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J Trust

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INDEX

Executive summary	3
Key financial data	5
Recent updates	6
Trends and outlook	7
Quarterly trends and results	7
Business description	15
Company Overview	15
Strengths and weaknesses	24
Historical performance	26
Income statement	42
Balance sheet	43
Statement of cash flows	44
Other information	45
News and topics	47
Company profile	50

Executive summary

J Trust is a financial services group operating banking and finance businesses in Asia. Since 2009, the company has expanded its business through acquisitions of domestic consumer finance and credit card companies, and in 2012 it launched a South Korean savings bank business, leveraging the expertise it had developed in Japan. In the years through 2019, it acquired a finance company and a savings bank in South Korea, a commercial bank in Indonesia, and a commercial bank in Cambodia. Operating revenue in FY12/23 stood at JPY114.3bn and operating profit was JPY8.1bn. The company's business segments divide into the Financial Business in Japan (accounting for 12.3% of consolidated operating revenue before adjustments and 51.8% of consolidated operating profit in FY12/23), Financial Business in South Korea and Mongolia (41.4%; percentage of total operating profit not presented due to operating loss), Financial Business in Southeast Asia (33.4%; not presented due to operating loss), Real Estate Business (12.2%; 120.3%), Investment Business (0.1%; not presented due to operating loss), and Other Business (0.5%; not presented due to operating loss).

At its Financial Business in Japan, the company concentrated on growth of the consumer finance, credit card, credit guarantee, and servicer (receivables purchase and collection) businesses through FY03/15. From FY03/16 onward, after effectively exiting the unsecured consumer finance loans business, the company sought to expand the credit guarantee business (chiefly run by consolidated subsidiary Nihon Hoshou) targeting consumers and business operators and the servicer business (chiefly run by consolidated subsidiary Partir Servicer), and has been logging stable profit. In FY12/22 (accounting period changed in 2019), J Trust entered the securities industry by acquiring all shares of H.S. Securities Co., Ltd. (now J Trust Global Securities Co., Ltd.; hereinafter, JTG Securities) from HS Holdings Co., Ltd. (TSE Standard: 8699). It also made Nexus Card Co., Ltd. a consolidated subsidiary through a share exchange with Nexus Bank Co., Ltd.

The company's Financial Business in South Korea and Mongolia almost entirely consists of the savings bank business and servicer business in South Korea. J Trust launched a consumer finance business in South Korea in 2009. In 2012, it acquired a savings bank license in South Korea and entered the industry with the launch of JT Chinae Savings Bank, mainly providing loans to individuals and business owners and business loans to companies (the bank was sold in FY12/20 as part of business restructuring). From FY03/13 to FY03/15, it grew loan balances in the savings bank business primarily through M&A. With the acquisition of JT Savings Bank in 2015 and the return of JT Chinae Savings Bank to the J Trust group in April 2022, the business was back to a two-savings bank structure. As of September 2023, total assets of the two banks combined ranked seventh in value among the savings banks in South Korea.

The company's Financial Business in Southeast Asia includes banks in Indonesia and Cambodia. In Indonesia, the company acquired Bank Mutiara in November 2014, renaming it PT Bank JTrust Indonesia Tbk. J Trust moved to bolster the bank's reserves in FY03/19 in preparation for the write-off of all non-performing loans and also began implementing new lending and credit screening procedures to put the bank's loan portfolio on a firmer financial footing. Elsewhere in Southeast Asia, the company acquired a majority stake in ANZ Royal Bank (Cambodia) Ltd. in August 2019, making the Cambodian commercial bank a consolidated subsidiary and changing its name to JTrust Royal Bank. In FY12/22, PT Bank JTrust Indonesia Tbk turned a profit for the full year.

The company has worked to reorder its business portfolio since FY12/20. In FY12/22, the Financial Business in Southeast Asia turned to profitability and the Financial Business in South Korea returned to a two-savings bank structure. In February 2022, the company bolstered the Financial Business in Japan by acquiring all outstanding shares of H.S. Securities Co., Ltd. (now JTG Securities) from HS Holdings Co., Ltd. (TSE Standard: 8699) to make it a subsidiary. In addition, the company strengthened its Real Estate Business through business integration with Mirainovate Co., Ltd., which primarily develops and sells condominiums while also operating a renewable energy business.

Trends and outlook

In FY12/23, the company reported full-year consolidated operating revenue of JPY114.3bn (+39.3% YoY), operating profit of JPY8.1bn (-44.8% YoY), pre-tax profit of JPY9.8bn (-43.2% YoY), and profit attributable to owners of parent of JPY16.3bn (+29.1% YoY). Operating profit was the second-highest since the transition to IFRS, behind FY12/22, when J Trust posted gains on negative goodwill associated with the acquisition of Nexus Bank. Profit attributable to owners of parent marked a record high since the transition to IFRS, partly due to the reversal of deferred tax liabilities of JPY6.5bn accompanying the company's absorption-type merger with Nexus Bank.

For FY12/24, the company forecasts JPY128.0bn in operating revenue (+12.0% YoY), JPY7.4bn in operating profit (-8.2% YoY), JPY8.2bn in pre-tax profit (-16.1% YoY), and JPY6.4bn in profit attributable to owners of parent (-60.8% YoY). The operating profit estimate factors in the falloff of the gains on negative goodwill recorded in FY12/23 in association with the

absorption-type merger with Mirainovate. The estimate for profit attributable to owners of parent reflects higher income tax expenses in the absence of the impact of the absorption-type merger with Nexus Bank and the resulting reversal of deferred tax liabilities, which lowered the income tax expenses in FY12/23.

Over the medium term, the company targets operating revenue of JPY138.5bn and operating profit of JPY10.8bn in FY12/25, and JPY152.9bn and JPY17.8bn in FY12/26. It forecasts sharp increases in operating profit in the three financial businesses to JPY8.2bn in FY12/24, JPY12.4bn in FY12/25, and JPY18.6bn in FY12/26. It expects operating profit to remain flat in the Financial Business in Japan, but expand significantly in the Financial Business in South Korea and Mongolia, and in the Financial Business in Southeast Asia.

Strengths and weaknesses

Strengths

1. Ability to lead business development in Asia by leveraging expertise gained in Japan and South Korea
2. Relatively high lending-deposit spread for the banking businesses in South Korea and Southeast Asia
3. Purchasing ability

Weaknesses

1. Susceptible to financial regulation
2. Performances of the two savings banks in South Korea vulnerable to temporary downswing from sharp rise in interest rates since deposits are heavily skewed toward term deposits
3. Prone to personnel shortages caused by rapid business growth
(See "Strengths and weaknesses" section for further details.)

Key financial data

Income statement	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23	FY12/24
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	Company forecast
Operating revenue	66,453	74,321	74,935	24,728	32,652	42,325	82,038	114,279	128,000
YoY	-	11.8%	0.8%	-	-	7.5%	93.8%	39.3%	12.0%
Operating profit (loss)	606	4,759	-32,600	-5,130	-4,752	5,260	14,589	8,059	7,400
YoY	-	684.7%	-	-	-	-	177.4%	-44.8%	-8.2%
Operating profit margin	0.9%	6.4%	-	-	-	12.4%	17.8%	7.1%	5.8%
Pre-tax profit (loss)	-433	2,898	-31,135	-5,526	-2,978	5,899	17,205	9,772	8,200
YoY	-	-	-	-	-	-	191.7%	-43.2%	-16.1%
Pre-tax profit margin	-	3.9%	-	-	-	13.9%	21.0%	8.6%	6.4%
Profit (loss) attributable to owners of parent	-1,270	-731	-36,107	-3,260	-5,342	1,123	12,632	16,310	6,400
YoY	-	-	-	-	-	-	-	29.1%	-60.8%
Net profit	-	-	-	-	-	2.7%	15.4%	14.3%	5.0%
Per-share data (split-adjusted; JPY)									
No. of shares outstanding(000 shares)	112,537	112,597	115,470	115,470	115,470	115,470	126,338	147,038	-
EPS	-11.9	-7.1	-349.7	-30.8	-50.5	10.6	110.8	120.4	46.6
EPS (fully diluted)	-11.9	-7.1	-349.7	-30.8	-50.5	10.6	110.8	120.4	-
Dividend per share	12.0	12.0	7.0	1.0	-	1.0	10.0	14.0	14.0
Book value per share	1,459.9	1,401.6	984.0	944.3	865.2	903.7	1,004.6	1,104.1	-
Balance sheet (JPYmn)									
Cash and cash equivalents	80,666	84,723	87,150	81,913	60,593	74,648	131,960	105,740	-
Trade and other receivables	78,416	92,723	106,735	113,942	87,599	44,345	50,226	60,796	-
Marketable securities in banking business	30,459	37,159	46,599	52,805	14,176	40,471	94,740	101,881	-
Loans in the banking business	311,480	343,400	326,234	370,174	118,159	338,593	680,949	716,422	-
Operational investment securities	21,494	3,242	2,855	1,895	505	274	305	327	-
Other financial assets	38,066	46,300	33,416	40,893	18,451	28,554	54,018	110,314	-
Inventories	6,848	6,937	6,742	7,285	42	1,358	4,120	21,318	-
Tangible fixed assets	5,622	3,028	5,119	9,871	6,032	7,708	10,592	8,617	-
Goodwill	32,140	29,578	33,508	35,901	28,290	30,260	30,839	33,507	-
Total assets	619,865	656,961	668,377	731,384	530,462	610,631	1,115,943	1,214,714	-
Trade and other payables	8,110	9,811	14,613	16,137	14,888	14,657	13,856	14,041	-
Deposits by banking business	364,462	403,509	437,010	483,402	184,239	437,755	864,547	908,933	-
Liabilities directly related to assets held for sale	-	-	-	-	141,109	-	-	-	-
Bonds and loans payable	72,139	78,727	86,002	85,105	67,803	26,939	39,749	61,518	-
Other financial liabilities	8,182	5,272	13,383	19,911	9,425	11,837	23,895	27,727	-
Total liabilities	463,952	506,184	557,650	612,478	428,004	502,685	983,593	1,046,499	-
Equity attributable to owners of the parent	150,284	144,366	104,173	99,977	91,599	95,670	117,268	151,588	-
Non-controlling interests	5,628	6,409	6,554	18,928	10,858	12,275	15,081	16,626	-
Total equity	155,913	150,776	110,727	118,905	102,458	107,945	132,349	168,215	-
Total interest-bearing debt	72,139	78,727	86,002	85,105	67,803	26,939	39,749	61,518	-
Cash flow statement(JPYmn)									
Cash flows from operating activities	-12,413	4,581	18,831	-20,829	6,813	15,408	49,518	-47,079	-
Cash flows from investing activities	-4,468	-7,603	-15,190	15,431	-8,422	-10,002	-9,121	-501	-
Cash flows from financing activities	10,612	7,798	-525	18	-8,638	-6,129	7,289	4,344	-
Financial ratios									
ROA (pre-tax profit based)	-	0.4%	-	-	-	1.0%	2.0%	0.8%	-
ROE	-	-	-	-	-	1.2%	11.9%	12.1%	-
Equity ratio	24.2%	22.0%	15.6%	13.7%	17.3%	15.7%	10.5%	12.5%	-

Source: Shared Research based on company data

Notes: The company is applying the International Financial Reporting Standards (IFRS) from FY03/18.

Year-on-year rises of over 1,000% are shown by "-".

Since FY12/19 was an irregular nine-month (April–December) fiscal year, YoY growth rates are not shown.

In FY03/19 results, figures down to pre-tax profit exclude results for discontinued operations (Highlights Entertainment).

In FY12/19 results, figures down to pre-tax profit exclude results for discontinued operations (Keynote [now Gro-Bels], J Trust Card [now Nexus Card], JT Chinae Savings Bank, JT Savings Bank, and KeyHolder [including subsidiaries]). Reflects retroactive adjustments due to finalization of provisional accounting treatment for share exchange with allfuz.

In FY12/20 results, figures down to pre-tax profit exclude results for discontinued operations (Keynote [now Gro-Bels], J Trust Card [now Nexus Card], JT Chinae Savings Bank, and KeyHolder [including subsidiaries]). JT Savings Bank was classified as a continuing business in figures down to pre-tax profit due to the postponement of the share transfer.

Figures for JT Capital (now A Capital) have been retroactively adjusted to be included in discontinued operations due to the completion of the share transfer in Q3 FY12/21.

