Translation for reference only

Consolidated Financial Results
For the Six Months Ended September 30, 2018 (IFRS)

November 13, 2018

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, 2018
Scheduled date of commencement of dividend payment: December 5, 2018
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, 2018

(April 1, 2018 – September 30, 2018)

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, 2018	36,575	5.6	25	(99.4)	1,160	(71.3)	(2,366)	-	(2,182)	-	(2,045)	-
September 30, 2017	34,645	-	4,602	-	4,049	-	2,322	-	2,269	-	4,121	-

	Basic earnings per share	Diluted earnings per share
Six months ended:	yen	yen
September 30, 2018	(21.19)	(21.18)
September 30, 2017	22.04	22.02

[Note] The Company has classified businesses of ADORES, Inc. and Highlights Entertainment Co., Ltd. as discontinued operations in FY2018 and in 2Q FY2019 respectively. As a result, the relevant figures in 2Q FY2018 are reclassified figures.

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, 2018	695,065	144,124	138,052	19.9
March 31, 2018	656,961	150,776	144,366	22.0

II. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	Total
Fiscal year:	yen	yen	yen	yen	yen
Ended March 31, 2018	-	6.00	-	6.00	12.00
Ending March 31, 2019	-	6.00			
Ending March 31, 2019 (forecast)			-	6.00	12.00

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

Translation for reference only

III. Consolidated financial forecasts for the fiscal year ending March 31, 2019 (April 1, 2018 - March 31, 2019)

(% 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	83,378	9.3	7,073	200.3	5,318	-	51.64

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

(General notes)

(1) Changes in significant 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: Yes

(ii) Changes in accounting policies other than IFRS requirements: No

(iii) Changes in accounting estimates: No

Note: For details, please refer to "II. Condensed quarterly consolidated financial statements and significant notes (6) Notes to condensed quarterly consolidated financial statements (Changes in accounting policies) on Page13.

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

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

As of September 30, 2018	112,649,910 shares
As of March 31, 2018	112,596,710 shares

(ii) Number of treasury shares

As of September 30, 2018	9,598,448 shares
As of March 31, 2018	9,598,396 shares

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

April 1, 2018 – September 30, 2018	103,021,620 shares
April 1, 2017 – September 30, 2017	102,955,027 shares

✓ This report does not fall within the scope of quarterly review procedures by certified public accountants or an auditing firm.

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

1. 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. Please refer to "I. Qualitative information on the current quarterly financial results, (3) Explanation of future forecast including consolidated financial forecast" in the attached document on Page 5 for the assumptions and premises on which the financial forecast is based.

2. Supplemental materials will be posted on the J Trust website (https://www.jt-corp.co.jp/en/). Earnings presentation for institutional investors is scheduled for November 15, 2018. Video and materials of the presentation will be available on the J Trust website afterwards.

Table of Attached Document

I. Qualitative information on the current quarterly financial results 2
(1) Explanation of operating results 2
(2) Explanation of financial position 4
(3) Explanation of future forecast including consolidated financial forecast 5
II. Condensed quarterly consolidated financial statements and significant notes 6
(1) Condensed quarterly consolidated statement of financial position 6
(2) Condensed quarterly consolidated statement of profit or loss 7
(3) Condensed quarterly consolidated statement of comprehensive income 8
(4) Condensed quarterly consolidated statement of changes in equity 9
(5) Condensed quarterly consolidated statement of cash flow 11
(6) Notes to condensed quarterly consolidated financial statements 13
(Notes on going concern assumption) 13
(Changes in accounting policies) 13
(Segment information) 16

Translation for reference only

I. Qualitative information on the current quarterly financial results

(1) Explanation of operating results

J Trust Group (the "Group") sold all of its shares in ADORES, Inc. in the fourth quarter of the previous fiscal year. Meanwhile, the Group resolved to transfer its shares and receivables from Highlights Entertainment Co., Ltd. ("HE") in the current quarter in accordance with the International Financial Reporting Standards (IFRS) 5 "Non-current Assets Held for Sale and Discontinued Operations". IFRS 5 outlines that discontinued operations are a component of an entity that either has been disposed of, or is classified as held for sale and represents a separate major line of business. As a result, we classify the above-mentioned business as discontinued operations. Operating revenue and operating profit in comparative periods accordingly reflect the results of continuing operations excluding those of discontinued operations.

In the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018), the prospects for the world economy remained uncertain, despite a moderate recovery led by a solid expansion of the U.S. economy. This was due to U.S. trade protectionism against China, concerns about the economic slowdown in Europe and increased currency volatility in emerging economies. Meanwhile, the Japanese economy recovered moderately reflecting improved corporate earnings, employment and income due to successful implementation of economic policies by the government. In Asia, South Korea's diplomacy is gaining results by easing tensions with North Korea. The country, however, faces challenges in economy and employment such as high commodity prices and persistently high unemployment rates. Meanwhile, Indonesia's trade balance swung into a deficit lately attributable to a rise in imports along with solid domestic demand. Despite that, the Indonesian economy is seen as relatively safe among that of emerging nations as the government and central bank have taken measures to stabilize the currency and stimulate domestic demand by raising interest rates and curbing imports.

