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Consolidated Financial Results
For the Nine Months Ended December 31, 2018 (IFRS)

February 13, 2019

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
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Scheduled date of filing of quarterly securities report: February 13, 2019
Scheduled date of commencement of dividend payment: -
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 nine months ended December 31, 2018 (April 1, 2018 – December 31, 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	
Nine months ended:	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2018	55,173	(3.1)	(29,770)	-	(28,681)	-	(33,285)	-	(32,770)	-	(35,297)	-
December 31, 2017	56,963	-	3,504	-	2,419	-	16	(99.7)	(20)	-	3,263	(82.9)

	Basic earnings per share	Diluted earnings per share
Nine months ended:	yen	yen
December 31, 2018	(318.07)	(318.07)
December 31, 2017	(0.20)	(0.20)

[Note] ADORES, Inc. and Highlights Entertainment Co., Ltd. were classified as discontinued operations in fiscal 2018 and in the 2nd quarter of fiscal 2019, respectively; thus relevant figures in the nine months ended December 31, 2017 are reclassified.

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	%
December 31, 2018	674,670	111,032	104,495	15.5
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)				1.00	7.00

[Note] Any revision to the latest dividend forecast: Yes

[Note] For revision of dividend forecast, please refer to “Revision of Financial Forecast, Recording of Operating Expenses, Revision of Dividend Forecast, Suspension or Reduction of Executive Compensation and Exercise of Compensatory Stock Option” announced on February 13, 2019.

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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	75,441	1.5	(32,745)	-	(36,350)	-	(352.80)

[Note] Any revision to the latest dividend forecast: Yes

[Note] For revision of consolidated financial results forecast, please refer to "Revision of Financial Forecast, Recording of Operating Expenses, Revision of Dividend Forecast, Suspension or Reduction of Executive Compensation and Exercise of Compensatory Stock Option " released on February 13, 2019.

(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 December 31, 2018	112,649,910 shares
As of March 31, 2018	112,596,710 shares

(ii) Number of treasury shares

As of December 31, 2018	9,598,526 shares
As of March 31, 2018	9,598,396 shares

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

April 1, 2018 – December 31, 2018	103,031,593 shares
April 1, 2017 – December 31, 2017	102,963,742 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 February 14, 2019. 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

(1) Explanation of operating results

In the nine months ended December 31, 2018 (from April 1, 2018 to December 31, 2018), the world economy showed a gradual recovery led by the strong expansion of the U.S. economy. The prospects of the global economy, however, remained uncertain mainly due to the prolonged U.S.-China trade conflict, economic deceleration in China, Brexit issues and sharp currency fluctuations in emerging economies. 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. The developments of the U.S.-China trade tensions, however, are viewed as a matter of concern. In South Korea, substantive progress in inter-Korean relations are yet to be seen. Moreover, Seoul faces economic and employment issues including high consumer prices and high unemployment rates despite its solid economic growth supported by strong exports. In Indonesia, the government has launched measures to stimulate domestic demand through various infrastructure-related public investment programs. Despite such moves, Indonesia's growth has been slowing. Factors holding back its growth include volatile movements of the Indonesian rupiah and its trade deficit. The deficit has occurred as robust domestic demand drove imports higher than exports.

In this economic environment, the J Trust Group ("the Group") considers 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 nine months ended December 31, 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 with Shinhan Bank Japan in April 2018 and the Shonan Shinkin Bank in July 2018. Nihon Hoshou has steadily expanded the area in which it guarantees overseas mortgage loan, a collaborative product with the Saikyo Bank, Ltd. launched in December 2017. In November 2018, Nihon Hoshou signed a business agreement with List International Realty Co., Ltd. to provide highly convenient service in the financial and real estate businesses to customers considering investments in overseas properties.

Meanwhile, KeyHolder, Inc. ("KeyHolder") started offering live entertainment and TV program production services by establishing KeyStudio Co., Ltd. ("KS") and KeyProduction Co., Ltd. ("KP"), respectively to substitute for the divested amusement facilities operation in General Entertainment Business. In December 2018, KeyHolder resolved to sign an agreement with AKS Co., Ltd. and establish a new company called SKE, Inc. to succeed businesses related to a Japanese idle girl group SKE 48.

In October 2018, the Group divested shares and receivables from Highlights Entertainment Co., Ltd. ("HE") with the objective of centralizing its business.

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 nine months ended December 31, 2018.

