

# Q2 FY12/2019 FINANCIAL SUPPLEMENT

November 12<sup>th</sup>, 2019

**J Trust Co., Ltd.**

## IMPORTANT INFORMATION REGARDING THIS MATERIAL

- This document is intended to provide information about J Trust (“the Company”) and is not intended to solicit investments in securities issued by the Company.
- This document has been prepared carefully to ensure accuracy. However, there is no guarantee that the information is fully complete. The Company shall not be held liable for any damages or loss of profit resulting from the use of information and estimations contained within.
- The Company received approval for “Partial Amendments to the Articles of Incorporation” at the Ordinary General Meeting of Shareholders held on June 26<sup>th</sup>, 2019 and changed its accounting period from April 1<sup>st</sup> - March 31<sup>st</sup> to January 1<sup>st</sup> - December 31<sup>st</sup>. As a result, the fiscal year ending December 2019, during which the change is set to take place, will be an irregular nine month period from April 1<sup>st</sup> to December 31<sup>st</sup>, 2019.
- Information regarding forecasts listed in this document is estimated based on the knowledge, opinions and judgement of the company at the time of the document’s creation and contains underlying risks and uncertainties. Therefore, please understand that actual results and the forecast described here are subject to change greatly depending upon various factors such as the business environment.
- This English-translated document was prepared solely for the convenience of English-speaking investors. If any discrepancies exist between this translation and the original Japanese document, the Japanese version always prevails. The Company shall not be liable for any damages or losses of profit arising from this translation.

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Additionally, the data files which had been listed in this document up until Q2 FY03/2019 can be viewed on our company website:

(IR Information\_IR Library\_Quarterly\_Earnings\_Financial Data)

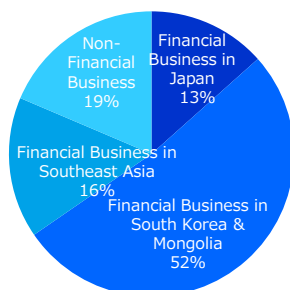
[https://www.jt-corp.co.jp/en/ir/library/ir\\_data\\_00/](https://www.jt-corp.co.jp/en/ir/library/ir_data_00/)

# 1. Changes in Key Management Indices

(Unit: Millions of yen)

	As of September 30 <sup>th</sup> , 2019
Market cap (millions of yen)	45,841
Shares outstanding	115,469,910
Share price (JPY)	397

## Operating revenue distribution Q2 FY12/2019 (Total)



	FY03/2017 IFRS <sup>※1※2</sup>	FY03/2018 IFRS <sup>※3</sup>	FY03/2019 IFRS <sup>※4</sup>	FY12/2019 Q2 IFRS
Operating revenue	66,453	74,321	74,935	36,307
Operating expenses	38,116	47,451	78,253	23,328
Gross operating profit	28,336	26,870	-3,318	12,978
SG&A expenses	26,431	24,128	28,488	17,064
Other revenue	1,254	2,239	366	4,271
Other expenses	2,552	222	1,159	67
Operating profit (or loss)	606	4,759	-32,600	118
Financial revenue	282	47	1,612	45
Financial expenses	1,320	1,895	110	580
Share of profit (loss) of investments accounted for using equity method	-2	-12	-36	-6
Profit (loss) before tax	-433	2,898	-31,135	-423
Profit (loss) attributable to owners of parent	-1,270	-731	-36,107	-1,279
Operating profit ratio	0.91%	6.40%	-43.50%	0.33%
ROA (Return on Assets) <sup>※5</sup>	-0.23%	-0.11%	-5.45%	-0.37%
ROE (Return on Equity) <sup>※6</sup>	-0.83%	-0.50%	-29.06%	-2.53%

※1 FY03/2017 figures are reclassified based on IFRS.

※2 Figures up to profit (loss) before tax do not include discontinued operations (ADORES).

※3 Figures up to profit (loss) before tax do not include discontinued operations (ADORES, Highlights Entertainment).

※4 Figures up to profit (loss) before tax do not include discontinued operations (Highlights Entertainment).

※5 ROA (Annualized) = Profit (loss) attributable to owners of parent ÷ Total assets (%)

※ Total assets (Beginning assets + Ending assets) / 2

※6 ROE (Annualized) = Profit (loss) attributable to owners of parent ÷ Equity attributable to owners of parent (%)

※ Equity attributable to owners of parent (Beginning assets + Ending assets) / 2

## Q2 FY12/2019 (July – September)

### Key initiatives of the J Trust Group (includes some initiatives which are at the submission stage)

#### (i) Business Developments in Japan

(Nihon Hoshou)

##### • Increase of business partners to provide guarantees on overseas property-backed loans

Starting in August 2019, Nihon Hoshou and [Tokyo Star Bank](#) provided guarantees for overseas property-backed (in Hawaii, USA) loans.

