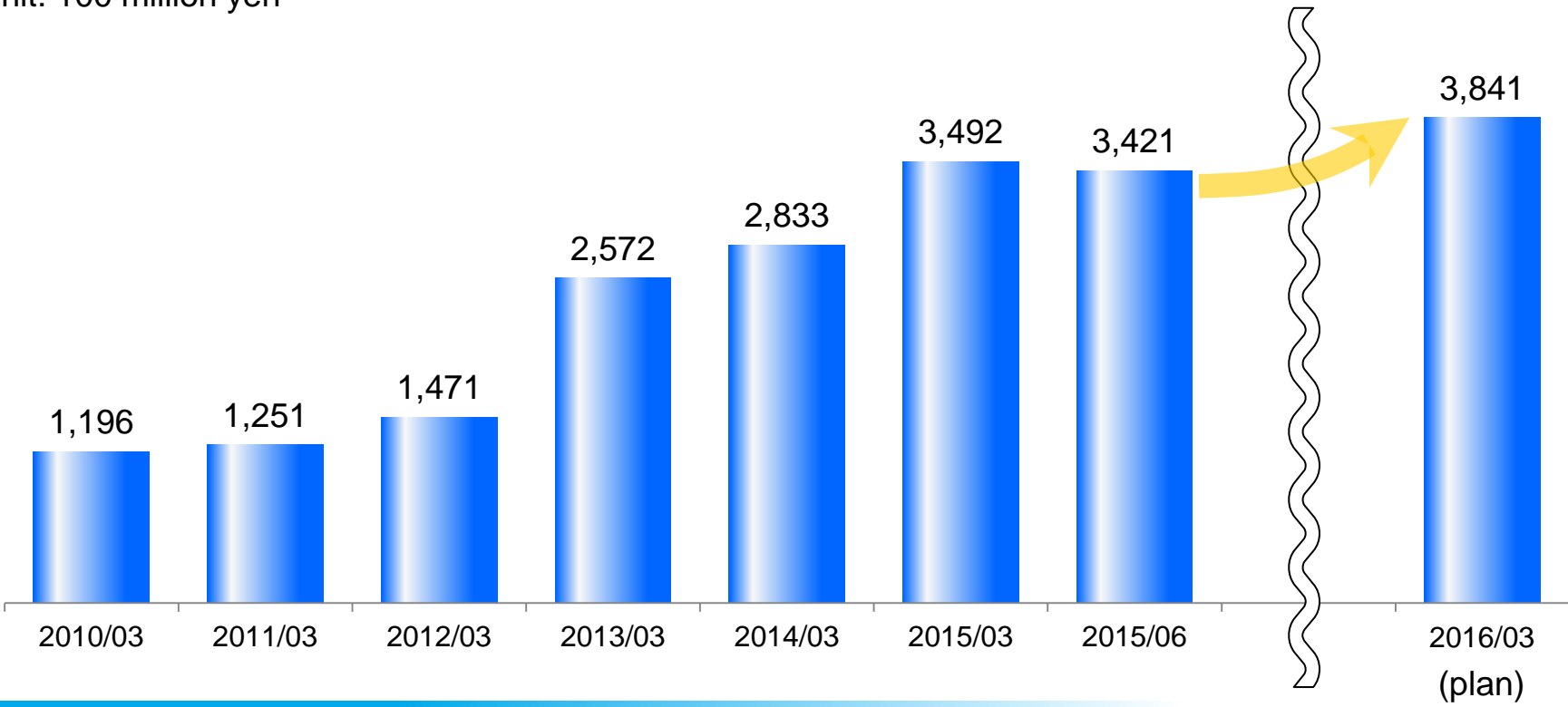


*Point*

- Although balance decreased slightly during 1<sup>st</sup> quarter, it shows increasing trend recently
- Principal balance is expected to exceed plan

Principal Balance of Loan Receivable

Unit: 100 million yen

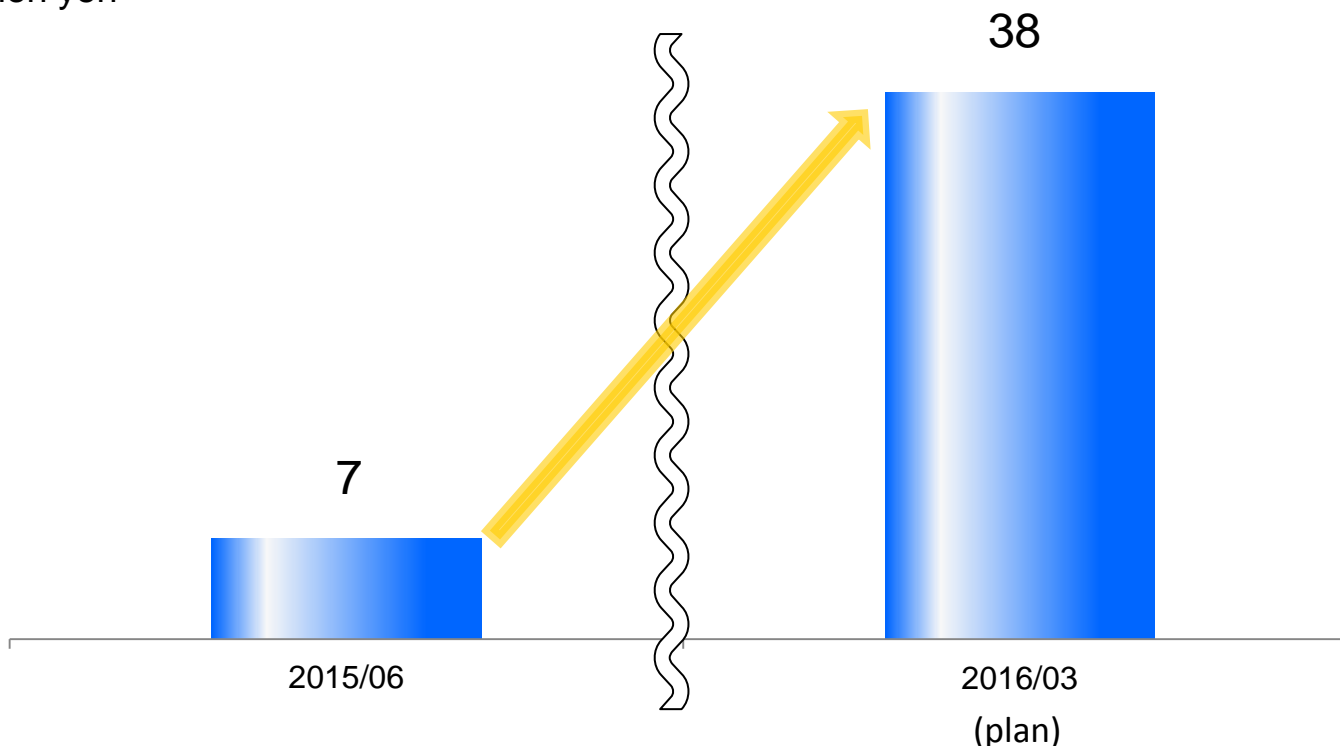


## Point

- Progress in collection from purchased receivables against medium term business plan was 18%
- Intend to increase principal balance and collection amount