(i) In October 2018, JTRUST ASIA PTE.LTD. ("JTA") completed the acquisition of shares of PT OLYMPINDO MULTI FINANCE, currently known as PT JTRUST OLYMPINDO MULTI FINANCE, ("JTO") from its owner and his family and the subscription for new shares which JTO would allocate through a third-party, and JTA acquired 60% of JTO's 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. Also, in December 2018, CCI signed a business agreement related to funding for automobile loan businesses and used automobile marketers in Mongolia with BE FORWARD 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., a Cambodian commercial bank, from ANZ Funds Pty Ltd., and signed a share transfer agreement. The acquisition is slated to be completed by May 31, 2019.

As of December 31, 2018, the currently ongoing lawsuits pursued by JTA against Group Lease PCL (“GL”), related entities and Mr. Mitsuji Konoshita, (“Mr. 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. In the British Virgin Islands, JTA obtained a worldwide freezing order against Mr. Konoshita and related entities in the Commercial Division of the High Court in the Eastern Caribbean Supreme Court. (“the BVI Court”). The BVI Court also ordered the appointment of receivers to related entities (Collectively, “the Decisions”). Mr. Konoshita and related entities filed appeals against the Decisions of the BVI Court (“the Appeals”) in the Court of Appeal of the Eastern Caribbean Supreme Court (“the Court of Appeal”). However, the Court of Appeal dismissed those Appeals, respectively on December 18, 2018.

c. Others
   To express gratitude to our shareholders for their support from day to day, the Company has introduced a shareholder perks program on an ongoing basis as an incentive for investors to invest in the Company in the medium- to long-term.

As a result, operating revenue for the nine months ended December 31, 2018 was 55,173 million yen (down 3.1% year on year). While interest revenue in Financial Business in South Korea increased steadily, it decreased along with a decline in loans by banking business due to a loan portfolio realignment at PT Bank JTrust Indonesia Tbk. (“Bank JTrust Indonesia”). Meanwhile, operating loss was 29,770 million yen (operating profit of 3,504 million yen during the same period of the previous fiscal year). Major factors were as follows: (i) large allowance for NPL was provided at Bank JTrust Indonesia to clean up the pre-acquisition legacy; and (ii) we booked allowance for JTA’s total claims against GL, a case pending in court. Loss attributable to owners of parent was 32,770 million yen (Loss attributable to owners of parent of 20 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.

The Group sold all of its shares in ADORES, Inc. in the fourth quarter of the previous fiscal year, and transferred its shares and receivables from 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.

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 mainly 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 200,567 million yen (up 55.6% year on year). The breakdown was 18,619 million yen in credit guarantees on unsecured loan (up 12.3%) and 181,947 million yen in credit guarantees on secured loan (up 62.0%) with increases in guarantees for condominium loan and overseas mortgage loan. While each of the following items increased: commercial notes to 1,692 million yen (up 91.3%) due to large discounts; the balance of purchased receivables to 16,091 million yen (up 28.0%); and advances paid – installment increased to 2,682 million yen (up 7.7%), accounts receivable – operating loans declined to 2,067 million yen (down 23.0%).

Operating revenue was 7,373 million yen (up 3.6% year on year). Segment profit was 3,298 million yen (down 5.6%) after reviewing future cash flows of purchased receivables and recording 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, JT Capital Co., Ltd. provides installment financing and leasing services and 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 285,187 million yen (up 4.3% year on year) mainly due to an increase

in corporate loan. Meanwhile, accounts receivable – operating loans amounted to 61,620 million yen (down 4.1%) due to receivables collection and NPL sales despite rises in secured (real estate and government-backed) loans and loans to large enterprises as well as CCI's inclusion on consolidation. The balance of purchased receivables was 2,360 million yen (up 5.0% year on year).

Operating revenue was 30,251 million yen (up 12.9% year on year) due to a steady increase in interest revenue. Segment profit was 4,002 million yen (up 29.2%).

(Financial Business in Southeast Asia)

Bank JTrust Indonesia conducts banking operations in Indonesia, PT JTRUST INVESTMENTS INDONESIA is engaged in receivables collection and JTO offers financing for automobile and agricultural equipment.

Loans by banking business amounted to 77,082 million yen (down 19.0% year on year) due to large allowance for NPLs was provided at Bank JTrust Indonesia to clean up the pre-acquisition legacy. The balance of purchased receivables was 10,447 million yen (up 839.0%). Accounts receivable – operating loans were 6,450 million yen (zero during the same period of the previous fiscal year) following JTO's inclusion on consolidation.