Recent updates

Repurchase and cancellation of own shares

2024-02-13

On February 13, 2024, J Trust Co., Ltd. announced it has resolved on matters concerning the repurchase and cancellation of own shares.

Reason for the repurchase and cancellation of own shares

The enhancement of shareholder returns and sustainable corporate value improvement through better capital efficiency are important management issues for J Trust. Accordingly, the company's stance has been to implement share repurchase and cancellation as appropriate, considering its business performance, capital policy, and the market environment including stock price. At present, the company believes it is on track for sustainable earnings growth and has decided to repurchase and cancel shares to further step up shareholder returns, improve capital efficiency, and thereby realize appropriate shareholder value.

- Class of shares to be repurchased: Common stock
- Total number of shares to be repurchased: Up to 4 million shares (2.91% of the total number of shares issued, excluding treasury shares)
- Total amount of repurchase: Up to JPY2.0bn
- Repurchase period: From March 27 to November 30, 2024

Matters concerning the share cancellation

- Class of shares to be cancelled: Common stock
- Number of shares to be cancelled: Up to 9.38 million shares (6.81% of the total number of shares issued, excluding treasury shares)
- Scheduled cancellation date: February 29, 2024

Trends and outlook

Quarterly trends and results

Cumulative	FY12/21				FY12/22				FY12/23				FY12/23	
(JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	(% of forecast)	Revised Est.
Operating revenue	9,865	20,409	30,624	42,325	12,351	33,687	56,982	82,038	26,088	53,649	84,577	114,279	96.8%	118,000
YoY	-	-	-	-	25.2%	65.1%	86.1%	93.8%	111.2%	59.3%	48.4%	39.3%	-	43.8%
Operating expenses	4,859	10,341	15,298	23,017	5,342	17,232	29,716	45,999	17,780	36,742	57,291	81,148	-	-
YoY	-	-	-	-	9.9%	66.6%	94.2%	99.8%	232.8%	113.2%	92.8%	76.4%	-	-
Operating expense ratio	49.3%	50.7%	50.0%	54.4%	43.3%	51.2%	52.1%	56.1%	68.2%	68.5%	67.7%	71.0%	-	-
SG&A expenses	5,214	10,313	15,935	21,560	5,146	13,178	22,178	30,447	8,497	17,845	27,205	36,870	-	-
YoY	-	-	-	-	-1.3%	27.8%	39.2%	41.2%	65.1%	35.4%	22.7%	21.1%	-	-
SG&A, % of operating revenue	52.9%	50.5%	52.0%	50.9%	41.7%	39.1%	38.9%	37.1%	32.6%	33.3%	32.2%	32.3%	-	-
Other revenues	4,507	7,341	8,635	8,731	229	10,097	10,533	10,428	9,519	9,607	11,141	12,109	-	-
YoY	-	-	-	-	-94.9%	37.5%	22.0%	19.4%	-	-4.9%	5.8%	16.1%	-	-
Other expenses	33	34	197	1,218	93	198	674	1,431	36	62	88	310	-	-
YoY	-	-	-	-	181.8%	482.4%	242.1%	17.5%	-61.3%	-68.7%	-86.9%	-78.3%	-	-
Operating profit	4,266	7,060	7,827	5,260	1,997	13,175	14,946	14,589	9,294	8,605	11,134	8,059	76.8%	10,500
YoY	-	-	-	-	-53.2%	86.6%	91.0%	177.4%	365.4%	-34.7%	-25.5%	-44.8%	-	-28.0%
Operating profit margin	43.2%	34.6%	25.6%	12.4%	16.2%	39.1%	26.2%	17.8%	35.6%	16.0%	13.2%	7.1%	-	8.9%
Financial revenue	1,579	1,160	1,635	3,020	2,304	2,926	3,180	2,679	452	1,493	1,795	1,516	-	-
YoY	-	-	-	-	45.9%	152.2%	94.5%	-11.3%	-80.4%	-49.0%	-43.6%	-43.4%	-	-
Financial expense	77	862	1,095	2,728	470	516	568	608	76	174	290	418	-	-
YoY	-	-	-	-	510.4%	-40.1%	-48.1%	-77.7%	-83.8%	-66.3%	-48.9%	-31.3%	-	-
Equity in earnings of affiliates	314	113	-7	347	218	370	478	544	302	359	459	615	-	-
YoY	-	-	-	-	-30.6%	227.4%	-	56.8%	38.5%	-3.0%	-4.0%	13.1%	-	-
Pre-tax profit	6,082	7,472	8,360	5,899	4,050	15,956	18,036	17,205	9,972	10,284	13,099	9,772	78.2%	12,500
YoY	-	-	-	-	-33.4%	113.5%	115.7%	191.7%	146.2%	-35.5%	-27.4%	-43.2%	-	-27.3%
Pre-tax profit margin	61.7%	36.6%	27.3%	13.9%	32.8%	47.4%	31.7%	21.0%	38.2%	19.2%	15.5%	8.6%	-	10.6%
Quarterly net income from ongoing business	2,707	3,709	4,877	3,587	3,745	13,448	14,803	13,666	9,334	16,047	18,589	16,972	-	-
YoY	-	-	-	-	38.3%	262.6%	203.5%	281.0%	149.2%	19.3%	25.6%	24.2%	-	-
Quarterly net income from discontinued operations	100	73	-2,646	-2,646	-	-18	-18	-243	-72	94	96	-203	-	-
YoY	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit attributable to owners of parent	2,829	3,894	2,405	1,123	3,683	13,064	14,259	12,632	9,124	16,031	18,340	16,310	98.8%	16,500
YoY	-	-	-	-	30.2%	235.5%	492.9%	-	147.7%	22.7%	28.6%	29.1%	-	30.6%
Profit margin	28.7%	19.1%	7.9%	2.7%	29.8%	38.8%	25.0%	15.4%	35.0%	29.9%	21.7%	14.3%	-	14.0%
Quarterly	FY12/21				FY12/22				FY12/23					
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
Operating revenue	9,865	10,544	10,215	11,701	12,351	21,336	23,295	25,056	26,088	27,561	30,928	29,702		
YoY	-	-	-	-	25.2%	102.4%	128.0%	114.1%	111.2%	29.2%	32.8%	18.5%		
Operating expenses	4,859	5,482	4,957	7,719	5,342	11,890	12,484	16,283	17,780	18,962	20,549	23,857		
YoY	-	-	-	-	9.9%	116.9%	151.8%	110.9%	232.8%	59.5%	64.6%	46.5%		
Operating expense ratio	49.3%	52.0%	48.5%	66.0%	43.3%	55.7%	53.6%	65.0%	68.2%	68.8%	66.4%	80.3%		
SG&A expenses	5,214	5,099	5,622	5,625	5,146	8,032	9,000	8,269	8,497	9,348	9,360	9,665		
YoY	-	-	-	-	-1.3%	57.5%	60.1%	47.0%	65.1%	16.4%	4.0%	16.9%		
SG&A, % of operating revenue	52.9%	48.4%	55.0%	48.1%	41.7%	37.6%	38.6%	33.0%	32.6%	33.9%	30.3%	32.5%		
Other revenues	4,507	2,834	1,294	96	229	9,868	436	-105	9,519	88	1,534	968		
YoY	-	-	-	-	-94.9%	248.2%	-66.3%	-	-	-99.1%	251.8%	-		
Other expenses	33	1	163	1,021	93	105	476	757	36	26	26	222		
YoY	-	-	-	-	181.8%	-	192.0%	-25.9%	-61.3%	-75.2%	-94.5%	-70.7%		
Operating profit	4,266	2,794	767	-2,567	1,997	11,178	1,771	-357	9,294	-689	2,529	-3,075		
YoY	-	-	-	-	-53.2%	300.1%	130.9%	-	365.4%	-	42.8%	-		
Operating profit margin	43.2%	26.5%	7.5%	-	16.2%	52.4%	7.6%	-	35.6%	-	8.2%	-		
YoY	-	-	-	-	-56.7%	-47.8%	130.9%	-	-	-	42.8%	-		
Financial revenue	1,579	-419	475	1,385	2,304	622	254	-501	452	1,041	302	-279		
YoY	-	-	-	-	45.9%	-	-46.5%	-	-80.4%	67.4%	18.9%	-		
Financial expense	77	785	233	1,633	470	46	52	40	76	98	116	128		
YoY	-	-	-	-	510.4%	-94.1%	-77.7%	-97.6%	-83.8%	113.0%	123.1%	220.0%		
Equity in earnings of affiliates	314	-201	-120	354	218	152	108	66	302	57	100	156		
YoY	-	-	-	-	-30.6%	-	-	-81.4%	38.5%	-62.5%	-7.4%	136.4%		
Pre-tax profit	6,082	1,390	888	-2,461	4,050	11,906	2,080	-831	9,972	312	2,815	-3,327		
YoY	-	-	-	-	-33.4%	756.5%	134.2%	-	146.2%	-97.4%	35.3%	-		
Pre-tax profit margin	61.7%	13.2%	8.7%	-	32.8%	55.8%	8.9%	-	38.2%	1.1%	9.1%	-		
Quarterly net income from ongoing business	2,707	1,002	1,168	-1,290	3,745	9,703	1,355	-1,137	9,334	6,713	2,542	-1,617		
YoY	-	-	-	-	38.3%	868.4%	16.0%	-	149.2%	-30.8%	87.6%	-		
Quarterly net income from discontinued operations	100	-27	-2,719	-	-	-18	-	-225	-72	166	2	-299		
YoY	-	-	-	-	-	-	-	-	-	-	-	-		
Profit attributable to owners of parent	2,829	1,065	-1,489	-1,282	3,683	9,381	1,195	-1,627	9,124	6,907	2,309	-2,030		
YoY	-	-	-	-	30.2%	780.8%	-	-	147.7%	-26.4%	93.2%	-		
Profit margin	28.7%	10.1%	-	-	29.8%	44.0%	5.1%	-	35.0%	25.1%	7.5%	-		

Source: Shared Research based on company data

Note: In FY12/20 results, figures down to pre-tax profit exclude results for discontinued operations (Keynote [now Gro-Bels], J Trust Card [now Nexus Card], JT Chinae Savings Bank, and KeyHolder [including subsidiaries]). JT Savings Bank was classified as a continuing business in figures down to pre-tax profit due to the postponement of the share transfer. Figures for JT Capital (now A Capital) have been retroactively adjusted to be included in discontinued operations due to the completion of the share transfer in Q3 FY12/21.

Results by segment (cumulative)

By segment(cumulative)	FY12/21				FY12/22				FY12/23			
(JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1-Q3	Q1-Q4
Operating revenue	9,865	20,409	30,624	42,325	12,351	33,687	56,982	82,038	26,136	53,649	84,577	114,279
YoY	-	-	-	-	25.2%	65.1%	86.1%	93.8%	111.6%	59.3%	48.4%	39.3%
Operating revenue before consolidation	-	-	-	-	-	-	-	-	-	-	-	-