## Change in Collection from Purchased Receivables

Unit: 100 million yen



# Financial Business in South Korea

## Point

- Through group-wide collaboration involving savings banks and receivable collection business, intend to increase balance of receivable proactively

## Financial Business in South Korea

- With addition of JT Savings Bank and JT Capital, operating assets in South Korea reached 200 billion yen
- With addition of JT Savings Bank, operating area covers around 70% of South Korea and client base subject to marketing expanded
- Addition of JT Capital enables acquisition of customers with superior credit ratings
- Room for improvement in terms of loan-deposit ratio (81.1% as of end June)

Point

- In terms of asset balance, we rank the third in the industry (combined balance of two savings banks)

Unit: 100 million won

No	Location of headquarters	Name	Asset
1	Seoul	SBI Mutual Savings	38,539
2	Seoul	HK Mutual Savings	20,287
3	Seoul+Gyeonggi-do	JT Chinae Savings Bank+JT Savings Bank	18,509
4	Gyeonggi-do	Korea Mutual Savings	15,779
5	Incheon	Moa Mutual Savings	14,749
6	Seoul	OK Savings	14,468
7	Seoul	JT Chinae Savings Bank	14,170
8	Seoul	OSB Savings	11,786
9	Seoul	Dongbu Mutual Savings	11,254
10	Seoul	Hana Savings	10,437
•			
30	Gyeonggi-do	JT Savings Bank	4,339
•			
78	Gyeongsangbuk-do	Daea Mutual Savings	298
79	Gyeongsangbuk-do	Daewon Mutual Savings	256

\*as of end March 2015

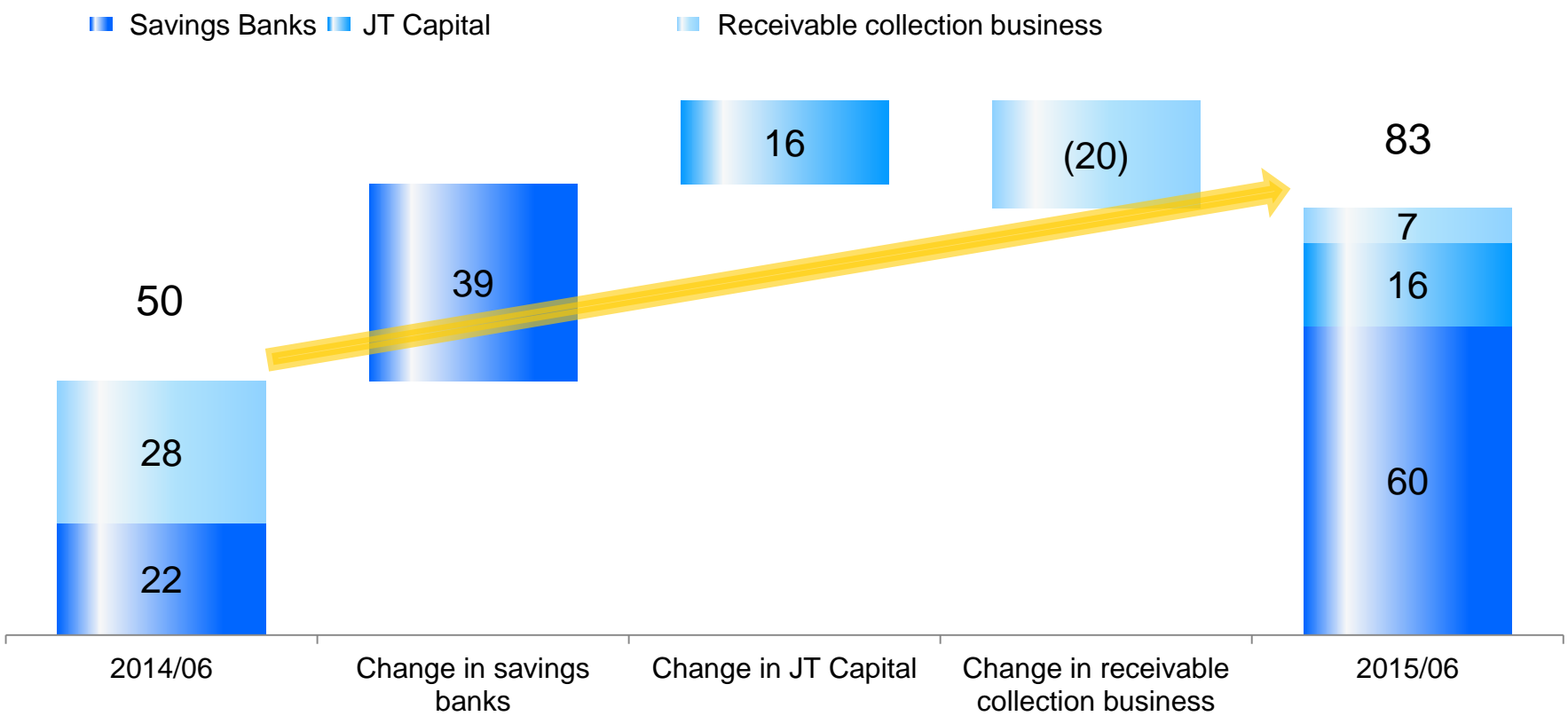


# Financial Business in South Korea/Operating Revenue from Each Segment

**Point**

➤ Operating revenue increased owing to operating revenue generated by JT Savings Bank and JT Capital which joined J Trust Group during previous fiscal year and increase in operating revenue from JT Chinae Savings Bank

Unit: 100 million yen    Operating Revenue from Financial Business in South Korea