Operating revenue was 9,436 million yen (down 10.8%) mainly due to lower interest revenue with a decline in loans by banking business at Bank JTrust Indonesia. Segment loss was 14,308 million yen (segment profit of 1,105 million yen during the same period of the previous fiscal year). The loss was mainly attributable to large allowance for NPLs provided at Bank JTrust Indonesia.

(General Entertainment Business)

KS mainly conducts live entertainment business and KP handles TV program production business. The two companies' operation started in July 2018. Operating revenue was 949 million yen (zero during the same period of the previous fiscal year). Segment loss was 2 million yen (zero during the same period of the previous fiscal year).

Meanwhile, the Group divested Highlights Entertainment Co., Ltd. ("HE"), which developed, manufactured and sold computer systems for amusement machines and their peripheral equipment on October 1, 2018. As a result, HE is classified as discontinued operations from the previous quarter, and is excluded from the scope of consolidation from the current quarter.

(Real Estate Business)

Real Estate business is mainly handled by Keynote Co., Ltd. ("Keynote") and real estate asset business is handled by KeyHolder.

Operating revenue was 4,119 million yen (up 0.8% year on year). The increase was mainly attributable to steady delivery of detached housing. Segment profit was 22 million yen (down 89.5%) due to increases in cost of sales as well as higher selling, general and administrative expenses to meet business expansion.

(Investment Business)

JTA mainly conducts investment business and provides management support for investees. Operating revenue decreased to 939 million yen (down 87.2% year on year) compared to the same period of the previous fiscal year in which we recorded other operating revenue due to a change in the classification of receivables resulting from the avoidance of GL's convertible debentures. Meanwhile, segment loss expanded to 20,082 million yen (Segment loss of 2,759 million yen during the same period of the previous fiscal year). The loss increased because we recorded allowance for JTA's total claims against GL, a case pending in court.

(Other Business)

J Trust System Co., Ltd. mainly provides computer system development, operation and management of computers for the Group, and Keynote constructs commercial facilities.

Operating revenue was 2,660 million yen (up 55.4% year on year). This was mainly due to a healthy order intake in Keynote's commercial facility construction business. Segment loss was 1 million yen (segment profit of 51 million yen during the same period of the previous fiscal year).

(2) Explanation of financial position

[1] Status of assets, liabilities and equity

As of December 31, 2018, Assets grew by 17,709 million yen to 674,670 million yen from March 31, 2018. This was mainly due to increases in: (i) trade and other receivables by 15,883 million yen; (ii) marketable securities for banking business by 6,372 million yen; and (iii) cash and cash equivalents by 3,057 million yen respectively, while other financial assets declined by 14,246 million yen.

Liabilities expanded by 57,453 million yen to 563,637 million yen from March 31, 2018. The increase was mainly due to rises in: (i) deposits by banking business by 32,057 million yen; (ii) bonds and borrowings by 13,584 million yen; and (iii) trade and other payables by 4,746 million yen respectively.

Equity decreased by 39,743 million yen to 111,032 million yen from March 31, 2018. Major factors were as follows. Retained earnings decreased by 37,794 million yen mainly because: (i) we recorded loss attributable to owners of parent of 32,770 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 December 31, 2018 increased by 3,057 million yen to 87,781 million yen from March 31, 2018.

The following is an overview of cash flows for the nine months ended December 31, 2018 with relevant factors.

(Cash flows from operating activities)

Funds provided by operating activities totaled 11,041 million yen (compared with 3,458 million yen in Funds used in operating activities during the same period of the previous fiscal year). Major factors were as follows: Funds decreased due to loss before income taxes of 28,681 million yen. Meanwhile, Increases in deposits by banking business by 35,345 million yen and trade and other payables by 4,799 million yen boosted Funds.

(Cash flows from investing activities)

Funds used in investing activities totaled 11,197 million yen (compared with 244 million yen in Funds provided by investing activities during the same period of the previous fiscal year). Funds declined mainly because purchase of marketable securities for banking business of 78,786 million yen exceeded proceeds from sale of marketable securities for banking business of 72,171 million yen.