adjustments	9,982	20,674	31,044	42,906	12,527	34,054	57,509	82,643	26,259	53,973	85,019	114,848	
Financial Business in Japan	2,195	4,640	6,854	9,781	2,158	5,211	8,391	11,774	3,053	6,820	10,246	14,120	
YoY	-	-	-	-	-1.7%	12.3%	22.4%	20.4%	41.5%	30.9%	22.1%	19.9%	
% of total	22.0%	22.4%	22.1%	22.8%	17.2%	15.3%	14.6%	14.2%	11.6%	12.6%	12.1%	12.3%	
Financial Business in South Korea and Mongolia	3,633	7,492	11,051	14,806	4,220	15,451	27,108	38,451	11,261	22,882	35,674	47,520	
YoY	-	-	-	-	16.2%	106.2%	145.3%	159.7%	166.8%	48.1%	31.6%	23.6%	
% of total	36.4%	36.2%	35.6%	34.5%	33.7%	45.4%	47.1%	46.5%	42.9%	42.4%	42.0%	41.4%	
Financial Business in Southeast Asia	3,820	7,752	12,074	16,797	5,777	12,507	20,526	28,719	8,293	17,575	27,647	38,414	
YoY	-	-	-	-	51.2%	61.3%	70.0%	71.0%	43.6%	40.5%	34.7%	33.8%	
% of total	38.3%	37.5%	38.9%	39.1%	46.1%	36.7%	35.7%	34.8%	31.6%	32.6%	32.5%	33.4%	
Real Estate Business					154	461	879	2,946	3,424	6,300	10,908	14,039	
YoY	-	-	-	-	-	-	-	-	-	-	-	-376.5%	
% of total	-	-	-	-	1.2%	1.4%	1.5%	3.6%	13.0%	11.7%	12.8%	12.2%	
Investment Business	188	427	568	642	75	162	209	226	92	104	120	155	
YoY	-	-	-	-	-60.1%	-62.1%	-63.2%	-64.8%	22.7%	-35.8%	-42.6%	-31.4%	
% of total	1.9%	2.1%	1.8%	1.5%	0.6%	0.5%	0.4%	0.3%	0.4%	0.2%	0.1%	0.1%	
Other	145	361	496	878	142	261	395	525	136	289	421	599	
YoY	-	-	-	-	-2.1%	-27.7%	-20.4%	-40.2%	-4.2%	10.7%	6.6%	14.1%	
% of total	1.5%	1.7%	1.6%	2.0%	1.1%	0.8%	0.7%	0.6%	0.5%	0.5%	0.5%	0.5%	
Adjustments	-117	-265	-420	-581	-176	-367	-527	-605	-123	-324	-442	-569	
Operating profit	4,266	7,060	7,827	5,260	1,997	13,175	14,946	14,589	9,293	8,605	11,134	8,059	
YoY	-	-	-	-	-53.2%	86.6%	91.0%	177.4%	365.3%	-34.7%	-25.5%	-44.8%	
Operating profit margin	43.2%	-	-	-	16.2%	39.1%	26.2%	17.8%	35.6%	16.0%	13.2%	7.1%	
Operating profit before consolidation adjustments	4,611	7,786	9,459	7,302	2,362	14,123	16,658	16,426	10,144	10,108	11,532	8,985	
Operating profit after subtracting profit from negative goodwill	4,266	7,060	7,827	5,260	1,904	5,505	7,276	4,721	-35	-723	1,806	-2,054	
Financial Business in Japan	1,188	2,430	3,629	4,588	1,183	2,097	3,303	3,931	879	2,271	3,469	4,656	
YoY	-	-	-	-	-0.4%	-13.7%	-9.0%	-14.3%	-25.7%	8.3%	5.0%	18.4%	
% of total	25.8%	31.2%	38.4%	62.8%	50.1%	14.8%	19.8%	23.9%	8.7%	22.5%	30.1%	51.8%	
Segment profit margin	54.1%	52.4%	52.9%	46.9%	54.8%	40.2%	39.4%	33.4%	28.8%	33.3%	33.9%	33.0%	
Financial Business in South Korea and Mongolia	1,044	2,089	2,804	3,208	1,175	12,467	14,127	14,437	-578	-1,196	-1,652	-3,334	
YoY	-	-	-	-	12.5%	496.8%	403.8%	350.0%	-	-	-	-	
% of total	22.6%	26.8%	29.6%	43.9%	49.7%	88.3%	84.8%	87.9%	-	-	-	-	
Segment profit margin	28.7%	27.9%	25.4%	21.7%	27.8%	80.7%	52.1%	37.5%	-	-	-	-	
Financial Business in Southeast Asia	-521	-2,084	-2,981	-6,372	508	238	738	248	719	620	1,225	-1,019	
YoY	-	-	-	-	-	-	-	-	41.5%	160.5%	66.0%	-	
% of total	-	-	-	-	21.5%	1.7%	4.4%	1.5%	7.1%	6.1%	10.6%	-	
Segment profit margin	-	-	-	-	8.8%	1.9%	3.6%	0.9%	8.7%	3.5%	4.4%	-	
Real Estate Business					-37	-45	-66	94	9,270	9,308	10,096	10,810	
YoY	-	-	-	-	-	-	-	-	-	-	-	-	
% of total	-	-	-	-	-	-	-	0.6%	91.4%	92.1%	87.5%	120.3%	
Segment profit margin	-	-	-	-	-	-	-	3.2%	270.7%	147.7%	92.6%	77.0%	
Investment Business	3,038	5,390	6,028	5,445	-422	-655	-1,575	-2,205	-204	-960	-1,583	-2,072	
YoY	-	-	-	-	-	-	-	-	-	-	-	-	
% of total	65.9%	69.2%	63.7%	74.6%	-	-	-	-	-	-	-	-	
Segment profit margin	1616.0%	1262.3%	1061.3%	848.1%	-	-	-	-	-	-	-	-	
Other	-138	-40	-22	430	10	20	131	108	56	65	-22	-55	
YoY	-	-	-	-	-	-	-	-74.9%	460.0%	225.0%	-	-	
% of total	-	-	-	5.9%	0.4%	0.1%	0.8%	0.7%	0.6%	0.6%	-	-	
Segment profit margin	-	-	-	49.0%	7.0%	7.7%	33.2%	20.6%	41.2%	22.5%	-	-	
Adjustments	161	272	255	60	70	159	249	255	38	40	1,629	1,712	
Cons.	4,772	8,058	9,714	7,362	2,432	14,282	16,907	16,681	10,182	10,148	13,161	10,697	
Company-wide expenses	-506	-997	-1,886	-2,101	-490	-1,106	-1,961	-2,281	-888	-1,542	-2,027	-2,638	

Results by segment (accounting period)

By segment(accounting)	FY12/21				FY12/22				FY12/23			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Operating revenue	9,865	10,544	10,215	11,701	12,351	21,336	23,295	25,056	26,136	27,513	30,928	29,702
YoY	-	-	-	-	25.2%	102.4%	128.0%	114.1%	111.6%	29.0%	32.8%	18.5%
Operating revenue before consolidation adjustments	9,982	10,692	10,370	11,862	12,527	21,527	23,455	25,134	26,259	27,714	31,046	29,829
Financial Business in Japan	2,195	2,445	2,214	2,927	2,158	3,053	3,180	3,383	3,053	3,767	3,426	3,874
YoY	-	-	-	-	-1.7%	24.9%	43.6%	15.6%	41.5%	23.4%	7.7%	14.5%
% of total	22.0%	22.9%	21.4%	24.7%	17.2%	14.2%	13.6%	13.5%	11.6%	13.6%	11.0%	13.0%
Financial Business in South Korea and Mongolia	3,633	3,859	3,559	3,755	4,220	11,231	11,657	11,343	11,261	11,621	12,792	11,846
YoY	-	-	-	-	16.2%	191.0%	227.5%	202.1%	166.8%	3.5%	9.7%	4.4%
% of total	36.4%	36.1%	34.3%	31.7%	33.7%	52.2%	49.7%	45.1%	42.9%	41.9%	41.2%	39.7%
Financial Business in Southeast Asia	3,820	3,932	4,322	4,723	5,777	6,730	8,019	8,193	8,293	9,282	10,072	10,767
YoY	-	-	-	-	51.2%	71.2%	85.5%	73.5%	43.6%	37.9%	25.6%	31.4%
% of total	38.3%	36.8%	41.7%	39.8%	46.1%	31.3%	34.2%	32.6%	31.6%	33.5%	32.4%	36.1%
Real Estate Business					154	307	418	2,067	3,424	2,876	4,608	3,131
YoY	-	-	-	-	-	-	-	-	-	836.8%	-	51.5%
% of total	-	-	-	-	1.2%	1.4%	1.8%	8.2%	13.0%	10.4%	14.8%	10.5%
Investment Business	188	239	141	74	75	87	47	17	92	12	16	35
YoY	-	-	-	-	-60.1%	-63.6%	-66.7%	-77.0%	22.7%	-86.2%	-66.0%	105.9%
% of total	1.9%	2.2%	1.4%	0.6%	0.6%	0.4%	0.2%	0.1%	0.4%	0.0%	0.1%	0.1%
Other	145	216	135	382	142	119	134	130	136	153	132	178
YoY	-	-	-	-	-2.1%	-44.9%	-0.7%	-66.0%	-4.2%	28.6%	-1.5%	36.9%
% of total	1.5%	2.0%	1.3%	3.2%	1.1%	0.6%	0.6%	0.5%	0.5%	0.6%	0.4%	0.6%
Adjustments	-117	-148	-155	-161	-176	-191	-160	-78	-123	-201	-118	-127
Operating profit	4,266	2,794	767	-2,567	1,997	11,178	1,771	-357	9,293	-688	2,529	-3,075
YoY	-	-	-	-	-53.2%	300.1%	130.9%	-	365.3%	-	42.8%	-
Operating profit margin	43.2%	-	-	-	16.2%	52.4%	7.6%	-	35.6%	-	8.2%	-
Operating profit before consolidation adjustments	4,611	3,175	1,673	-2,157	2,362	11,761	2,535	-232	10,144	-36	1,424	-2,547
Operating profit after subtracting profit from negative goodwill	4,266	2,794	767	-2,567	1,904	3,601	1,771	-2,555	-35	-688	2,529	-3,860
Financial Business in Japan	1,188	1,242	1,199	959	1,183	914	1,206	628	879	1,392	1,198	1,187
YoY	-	-	-	-	-0.4%	-26.4%	0.6%	-34.5%	-25.7%	52.3%	-0.7%	89.0%
% of total	25.8%	39.1%	71.7%	-	50.1%	7.8%	47.6%	-	8.7%	-	84.1%	-
Segment profit margin	54.1%	50.8%	54.2%	32.8%	54.8%	29.9%	37.9%	18.6%	28.8%	37.0%	35.0%	30.6%
Financial Business in South Korea and Mongolia	1,044	1,045	715	404	1,175	11,292	1,660	310	-578	-618	-456	-1,682

- ▶ Financial income fell JPY1.2bn (-43.4% YoY) to JPY1.5bn, and financial expenses were down JPY190mn (-31.3% YoY) to JPY418mn. Upside factors included a rebound from losses on the sale of investment securities related to shares of HS Holdings recorded in FY12/22, and foreign exchange gains stemming from changes in exchange rates. Downside factors included a dropout of the gains on valuation of investment securities related to shares of Nexus Bank recorded in FY12/22. Profit attributable to owners of parent marked a record high of JPY16.3bn (+JPY3.7bn YoY, +29.1% YoY) since the transition to IFRS, partly due to the reversal of deferred tax liabilities of JPY6.5bn accompanying the company's absorption-type merger with Nexus Bank.

By segment

Financial Business in Japan

Operating revenue rose to JPY14.1bn (+19.9% YoY, 116.9% of the full-year forecast). The increase was driven by earnings contributions from JTG Securities and Nexus Card—both consolidated in Q2 FY12/22—from the start of the year, and an increase in commission income in the securities business and the credit/consumer credit business in tandem with growth in installment transactions. Operating profit rose to JPY4.7bn (+18.4% YoY, 80.8% of the full-year forecast). Although the gains on negative goodwill recorded in connection with the acquisition of JTG Securities in FY12/22 dropped out of the picture, profit expanded in large part thanks to strong performance in the loan servicing and guarantee businesses, and to a drop in foreign exchange trading and translation losses in the securities business amid yen depreciation.

The guarantee balance rose JPY22.5bn YoY to JPY233.9bn. The guarantee balance for pre-owned condominium loans, a focus area for the company, roughly doubled YoY to JPY39.9bn. Collection operations in the servicer business were steady, but the claimable loan balance remained flat at JPY926.6bn (purchases of receivables during the fiscal year amounted to JPY29.1bn). Installment transactions at Nexus Card increased roughly 4.1x YoY to JPY107.0bn through new partnerships, and the balance of installment-sales accounts receivable was up 3.3x YoY to JPY13.1bn. At JTG Securities, securities-backed loans—offered in collaboration with partner banks and Nihon Hoshou—were well received, and related initiatives drove up assets under management to roughly JPY20.0bn. Further, the company externally recruited a new director and vice president who has experience in providing financial services to affluent customers as a private banker. Going forward, the company plans to launch and promote its wealth management business in earnest.

Financial Business in South Korea and Mongolia

Operating revenue rose to JPY47.5bn (+23.6% YoY, 96.7% of the full-year forecast). Interest income grew in part due to earnings contributions from JT Chinae Savings Bank—which was consolidated in Q2 FY12/22—from the start of the year. The segment posted an operating loss of JPY3.3bn (operating profit of JPY14.4bn in FY12/22). This reflected the dropout of gains on negative goodwill recorded in connection with the acquisition of JT Chinae Savings Bank in FY12/22, and growth in the deposit balance with an increase in interest expenses on deposits accompanying a higher base rate in South Korea. Other factors contributing to the operating loss included an increase in the provision of loan-loss reserves resulting from delinquencies amid a worsening economy and real estate market in South Korea.