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. In the six months ended September 30, 2018, 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.

a. Business developments in Japan

In the credit guarantee business, Nihon Hoshou Co., Ltd. ("Nihon Hoshou") concluded new guarantee tie-up agreements. One is with Shinhan Bank Japan in April 2018 and the other is with the Shonan Shinkin Bank in July 2018. Nihon Hoshou has steadily expanded geographical areas for guaranteeing Overseas Real Estate Secured Loan, a collaborative product with the Saikyo Bank, Ltd. since December 2017. Meanwhile, KeyHolder, Inc. ("KeyHolder") established KeyStudio Co., Ltd. ("KS") and KeyProduction Co., Ltd. ("KP") that offer live entertainment and TV program production services respectively as new businesses to substitute for the divested amusement facilities operation in General Entertainment Business.

In September 2018, the Group resolved to transfer shares and receivables from HE to focus more on selected businesses.

b. Overseas business developments

As one of the Group's growth strategies, we proactively pursue M&A activities centering on banking and financial services with a main focus on the business expansion in Southeast Asia. We believe we can leverage, in particular, retail finance expertise developed in Japan and South Korea to help grow target countries' financial businesses. The following (i) to (iii) show progress of M&A deals in the six months ended September 30, 2018.

(i) In April 2018, JTRUST ASIA PTE.LTD. ("JTA") resolved to acquire shares of PT OLYMPINDO MULTI FINANCE, which is currently known as PT JTRUST OLYMPINDO MULTI FINANCE, ("JTO") from its owner and his family and to subscribe for new shares issued by JTO. Following this, we concluded share transfer and private placement subscription agreements. OMF is primarily engaged in multi finance including used-car financing in Indonesia. The closing process was completed on October 4, 2018 and JTA acquired 60% of outstanding shares.

(ii) In May 2018, JTA acquired all shares in Capital Continent Investment NBFI ("CCI"), a Mongolian finance firm, from JAPAN POCKET Co., Ltd.

(iii) In May 2018, J Trust Co., Ltd. ("the Company") resolved to acquire 55% of outstanding shares in ANZ Royal Bank (Cambodia) Ltd. from ANZ Funds Pty Ltd., and concluded a share transfer agreement. The acquisition is slated to be completed by May 31, 2019.

As of September 30, 2018, the currently ongoing lawsuits pursued by JTA against Group Lease PCL (“GL”), related entities and Mr. Mitsuji Konoshita, ex-CEO of GL, are: a civil complaint to demand for the return of investment amounts and to claim compensation for damages caused, such as by fraudulent transactions and other lawsuits in Thailand; a civil claim in the Singapore High Court for the tort of unlawful means conspiracy against Group Lease Holdings Pte Ltd (the subsidiary of GL incorporated in Singapore), Mr. Konoshita and other entities; and lawsuits against Mr. Konoshita and his related entities in the British Virgin Islands and the Republic of Cyprus.

c. Others
   To express our gratitude to our shareholders for their support from day to day, the Company has introduced a shareholder perks program. The ongoing program provides investors incentives to invest in the Company in the medium- to long-term.

As a result, operating revenue for the six months ended September 30, 2018 was 36,575 million yen (up 5.6% year on year). This was mainly due to a favorable increase in interest revenue in Financial Business in South Korea. Meanwhile, operating profit was 25 million yen (down 99.4%) mainly due to larger provision of allowance for doubtful accounts following the application of IFRS 9 Financial Instrument (“IFRS 9”) in the Group’s savings banks in South Korea and PT Bank JTrust Indonesia Tbk. (“Bank JTrust Indonesia”). Loss attributable to owners of parent was 2,182 million yen (Profit attributable to owners of parent of 2,269 million yen during the same period of the previous fiscal year) mainly due to losses associated with the transfer of shares and loans receivable from HE.

Performance by segment is shown below.
The balance of trade receivables in the report is before deducting allowance for doubtful accounts.

(Financial Business in Japan)

Credit guarantee services are provided by Nihon Hoshou. Receivables collection in Japan is mainly handled by Nihon Hoshou and Partir Servicer Co., Ltd., while credit and consumer credit services are handled by J TRUST Card Co., Ltd. and other financial services are provided by Nihon Hoshou.

The balance of credit guarantee was 173,325 million yen (up 54.5% year on year). The breakdown was 18,725 million yen in credit guarantees on unsecured loan (up 11.5%) and 154,599 million yen in credit guarantees on secured loan (up 62.0%) with an increase in guarantees for condominium loan and Overseas Real Estate Secured Loan. While each of the following items increased: commercial notes to 1,360 million yen (up 47.0%) due to large discounts; and the balance of purchased receivables to 16,273 million yen (up 29.5%), advances paid – installment decreased to 2,524 million yen (down 5.9%) and accounts receivable – operating loans declined to 2,209 million yen (down 25.0%).