##### • Guarantees on crowdfunding assets

① In September 2019, Nihon Hoshou, together with its subsidiary Partir Servicer, [resolved to help improve business operations of maneo market Inc.](#), Japan's biggest platform for online social lending.

② In September 2019, Nihon Hoshou [signed a business alliance agreement with B.I.G. Capital LLC and SAMURAI & J PARTNERS Co., Ltd.](#)

⇒ Nihon Hoshou aims to utilize a network of regional blue chip companies which have a need for capital that B.I.G. Capital LLC owns on "SAMURAI", a crowdfunding website operated by the SAMURAI & J PARTNERS Group, and assemble products which incorporate Nihon Hoshou's guarantees.

(KeyHolder)

##### • Share acquisition (New subsidiary)

In September 2019, KeyHolder [decided to acquire all shares of Wisenlarge, Inc.](#), a company that dispatches content creators and staff who are mainly active in media.

##### • Increasing resource efficiency

In September 2019, following the sale of its former subsidiary ADORES, Inc., KeyHolder divested property which had been owned as idle property.

#### (ii) Business developments overseas

(J Trust Royal Bank, Cambodia)

##### • Share acquisition (New subsidiary)

In August 2019, the Company acquired 55% of outstanding shares in [Cambodian commercial bank ANZ Royal Bank \(Cambodia\) Ltd.](#) (current J Trust Royal Bank) from ANZ Funds Pty Ltd. and [made ANZ Royal Bank into a consolidated subsidiary.](#)

⇒ From this point on, J Trust Royal Bank will reform its retail strategy and expand its target market to segments with tremendous growth potential. The Company will strive for further business expansion using J Trust Royal Bank's plentiful, multinational customer bases, the Company's advanced expertise in receivables collections, its ability to develop new products and its network of Japanese-owned corporations.

## 2. Summary of Consolidated Financial Results in Q2 FY12/2019

### 1) YOY Comparison of Consolidated Results (Total)

(Unit: Millions of yen)

	Q2 FY03/2019 (Total)		Q2 FY12/2019 (Total)		YOY Difference	(%)	Main factors behind difference
	Results	(%)	Results	(%)			
Operating revenue	36,575	100.0	36,307	100.0	-268	-0.7	<ul style="list-style-type: none"> <li>• <b>Interest revenue increased</b> due to the new consolidation of J TRUST OLYMPINDO MULTI FINANCE ( JTO )</li> <li>• <b>Service revenue (sales) increased</b> in General Entertainment Business due to the expansion of business at ZEST, allfuz, UNITED PRODUCTIONS and other subsidiaries.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• At the Company's South Korean savings banks, <b>interest revenue decreased</b> in conjunction with <b>a decrease in average loan interest rates over the course of the fiscal quarter</b> due to an increase of consumer loans mainly focused on products with mid-range interests.</li> <li>• At Bank JTrust Indonesia ( BJT ), <b>interest revenue decreased</b> due to <b>a decrease in loans</b>.</li> <li>• In Keynote's commercial facility construction division, <b>revenue from construction contracts decreased</b> due to a decrease in orders for construction of facilities such as event halls and food and drink establishments.</li> </ul>
Operating expenses	23,507	64.3	23,328	64.3	-178	-0.8	<ul style="list-style-type: none"> <li>• At BJJ, the Company <b>booked an appraisal loss on foreclosed assets (a loss of value of secured assets which were seized)</b></li> <li>• <b>Service costs increased</b> due to the expansion of business at ZEST, allfuz, UNITED PRODUCTIONS and other subsidiaries.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• At the Company's South Korean savings banks, the loan-loss ratio and amount of <b>provisions against potential loan losses decreased</b> in conjunction with a reevaluation of historical collection rates from receivables.</li> <li>• <b>Service costs decreased</b> in Keynote's commercial facility construction division.</li> </ul>
SG&A expenses	13,135	35.9	17,064	47.0	3,928	29.9	<ul style="list-style-type: none"> <li>• Professional fees increased due to <b>an increase in M&amp;A fees as well as litigation costs</b>.</li> </ul>
Other revenue/ expenses	92	0.3	4,204	11.6	4,111	-	<ul style="list-style-type: none"> <li>• The Company <b>booked gains from negative goodwill</b> incurred by turning J Trust Royal Bank into a consolidated subsidiary.</li> <li>• The Company <b>booked gains on the sale of fixed assets</b> at KeyHolder, Inc.</li> </ul>
Operating profit	25	0.1	118	0.3	93	366.2	
Financial revenue/ expenses	1,145	3.1	-535	-1.5	-1,680	-	<ul style="list-style-type: none"> <li>• Whereas the Company <b>booked an exchange surplus of 1,155 million yen</b> due to a spike in the U.S. dollar against the Singapore dollar in Q2 FY03/2019 mainly at JTRUST ASIA, in Q2FY12/2019 it <b>booked an exchange loss of 327 million yen</b> due to a depreciation of the U.S. dollar against the Japanese yen.</li> </ul>
Share of profit (loss) of investments accounted for using equity method	-10	-0.0	-6	-0.0	3	-	
Profit (loss) before tax	1,160	3.2	-423	-1.2	-1,583	-	
Income tax and other expenses	739	2.0	1,149	3.2	410	55.6	
Profit (or loss) from continuing operations	421	1.2	-1,573	-4.3	-1,994	-	
Profit (or loss) from discontinued operations	-2,787	-7.6	-	-	2,787	-	<ul style="list-style-type: none"> <li>• <b>Highlights Entertainment Co., Ltd.</b>, which the Company sold in Q2 FY03/2019, <b>was calculated as discontinued operations</b>.</li> </ul>
Non-controlling interests	-183	-0.5	-293	-0.8	-109	-	
Profit (loss) attributable to owners of parent	-2,182	-6.0	-1,279	-3.5	903	-	