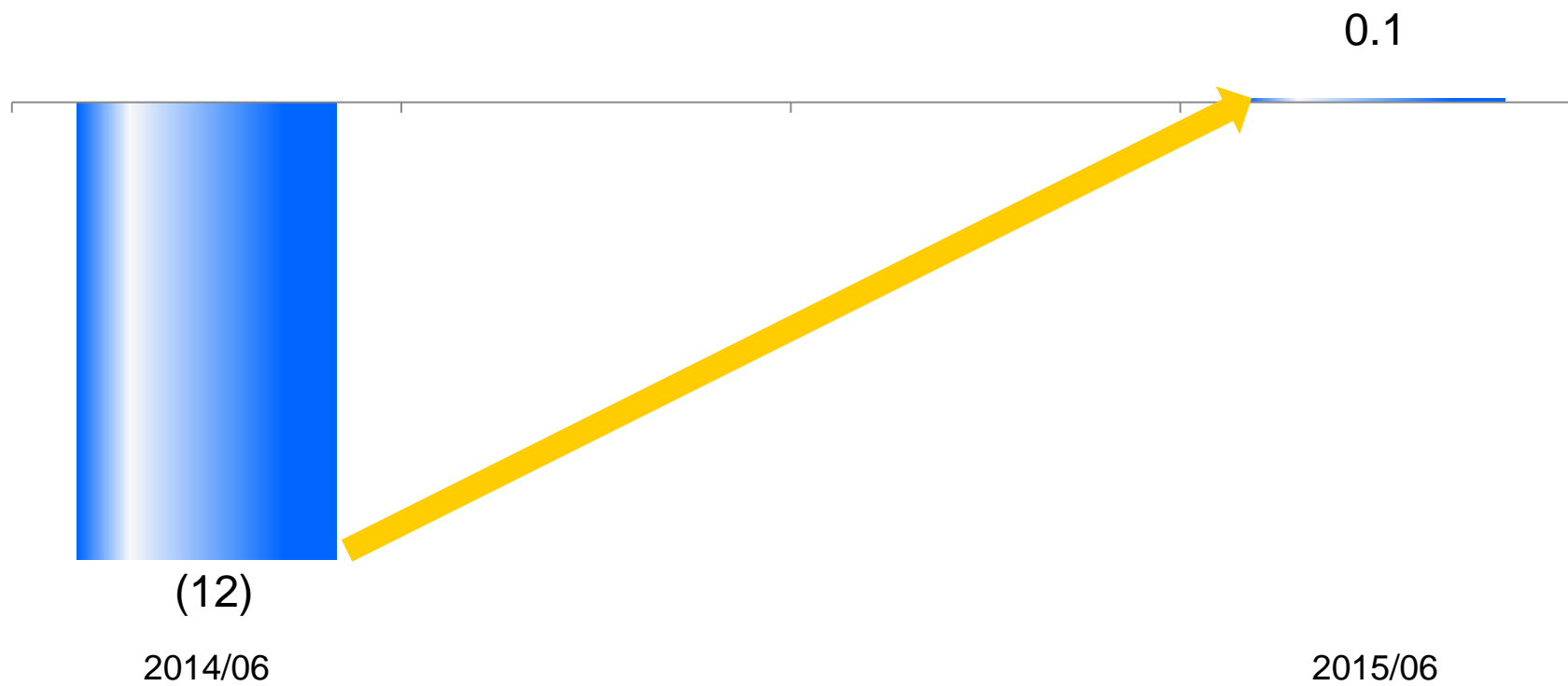


\*Since the above graph shows the total of operating revenue of each subsidiary, above financial result of each company includes profit generated from internal transaction and others.

Point

- Achieved operating income in financial business in South Korea

Unit: 100 million yen    Operating Income from Financial Business in South Korea



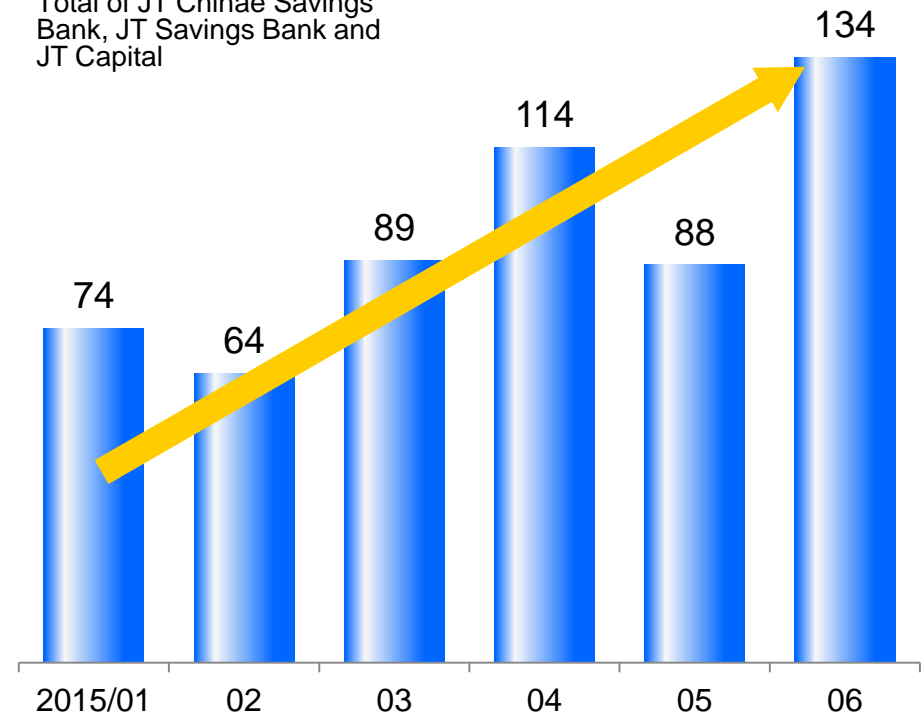
Point

- As amount of new loan increased, loan balance steadily increased

Amount of Loan Extended per Month

Unit: 100 million yen

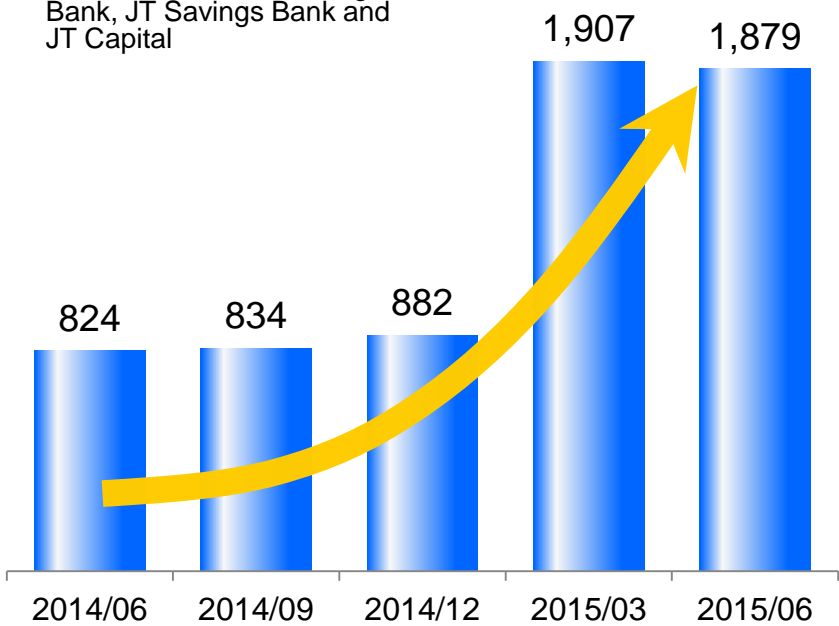
Total of JT Chinae Savings Bank, JT Savings Bank and JT Capital