Operating revenue was 4,905 million yen (down 1.5% year on year). Segment profit was 2,151 million yen (down 13.6%) after reviewing future cash flows of purchased receivables and setting aside provision of allowance for doubtful accounts.

(Financial Business in South Korea and Mongolia)

In South Korea, JT Chinae Savings Bank Co., Ltd. and JT Savings Bank Co., Ltd. conduct savings bank business, and JT Capital Co., Ltd. provides installment financing and leasing services. TA Asset Management Co., Ltd. is engaged in purchase and collection of Non-Performing Loans (NPLs). In Mongolia, CCI provides financial services.

Loans by banking business increased to 296,451 million yen (up 20.0% year on year) mainly due to an increase in corporate loan. Meanwhile, accounts receivable – operating loans amounted to 64,827 million yen (up 13.6%) due to rises in secured (real estate and government-backed) loans and loans to large enterprises as well as CCI’s inclusion in the scope of consolidation. The balance of purchased receivables was 2,404 million yen (up 38.3% year on year).

Operating revenue amounted to 20,248 million yen (up 16.1% year on year) due to a steady increase in interest revenue. Segment profit was 2,400 million yen (down 2.0%) mainly owing to additional provision of allowance for doubtful accounts resulting from the application of IFRS 9 despite a reduction in selling, general and administrative expenses.

(Financial Business in Southeast Asia)

PT Bank JTrust Indonesia Tbk. (“Bank JTrust Indonesia”) conducts banking operations in Indonesia and PT JTRUST INVESTMENTS INDONESIA (“JTII”) is engaged in receivables collection.

Loans by banking business amounted to 90,433 million yen (down 2.3% year on year). This was because a decrease in large-lot loans by loan portfolio rearrangement outweighed increases in small-lot and retail loans.

The balance of purchased receivables was 1,347 million yen (down 36.2%).
Operating revenue was 6,261 million yen (down 14.1%), mainly due to lower interest revenue with a decline in loans by banking business in Bank JTrust Indonesia. Segment loss was 2,418 million yen (segment loss of 256 million yen during the same period of the previous fiscal year). The loss was mainly attributable to additions in provision of allowance for doubtful accounts due to the application of IFRS 9.

(General Entertainment Business)

KS conducts live entertainment business and KP handles TV program production business. Operating revenue was 547 million yen (operating revenue of zero during the same period of the previous fiscal year). This was because actual operations of KS and KP started in July 2018. Segment profit was 3 million yen (segment profit of zero during the same period of the previous fiscal year).

Meanwhile, we resolved to transfer shares of Highlights Entertainment Co., Ltd. ("HE") and receivables from HE, which develops, produces and sells computer systems for amusement machines and their peripheral equipment in September 2018, and the transfer took place on October 1, 2018. As a result, HE is classified as discontinued operations.

(Real Estate Business)

Keynote Co., Ltd. ("Keynote") handles real estate business and KeyHolder operates real estate asset business.
Operating revenue was 2,567 million yen (down 8.0% year on year). The decrease was mainly attributable to relatively sluggish delivery of detached housing. Segment profit was 41 million yen (down 72.4%) due to rising cost of sales as well as selling, general and administrative expenses to implement measures for business expansion.

(Investment Business)

JTA mainly conducts investment business and provides management support for investees.
Operating revenue was 655 million yen (down 49.9% year on year) due to lower interest revenue on marketable securities. Segment loss was 291 million yen (Segment profit of 1,073 million yen during the same period of the previous fiscal year).

(Other Business)

J Trust System Co., Ltd. provides computer system development, operation and management of computers for the Group, and Keynote constructs commercial facilities.
Operating revenue was 1,726 million yen (up 36.6% year on year). This was mainly due to healthy order intake in Keynote's commercial facility construction business. Segment profit was 49 million yen (up 5.7% year on year).

(2) Explanation of financial position

[1] Status of assets, liabilities and equity

As of September 30, 2018, Assets grew by 38,104 million yen to 695,065 million yen from March 31, 2018. This was mainly due to increases in (i) loans by banking business by 23,641 million yen; (ii) trade and other receivables by 10,851 million yen; and (iii) other financial assets by 4,894 million yen respectively.

Liabilities expanded by 44,756 million yen to 550,941 million yen from March 31, 2018. The increase was mainly due to rises in: (i) deposits by banking business by 29,109 million yen; (ii) bonds and borrowings by 8,925 million yen; and (iii) trade and other payables by 2,803 million yen respectively.

Equity decreased by 6,651 million yen to 144,124 million yen from March 31, 2018. Major factors were as follows. Retained earnings decreased by 6,582 million yen mainly because: (i) we recorded loss attributable to owners of parent of 2,182 million yen; and (ii) opening retained earnings were reduced by 3,784 million yen as effects of changes in accounting policies.