The loan balance at JT Chinae Savings Bank was strategically held down to JPY245.3bn (JPY270.0bn in FY12/22). The ratio of loans behind on payments for 90 days or more rose to 9.58% (5.62%), but is expected to decline as result of efforts to restructure the management organization and strengthen collection and monitoring. The loan balance at JT Savings Bank was strategically kept flat YoY at JPY199.6bn. The ratio of loans behind on payments for 90 days or more climbed to 6.42% (4.96% in FY12/22), but efforts are under way to control NPLs through a restructuring of the management organization and stronger collection and monitoring. Due to the growth in lending rates, the lending-deposit spread was 7.17% for JT Chinae Savings Bank (6.73% in FY12/22) and 6.59% for JT Savings Bank (5.40%), marking an improvement for both savings banks.

Financial Business in Southeast Asia

Operating revenue climbed to JPY38.4bn (+33.8% YoY, 104.9% of the full-year forecast). Interest income rose mainly due to growth in loans and an increase in the number of securities held in the banking business. The segment posted an operating loss of JPY1.0bn (JPY248mn operating profit in FY12/22). In the banking business, losses were minimized thanks to an increase in operating revenue on growth in high-quality loans, efforts to reduce bad debt risks in part through a reassessment of screening procedures, and the establishment of a system that allows for flexible upward adjustments to lending rates when funding rates are expected to increase as a result of rising interest rates. However, these positives were offset by growth in the deposit balance and an uptick in interest expenses on deposits due to a higher base rate, and the recognition of loan-loss reserves at PT JTrust Investments Indonesia further contributed to the operating loss.

Operating revenue at PT Bank JTrust Indonesia increased JPY7.5bn YoY, but deposit expenses climbed in tandem with rising global interest rates and instructions to secure liquidity from the local regulator. Operating profit dropped JPY200mn as a result of cautious processing of NPLs with a view toward the future. The loan balance was up 22% YoY to JPY219.7bn. The NPL ratio fell to 0.99% mainly because the bank reduced the NPL amount by taking steps to prevent delinquencies and increase collection. Since January 2020, the bank strengthened risk management through changes in its screening system and other measures. However, the loan balance accumulated under the new system accounted for a large portion of the total, contributing to the decrease in the NPL ratio (net NPL ratio of 0.69% at end-FY12/23). The loan balance for heavy machinery, a focus area, increased 8.5x YoY to JPY5.0bn.

The claimable loan balance of the two Indonesian servicers increased to JPY88.0bn as a result of steady progress with debt purchasing. PT JTrust Investments Indonesia posted an operating loss as it increased its loan-loss reserves when selling PT JTrust Olympindo Multi Finance. PT Turn Around Asset Indonesia achieved profitability in its third year of operation, and is expected to contribute profit in the future. JTrust Royal Bank recorded revenue growth of JPY2.1bn YoY, but its profit fell because it incurred costs from higher dollar interest rates and a portion of its receivables turned into delinquencies. The bank strategically kept its loan balance flat, but its NPL ratio rose to 6.6% in part due to a cooling real estate market. In the future, it intends to reduce its NPL ratio by strengthening collection and monitoring, including through auctions of collateral properties and legal procedures. In terms of the loan balance, the bank continued to implement strategic controls, including through the discontinuation of some high-interest deposit products.

Real Estate Business

Operating revenue rose to JPY14.0bn (+376.5% YoY; 71.9% of the full-year forecast), driven by growth in real estate sales revenue at J-Grand and the inclusion of earnings from Gro-Bels into consolidated results. Operating profit climbed to JPY10.8bn (JPY94mn in FY12/22; 108.4%) in large part due to the recognition of roughly JPY10.1bn gains on negative goodwill related to the absorption-type merger with Mirainovate Co., Ltd.

J-Grand saw its revenue more than double YoY to JPY6.4bn on the sale of 29 buildings. It completed the sale of the first residence with private short-term lodging (*minpaku*) facilities in the "J-ARC Series" of properties. Meanwhile, Gro-Bels completed the construction of three new condominium properties. As an all-round real estate company handling land, detached homes, condominiums, income-generating properties, and crowdfunding, the J Trust group steadily expanded its business scale. It purchased carefully selected land near train stations in highly convenient areas, and mainly focused on sales of compact condominiums, which sold out in a short period of time before construction was completed.

Investment Business

Operating revenue fell to JPY155mn (-31.4% YoY, 66.8% of the full-year forecast), and the segment posted an operating loss of JPY2.1bn (operating loss of JPY2.2bn in FY12/22). The loss narrowed YoY as the company curbed increases in litigation costs. In April 2023, the Singapore High Court ordered the defendants to pay about USD124mn plus interest from August 2021, and the judgment was finalized in January 2024. The company has stated that it will push ahead with the collection of receivables. Shared Research thinks the legal expenses accompanying such operations will gradually decrease.

Other Business

Operating revenue rose to JPY599mn (+14.1% YoY, 94.9% of the full-year forecast), but the business posted an operating loss of JPY55mn (operating profit of JPY108mn in FY12/22).

Topics

Businesses in Japan

- In October 2023, J Trust signed a memorandum of understanding concerning efforts to support the restructuring of GAIA Co., Ltd. and its group companies that had filed for the commencement of civil rehabilitation proceedings.
- In November 2023, J Trust Global Securities began offering a securities-backed loan service.

Overseas businesses

- In October 2023, PT Bank JTrust Indonesia entered into a business alliance agreement with the Saikyo Bank.
- In October 2023, JTrust Asia Pte. completed the transfer of all shares in PT JTrust Olympindo Multi Finance (JTO).

Other

At the time of the full-year earnings announcement, the company announced plans to repurchase and cancel its own shares. It will buy back shares worth JPY2.0bn (equivalent to 2.91% of the total number of shares issued excluding treasury shares) from March 27, 2024 to November 30, 2024. On February 29, 2024, the company announced it had completed the cancellation of treasury shares (total of 9,380,000 shares cancelled, representing 6.81% of the total number of shares issued excluding treasury shares).

Following the positive reception to the reintroduction of its shareholder benefits program last year, the company plans to award coupons for DS Clinic treatment (worth JPY30,000 each), and it will additionally raffle off tickets for an exclusive performance at the Tokyo Takarazuka Theater.

Company forecast for FY12/24 and medium-term outlook

Quantitative targets

Company FY12/24 forecast

(JPYmn)	FY12/21	FY12/22	FY12/23	FY12/24	FY12/25	FY12/26	FY12/23 - FY12/26
	Act.	Act.	Act.	Company forecast	Company forecast	Company forecast	CAGR
Operating revenue	42,325	82,038	114,279	128,000	138,500	152,900	10.2%
YoY	-	93.8%	39.3%	12.0%	8.2%	10.4%	
Financial Business in Japan	9,781	11,774	14,120	15,476			
Financial Business in South Korea and Mongolia	14,806	38,451	47,520	46,674			
Financial Business in Southeast Asia	16,797	28,719	38,414	46,015			
Investment Business	642	226	155	6			
Real Estate Business	0	2,946	14,039	19,562			
Other Business	878	525	599	676			
Adjustments	-581	-605	-569				
Operating profit	5,260	14,589	8,059	7,400	10,800	17,800	30.2%
YoY	-	177.4%	-44.8%	-8.2%	45.9%	64.8%	
Financial Business in Japan	4,588	3,931	4,656	5,722			
Financial Business in South Korea and Mongolia	3,208	14,437	-3,334	837			
Financial Business in Southeast Asia	-6,372	248	-1,019	1,732			
Investment Business	5,445	-2,205	-2,072	153			
Real Estate Business	0	94	10,810	1,133			
Other Business	430	108	-55	50			
Adjustments	60	255	1,712				
Company-wide expenses	-2,101	-2,281	-2,638				
Pre-tax profit	5,899	17,205	9,772	8,200			
YoY	-	191.7%	-43.2%	-16.1%			
Pre-tax profit margin	13.9%	21.0%	8.6%	6.4%			
profit attributable to owners of parent	1,123	12,632	16,310	6,400			
YoY	-	-	29.1%	-60.8%			
Profit margin	2.7%	15.4%	14.3%	5.0%			

Source: Shared Research based on company data and interviews

In FY12/24, J Trust forecasts JPY128.0bn in operating revenue (+12.0% YoY), JPY7.4bn in operating profit (-8.2% YoY), JPY8.2bn in pre-tax profit (-16.1% YoY), and JPY6.4bn in profit attributable to owners of parent (-60.8% YoY).

The company projects operating revenue to reach JPY128.0bn for a number of reasons. It assumes stable earnings in the Financial Business in Japan, and also anticipates loan increases and thus higher interest income in the banking businesses under the financial businesses in South Korea and Southeast Asia. Additionally, the company has further bolstered its earnings base, thanks to business acquisitions to date, and expects this success to contribute to YoY revenue growth.

On the operating profit front (forecast of JPY7.4bn), the company expects earnings recovery in the Financial Business in South Korea and Mongolia and the Financial Business in Southeast Asia. For one, it does not anticipate extreme earnings deterioration, although the prospect for a base rate reduction is uncertain. It has also increased the allowance for loan losses (loss evaluation allowance) in advance to prepare for potential NPLs should the operating environment worsen. Meanwhile, the company expects a dropout of the gains on negative goodwill (roughly JPY10.1bn) recorded in FY12/23 in association with the absorption-type merger with Mirainovate.

The estimate for profit attributable to owners of parent (JPY6.4bn) factors in an increase in income tax expenses versus FY12/23, when these expenses declined due to the reversal of deferred tax liabilities associated with the absorption-type merger with Nexus Bank.

Financial Business in Japan

- Operating revenue: JPY15.5bn (+9.6% YoY)
- Operating profit: JPY5.7bn (+22.9% YoY)

In the credit guarantee business, the company plans mainly to promote condominium loans, securities-backed loans, and overseas real estate-backed loans. In the servicer business, it intends to build earnings through purchases of sizable receivables, particularly the card shopping receivables of major card companies. In the securities business, the company will focus on the private banking service, and seek to achieve JPY1tn in assets under management at an early stage by stepping up customer acquisition, positioning affluent individuals as a new target base in addition to the mass affluent base, which has been a forte of J Trust. It expects the balance of guarantees to grow JPY18.8bn YoY to JPY252.7bn.

Financial Business in South Korea and Mongolia

- Operating revenue: JPY46.7bn (-1.8% YoY)
- Operating profit: JPY837mn (operating loss of JPY3.3bn in FY12/23)

In this segment, J Trust faces headwinds such as deposit interest rate (funding rate) hikes owing to a persistently high base rate, and the planned increase in loan-loss allowance against borrowers with multiple debts amid rising delinquencies across South Korea. In response, the company will implement several measures. First, it will continue to aim for moderate growth, shifting from volume to quality. It will maintain a certain asset size, pursuing an appropriate risk-return balance, and will work to record stable interest income through the savings bank and servicer businesses. Second, the company will implement measures that can help reduce write-off expenses. For instance, it will approach loans with a view to maintaining profitability, factoring in efforts to improve debt management and collection and, when extending the loans, considering the ratio of loans behind on payments.

Financial Business in Southeast Asia

- Operating revenue: JPY46.0bn (+19.8% YoY)
- Operating profit: JPY1.7bn (operating loss of JPY1.0bn in FY12/23)

For Indonesia, the company has identified several key issues to tackle in the banking business. These include proactively boosting the loan balance, reducing write-off expenses by lowering the NPL ratio, bringing down the funding interest rate, and raising the current ratio. A marketing project to acquire 100 million customers has been under way, promoting bank account openings to win new deposits, encourage use of the opened accounts, and build up the deposit balance. With home loans as well, the company looks to capture sustainable revenue by actively pursuing business partnerships. In the servicer business, it will seek to expand earnings opportunities by purchasing more receivables while maximizing the amount of money collected.

For Cambodia, the company will uphold productivity improvement as its slogan, further strengthen digital capability, and work to provide services with greater speed. It will continue to target affluent customers as its main base and seek to differentiate itself from other banks through lending and investment proposals that take advantage of the strong relations between its account managers and the customers. The company will also focus on digitalization efforts and product development that meet the needs of affluent customers.