Balance of Loan Receivable

Unit: 100 million yen

Total of JT Chinae Savings Bank, JT Savings Bank and JT Capital

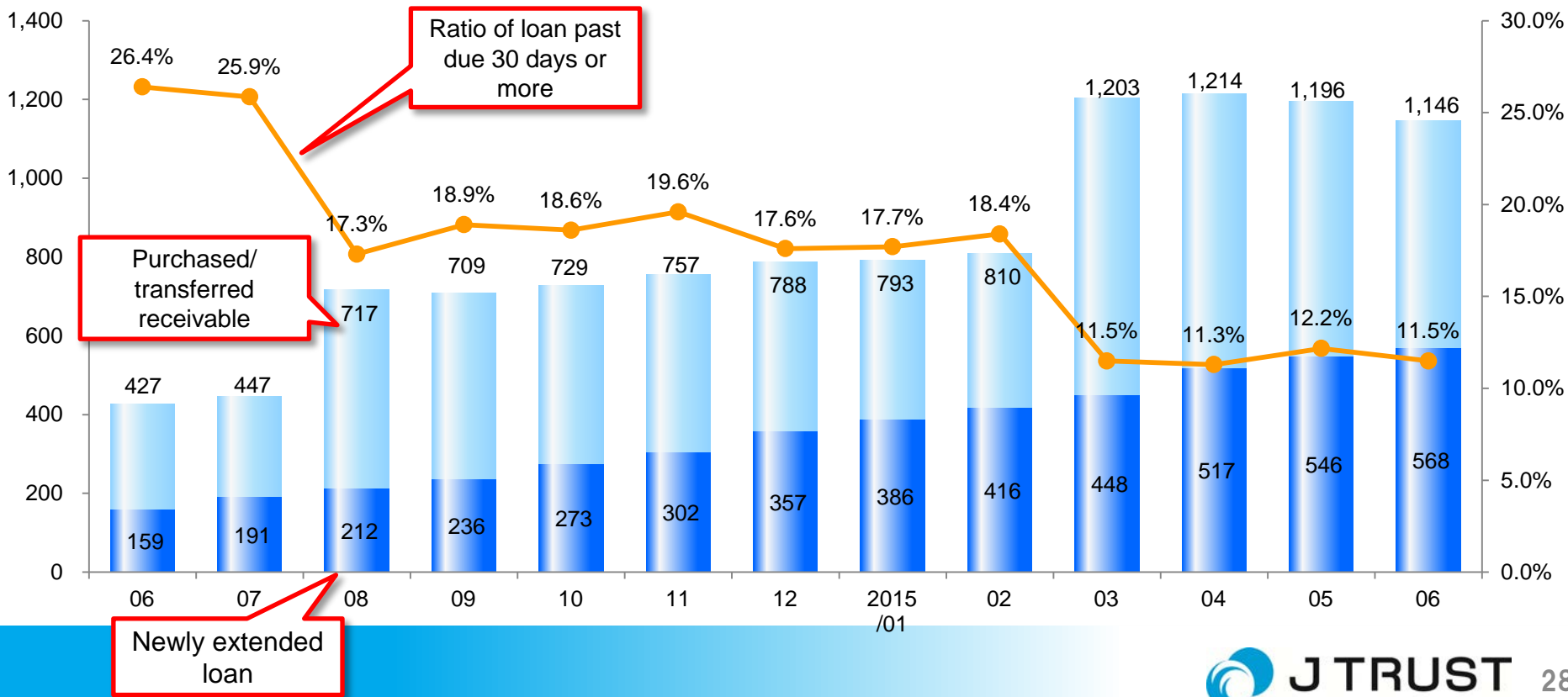


**Point**

➤ Quality of loan receivable improved and delinquency ratio gradually declined as we extended more loan

Loan Balance and Change in NPL at JT Chinae Savings Bank

Unit: 100 million yen

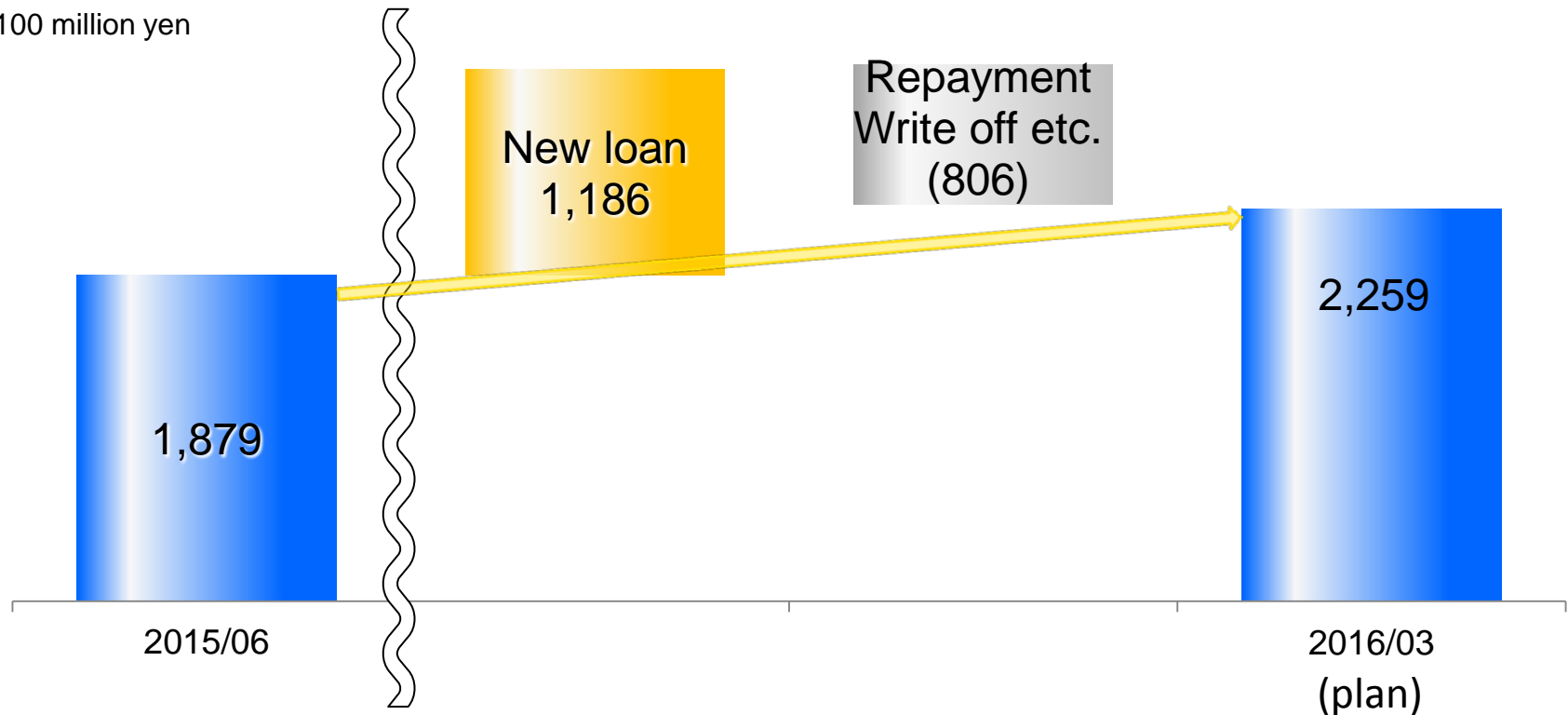


## Point

- Increase operating assets mainly from extension of new loan
- Purchase of receivable as source of positive contribution