[2] Status of Cash Flow

Consolidated cash and cash equivalents ("Funds") as of September 30, 2018 declined by 9,238 million yen to 75,485 million yen from March 31, 2018.

The following is an overview of cash flows for the six months ended September 30, 2018 with relevant factors.

(Cash flows from operating activities)

Funds used in operating activities totaled 13,199 million yen (compared with 7,677 million yen in Funds used in operating activities during the same period of the previous year). Major factors were as follows: Funds boosted by an increase in deposits by banking business by 24,828 million yen, while an increase in loans by banking business by 30,149 million yen; and an increase in trade and other receivables by 8,052 million yen reduced Funds.

(Cash flows from investing activities)
Funds used in investing activities totaled 3,333 million yen (compared with 2,696 million yen in Funds provided by investing activities during the same period of the previous year). Funds declined mainly because purchase of marketable securities for banking business of 65,529 million yen exceeded proceeds from sale of marketable securities for banking business of 63,128 million yen.

(Cash flows from financing activities)
Funds provided by financing activities totaled 5,985 million yen (up 80.5% year on year). Major factors were as follows: Despite a decline in Funds due to net decrease in short-term bonds payable of 5,757 million yen, net increases in long-term borrowings of 7,608 million yen and issuance and redemption of bonds of 5,298 million yen increased Funds.

(3) Explanation of future forecast including consolidated financial forecast

Financial results for the six months ended September 30, 2018 were trending below forecasts mainly due to the following: An increase in provision of allowance for doubtful accounts in response to lower credit ratings on loans accompanying the application of IFRS 9 mainly in Financial Business in Southeast Asia; lower-than-expected loan balances; and a decrease in interest revenue due to a deterioration in loan quality. Going forward, credit control and debt collection departments will be merged for better efficiency, and a task force responsible for marketing, screening and collecting receivables will be established in Bank JTrust Indonesia to lower NPLs and strengthen collection ability, thereby improving earnings through the reversal of allowance for doubtful accounts while controlling disbursement of (i) commercial (corporate) loans and SME loans (loans to small and medium-sized enterprises) to maintain liquidity and invest in higher credit quality bonds. With such measures, we will earn more interest revenue other than interest on loans to improve revenue. Additionally, the following factors are likely to boost earnings: reduced deposit interest by the launch of internet banking, higher Net Interest Margin (NIM) and; anticipated synergies achieved through Bank JTrust Indonesia and OMF. Further, we expect to improve our performance toward the latter half by taking appropriate measures to accomplish the goal despite lower-than-expected trends in some segments. Further, segments of (i) Financial Business in Japan and (ii) Financial Business in South Korea and Mongolia are likely to sustain the current momentum. Thus, financial forecasts for the fiscal year ending March 31, 2019 remain unchanged from those announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2018” on May 14, 2018.
Actual results, however, may differ from those projections depending on various factors.

Translation for reference only

II. Condensed quarterly consolidated financial statements and significant notes

(1) Condensed quarterly consolidated statement of financial position

(unit: million yen)

	Notes	As of March 31, 2018	As of September 30, 2018
Assets			
Cash and cash equivalents		84,723	75,485
Trade and other receivables		92,723	103,574
Marketable securities for banking business		37,159	42,507
Loans by banking business		343,400	367,042
Operational investment securities		3,242	3,234
Marketable securities		208	568
Other financial assets		46,300	51,195
Investments accounted for using the equity method		144	130
Inventories		6,937	7,295
Assets held for sale		1,807	3,150
Property, plant and equipment		3,028	2,687
Investment property		610	608
Goodwill		29,578	29,980
Intangible assets		3,087	2,960
Deferred tax assets		1,502	1,656
Other assets		2,505	2,987
Total assets		656,961	695,065
Liabilities			
Trade and other payables		9,811	12,615
Deposits by banking business		403,509	432,618
Liabilities directly associated with assets held for sale		-	543
Bonds and borrowings		78,727	87,653
Other financial liabilities		5,272	7,395
Income taxes payable		629	811
Provisions		353	390
Deferred tax liabilities		850	628
Other liabilities		7,029	8,283
Total liabilities		506,184	550,941
Equity			
Share capital		53,638	53,644
Capital surplus		52,713	52,744
Treasury shares		(7,685)	(7,685)
Retained earnings		47,555	40,972
Other components of equity		(1,854)	(1,618)
Other comprehensive income associated with assets held for sale		-	(6)
Total equity attributable to owners of parent		144,366	138,052
Non-controlling interests		6,409	6,072
Total equity		150,776	144,124
Total liabilities and equity		656,961	695,065

(2) Condensed quarterly consolidated statement of profit or loss

(unit: million yen)