Real Estate Business

- Operating revenue: JPY19.6bn (+39.3% YoY)
- Operating profit: JPY1.1bn (-89.5% YoY)

As an all-round real estate company handling land, detached homes, income-generating properties, and crowdfunding, the company will focus on raising brand awareness of its products. J-Grand forecasts revenue of JPY10.0bn (JPY6.3bn in FY12/23). It intends to sell a total of 30 properties, comprising 14 "J-ARC Series" properties, seven "J-Maison Series" properties, and nine "Vintage Residence Series" properties. Gro-Bels had four new condominium properties for sale at the start of the year. The company expects operating profit to be weighed down by the dropout of the gains on negative goodwill recognized in FY12/23, when operating profit after subtracting profit from negative goodwill stood at roughly JPY700mn. Similar to revenue, the company expects operating profit to exhibit high growth after excluding special factors.

Investment Business

- Operating revenue: JPY6mn (JPY155mn in FY12/23)
- Operating profit: JPY153mn (operating loss of JPY2.1bn in FY12/23)

In January 2024, the Singapore High Court finalized its judgement, ordering the defendants to make payments. As a result, the company expects to record profit in FY12/24 from the recovery of certain receivables from Group Lease PCL and also thanks to a reduction in legal expenses.

Other Business

- Operating revenue: JPY676mn (+12.8% YoY)
- Operating profit: JPY50mn (operating loss of JPY55mn in FY12/23)

Other

In February 2024, the company resolved to repurchase its own shares. It will buy back shares worth JPY2.0bn (equivalent to 2.91% of the total number of shares issued excluding treasury shares) from March 27, 2024 to November 30, 2024.

- ▶ The company says it will repurchase (and cancel) its own shares because it is confident its earnings and profit will continue to expand in the future.

Medium-term outlook

Earnings target

- The company projects operating revenue to reach JPY138.5bn in FY12/25 and JPY152.9bn in FY12/26.
- It estimates operating profit growth to JPY10.8bn in FY12/25 and JPY17.8bn in FY12/26.

In the three financial businesses, the company forecasts sharp growth in operating profit to JPY8.2bn in FY12/24, JPY12.4bn in FY12/25, and JPY18.6bn in FY12/26. It expects operating profit to remain flat in the Financial Business in Japan, but climb significantly in the Financial Business in South Korea and Mongolia and the Financial Business in Southeast Asia. It looks for particularly sharp profit growth in the latter.

Business description

Company Overview

J Trust got its start in business finance and is now the holding company for a group of companies involved in banking and finance businesses in Asia. It operates the following segments: Financial Business in Japan (credit guarantees and receivables collection); Financial Business in South Korea and Mongolia (savings banking, installment loans, and receivables collection), Financial Business in Southeast Asia (banking and receivables collection), and Investment Business (mainly through J Trust Asia). In addition, J-Grand and Gro-Bels engage in real estate operations.

J Trust grew its business from 2009 onward with acquisitions of consumer finance and credit card companies in Japan. In 2012, it launched a savings bank business in South Korea using expertise acquired in Japan. In the years through 2015, it acquired finance and savings bank companies in South Korea and a commercial bank in Indonesia. In 2019, the company acquired a commercial bank in Cambodia, and in March 2022, it acquired J Trust Global Securities (hereinafter, JTG Securities), which has investment banking operations. In February 2023, it implemented business integration with Mirainovate Co., Ltd., which operates a real estate business.

J Trust has the following segment and business classifications, which serve as the basis for information disclosure: Financial Business in Japan, Financial Business in South Korea and Mongolia, Financial Business in Southeast Asia, Real Estate, Investment, and Other. The company's primary businesses are the three financial businesses: Financial Business in Japan, Financial Business in South Korea and Mongolia, and Financial Business in Southeast Asia.

Business structure and operating companies

Business segment	Business		Operating entity
Financial Business in Japan			
	Credit guarantee	Primarily credit guarantees for business loans to SMEs and small business owners by banks and credit unions; consumer loans, condo loans, and other investment real estate secured loans; and credit guarantees using crowdfunding	Nihon Hoshou
	Receivables collection	Collection of loan receivables purchased from financial institutions and non-bank lenders	Partir Servicer, Nihon Hoshou
	Credit /credit sales	Sales and management of credit cards and intermediation of installment sales	Nexus Card
	Securities	Securities-related business such as intermediary for consignment of trading of securities, etc., underwriting and selling of securities, handling of public offering and selling, handling of private placements, etc.	J Trust Global Securities
Financial Business in South Korea and Mongolia			
	Savings bank	Deposits, loans and other banking business	JT Chinae Savings Bank, JT Savings Bank
	Receivables collection	Collection of loan receivables	TA Asset Management
	Finance	Lending	J Trust Credit NBIF
Financial Business in Southeast Asia			
	Banking	Deposits, loans and other banking business	PT Bank JTrust Indonesia Tbk., J Trust Royal Bank Plc
	Receivables collection	Collection of loan receivables	PT JTrust Investment Indonesia, PT Turnaround Asset Indonesia
Real Estate		Real estate operations	J-Grand, Gro-Bels, Live Rent, Prospect Asset Management, Inc.
Investment		Investment in Japan and overseas	J Trust Asia Pte. Ltd.
Other		Systems business offering computer operations/management, outsourced software development, and operational guidance	J Sync

Source: Shared Research based on company data

Performance by segment

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Operating revenue	66,453	74,321	74,935	24,728	39,387	42,325	82,038	114,279
YoY	-	11.8%	0.8%	-	59.3%	7.5%	93.8%	39.3%
Financial Business in Japan	9,814	9,129	10,701	7,366	10,041	9,781	11,774	14,120
YoY	-	-7.0%	17.2%	-	36.3%	-2.6%	20.4%	19.9%
% of total operating revenue	14.6%	12.2%	14.1%	29.4%	25.1%	22.8%	14.2%	12.3%
Financial Business in South Korea and Mongolia	29,182	35,857	39,682	6,756	12,390	14,806	38,451	47,520
YoY	-	22.9%	10.7%	-	83.4%	19.5%	159.7%	23.6%
% of total operating revenue	43.4%	47.7%	52.4%	26.9%	31.0%	34.5%	46.5%	41.4%
Financial Business in Southeast Asia	14,325	13,578	13,025	9,673	15,953	16,797	28,719	38,414

YoY	-	-5.2%	-4.1%	-	64.9%	5.3%	71.0%	33.8%			
		% of total operating revenue		21.3%	18.1%	17.2%	38.6%	39.9%	39.1%	34.8%	33.4%
		General Entertainment Business		2,072	-	1,520	-	-	-	-	-
		YoY		-	-	-	-	-	-	-	-
		% of total operating revenue		3.1%	0.0%	2.0%	-	-	-	-	-
		Real Estate Business		6,278	6,968	6,441	-	-	-	2,946	14,039
		YoY		-	11.0%	-7.6%	-	-	-	-	376.5%
		% of total operating revenue		9.3%	9.3%	8.5%	-	-	-	3.6%	12.2%
		Investment Business		2,853	7,576	1,214	815	953	642	226	155
		YoY		-	165.5%	-84.0%	-	16.9%	-32.6%	-64.8%	-31.4%
		% of total operating revenue		4.2%	10.1%	1.6%	3.2%	2.4%	1.5%	0.3%	0.1%
		Other		2,771	2,024	3,227	478	608	878	525	599
		YoY		-	-27.0%	59.4%	-	27.2%	44.4%	-40.2%	14.1%
		% of total operating revenue		4.1%	2.7%	4.3%	1.9%	1.5%	2.0%	0.6%	0.5%
		Adjustments		-846	-812	-857	-363	-561	-581	-605	-569
Operating profit and loss				606	4,759	-32,600	-5,130	-2,403	5,260	14,589	8,059
		YoY		-	685.3%	-	-	-	-	177.4%	-44.8%
		Financial Business in Japan		5,582	4,167	4,251	3,082	4,860	4,588	3,931	4,656
		YoY		-	-25.3%	2.0%	-	57.7%	-5.6%	-14.3%	18.4%
		% of total operating revenue		134.8%	58.4%	-	-	-	62.8%	23.9%	31.1%
		Financial Business in South Korea and Mongolia		3,197	3,555	4,880	2,160	2,018	3,208	14,437	-3,334
		YoY		-	11.2%	37.3%	-	-6.6%	59.0%	350.0%	-
		% of total operating revenue		77.2%	49.9%	-	-	-	43.9%	87.9%	-
		Financial Business in Southeast Asia		-3,980	1,545	-17,712	-4,667	-5,541	-6,372	248	-1,019
		YoY		-	-	-	-	-	-	-	-
		% of total operating revenue		-	21.7%	-	-	-	-	1.5%	-
		General Entertainment Business		-856	-	-15	-	-	-	-	-
		YoY		-	-	-	-	-	-	-	-
		% of total operating revenue		-	-	-	-	-	-	-	-
		Real Estate Business		480	659	91	-	-	-	94	10,810
		YoY		-	37.3%	-86.2%	-	-	-	-	-
		% of total operating revenue		11.6%	9.2%	-	-	-	-	0.6%	72.2%
		Investment Business		-198	-2,852	-20,568	-1,768	-1,651	5,445	-2,205	-2,072
		YoY		-	-	-	-	-	-	-	-
		% of total operating revenue		-	-	-	-	-	74.6%	-	-
		Other		-82	57	39	-407	-310	430	108	-55
		YoY		-	-	-31.6%	-	-	-	-74.9%	-
		% of total operating revenue		-	0.8%	-	-	-	5.9%	0.7%	-
		Adjustments		32	-6	-235	614	496	60	255	1,712
		Company-wide expenses		-3,566	-2,366	-3,331	-4,143	-2,275	-2,101	-2,281	-2,638

Source: Shared Research based on company data

Note: Since FY12/19 was an irregular nine-month (April–December) fiscal year, YoY growth rates are not shown.

Note: In FY12/20, the Real Estate and General Entertainment segments were classified as discontinued operations, so FY12/19 figures have been adjusted to exclude these.

Financial Business in Japan (share of operating revenue: 12.3%)

The Financial Business in Japan mainly comprises the credit guarantee and servicer businesses, and its key subsidiaries are Nihon Hoshou and Partir Servicer. The former provides credit guarantee services and receivables collection services, while the latter engages in receivables collection. In FY12/22, JTG Securities and Nexus Card joined the group; JTG Securities in the securities business and Nexus Card in the credit and consumer credit business. J Trust seeks to transition from its traditional operation centered on credit guarantees for condominium loans. It plans to expand the guarantee balance by widening its offerings to include guarantees for Nexus Card's installment receivables, guarantees for the securities-backed loans at JTG Securities, and guarantees for housing sales to the affluent—a business run by J-Grand in the Other Business segment.

Nihon Hoshou earnings

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Operating revenue	8,852	7,987	9,264	6,815	8,823	7,652	6,242	6,290
YoY	-	-9.8%	16.0%	-26.4%	29.5%	-13.3%	-18.4%	0.8%
Revenue from loan guarantees	1,935	1,738	2,166	1,993	2,666	2,502	2,355	2,778
YoY	-	-10.2%	24.6%	-8.0%	33.8%	-6.2%	-5.9%	18.0%
% of total	21.9%	21.8%	23.4%	29.2%	30.2%	32.7%	37.7%	44.2%
Interest income(loans, credit cards, etc.)	1,141	5,195	5,240	3,310	4,051	3,427	3,202	2,269
YoY	-	355.3%	0.9%	-36.8%	22.4%	-15.4%	-6.6%	-29.1%
% of total	12.9%	65.0%	56.6%	48.6%	45.9%	44.8%	51.3%	36.1%
Gains on the book value adjustments	1,617	290	1,294	1,292	1,591	1,489	415	886
YoY	-	-82.1%	346.2%	-0.2%	23.1%	-6.4%	-72.1%	113.5%
% of total	18.3%	3.6%	14.0%	19.0%	18.0%	19.5%	6.6%	14.1%
Gain on bad debts recovered	3,245	40	42	29	34	34	35	53
YoY	-	-98.8%	5.0%	-31.0%	17.2%	0.0%	2.9%	51.4%
% of total	36.7%	0.5%	0.5%	0.4%	0.4%	0.4%	0.6%	0.8%
Commissions received		408	416	127	114	98	165	273
YoY	-	-	2.0%	-69.5%	-10.2%	-14.0%	68.4%	65.5%
% of total		5.1%	4.5%	1.9%	1.3%	1.3%	2.6%	4.3%
Operating profit	5,969	4,296	4,186	4,037	4,450	3,909	3,100	4,178
YoY	-	-28.0%	-2.6%	-3.6%	10.2%	-12.2%	-20.7%	34.8%

Source: Shared Research based on company data

Credit guarantee

In the credit guarantee business, when a borrower is unable to or has difficulties repaying a loan, the guarantee company pays the bank in lieu of the borrower. When a borrower is unable to pay off a loan, Nihon Hoshou pays off the loan to the loan provider, and that loan amount becomes a cost to Nihon Hoshou.