## 2. Summary of Consolidated Financial Results in Q2 FY12/2019

### 2) YOY Comparison of Operating Revenue and Operating Profit by Segment (Consolidated/Total)

(Unit: Millions of yen)

		Q2 FY03/2019 (Total) ※1	Q2 FY12/2019 (Total)	YOY Difference	(%)	Main factors behind difference
Financial Business in Japan	Operating revenue	4,905	4,908	3	0.1	• <u>Revenue from guarantee commissions increased</u> in conjunction with an increase in the outstanding balance of credit guarantees.
	Operating profit	2,151	2,270	119	5.6	• <u>Provisions against potential loan losses decreased</u> in conjunction with a reevaluation of future cash flows from purchased receivables.
Financial Business in South Korea and Mongolia	Operating revenue	20,248	18,994	-1,253	-6.2	• At the Company's savings banks, <u>interest revenue decreased</u> in conjunction with <u>a decrease in average loan interest rates over the course of the fiscal quarter</u> due to an increase of consumer loans mainly focused on products with mid-range interests.
	Operating profit	2,400	4,258	1,858	77.4	• <u>The loan-loss ratio and amount of provisions against potential loan losses decreased</u> in conjunction with a reevaluation of the historical collection rate from receivables at the Company's savings banks.
Financial Business in Southeast Asia	Operating revenue	6,261	5,873	-388	-6.2	• At BJI, <u>interest revenue decreased</u> in conjunction with <u>a decrease in loans</u> .
	Operating profit	-2,418	-1,936	482	-	• While operating profit decreased due to a decrease in operating revenue, <u>a loss on foreclosed assets</u> (a loss of value of secured assets which were seized) booked at BJI and an <u>operating loss incurred by JTO due to its new consolidation</u> , the amount of losses was minimized due to <u>gains from negative goodwill</u> incurred from turning J Trust Royal Bank into a consolidated subsidiary.
General Entertainment Business	Operating revenue	547	3,279	2,732	499.1	• The Company <u>booked service revenue and service costs</u> due to the expansion of business at ZEST, allfuz, UNITED PRODUCTIONS and other subsidiaries.
	Operating profit	3	78	74	-	
Real Estate Business	Operating revenue	2,567	2,312	-254	-9.9	• Although sales in Real Estate Business were somewhat sluggish because efforts were concentrated on handling residual stock and high-quality properties, profit-wise, the Company <u>booked gains from the sale of fixed assets and the effects of reductions in administrative expenses</u> .
	Operating profit	41	168	126	307.2	
Investment Business	Operating revenue	655	533	-121	-18.5	• SG&A expenses increased due to <u>an increase in litigation costs</u> .
	Operating profit	-291	-1,093	-802	-	
Other business	Operating revenue	1,726	672	-1,053	-61.0	• Operating revenue and operating profit decreased due to a decrease in orders for construction of facilities such as event halls and food and drink establishments in Keynote's commercial facility construction division.
	Operating profit	49	-158	-208	-	
Consolidated	Operating revenue	36,575	36,307	-268	-0.7	
	Operating profit	25	118	93	366.2	

※1 Indicates amount from continuing operations after the amount from discontinued operations (Highlights Entertainment Co., Ltd.) was deducted.