	Notes	Six months ended September 30, 2017	Six months ended September 30, 2018
Continuing operations			
Operating revenue		34,645	36,575
Operating expenses		18,698	23,507
Selling, general and administrative expenses		11,872	13,135
Other income		616	247
Other expenses		89	154
Operating profit		4,602	25
Finance income		18	1,173
Finance costs		571	27
Share of profit (loss) of investments accounted for using the equity method		(0)	(10)
Profit before income taxes		4,049	1,160
Income taxes		1,236	739
Profit from continuing operations		2,812	421
Discontinued operations			
Profit (loss) from discontinued operations		(490)	(2,787)
Profit (loss)		2,322	(2,366)
Profit (loss) attributable to:			
Owners of parent		2,269	(2,182)
Non-controlling interests		53	(183)
Profit (loss)		2,322	(2,366)
Earnings (loss) per share (attributable to owners of parent)			
Basic earnings (loss) per share (Yen)			
Continuing operations		28.29	5.87
Discontinued operations		(6.25)	(27.06)
Total		22.04	(21.19)
Diluted earnings (loss) per share (Yen)			
Continuing operations		28.27	5.87
Discontinued operations		(6.25)	(27.05)
Total		22.02	(21.18)

(3) Condensed quarterly consolidated statement of comprehensive income

(unit: million yen)

	Notes	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit (loss)		2,322	(2,366)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(1)	(60)
Net change in fair value of equity instruments measured at fair value through other comprehensive income		-	310
Total of items that will not be reclassified to profit or loss		(1)	249
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		538	1,070
Net change in fair values of available-for-sale financial assets		1,262	-
Net change in fair value of debt instruments measured at fair value through other comprehensive income		-	(1,016)
Provisions for credit loss on debt instruments measured at fair value through other comprehensive income		-	19
Share of other comprehensive income of investments accounted for using the equity method		0	(3)
Total of items that may be reclassified subsequently to profit or loss		1,801	70
Other comprehensive income, net of tax		1,799	320
Comprehensive income		4,121	(2,045)
Comprehensive income attributable to:			
Owners of parent		4,056	(1,826)
Non-controlling interests		65	(218)
Comprehensive income		4,121	(2,045)

Translation for reference only

(4) Condensed quarterly consolidated statement of changes in equity

For the six months ended September 30, 2017

(unit: million yen)

	Notes	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Other comprehensive income associated with assets held for sale	Total equity attributable to owners of parent
Balance as of April 1, 2017		53,630	52,743	(7,685)	49,504	2,091	-	150,284
Profit		-	-	-	2,269	-	-	2,269
Other comprehensive income		-	-	-	-	1,786	-	1,786
Total comprehensive income		-	-	-	2,269	1,786	-	4,056
Issuance of new shares		4	4	-	-	-	-	9
Dividends of surplus		-	-	-	(617)	-	-	(617)
Purchase of treasury shares		-	-	(0)	-	-	-	(0)
Other		-	(19)	-	15	-	-	(4)
Total contributions by and distributions to owners		4	(14)	(0)	(602)	-	-	(612)
Dividends to non-controlling interests		-	-	-	-	-	-	-
Other		-	(0)	-	-	-	-	(0)
Total changes in ownership interest in subsidiaries		-	(0)	-	-	-	-	(0)
Total transactions with owners		4	(14)	(0)	(602)	-	-	(612)
Balance as of September 30, 2017		53,635	52,728	(7,685)	51,171	3,878	-	153,728

	Notes	Non-controlling interests	Total equity
Balance as of April 1, 2017		5,628	155,913
Profit		53	2,322
Other comprehensive income		12	1,799
Total comprehensive income		65	4,121
Issuance of new shares		-	9
Dividends of surplus		-	(617)
Purchase of treasury shares		-	(0)
Other		-	(4)
Total contributions by and distributions to owners		-	(612)
Dividends to non-controlling interests		(79)	(79)
Other		(0)	(0)
Total changes in ownership interest in subsidiaries		(79)	(79)
Total transactions with owners		(79)	(691)
Balance as of September 30, 2017		5,615	159,343

Translation for reference only

For the six months ended September 30, 2018

(unit: million yen)

	Notes	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Other comprehensive income associated with assets held for sale	Total equity attributable to owners of parent
Balance as of April 1, 2018		53,638	52,713	(7,685)	47,555	(1,854)	-	144,366
Cumulative effect of accounting change		-	-	-	(3,784)	(123)	-	(3,908)
Restated balance as of April 1, 2018		53,638	52,713	(7,685)	43,770	(1,978)	-	140,458
Profit (loss)		-	-	-	(2,182)	-	-	(2,182)
Other comprehensive income		-	-	-	-	356	-	356
Total comprehensive income		-	-	-	(2,182)	356	-	(1,826)
Issuance of new shares		6	6	-	-	-	-	12
Dividends of surplus		-	-	-	(617)	-	-	(617)
Purchase of treasury shares		-	-	(0)	-	-	-	(0)
Other		-	25	-	2	5	(6)	26
Total contributions by and distributions to owners		6	31	(0)	(615)	5	(6)	(578)
Dividends to non-controlling interests		-	-	-	-	-	-	-
Other		-	0	-	-	(0)	-	(0)
Total changes in ownership interest in subsidiaries		-	0	-	-	(0)	-	(0)
Total transactions with owners		6	31	(0)	(615)	4	(6)	(579)
Balance as of September 30, 2018		53,644	52,744	(7,685)	40,972	(1,618)	(6)	138,052