## Increase in Balance of Financial Business in South Korea (image)

Unit: 100 million yen

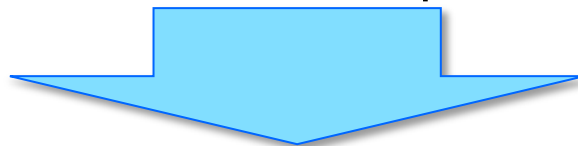


## Point

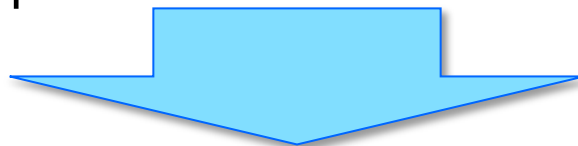
- As number of receivable collection companies increases, NPL of savings banks and capital company can be sold at higher price

## ■ Environment

- As number of receivable collection companies increased, price of NPL surged. Receivable collection company faced difficulty in purchasing receivable at low price



- NPL possessed by savings banks and capital company can be sold at higher price



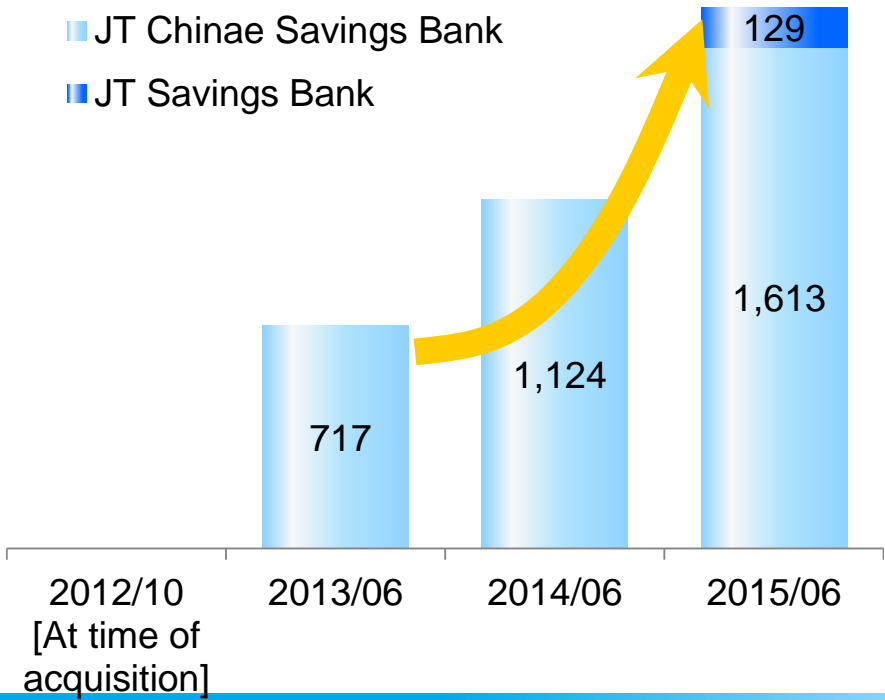
Positive impact on overall group in South Korea

**Point**

➤ Under K-GAAP, operating results of two savings banks turned black from FY 2015 (under J-GAAP, operating income of 0.7 billion yen)

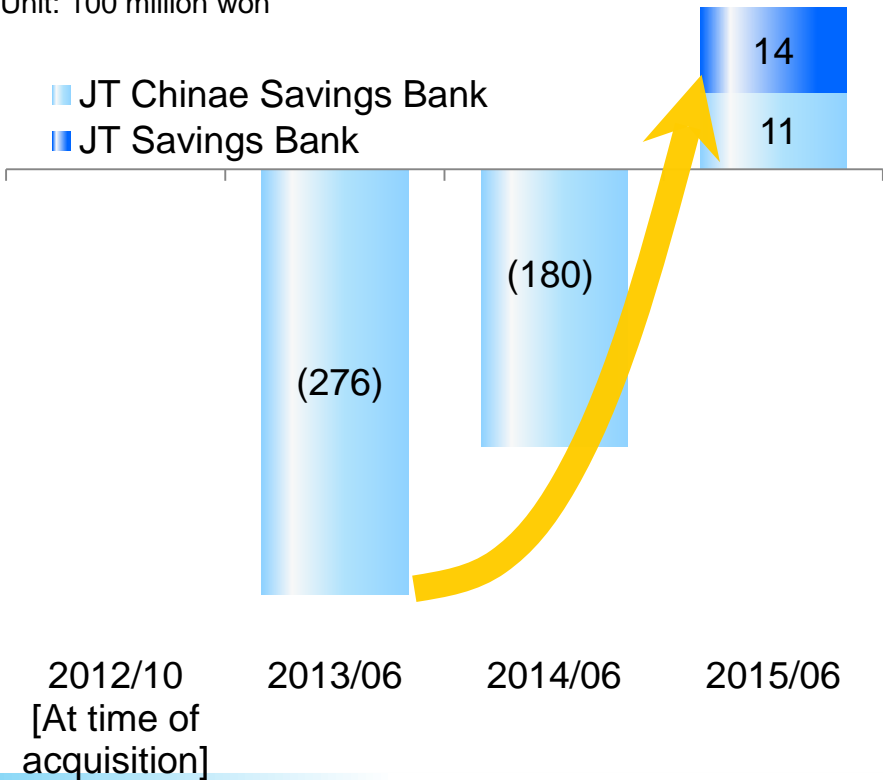
Operating Revenue (K-GAAP)

Unit: 100 million won



Operating Income (K-GAAP)

Unit: 100 million won



# Financial Business in Southeast Asia



## Point

- With collection of NPL as source of profit, established operating foundation to generate profit from the second year

## Financial Business in Southeast Asia

- Changed trade name to PT Bank JTrust Indonesia, Tbk., started branding activities
- Assign experienced management team and conduct business restructuring
- Hire capable human resources proactively and reinforce sales activities and collection of NPL

Point

- Owing to gap caused by difference in accounting standard and delay in marketing activities, financial result fell short of the target

■ Financial result of Bank JTrust Indonesia to be reflected in consolidated figures