The company carries on this business through its consolidated subsidiary Nihon Hoshou. In FY12/23, Nihon Hoshou logged operating revenue of JPY6.3bn (+0.8% YoY), operating profit of JPY4.2bn (+34.8% YoY), and pre-tax profit of JPY4.4bn (+34.3% YoY); credit guarantee balance stood at JPY223.0bn (+6.4% YoY). Nihon Hoshou had tie-ups with the following financial institutions in the credit guarantee business: Ehime Bank, Kagawa Bank, Tokushima Taisho Bank, Kawasaki Shinkin Bank, Seikyo Shinkumi, Saikyo Bank, Shonan Shinkin Bank, Tokyo Star Bank, SBJ Bank, and Towa Bank. Its partner companies included: Odakyu Real Estate Co., Ltd., the Keikyu Group, INTELLEX Co., Ltd., SAMURAI ASSET FINANCE Co., Ltd., CAMPFIRE, Inc., COOL INC., Zaizen Group K.K., E.W.G Co., Ltd., ONE DROP INVESTMENT. CO., LTD., Pressance Realta K.K., and LIFEFIELD Holdings Co., Ltd.

Credit guarantee balance

(JPYmn)	FY03/17	FY03/18	FY03/19	FY12/19 (9mths)	FY12/20	FY12/21	FY12/22	FY12/23
Total credit guarantee balance	85,975	141,881	202,810	210,824	209,819	204,278	209,587	223,048
YoY	61.1%	65.0%	42.9%	-	-	-2.6%	2.6%	6.4%
Unsecured	14,829	16,168	18,019	15,808	12,325	8,562	6,732	2,463
YoY	-3.6%	9.0%	11.4%	-	-	-30.5%	-21.4%	-63.4%
% of total	17.2%	11.4%	8.9%	7.5%	5.9%	4.2%	3.2%	1.1%
Secured	71,146	125,712	184,791	195,015	197,493	195,716	202,855	220,585
YoY	87.3%	76.7%	47.0%	-	-	-0.9%	3.6%	8.7%
% of total	82.8%	88.6%	91.1%	92.5%	94.1%	95.8%	96.8%	98.9%

Source: Shared Research based on company data

Note: The guarantee fee ratio = guarantee commission received / credit guarantee balance (average of the start and end of the fiscal year).

Diversification of credit guarantee business

At present, guarantees for condominium loans account for the bulk of the company's outstanding credit guarantees in this segment. The interest rate on condominium loans tends to be lower than on consumer loans, and Nihon Hoshou's income is only around 1% of loan amounts. However, the loan amounts themselves are large at around JPY95–100mn per contract—compared with JPY500,000 for consumer loans—meaning the loan balance is easy to grow. Furthermore, condominium loans are secured, and write-off risks are limited.

That said, J Trust sees the need to change its policy on condominium loans since their screening standards adopted by financial institutions are getting stricter. For this reason, it is shifting to guarantees for loans on pre-owned condominiums (guarantee balance of JPY39.9bn in FY12/23) while also diversifying the product lineup to include guarantees for reverse mortgages and overseas real estate-backed loans targeting the affluent.

The company is also focusing on jointly conducting product structuring, promotions, and credit guarantee services in the crowdfunding market with subsidiary Gro-Bels (under the Real Estate Business segment). Through the offering by partner companies of funds that incorporate Nihon Hoshou's debt guarantees, the company handles guarantees in loan crowdfunding and real estate purchase guarantees in real estate investment crowdfunding. In crowdfunding for loans, it began providing guarantees for lendings through the Cool platform operated by Cool Inc. and Cool Services Inc., which are subsidiaries of ZUU Co., Ltd. In crowdfunding for real estate investments, the company began providing guarantees through crowdfunding websites including Ooya.com operated by Gro-Bels. For real estate-backed loans, the company teamed up with Mitsui Fudosan Realty Co., Ltd. in April 2021 and with Keihan Real Estate Co., Ltd. in December 2021 and began providing guarantees.

Servicer business

The servicer business came into being in 1999 to deal with bad debts held by financial institutions under the Act on Special Measures Concerning Claim Management and Collection Businesses. Within Financial Business in Japan, Partir Servicer is the main company involved in receivables collection. In FY12/23, Partir Servicer posted operating revenue of JPY3.7bn (+10.1% YoY), operating profit of JPY1.6bn (+7.9% YoY), and pre-tax profit of JPY1.6bn (+8.0% YoY).

The servicer business involves managing and recovering "specific monetary debts" either on behalf of a financial institution or other organization, or transferred from one. Specified monetary debts are those based on guarantee contracts or loan receivables, leasing and credit card receivables owed to a financial institution and those belonging to an entity in the midst

of legal bankruptcy proceedings. Servicers buy non-performing loans (NPLs) from financial institutions at a discount to fully claimable amounts. The purchased debts are accounted for at book value as purchased receivables under current assets.

Money recovered from debtors is the company's revenue and accounted for as collection of purchased receivables, loan interest income, and gains on the book value adjustments of purchased receivables in the income statement. Operating expenses in this business are recorded as receivable purchase costs, because they refer to the price required to acquire the receivables (the amortized cost method is used for receivables with which it is possible to estimate future cash flows).

J Trust's strengths lie in its ability to collect debts owed by individuals. Further, the company says that its ability to analyze collection gives it a competitive advantage when bidding. J Trust said that it has been able to blend the expertise gained by its past acquisitions of a variety of companies which enables it to have a high collection rate.

Gains from recovering written-off NPLs

In Japanese accounting standards, gains from recovering written-off NPLs reflect revenue from collection of NPLs—purchased receivables assumed by Nihon Hoshou from defunct Takefuji—that have already been written off the balance sheet. Written-off NPLs have no book value, so recovery implies zero-cost profits. Through use of its proprietary expertise, the company is making progress in recoveries. Under current IFRS standards, the book value is calculated based on estimated cash flows and recorded as purchased receivables in the statement of financial position, and revenue is recorded as interest income.

Securities business

In February 2022, J Trust acquired all outstanding shares of H.S. Securities Co., Ltd. (now JTG Securities) from HS Holdings Co., Ltd. (TSE Standard: 8699) and made it a subsidiary. In FY12/23, JTG Securities posted operating revenue of JPY3.4bn (+40.8% YoY), an operating loss of JPY257mn (operating loss of JPY318mn in FY12/22), and a pre-tax loss of JPY259mn (operating loss of JPY296mn).

JTG Securities is an all-round securities company handling a wide variety of Japanese and foreign equity, debt, and investment trusts; it also has an investment banking division. It is particularly strong in sales of foreign currency-denominated debt products and foreign equity, and is one of the lead manager candidates listed by the Tokyo Stock Exchange. In addition, the subsidiary is certified as J-Adviser for the TOKYO PRO Market.

J Trust intends to take full advantage of JTG Securities' functions and customer bases. By developing synergies between the securities arm and the group's credit guarantee business in Japan that collaborates with regional financial institutions, as well as its financial businesses overseas, the company intends to offer new services and diversify its product lineup. Further, J Trust hopes to enter the private bank domain that can accurately capture startup needs—an area that has not been adequately captured in Japan thus far.

In December 2022, Upcon Co., Ltd. listed its shares on Nagoya Stock Exchange's Next Market and JTG Securities served as the lead manager of the deal. Upcon had previously listed on the TOKYO PRO Market (targeting professional investors) in July 2021 appointing JTG Securities as the J-Adviser, and thereafter upgraded its listing to the Nagoya Stock Exchange. JTG Securities is the only securities company in Japan with a track record of supporting a client to list on the TOKYO PRO Market and supporting the same client again for an upgraded listing on a general stock exchange.

JTG Securities plans to help expand the credit guarantee balance at Nihon Hoshou using a scheme where the latter guarantees the securities backed-loans JTG Securities provides in partnership with regional financial institutions. It will also seek to expand the balance of assets under management from the JPY300.0bn level as of end-December 2022 to the JPY1tn level in three years' time by focusing on business targeting the affluent.

JTG Securities earnings

	FY03/17	FY03/18	FY03/19	FY03/20	FY03/21	FY03/22	FY12/22
(JPYmn)							
Operating revenue			3,338	3,321	3,746	3,479	2,276
Commissions				1,233	1,322	1,251	789
Brokerage commissions				810	1,037	832	551
Other commissions and fees				423	285	419	238
Tradubg profit (loss)				1,531	1,894	1,793	1,213
Stock				530	1,096	931	499
Bond				1,001	798	862	714
Financial revenue					529	434	274
Net operating revenue				3,180	3,628	3,429	2,232
Recurring profit (loss)			148	195	583	500	-95
Net income (loss)				24	363	401	-199

Source: Shared Research based on company data

Credit and consumer credit

In 2020, J Trust sold its shareholdings in J Trust Card (now Nexus Card) to Nexus Bank Co., Ltd. However, in March 2022, the former J Trust Card (now Nexus Card) became J Trust's consolidated subsidiary again following a share exchange between the company and Nexus Bank. In FY12/23, Nexus Card posted operating revenue of JPY1.4bn, operating profit of JPY93mn, and pre-tax profit of JPY80mn.

Nexus Card operates an installment credit business through affiliated merchants including Men's Clear, the largest operator of men's beauty and hair removal salons in Japan. Nihon Hoshou can guarantee the installment receivables of Nexus Card, and thereby boost its guarantee balance. In FY12/23, installment transactions at Nexus Card increased 4.1x YoY to JPY10.7bn.

Financial Business in South Korea and Mongolia (share of operating revenue: 41.4%)

Providers of consumer loans in South Korea

Three groups provide consumer loans in South Korea. The first tier comprises banks; the second tier is non-bank deposit taking institutions, specialist credit companies and others; the third tier is money lending organizations. Savings banks fall under the second tier.

	Tier	Broad classification	Detailed classification
Regulated sector	Tier 1	Banks	General banks (city banks, regional banks, foreign banks)
			Specialist banks (farm co-ops, fisheries co-ops Korea Development Bank etc.)
	Tier 2	Non-bank deposit taking institutions	Savings banks
			Credit co-ops (co-ops, Saemaul finance firms)
		Specialist credit companies	General finance companies
			Capital companies
Unregulated sector	Tier 3	Money lending organizations	Credit card companies
			Insurance companies
			Securities companies

Source: Shared Research based on company data

Note: Regulated financial institutions are those under the direct control and supervision of, and licensed by, South Korean regulators.

Note: The above are not legal classifications criteria but are conventions used in the South Korean society.

Stricter restrictions on lending have been applied to banks in the first tier. The interest rate ceiling was lowered from 49.0% to 44.0% in July 2010, to 39.0% in June 2011, and to 34.9% in April 2014. It was lowered again to 27.9% in March 2016, to 24.0% in February 2018, and to 20.0% in July 2021.

The company has been involved in the consumer finance business in Japan since the late 2000s amidst tightening regulations such as the reduction of maximum interest rates and the introduction of limits on total volume. This experience has allowed it to flexibly adopt countermeasures against the trend of tighter regulations on personal loans in South Korea.

Mutual savings banks

Mutual savings banks are small financial institutions serving SMEs and providing home loans in various regions.

Mutual savings banks' business operations

Key business areas	Main products and services
Deposits	Ordinary deposits, savings deposits, free deposits
	Periodic deposits (time deposits, accommodation drafts)
	Installment deposits: trust deposits (free installment deposits, periodic installment deposits)
Lending	Personal loans, loans secured by real estate and chattels, low-interest government guaranteed financial products aimed at people on low incomes
	Development of products suited to regions' and customers' characteristics, stimulating relationship banking
Ancillary businesses	Domestic exchange (settlement of payables and receivables for domestic financial institutions and funds transfers)
	Sale of insurance products
	Installment finance (mutual savings banks that meet certain conditions (period of at least two years, maintaining BIS capital ratio of at least 10%) may operate installment finance businesses) (JT Savings Bank meets the criteria)
	Mutual savings banks may operate a number of businesses in addition to the above, and the scope is expanding

Source: Shared Research based on company data

There are major differences in how money lenders and mutual savings banks raise funds. Shared Research thinks that the mutual savings banks have a competitive edge in this respect. Money lenders in South Korea are restricted in raising funds from banks and other regulated financial institutions. They are allowed to make private placements of bonds, but public bond issuances need approval from the Financial Supervisory Service. According to J Trust, mutual savings banks can accumulate low-cost deposits, while making loans at similar interest rates to the money lenders.