	Notes	Non-controlling interests	Total Equity
Balance as of April 1, 2018		6,409	150,776
Cumulative effect of accounting change		(42)	(3,950)
Restated balance as of April 1, 2018		6,367	146,825
Profit (loss)		(183)	(2,366)
Other comprehensive income		(35)	320
Total comprehensive income		(218)	(2,045)
Issuance of new shares		-	12
Dividends of surplus		-	(617)
Purchase of treasury shares		-	(0)
Other		-	26
Total contributions by and distributions to owners		-	(578)
Dividends to non-controlling interests		(79)	(79)
Other		3	2
Total changes in ownership interest in subsidiaries		(76)	(76)
Total transactions with owners		(76)	(655)
Balance as of September 30, 2018		6,072	144,124

(5) Condensed quarterly consolidated statement of cash flow

(unit: million yen)

	Notes	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities			
Profit before income taxes		4,049	1,160
Profit (loss) before income taxes from discontinued operations		(476)	(2,786)
Depreciation and amortization		1,313	780
Impairment losses		4	368
Interest and dividend income		(26,826)	(28,447)
Interest expenses		8,209	9,093
Other (profit) loss		(2,060)	(442)
Decrease (increase) in trade and other receivables		(9,562)	(8,052)
Increase (decrease) in deposits by banking business		18,787	24,828
Decrease (increase) in loans by banking business		(17,318)	(30,149)
Decrease (increase) in operational investment securities		(1,191)	-
Increase (decrease) in trade and other payables		(1,055)	3,009
Interest and dividends received		27,059	29,118
Interest paid		(8,313)	(8,269)
Income taxes paid		(1,075)	(1,162)
Income taxes refund		552	791
Other		228	(3,040)
Net cash provided by (used in) operating activities		(7,677)	(13,199)
Cash flows from investing activities			
Decrease (increase) in time deposits		(110)	(301)
Purchase of property, plant and equipment, and investment property		(840)	(370)
Proceeds from sales of property, plant and equipment, and investment property		4	46
Purchase of intangible assets		(268)	(358)
Purchase of marketable securities for banking business		(50,430)	(65,529)
Proceeds from sale of marketable securities for banking business		53,705	63,128
Proceeds from redemption of marketable securities for banking business		786	2,283
Purchase of shares of subsidiaries		-	(246)
Payments for sales of shares of subsidiaries		(49)	-
Payments for acquisition of businesses		-	(980)
Other		(101)	(1,006)
Net cash provided by (used in) investing activities		2,696	(3,333)

(unit: million yen)

	Notes	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from financing activities			
Net increase (decrease) in notes discounted		3	340
Net increase (decrease) in short-term borrowings		(1,007)	(841)
Net increase (decrease) in short-term bonds payable		3,847	(5,757)
Repayments of long-term borrowings		(9,696)	(9,922)
Proceeds from long-term borrowings		8,834	17,531
Redemption of bonds		(3,701)	(2,231)
Proceeds from issuance of bonds		5,855	7,530
Repayments of lease obligations		(127)	(22)
Payments for purchase of treasury shares		(0)	(0)
Proceeds from exercise of employee share options		5	7
Dividends paid		(617)	(617)
Dividends paid to non-controlling interests		(79)	(79)
Other		(0)	51
Net cash provided by (used in) financing activities		3,315	5,985
Net increase (decrease) in cash and cash equivalents		(1,665)	(10,546)
Cash and cash equivalents at beginning of period		80,666	84,723
Effect of exchange rate changes on cash and cash equivalents		(357)	1,462
Cash and cash equivalents included in assets held for sale		-	(154)
Cash and cash equivalents at end of period		78,642	75,485

(6) Notes to condensed quarterly consolidated financial statements

(Notes on going concern assumption)

No items to report.

(Changes in accounting policies)

With the exception of the below items, the Group's significant accounting policies adopted in these condensed quarterly consolidated financial statements are consistent with those adopted in the consolidated financial statements for the previous fiscal year.

The Group has adopted IFRS 9 and IFRS 15 from the first quarter of the current fiscal year.

IFRS		Overview of the new standard or revision
IFRS 9	Financial Instruments	Revisions concerning the classification, measurement and impairment of financial instruments and hedge accounting
IFRS 15	Revenue from Contracts with Customers	Revisions concerning accounting treatments for revenue recognition

In accordance with transitional arrangements to apply IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers", the Group does not restate consolidated financial statements for the previous fiscal year.

(1) Adoption of IFRS 9 "Financial Instruments"

[1] Classification and measurement of financial assets

Following the application of IFRS 9 Financial Instruments, the Group classified and measured financial assets, and evaluated receivables as stated below.

<u>Financial assets measured at amortized cost</u>

Financial assets are subsequently measured at amortized cost if they meet the following conditions.