Unit: 100 million yen

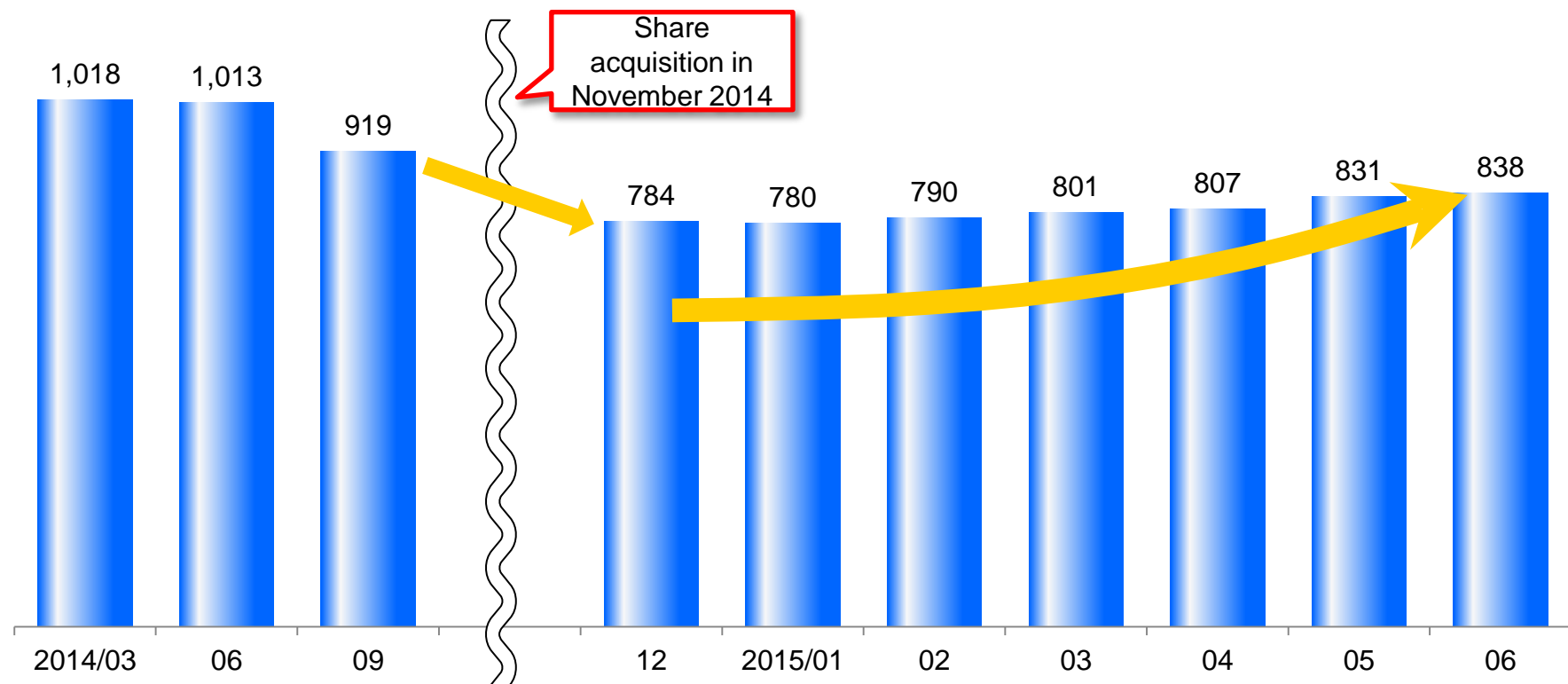
	2015/1~3 (J-GAAP)	2015/4~6 (IFRS)	Difference
Operating revenue from segment	32	29	(3)
Operating income (loss) from segment	(25)	(5)	20

Point

- Operating assets which continued to decline prior to acquisition increased
- Adopt measures and promote business to achieve year-end plan of 109.5 billion yen

Unit: 100 million yen

Balance of Operating Assets

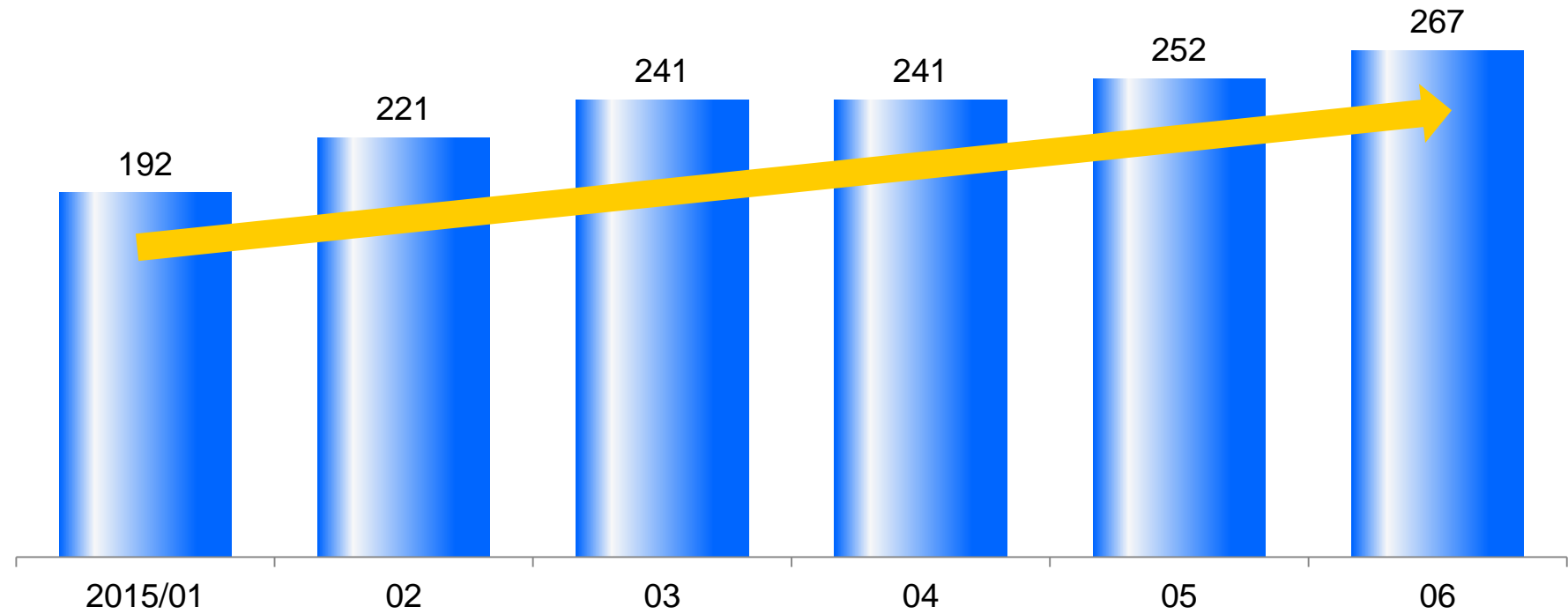


**Point**

- Balance of loan extended in collaboration with multi-finance companies steadily increased