Performance for Financial Business in South Korea and Mongolia and its main subsidiaries

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Operating revenue	29,182	35,857	39,682	6,756	12,390	14,806	38,451	47,520
Savings banks	24,043	28,840	31,851	22,932	11,803	14,293	37,340	45,517
JT Chinae Savings Bank	18,928	21,064	21,695	14,932	-	-	19,832	26,324
JT Savings Bank	5,115	7,776	10,156	8,000	11,803	14,293	17,508	19,193
TA Asset Management	1,879	1,519	1,993	2,385	1,144	391	154	779
Segment profit	3,197	3,555	4,880	2,160	2,018	3,208	14,437	-3,334
Savings banks	3,468	3,158	4,112	5,511	2,921	3,704	4,598	-3,686
JT Chinae Savings Bank	2,846	1,592	2,459	3,577	-	-	948	-3,903
JT Savings Bank	622	1,566	1,653	1,934	2,921	3,704	3,650	217
TA Asset Management	1,349	482	887	1,770	242	-664	-501	101
Loans in the banking business	236,873	266,996	277,940	284,258	131,723	166,315	414,626	392,443

Source: Shared Research based on company materials

Note: JT Chinae Savings Bank was added to the company's scope of consolidation in April 2022, making 9-months' contribution to consolidated FY12/22 results.

JT Savings Bank and JT Chinae Savings Bank

J Trust's financial business in South Korea was previously made up of three businesses: the savings bank business (JT Chinae Savings Bank and JT Savings Bank), the capital business which is part of the specialty finance industry (JT Capital), and the receivables collection business (TA Asset Management). In FY12/20, as a part of restructuring, the company sold J Trust Card (now Nexus Card, parent of JT Chinae Savings Bank) to SAMURAI & J PARTNERS (now Nexus Bank), signed a basic agreement to transfer JT Savings Bank to VI Financial Investment Corporation (South Korea), and completed the transfer of JT Capital shares in August 2021.

However, the share transfer was cancelled for JT Savings Bank (November 2021), as the deadline for concluding a share purchase agreement with the transferee passed without the parties reaching agreement on terms. In January 2022, the company decided to conduct a share exchange with Nexus Bank Co., Ltd. JT Chinae Savings Bank became a consolidated subsidiary of the company in April 2022, returning the company to a two-savings bank structure. Total assets of the two banks combined ranks seventh in size among the 79 savings banks in South Korea.

JT Savings Bank earnings

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Loans in the banking business	68,191	91,523	98,579	109,743	131,723	166,315	181,394	187,570
YoY	-	34.2%	7.7%	-	20.0%	26.3%	9.1%	3.4%
Deposits by banking business	71,509	98,640	108,283	119,159	138,034	165,937	202,411	196,490
YoY	-	37.9%	9.8%	-	15.8%	20.2%	22.0%	-2.9%
Total assets		111,157	122,091	208,925	155,245	186,991	229,504	226,404
YoY		-	9.8%	-	-25.7%	20.4%	22.7%	-1.4%
Operating revenue	5,115	7,776	10,156	8,000	11,803	14,293	17,508	19,193
Interest income(loans, credit cards, etc.)	-	7,257	9,153	7,187	10,721	12,344	14,871	17,411
YoY	-	52.0%	30.6%	-	47.5%	21.1%	22.5%	9.6%
Operating revenue/loans	7.5%	9.7%	10.7%	7.7%	9.8%	9.6%	10.1%	10.4%
Operating expenses	2,762	3,895	5,950	4,084	6,042	7,781	10,983	16,015
Deposit interests	1,253	1,888	2,673	1,957	2,602	2,868	4,801	9,309
Deposit interests / Deposit balance	1.8%	2.2%	2.6%	1.7%	2.0%	1.9%	2.6%	4.7%
Credit costs	1,259	1,630	2,681	1,771	2,881	4,232	5,168	5,419
Reserve ratio	-	2.0%	2.8%	1.7%	2.4%	2.8%	3.0%	2.9%
Other	250	377	596	356	559	681	1,014	1,287
SG&A expenses	1,740	2,328	2,557	2,001	2,847	2,828	2,891	2,985
YoY	-	33.8%	9.8%	-	42.3%	-0.7%	2.2%	3.3%
SG & A ratio	34.0%	29.9%	25.2%	25.0%	24.1%	19.8%	16.5%	15.6%
Personnel expenses	691	1,102	1,474		1,674	1,686	1,777	1,786
Other expenses	1,049	1,226	1,083	2,001	1,173	1,142	1,114	1,199
Operating profit (loss)	622	1,566	1,653	1,934	2,921	3,704	3,650	217
YoY	-	151.8%	5.6%	-	51.0%	26.8%	-1.5%	-94.1%
Operating profit margin	12.2%	20.1%	16.3%	24.2%	24.7%	25.9%	20.8%	1.1%

Source: Shared Research based on company data

JT Chinae Savings Bank earnings

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Loans in the banking business	173,994	175,445	179,298	174,515			237,604	208,376
YoY	-	0.8%	2.2%	-			-	-
Deposits by banking business	179,160	185,511	205,766	184,557			268,672	233,958
YoY	-	3.5%	10.9%	-			-	-
Total assets		208,988	228,300	208,925			303,390	267,157
YoY		-	9.2%	-			-	-
Operating revenue	18,928	21,064	21,695	14,932			19,832	26,324
Interest income(loans, credit cards, etc.)	-	20,103	19,853	13,316			17,504	22,859
YoY	-	11.3%	3.0%	-			-	-
Operating revenue / Loan balance	10.9%	12.1%	11.2%	7.5%			7.4%	11.0%
Operating expenses	9,667	13,351	13,328	7,676			14,373	25,014
Deposit interests	3,501	4,139	5,166	3,671			5,338	12,057
Deposit interests / Deposit balance	2.0%	2.3%	2.6%	1.9%			2.0%	5.2%
Credit costs	5,211	6,510	6,124	3,015			6,734	10,079
Reserve ratio	-	3.7%	3.5%	1.7%			2.8%	4.8%
Other	955	2,702	2,038	990			2,301	2,878
SG&A expenses	6,428	6,123	5,939	3,680			4,520	5,229
YoY	-	-4.7%	-3.0%	-			-	-
SG & A ratio	34.0%	29.1%	27.4%	24.6%			22.8%	19.9%
Operating profit (loss)	2,846	1,592	2,459	3,577			948	-3,903
YoY	-	-44.1%	54.5%	-			-	-
Operating profit margin	15.0%	7.6%	11.3%	24.0%			4.8%	-

Source: Shared Research based on company data

TA Asset Management

Establishment of loan servicing business

J Trust purchased South Korean consumer finance company Neoline Credit in 2011, and in March 2014 it bought South Korean loan companies KJI Consumer Finance LLC (now TA Asset Management LLC) and HICAPITAL Co., Ltd. In August 2014, J Trust transferred its loan businesses operated by KJI, HICAPITAL, and Neoline Credit to Chinae Savings Bank. After the business transfer, KJI, HICAPITAL, and Neoline Credit began operating as TA Asset Management, with the organization specializing in purchasing and recovering NPLs.

TA Asset Management earnings

TA Asset Management's operating revenue comes from interest on loans, gains on the book value adjustments of purchased receivables, gains on recovering written-off NPLs, and other operating revenue. In FY03/18, TA Asset Management's main revenue source was interest on loans, which is generated when the company recovers purchased NPLs, and gains on the book value adjustments. In FY12/23, TA Asset Management posted operating revenue of JPY779mn and an operating loss of JPY101mn.

TA Asset Management earnings

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Operating revenue	1,879	1,519	1,993	2,385	1,144	391	154	779
YoY	-	-19.2%	31.2%	-	-	-	-	-
Interest on loans	461	885	938	468	233	329	251	-142
Book value adjustment loss (purchased receivables)	717	406	906	149	899	60	-99	909
Collection on purchased receivables	-	-	-	-	-	-	-	-
Gain on bad debts recovered	84	47	33	17	2	1	3	1
Other financial revenue	414	134	114	1,750	9	1	-1	11
Operating expenses	-117	333	264	-1	190	474	63	136
Credit costs	-117	304	254	-9	77	432	-25	78
Other operating expenses	-	-	9	8	113	42	88	58
SG&A expenses	669	718	849	616	637	583	595	563
YoY	-	7.3%	18.2%	-27.4%	3.4%	-8.5%	2.1%	-5.4%
SG & A ratio	35.6%	47.3%	42.6%	25.8%	55.7%	-	-	-
Personnel expenses	390	425	461	319	388	352	359	354
Operating profit (loss)	1,349	482	887	1,770	242	-664	-501	101
YoY	-	-64.3%	84.0%	99.5%	-86.3%	-	-	-
Operating profit margin	71.8%	31.7%	44.5%	74.2%	21.2%	-	-	13.0%

Source: Shared research based on company data

Financial Business in Southeast Asia (share of operating revenue: 33.4%)

In Indonesia, J Trust mainly operates PT Bank JTrust Indonesia Tbk. (the former PT Bank Mutiara Tbk.; BJI), a commercial bank; PT JTrust Investments Indonesia (JTII), which is involved in collections of NPLs; and PT Turnaround Asset Indonesia (TAID). In August 2019, the company purchased 55% of the shares of ANZ Royal Bank (Cambodia) Ltd. and made it a consolidated subsidiary from August 2019. The company changed its name to JTrust Royal Bank Plc. (JTRB).

Indonesian business environment

Indonesia is an attractive market with a population of 260mn, GDP growth rate averaging over 6% since 2010, with half of the population under 28 years old and prospects for an expanding middle class. At the same time, the country consists of a group of islands that stretch over a wide area, and 120 million Indonesians (or 46% of the total population) live in non-urban areas. Such individuals only rarely deal with financial institutions.

PT Bank JTrust Indonesia (BJI)

Bank Mutiara (now PT Bank JTrust Indonesia) became a subsidiary in November 2014

In November 2014, the company acquired 99.0% of shares in Bank Mutiara Tbk. (now PT Bank JTrust Indonesia Tbk.), an Indonesian commercial bank, and consolidated it as a subsidiary. Indonesian law dictates that foreign entities may only hold up to 40% of ownership in a commercial bank, but as a special case, J Trust has been allowed to hold up to a 100% share in PT Bank JTrust Indonesia, as the bank had been rescued by the Indonesia Deposit Insurance Corporation.

At the time of the acquisition, PT Bank JTrust Indonesia was an Indonesian commercial bank with a branch network of over 60 branches spread across Indonesia and with total assets of about JPY120bn (as of March 31, 2014). In November 2008, Bank Mutiara came under the control of the Indonesia Deposit Insurance Corporation (Lembaga Penjamin Simpanan [LPS]). Bank Mutiara restructured its operations under LPS' supervision, and LPS began the public bidding process for the sale of all shares in Bank Mutiara in March 2014.

PT Bank JTrust Indonesia's primary revenue source comes from interest on loans. PT Bank JTrust Indonesia worked to reform its management structure from FY03/16. Under a new management team, it aimed to increase the loan balance in a stable way by reducing low-interest and large-lot corporate loans of about JPY1.0bn, focusing on loans for consumers and loans acquired from collaborating with Fintech companies such as P2P lenders, and expanding business alliances with multi-finance companies. However, in FY03/19, the company reshuffled the management and changed its management policy following an increase in NPLs. PT Bank J Trust Indonesia managed to turn a profit in FY12/22.

The main line items under operating expenses are the deposit interest rate, credit costs, and SG&A expenses. PT Bank JTrust Indonesia's deposits were held mostly by large time deposit accounts holders, making the cost of funds relatively high. However, the company is working to decrease the average deposit interest rate by increasing the CASA ratio (ratio of current account and savings account deposits as a percentage of overall deposits).