(Cash flows from financing activities)

Funds provided by financing activities totaled 2,954 million yen (down 39.6% year on year). Major factors were as follows: Despite a decline in Funds due to net decrease in short-term bonds payable of 7,246 million yen, net increases in long-term borrowings of 4,622 million yen and issuance and redemption of bonds of 6,750 million yen increased Funds.

(3) Explanation of future forecast including consolidated financial forecast

The Group has revised its full-year consolidated financial forecast for fiscal 2019 in view of recent performances and other factors. The previous forecast was announced on May 14, 2018. For details, please refer to “Revision of Financial Forecast, Recording of Operating Expenses, Revision of Dividend Forecast, Suspension or Reduction of Executive Compensation and Exercise of Compensatory Stock Option” announced on February 13, 2019.

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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 December 31, 2018
Assets			
Cash and cash equivalents		84,723	87,781
Trade and other receivables		92,723	108,607
Marketable securities for banking business		37,159	43,531
Loans by banking business		343,400	342,454
Operational investment securities		3,242	2,221
Marketable securities		208	818
Other financial assets		46,300	32,054
Investments accounted for using the equity method		144	680
Inventories		6,937	7,605
Assets held for sale		1,807	2,508
Property, plant and equipment		3,028	4,940
Investment property		610	606
Goodwill		29,578	31,746
Intangible assets		3,087	3,546
Deferred tax assets		1,502	1,645
Other assets		2,505	3,919
Total assets		656,961	674,670
Liabilities		9,811	14,558
Trade and other payables		403,509	435,567
Deposits by banking business		78,727	92,312
Bonds and borrowings		5,272	9,652
Other financial liabilities		629	936
Income taxes payable		353	940
Provisions		850	1,052
Deferred tax liabilities		7,029	8,619
Other liabilities		506,184	563,637
Total liabilities			
Equity			
Share capital		53,638	53,644
Capital surplus		52,713	52,744
Treasury shares		(7,685)	(7,685)
Retained earnings		47,555	9,760
Other components of equity		(1,854)	(3,968)
Total equity attributable to owners of parent		144,366	104,495
Non-controlling interests		6,409	6,537
Total equity		150,776	111,032
Total liabilities and equity		656,961	674,670

(2) Condensed quarterly consolidated statement of profit or loss

(unit: million yen)

	Notes	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Continuing operations			
Operating revenue		56,963	55,173
Operating expenses		36,748	63,410
Selling, general and administrative expenses		17,649	20,717
Other income		1,128	325
Other expenses		189	1,142
Operating profit (loss)		3,504	(29,770)
Finance income		45	1,173
Finance costs		1,119	72
Share of profit (loss) of investments accounted for using the equity method		(11)	(11)
Profit (loss) before income taxes		2,419	(28,681)
Income taxes		1,511	1,815
Profit (loss) from continuing operations		908	(30,497)
Discontinued operations			
Profit (loss) from discontinued operations		(892)	(2,787)
Profit (loss)		16	(33,285)
Profit (loss) attributable to:			
Owners of parent		(20)	(32,770)
Non-controlling interests		37	(514)
Profit (loss)		16	(33,285)
Earnings (loss) per share (attributable to owners of parent)			
Basic earnings (loss) per share (Yen)			
Continuing operations		9.46	(291.01)
Discontinued operations		(9.66)	(27.06)
Total		(0.20)	(318.07)
Diluted earnings (loss) per share (Yen)			
Continuing operations		9.45	(291.01)
Discontinued operations		(9.65)	(27.06)
Total		(0.20)	(318.07)

(3) Condensed quarterly consolidated statement of comprehensive income

(unit: million yen)

	Notes	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit (loss)		16	(33,285)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		(18)	(48)
Net change in fair value of equity instruments measured at fair value through other comprehensive income		-	(651)
Total of items that will not be reclassified to profit or loss		(18)	(700)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		4,299	(313)
Net change in fair values of available-for-sale financial assets		(1,034)	-
Net change in fair value of debt instruments measured at fair value through other comprehensive income		-	(1,017)
Provisions for credit loss on debt instruments measured at fair value through other comprehensive income		-	21
Share of other comprehensive income of investments accounted for using the equity method		0	(1)
Total of items that may be reclassified subsequently to profit or loss		3,264	(1,311)
Other comprehensive income, net of tax		3,246	(2,011)
Comprehensive income		3,263	(35,297)
Comprehensive income attributable to:			
Owners of parent		3,212	(34,764)
Non-controlling interests		51	(533)
Comprehensive income		3,263	(35,297)