Balance of Loan Extended in Collaboration with Multi-finance Companies

Unit: 100 million yen



## Point

- Rebuild business with proactive control by new management team

## ■ Measures to increase operating assets and lending interest rate

1. Hire experienced personnel⇒Plan to hire more than 100 personnel by December and aim to increase loan extended at branches
2. Contemplate joint operation in Indonesia with Group Lease, our partner in Thailand
3. Establish scheme with Bank Mayapada (in which we own 10% shares) to refer clients to Bank JTrust Indonesia

## Point

- Average deposit interest rate is on decline towards 8.2%, year-end target

	2015/01	2015/02	2015/03	2015/04	2015/05	2015/06
Average deposit interest rate	9.30%	9.13%	8.85%	8.97%	8.87%	8.43%

## ■ Measures to decrease deposit interest rate (funding cost)

1. Guide term deposit with extremely high interest rate of major customers to lower interest rate deposit by negotiating at time of maturity
2. Develop internet banking system to improve convenience and increase CASA ratio (introduction of internet banking system is planned for end September)
3. Establish scheme to procure deposit in low interest rate countries such as Japan  
⇒Progress toward introduction of scheme by end of fiscal year

## Point

- Adopt measures to decrease NPL balance early on

## ■ Measures to decrease NPL

1. Established special project team to handle NPL  
⇒ prompt action
2. Newly establish finance company by end September and transfer NPL  
⇒ Send specialists from Nihon Hoshou and Partir Servicer to reinforce collection activities in cooperation with experienced local employees

## Point

- Adopt various measures and promote business to achieve full-year operating income of 1.5 billion yen

### ■ Additional initiatives

1. Change company name from Bank Mutiara to Bank JTrust Indonesia  
⇒ Unification of brand and recognition as Japanese company  
⇒ At the same time, disclosed organizational restructuring plan to improve organizational efficiency
2. Change remuneration scheme  
⇒ Contemplate introduction of remuneration scheme indexed to KPI
3. Initiatives to increase loans to overseas entities  
⇒ In collaboration with partnered banks in credit guarantee business, aim to extend loan to Japanese companies which operate in Indonesia
4. Initiatives to increase commission fee  
⇒ Increase in commission fee (wire transfer and transfer) by introduction of SMS/mobile banking system  
⇒ Increase in foreign exchange fee by reinforcing marketing towards partnered money changers



# Non-Financial Business

## Point

- Prompt exit from unprofitable business
- Implement profit plan although revenue will decline

## Non-Financial Business

- Transfer of Japan Care Welfare Group to third party (subsequent event)
- Recorded 0.9 billion yen under extraordinary losses

## ■ Subsidiaries in non-financial business

- JTRUST ASIA
- ADORES
- Highlights Entertainment
- J Trust System
- Keynote
- BREAK

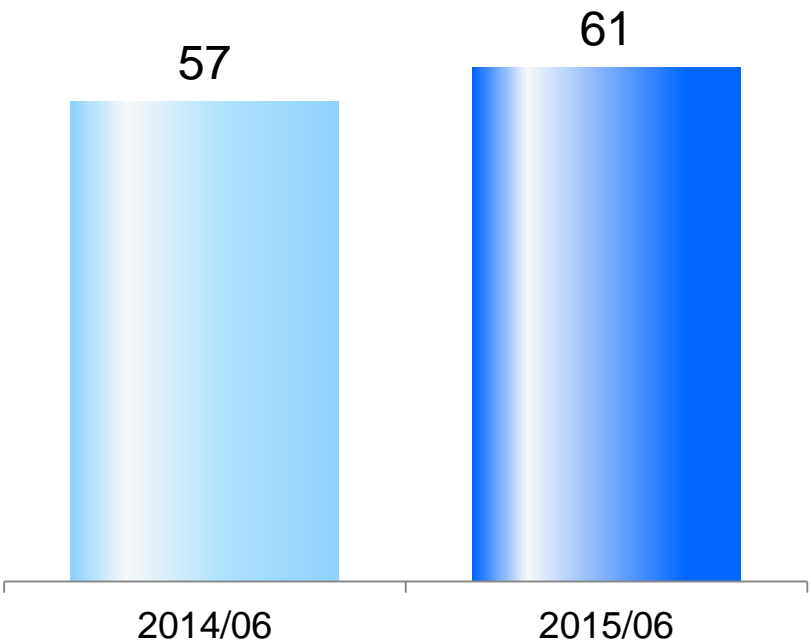
# Non-Financial Business/Segment Revenue and Income

**Point**

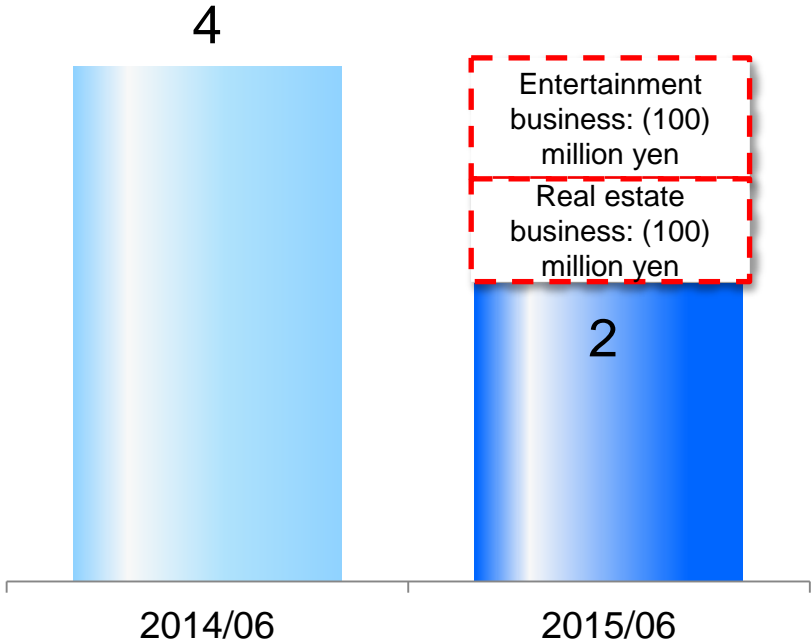
- Decrease in operating income owing to decrease in profit from general entertainment business and real estate business