## Progress in relation to forecast by segment

(Unit: Millions of yen)

Q2 FY12/2019	Initial forecast	Actual Result	Progress (%)	Future strategy, etc.
Operating revenue	64,397	36,307	56.4	
Financial Business in Japan	6,981	4,908	70.3	<ul style="list-style-type: none"> <li>Focus efforts on guarantee business and receivables collection business.</li> <li>In guarantee business, the Company booked stable guarantee commission revenue from its existing credit guarantee balance. The Company will promote diversification of guarantee products to include guarantees on property-backed loans and crowdfunding guarantees in place of condominium loan guarantees.</li> </ul>
Financial Business in South Korea & Mongolia	28,959	18,994	65.6	<ul style="list-style-type: none"> <li>The Company is gradually increasing the amount of loans and booking stable interest revenue.</li> <li>From now on, it will aim for "qualitative" rather than "quantitative" growth.</li> <li>① In order to attract more creditworthy customers, focus efforts on products with mid-range interest rates, determine target customers through a thorough analysis of customer attributes and build stable relationships with those customers.</li> <li>② In order to improve the quality of assets, introduce a screening system that utilizes Fintech, obtain quality assets based on strict screening standards, and focus on reducing non-performing loans.</li> <li>③ Enhance system for collecting receivables.</li> </ul>
Financial Business in Southeast Asia	12,982	5,873	45.2	<ul style="list-style-type: none"> <li>Ensure profitability and enhance collections.</li> <li>① Focus on obtaining good assets by making the screening process stricter.</li> <li>② Reevaluate the organization and structure of the screening and administrative divisions, and review countermeasures aimed at collecting on non-performing loans in the early stages of delinquency. Increase personnel in the Legal Department and enhance collections from a legislative perspective.</li> <li>③ For new loan originations, focus on joint finance with JTO and concentrate efforts to make retail finance, in which risk can be dispersed, one of the main pillars of the business.</li> <li>④ Strive to achieve the maximum profit from collections at JTRUST INVESTMENTS INDONESIA.</li> <li>⑤ At J Trust Royal Bank, book stable banking revenue from creditworthy customers.</li> </ul>
General Entertainment Business	7,813	3,279	42.0	<ul style="list-style-type: none"> <li>Structural reorganization to optimize resources within the KeyHolder Group has already been carried out. The Company will strengthen its business foundation through expansion of business related to new IP contents and development of the Company's own IP contents while improving the abilities of subsidiaries to produce revenue.</li> </ul>
Real Estate Business	5,489	2,312	42.1	<ul style="list-style-type: none"> <li>Reorganize business portfolios, focus on Tokyo and concentrate efforts on projects that are good quality.</li> </ul>
Investment Business	1,041	533	51.3	<ul style="list-style-type: none"> <li>Select investments with high profitability.</li> <li>Actively invest in business which will allow the Company to maximize synergistic effects, thereby working toward business expansion.</li> </ul>
Other business	1,889	672	35.6	<ul style="list-style-type: none"> <li>Concentrate efforts on developing new lines of business in the commercial facility construction division.</li> </ul>
Operating profit	61	118	194.6	
Financial Business in Japan	2,979	2,270	76.2	<ul style="list-style-type: none"> <li>Secure stable operating revenue.</li> </ul>
Financial Business in South Korea & Mongolia	3,304	4,258	128.9	<ul style="list-style-type: none"> <li>Achieve full-year budget goals ahead of schedule</li> <li>Strive to lower the loan-loss ratio and amount of provisions against potential loan losses by improving collection rates, work on improving asset quality and aim for even greater profit growth.</li> </ul>
Financial Business in Southeast Asia	-1,772	-1,936	-	<ul style="list-style-type: none"> <li>① Accumulate quality assets to increase operating revenue.</li> <li>② Lower cost of funds through actions such as lowering interest rates on deposits even further, cut back on fixed deposits with high interest rates, lower procurement interest rates and raise CASA (the ratio of liquidity) as well as NIM (net interest margin) by introducing a net banking system,</li> <li>③ At JTII, enhance collections, and work to reduce expenses as well as increase profits through reversals of reserves against potential loan losses</li> <li>④ Control expenses through thorough management of SG&amp;A fees including reevaluation of staff.</li> <li>⑤ At J Trust Royal Bank, book stable banking profit from creditworthy customers.</li> </ul>
General Entertainment Business	379	78	20.7	<ul style="list-style-type: none"> <li>New revenue growth and increase in corporate value</li> </ul>
Real Estate Business	40	168	420.2	<ul style="list-style-type: none"> <li>Concentrate efforts on good quality projects and improve profitability even further by increasing the percentage of work performed in-house.</li> </ul>
Investment Business	-645	-1,093	-	<ul style="list-style-type: none"> <li>Work to maximize profit from investments.</li> </ul>
Other business	-215	-158	-	<ul style="list-style-type: none"> <li>Concentrate efforts on developing new lines of business in the commercial facility construction division.</li> </ul>