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(4) Condensed quarterly consolidated statement of changes in equity

For the nine months ended December 31, 2017

(unit: million yen)

	Notes	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	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 (loss)		-	-	-	(20)	-	(20)
Other comprehensive income		-	-	-	-	3,233	3,233
Total comprehensive income		-	-	-	(20)	3,233	3,212
Issuance of new shares		4	4	-	-	-	9
Dividends of surplus		-	-	-	(1,235)	-	(1,235)
Purchase of treasury shares		-	-	(0)	-	-	(0)
Other		-	(19)	-	15	-	(4)
Total contributions by and distributions to owners		4	(14)	(0)	(1,220)	-	(1,230)
Dividends to non-controlling interests		-	-	-	-	-	-
Other		-	(0)	-	-	-	(0)
Total changes in ownership interest in subsidiaries		-	(0)	-	-	-	(0)
Total transactions with owners		4	(14)	(0)	(1,220)	-	(1,230)
Balance as of December 31, 2017		53,635	52,728	(7,685)	48,263	5,324	152,266

	Notes	Non-controlling interests	Total equity
Balance as of April 1, 2017		5,628	155,913
Profit		37	16
Other comprehensive income		13	3,246
Total comprehensive income		51	3,263
Issuance of new shares		-	9
Dividends of surplus		-	(1,235)
Purchase of treasury shares		-	(0)
Other		-	(4)
Total contributions by and distributions to owners		-	(1,230)
Dividends to non-controlling interests		(79)	(79)
Other		(0)	(0)
Total changes in ownership interest in subsidiaries		(79)	(79)
Total transactions with owners		(79)	(1,309)
Balance as of December 31, 2017		5,600	157,867

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For the nine months ended December 31, 2018

(unit: million yen)

	Notes	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	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)		-	-	-	(32,770)	-	(32,770)
Other comprehensive income		-	-	-	-	(1,993)	(1,993)
Total comprehensive income		-	-	-	(32,770)	(1,993)	(34,764)
Issuance of new shares		6	6	-	-	-	12
Dividends of surplus		-	-	-	(1,236)	-	(1,236)
Purchase of treasury shares		-	-	(0)	-	-	(0)
Other		-	25	-	(3)	5	26
Total contributions by and distributions to owners		6	31	(0)	(1,239)	5	(1,197)
Dividends to non-controlling interests		-	-	-	-	-	-
Other		-	0	-	-	(2)	(2)
Total changes in ownership interest in subsidiaries		-	0	-	-	(2)	(2)
Total transactions with owners		6	31	(0)	(1,239)	3	(1,199)
Balance as of December 31, 2018		53,644	52,744	(7,685)	9,760	(3,968)	104,495

	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)		(514)	(33,285)
Other comprehensive income		(18)	(2,011)
Total comprehensive income		(533)	(35,297)
Issuance of new shares		-	12
Dividends of surplus		-	(1,236)
Purchase of treasury shares		-	(0)
Other		-	26
Total contributions by and distributions to owners		-	(1,197)
Dividends to non-controlling interests		(79)	(79)
Other		783	781
Total changes in ownership interest in subsidiaries		703	701
Total transactions with owners		703	(495)
Balance as of December 31, 2018		6,537	111,032

(5) Condensed quarterly consolidated statement of cash flow

(unit: million yen)

	Notes	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from operating activities			
Profit (loss) before income taxes		2,419	(28,681)
Profit (loss) before income taxes from discontinued operations		(907)	(2,786)
Depreciation and amortization		1,968	1,165
Impairment losses		4	368
Impairment losses of other financial assets		1,398	18,924
Interest and dividend income		(40,919)	(42,527)
Interest expenses		12,517	14,206
Other (profit) loss		(2,333)	(4,232)
Decrease (increase) in trade and other receivables		(10,276)	(1,781)
Increase (decrease) in deposits by banking business		30,040	35,345
Decrease (increase) in loans by banking business		(30,909)	(18,215)
Decrease (increase) in operational investment securities		3,610	-
Increase (decrease) in trade and other payables		3,486	4,799
Interest and dividends received		42,009	44,724
Interest paid		(12,326)	(13,608)
Income taxes paid		(2,102)	(1,935)
Income taxes refund		553	1,063
Other		(1,692)	4,212
Net cash provided by (used in) operating activities		(3,458)	11,041
Cash flows from investing activities			
Purchase of investments accounted for using the equity method		-	(549)
Decrease (increase) in time deposits		287	(903)
Purchase of property, plant and equipment, and investment property		(1,275)	(1,732)
Proceeds from sales of property, plant and equipment, and investment property		62	46
Purchase of intangible assets		(461)	(1,239)
Purchase of marketable securities for banking business		(74,926)	(78,786)
Proceeds from sale of marketable securities for banking business		75,731	72,171
Proceeds from redemption of marketable securities for banking business		980	4,950
Purchase of shares of subsidiaries		-	(2,838)
Payments for sales of shares of subsidiaries		(49)	(149)
Payments for acquisition of businesses		-	(980)
Other		(104)	(1,185)
Net cash provided by (used in) investing activities		244	(11,197)