・The objective of the Group's business model is to hold financial assets to collect the contractual cash flow.

・The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value plus transaction costs directly attributable to the acquisition. After the initial recognition, the carrying amounts of financial assets measured at amortized cost are subsequently measured using the effective interest method and accumulated impairment losses are deducted if necessary.

<u>Financial assets measured at fair value through other comprehensive income</u>

Financial assets held by the Group are classified as debt instruments measured at fair value through other comprehensive income if they meet the following conditions.

・The financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

・The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, financial assets are measured at fair value and subsequent changes are recognized in other comprehensive income. Upon disposal of the investment, the cumulative gain or loss that were recognized in other comprehensive income is reclassified from other components of equity to profit or loss as reclassification adjustments.

The Group may make an irrevocable election at its initial recognition to present in other comprehensive income changes in the fair value of an investment in equity instruments.

Equity instruments measured at fair value through other comprehensive income are initially recognized at fair value plus transaction costs directly attributable to the acquisition and subsequent changes are recognized in other comprehensive income.

Upon disposal of the investment, the aggregate amount of any gain or loss recognized through other comprehensive income is transferred from other components of equity to retained earnings.

Dividends derived from financial assets measured at fair value through other comprehensive income are recognized in profit or loss as operating revenue or finance income.

<u>Financial assets measured at fair value through profit or loss</u>

Other than above "financial assets measured at amortized cost" or "financial assets measured at fair value through other comprehensive income," financial assets are classified as "financial assets measured at fair

value through profit or loss." The assets include financial assets held for sale.
Investment in the equity instruments is measured at fair value and the changes in fair value are recognized in profit or loss. This does not apply, however, if the Group makes an irrevocable election at its initial recognition to present changes in the fair value of an investment in equity instruments in other comprehensive income. Financial assets measured at fair value through profit or loss are recognized at fair value at the initial recognition and transaction costs are recognized in profit or loss as incurred.

Due to this, compared with the case where we would apply the previously adopted accounting standards, marketable securities for banking business and retained earnings increased by 5,556 million yen and 130 million yen respectively and loans by banking business and other components of equity dropped by 5,585 million yen and 127 million yen respectively at the beginning of the current fiscal year. The decrease in loans by banking business is before deducting provision of allowance for doubtful accounts.

[2] Impairment of financial assets

The Group recognizes provisions for credit loss on (a) financial assets measured at amortized cost (b) debt instruments measured at other comprehensive income and (c) financial guarantees contracts.

Expected credit loss is measured as the difference between the current value of cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

The Group measures expected credit losses collectively by grouping part of receivables in accordance with the delinquency status and nature of transactions from which receivables were recognized. If the Group is adversely affected by material economic fluctuations, past loan loss ratios are adjusted to reflect the current economic circumstance and future economic prospects.

The Group, at each reporting date, assesses whether credit risks significantly increased after the initial recognition. In assessing whether the credit risk materially increased, or whether the subject financial asset is credit impaired or not, the Group mainly considers the past due information and external credit ratings.

If credit risks associated with the financial assets did not increase materially after the initial recognition, the Group measures provisions for credit loss on the subject financial assets at the amount equal to 12 months expected credit losses. Conversely, if credit risks associated with the financial assets have significantly increased, the Group measures provisions for credit loss on the financial assets equal to the amount of estimated credit loss over the entire period. However, provisions for credit loss for trade receivables, contract assets and lease receivables are measured at amounts equal to the expected credit loss over the entire period regardless of whether credit risks have materially increased or not after the initial recognition.

The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof due mainly to bankruptcy discharges, debt forgiveness or long-term delinquencies.

The Group recognizes the expected credit losses in profit or loss as impairment losses. If any event causing the reduction in the impairment losses has occurred after its recognition, it is recorded in profit or loss as a reversal of impairment losses. For purchased or originated credit-impaired financial assets, if the estimated credit loss for the entire period is less than the initial estimates included in the estimated future cash flows on initial recognition, any changes are recognized as impairment gain in profit.

As a result, compared to the calculation in accordance with previous accounting standards, provision of allowance for doubtful accounts and other components of equity rose by 4,165 million yen and by 3 million yen respectively, and retained earnings declined by 3,914 million yen as at the beginning of the current fiscal year.

(2) Application of IFRS 15 "Revenue from Contracts with Customers"

Except for interest and dividend income that IFRS 9 Financial Instruments specifies, the Group recognizes revenue in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of promised goods or services to customers based on the below five-step model.

Step1: Identify the contract(s) with a customer
Step2: Identify the performance obligations in the contract
Step3: Determine the transaction price
Step4: Allocate the transaction price to the performance obligations in the contract
Step5: Recognize revenue when (or as) the entity satisfies a performance obligation

The change has no significant impact on condensed quarterly consolidated financial statements.
The revenue recognition standard under IFRS 15 "Revenue from Contracts with Customers" by major

segment is described below.