Unit: 100 million yen

Operating Revenue



Operating Income



Others

# Share Buyback

Conditional upon non-existence of insider information



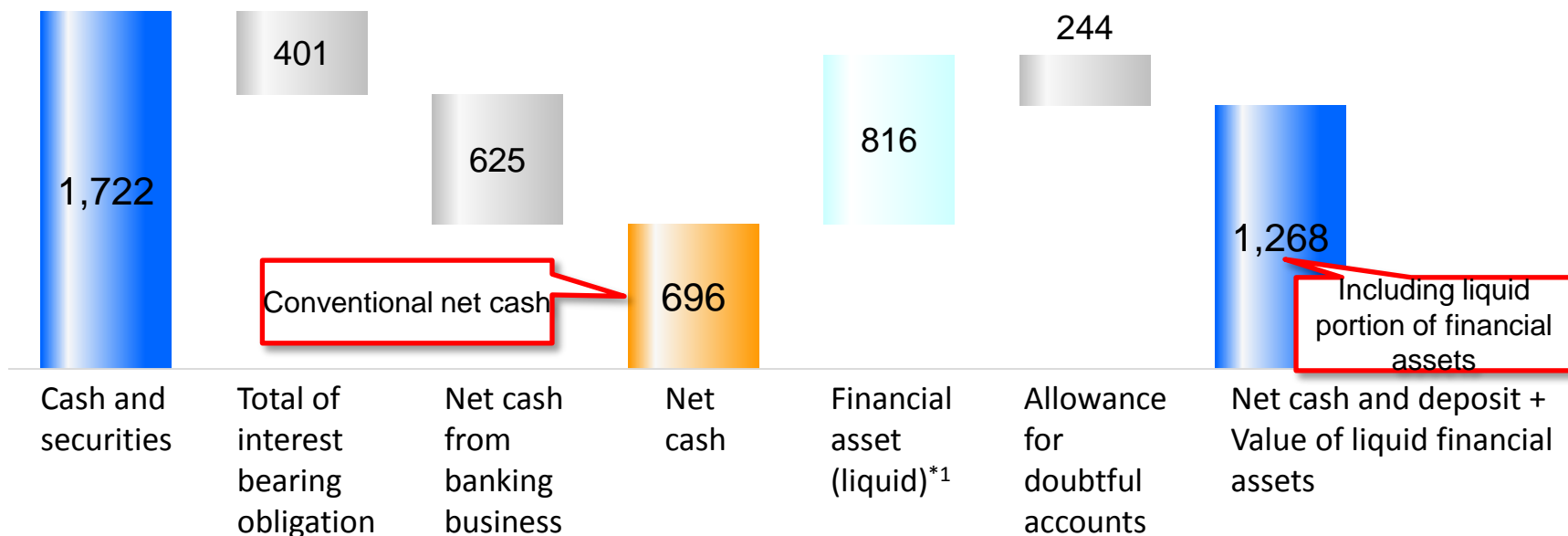
- Non-existence of significant matters such as M&A etc.
- Just before disclosure of financial result (quiet period)

**Point**

➤ Net cash + financial assets = 126.8 billion yen

### Calculation Method of Net Cash + Financial Assets

Unit: 100 million yen



\*1 Financial assets refer to total of commercial notes, accounts receivable –operating loans, advances paid-installment, purchased receivables, subrogation receivable and operational investment securities as of first quarter of FY 2016.

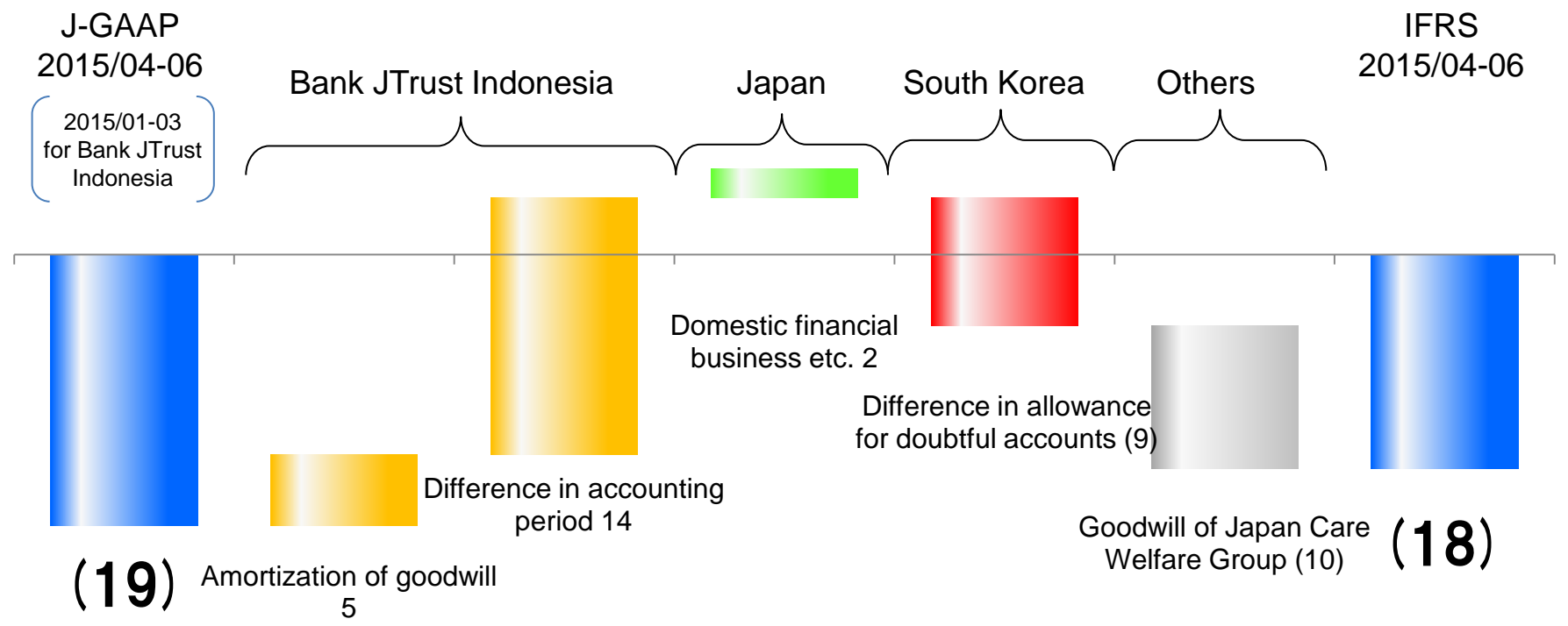
# APPENDIX

Point

- Operating income (loss) under J-GAAP: (1.9) billion yen
- Operating income (loss) under IFRS: (1.8) billion yen

Consolidated Operating Income

Unit: 100 million yen





**Point**

➤ Difference in allowance ratio in financial business in South Korea

- Negative impact on financial result owing to transition to IFRS
  - Impact of -0.9 billion yen owing to difference in standard for recording allowance for doubtful accounts
- Example: Difference in allowance rate at JT Chinae Savings Bank

	Standard regarding allowance
K-GAAP	✓ Based on guideline of Financial Supervisory Service, record 0.5% of unsecured loan (payment is current) as allowance
J-GAAP	✓ Allowance rate is calculated based on historical data. Allowance rate for unsecured loan (payment is current) is 1.67%.
IFRS	✓ Allowance rate for unsecured loan (payment is current) is 7%

<<Measures for future>>

- Development of computer system is underway to reflect precise allowance logics and trend. After the completion of system, revision to reflect trend in three and half years since the establishment of bank is expected.