(unit: million yen)

	Notes	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Cash flows from financing activities			
Net increase (decrease) in notes discounted		(36)	330
Net increase (decrease) in short-term borrowings		(278)	(208)
Net increase (decrease) in short-term bonds payable		5,831	(7,246)
Repayments of long-term borrowings		(13,736)	(18,223)
Proceeds from long-term borrowings		13,103	22,846
Redemption of bonds		(5,541)	(2,542)
Proceeds from issuance of bonds		7,034	9,292
Repayments of lease obligations		(173)	(35)
Payments for purchase of treasury shares		(0)	(0)
Proceeds from exercise of employee share options		5	7
Dividends paid		(1,235)	(1,236)
Dividends paid to non-controlling interests		(79)	(79)
Other		0	51
Net cash provided by (used in) financing activities		4,893	2,954
Net increase (decrease) in cash and cash equivalents		1,679	2,798
Cash and cash equivalents at beginning of period		80,666	84,723
Effect of exchange rate changes on cash and cash equivalents		2,771	259
Cash and cash equivalents at end of period		85,117	87,781

(6) Notes to condensed quarterly consolidated financial statements

(Notes on going concern assumption)

No items to report.

(Changes in accounting policies)

Excluding 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 first quarter of fiscal 2019, 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," reflecting addition of Mongolia-based Capital Continent Investment NBFI, which became a consolidated subsidiary in the first quarter of fiscal 2019.

"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 multi-finance services. "General Entertainment Business" comprises live entertainment business, TV program production business, and planning, development and production of entertainment content 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 (i) and (ii) 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. in the second quarter of the current fiscal year.

As a result, relevant figures for the third quarter of fiscal 2018 and 2019 are reclassified to present the results of continuing operations excluding discontinued operations.

2. Segment revenue and business results

The Group's 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.

<Nine months ended December 31, 2017>

(unit: million yen)

	Reportable segments							Other (Note 1)	Adjust-ments (Note 2)	Consolidated
	Financial business in Japan	Financial business in South Korea and Mongolia	Financial business in Southeast Asia	General entertain-ment business	Real estate business	Investment business	Total			
Operating revenue										
External customers	7,042	26,788	10,583	-	4,085	7,030	55,529	1,433	-	56,963
Intersegment operating revenue or transfers	75	1	0	-	0	288	366	278	(644)	-
Total	7,117	26,790	10,583	-	4,085	7,319	55,895	1,711	(644)	56,963
Segment profit (loss)	3,495	3,097	1,105	-	218	(2,759)	5,157	51	(51)	5,158
Company-wide expenses, etc. (Note 3)										(1,653)
Operating profit										3,504
Finance income										45
Finance costs										(1,119)

Share of profit (loss) of investments accounted for using the equity method	(11)
Profit before income taxes	2,419

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.

<Nine months ended December 31, 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 business	Invest-ment business	Total			
Operating revenue										
External customers	7,316	30,160	9,436	949	4,119	788	52,770	2,403	-	55,173
Intersegment operating revenue or transfers	56	91	0	-	-	151	299	256	(556)	-
Total	7,373	30,251	9,436	949	4,119	939	53,070	2,660	(556)	55,173
Segment profit (loss)	3,298	4,002	(14,308)	(2)	22	(20,082)	(27,069)	(1)	(181)	(27,252)

Company-wide expenses (Note 3)	(2,518)
Operating profit (loss)	(29,770)
Finance income	1,173
Finance costs	(72)
Share of profit (loss) of investments accounted for using the equity method	(11)
Profit (loss) before income taxes	(28,681)

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.