[1] Commission revenue
Major revenue includes exchange commission arising from financial business transactions.
For foreign exchange commissions, commission revenue is recognized at the time of each transaction when performance obligations are satisfied.

[2] Sales revenue
For the sale of real estate (land, building) or goods, the Group recognizes sales revenue at the time of its delivery to a customer when performance obligations are satisfied and the customer acquires control of a good or service. Revenue from real estate sales is measured at fair value of the consideration received, less discounts, rebates and sales-related taxes. The amount of consideration for real estate sales contracts are received mainly within one year after the property was delivered to a customer. It does not include a significant financing component.

(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 results.

   The Group has six reportable segments by business, namely "Financial Business in Japan," "Financial Business in South Korea and Mongolia," "Financial Business in Southeast Asia," "General Entertainment Business," "Real Estate Business" and "Investment Business." In the three months ended June 30, 2018, the Group changed the names of two segments from "Domestic Financial business" to "Financial Business in Japan"; and Financial Business in South Korea" to "Financial Business in South Korea and Mongolia" with the addition of newly-consolidated Mongolia-based Capital Continent Investment NBFI's business in the three months ended June 30, 2018.

   "Financial business in Japan" provides credit guarantee services, receivables collection, credit and consumer credit services, and other financial services. "Financial Business in South Korea and Mongolia" comprises savings bank business, receivables collection business, capital business and financial business. "Financial Business in Southeast Asia" provides banking, receivables collection and hire-purchase financing services. "General Entertainment Business" comprises live entertainment business and TV program production business. "Real Estate Business" mainly handles purchase and sale of detached housing, etc., and real estate asset business. "Investment Business" is investment at home and overseas.

   The Group has classified below as discontinued operations.

   (i) General Entertainment Business (amusement facility operation business) and Real Estate Business operated by ADORES, Inc. in the fourth quarter of the previous fiscal year; and

   (ii) General Entertainment Business (development, production and sales of computer systems for amusement machines and their peripheral equipment) operated by Highlights Entertainment Co., Ltd. and Highlights Architect Co., Ltd. in the second quarter of the current fiscal year.

   As a result, relevant figures for the six months ended September 30, 2017 and 2018 are reclassified to present the results of continuing operations excluding discontinued operations. For details, please refer to (6) Notes to condensed quarterly consolidated financial statements (discontinued operations).

2. Segment revenue and business results

   The Group's revenue and business results by reportable segments are as follows. The accounting policies used for the reportable segments are the same as the Group accounting policies in "Note 3. Significant accounting policies." Operating revenue from inter-segment transactions or transfers are based on prevailing market prices or arm's length prices.

<Six months ended September 30, 2017>

(unit: million yen)

	Reportable segments							Other (Note 1)	Adjust-ments (Note 2)	Con-solidated
	Financial business in Japan	Financial business in South Korea and Mongolia	Financial business in Southeast Asia	General entertain-ment business	Real estate business	Invest-ment business	Total			
Operating revenue										
External customers	4,936	17,437	7,290	-	2,789	1,114	33,568	1,076	-	34,645
Intersegment operating revenue or transfers	45	1	0	-	0	195	242	186	(429)	-
Total	4,982	17,439	7,290	-	2,789	1,309	33,811	1,263	(429)	34,645
Segment profit (loss)	2,488	2,449	(256)	-	149	1,073	5,904	46	(32)	5,919

Company-wide expenses, etc. (Note 3)	(1,316)
Operating profit	4,602
Finance income	18
Finance costs	(571)

Share of profit (loss) of investments accounted for using the equity method	(0)
Profit before income taxes	4,049

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

Note 2: "Adjustments" mainly refer to inter-segment eliminations and corporate not attributable to reportable segments.

Note 3: "Company-wide expenses, etc." are mainly general and administrative expenses that are not attributable to reportable segments.

<Six months ended September 30, 2018>

(unit: million yen)

	Reportable segments							Other (Note 1)	Adjust-ments (Note 2)	Con-solidated
	Financial business in Japan	Financial business in South Korea and Mongolia	Financial business in South east Asia	General entertain-ment business	Real estate busine ss	Invest-ment-business	Total			
Operating revenue										
External customers	4,854	20,234	6,261	547	2,566	550	35,014	1,560	-	36,575
Intersegment operating revenue or transfers	51	13	0	-	0	104	170	165	(335)	-
Total	4,905	20,248	6,261	547	2,567	655	35,185	1,726	(335)	36,575
Segment profit (loss)	2,151	2,400	(2,418)	3	41	(291)	1,886	49	(130)	1,805

Company-wide expenses (Note 3)	(1,779)
Operating profit	25
Finance income	1,173
Finance costs	(27)
Share of profit (loss) of investments accounted for using the equity method	(10)
Profit before income taxes	1,160

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

Note 2: "Adjustments" mainly refer to inter-segment eliminations and corporate not attributable to reportable segments.

Note 3: "Company-wide expenses, etc." are mainly general and administrative expenses that are not attributable to reportable segments.