PT Bank JTrust Indonesia earnings

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Loans in the banking business	89,630	90,791	63,577	47,520	51,504	80,500	163,960	216,042
YoY	-	1.3%	-30.0%	-25.3%	8.4%	56.3%	103.7%	31.8%
Deposits by banking business	114,081	119,588	123,677	115,752	105,669	149,614	251,739	324,034
YoY	-	4.8%	3.4%	-6.4%	-8.7%	41.6%	68.3%	28.7%
Operating revenue	13,573	13,818	11,779	6,710	8,593	8,007	16,045	23,696
YoY	-	1.8%	-14.8%	-43.0%	28.1%	-6.8%	100.4%	47.7%
Operating revenue / Loan balance	-	11.4%	11.7%	7.9%	11.4%	9.8%	12.4%	7.9%
Operating expenses	11,871	8,685	11,472	3,897	10,028	8,374	9,961	16,150
Deposit interests	8,080	8,053	7,893	5,613	7,321	6,670	9,389	15,966
Deposit interests / Deposit balance	-	6.9%	6.5%	4.7%	6.6%	5.2%	4.7%	5.5%
Credit costs	2,286	-686	1,530	-3,559	486	1,076	28	-603
Reserve ratio	-	-	2.0%	-	1.0%	1.6%	0.0%	-0.3%
Other operating expenses	1,505	1,318	2,049	1,843	2,221	628	544	787
SG&A expenses	4,244	4,905	5,332	4,685	3,826	4,156	4,829	6,429
YoY	-	15.6%	8.7%	-12.1%	-18.3%	8.6%	16.2%	33.1%
SG & A ratio	31.3%	35.5%	45.3%	69.8%	44.5%	51.9%	30.1%	27.1%
Personnel expenses	1,906	2,158	2,288	1,451	1,922	2,076	2,532	3,095
Other expenses	2,338	2,747	3,044	3,234	1,904	2,080	2,297	3,334
Operating profit (loss)	-4,149	1,106	-5,901	-276	-5,030	-3,852	1,357	1,202
YoY	-	-	-	-	-	-	-	-
Operating profit margin	-	8.0%	-	-	-	-	8.5%	5.1%

Source: Shared Research based on company materials

PT JTrust Investments Indonesia (JTII)

In June 2015, the company established PT JTrust Investments Indonesia (JTII; ownership is J Trust Asia Pte. Ltd. 84.36% and the company 14.79%). In October 2015, it purchased NPLs from PT Bank JTrust Indonesia, and dedicated itself to managing and collecting the receivables. The aim of setting up and launching operations at JTII was to get first-mover advantage with an eye on future market growth in a country where there was a dearth of specialist receivables collection companies.

The company has significantly increased the number of debt management and collection staff in an effort to capture profit opportunities by combining its expertise in debt management and collection cultivated in Japan and Korea. The company is also currently purchasing NPLs from companies other than BJI.

PT Turnaround Asset Indonesia (TAID)

TAID was established as a subsidiary of TAA, which is well known in Korea, targeting Korean financial institutions. It launched in March 2021. Currently, TAID purchases receivables from Korean financial institutions and is entrusted with the collection of such receivables. Moving forward, the company plans to have JTII purchase real estate-secured loans based on its accumulated know-how, and TAID purchase unsecured loans based on its expertise in Korea. It will target small receivables from individuals in order to utilize the expertise in collecting unsecured receivables from individuals that the company has cultivated in Korea and Japan.

JTrust Royal Bank (JTRB)

In May 2018, the company decided to acquire 55.0% of total common shares issued by ANZ Royal Bank (Cambodia) Ltd. and completed the acquisition in August 2019. The bank became the company's consolidated and specified subsidiary and changed its name to JTrust Royal Bank Plc. (JTRB) (Results consolidated from August 2019.)

At end-December 2022, the Cambodian banking market comprised 58 commercial banks and nine specialist banks for a total of 67. It is a growth market with total assets of KHR272.7tn (KHR4,117/USD, or roughly JPY8.8tn), which saw a 10.4% increase YoY. Total assets of JTRB accounted for 2.0% of the market, and the bank ranked thirteenth among the 67.

Following its consolidation, J Trust planned to expand JTRB's business strategy to encompass the middle class market, which has a larger market size and higher growth potential. As of end-December 2023, JTRB's loans outstanding totaled JPY138.8bn.

Reference: JTrust Royal Bank earnings

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Loans in the banking business	-	-	-	52,646	69,041	102,116	128,728	138,824
YoY	-	-	-	-	31.1%	47.9%	26.1%	7.8%
Deposits by banking business	-	-	-	64,386	84,085	122,904	142,838	157,089
YoY	-	-	-	-	30.6%	46.2%	16.2%	10.0%
Operating revenue	-	-	-	1,733	5,259	7,693	11,739	13,872
YoY	-	-	-	-	203.5%	46.3%	52.6%	18.2%
Operating revenue/loans	-	-	-	-	8.6%	9.0%	10.2%	10.4%
Operating expenses	-	-	-	262	1,462	2,707	4,907	6,724
Deposit interests	-	-	-	129	1,051	2,530	3,965	6,456
Deposit interests / Deposit balance	-	-	-	-	1.4%	2.4%	3.0%	4.3%
Credit costs	-	-	-	82	261	-9	909	208
Reserve ratio	-	-	-	-	0.4%	0.0%	0.8%	0.2%
Other operating expenses	-	-	-	51	150	186	33	60
SG&A expenses	-	-	-	1,165	3,034	3,562	4,777	5,311
YoY	-	-	-	-	160.4%	17.4%	34.1%	11.2%
SG & A ratio	-	-	-	67.2%	57.7%	46.3%	40.7%	38.3%
Personnel expenses	-	-	-	644	1,506	1,762	2,388	2,625
Other expenses	-	-	-	521	1,528	1,800	2,389	2,686
Operating profit (loss)	-	-	-	299	759	1,365	2,041	1,830
YoY	-	-	-	-	153.8%	79.8%	49.5%	-10.3%
Operating profit margin	-	-	-	17.3%	14.4%	17.7%	17.4%	13.2%

Source: Shared Research based on company data

The above data are before consolidation adjustments.

Real Estate Business (share of operating revenue: 12.2%)

Effective Q1 FY12/23, the company has placed some operations that had been included in the Other Business segment into a new Real Estate business. The domestic real estate business is operated by J-Grand (mainly investment real estate), Gro-Bels (mainly condominiums, real estate brokerage and management, and real estate crowdfunding), and Live Rent (mainly real estate brokerage and trading). In addition, Prospect Asset Management, Inc. operates a real estate business in Hawaii in the US.

J Trust completed the business integration with Mirainovate (Real Estate and Renewable Energy Business; revenue of JPY7.3bn in FY03/22) and also made Gro-Bels a subsidiary in February 2023, and made Live Rent a subsidiary in May 2023. In FY12/23, revenue in the Real Estate Business came to JPY14.0bn (JPY2.9bn in FY12/22).

In FY12/23, J-Grand posted revenue of JPY6.4bn (+117.6% YoY), operating profit of JPY296mn (+202.8% YoY), and pre-tax profit of JPY230mn (+146.5% YoY). J-Grand sold a total of 29 condominium buildings in FY12/23 (+6 YoY), and targets revenue of JPY10.0bn in FY12/24. Gro-Bels reported FY12/23 revenue of JPY7.0bn, operating profit of JPY390mn, and pre-tax profit of JPY302mn.

Other Business (share of operating revenue: 0.5%)

The Other Business segment, which is not a reportable segment, mainly includes the systems business and the real estate business. In the systems business, J Sync Co., Ltd. (formerly Robot System) develops systems and engages in computer operation/management for the J Trust group. The real estate business is run by J-Grand Co., Ltd.

Strengths and weaknesses

Strengths

Ability to lead business development in Asia by leveraging expertise gained in Japan and South Korea

J Trust has experience in acquiring and operating consumer finance businesses in Japan, also dealing with associated regulatory issues, and has passed on the expertise obtained through this experience to its financial businesses in South Korea, Indonesia, Cambodia. As a result, J Trust's savings bank business in South Korea now has a significant foothold, ranking seventh in size (JT Chinae Savings Bank and JT Savings Bank combined) within the country's savings bank industry. Similarly to the changes observed in the business environment for consumer lending in Japan in the 2000s, maximum interest rates were lowered in South Korea as well. Here, J Trust utilized its experience in consumer lending in Japan, and was able to employ a proactive business strategy offering low-interest products to quality customers ahead of its competitors. The company also leveraged the strong reputation of TA Asset Management (servicer business in South Korea) in managing and recovering receivables, and has already launched a similar business in Indonesia (TAID) in anticipation of growing servicer

market in the country. The Financial Business in Southeast Asia turned to profitability in FY12/22, and the company expects BJI in Indonesia to drive its earnings going forward. J Trust has found success in applying the expertise on lending, collection, and other operations it honed in Japan to the fast-growing Southeast Asian business, which is one of its strengths.

Relatively high lending-deposit spread for the banking businesses in South Korea and Southeast Asia

The Japanese banking industry faces difficulties in the mainstay loan and deposit businesses as its lending-deposit spread is less than 1% under Bank of Japan's low interest rate policy. In contrast, the lending-deposit spread was 3.0% at PT Bank JTrust Indonesia (BJI), 4.6% at J Trust Royal Bank (JTRB), 7.2% at JT Chinae Savings Bank, and 6.6% at JT Savings Bank in FY12/23. The rate of market growth of the banking industries in countries like Indonesia and Cambodia is relatively high compared to Japan. As such, over the long term, J Trust can expect relatively high profit growth in the operation of banking businesses in Southeast Asia.

Purchasing ability

The company excels in buying undervalued businesses and receivables. The company uses its proprietary knowledge and business models to collect efficiently. These qualities bear fruit in how the company recovers written-off receivables of Takefuji Corp (defunct) and credit guarantee services where the company strategically partners with banks, introducing customers and dispatching specialists. In addition, the company voluntarily adopted IFRS from Q1 FY03/18. This means it will no longer have to apply straight-line amortization of goodwill required under Japanese accounting standards for future large-scale M&A deals. With the move to IFRS, the company believes there is little chance for existing goodwill particularly in the Indonesian business to negatively impact consolidated earnings for the group. J Trust has used acquisitions to cultivate new business areas ahead of its competitors. Success on this front is largely attributable to the market analysis and execution capabilities of the company's management team. Examples of such moves include entry into the South Korean savings banks business in 2012, financing through a rights offering in 2013, acquisition of Indonesian commercial bank (Bank Mutiara) in 2014, and acquisition of a commercial bank in Indonesia in 2019.

Weaknesses

Susceptible to financial regulation

The company's main businesses, its Financial Business in Japan, its Financial Business in South Korea and Mongolia, and its Financial Business in Southeast Asia, are all regulated businesses. Specifically, its Financial Business in Japan is regulated under the Moneylending Business Act and the Servicer Act, its Financial Business in South Korea and Mongolia is regulated under the Mutual Savings Bank Act, and its Southeast Asia business is regulated by capital adequacy requirements as well as other various regulations. As a result, changes in the regulatory environment can lead to fluctuations in the company's earnings. Until FY03/14, the domestic unsecured loan business was impacted by an amendment to the Moneylending Business Act, etc., and as of September 2016 the company said it was difficult to expect growth in this business, and had effectively exited it. The Financial Business in South Korea carries the risk of facing further reduction of maximum interest rates and the tightening of financial regulations such as those concerning limits on total volume of household loans. The growth rate of loans outstanding in the Financial Business in South Korea—the segment that has underpinned the company's performance—is undeniably headed for a slowdown. In Indonesia, the Financial Services Authority of Indonesia requires the achievement of a 14.0% capital adequacy ratio (at end-December 2021, BJI's capital adequacy ratio was 15.6%).

Performances of the two savings banks in South Korea are vulnerable to temporary downturn from sharp rise in interest rates as deposits are heavily skewed toward term deposits

The deposits secured by JT Chinae Savings Bank and JT Savings Bank in the Financial Business in South Korea and Mongolia are mainly one-year fixed-rate deposits. Interest rates on deposits can be revised after one year based on market interest rates; interest rates on loans can also be raised. However, a sharp rise in market interest rates can temporarily raise the funding costs of deposits. In fact, earnings of the company's two savings banks in South Korea were squeezed by the rise in market interest rates seen in Q4 FY12/22. Banking businesses need to put in place a flexible ALM control system by diversifying their deposit acquisition structures in consideration of the maturities of their loan receivables.

Prone to personnel shortages caused by rapid business growth

The company may face problems arising from personnel shortages when undertaking due diligence related to acquisitions or conducting post-acquisition operations. The company employed a large number of accounting officers in preparation of the IFRS adoption, and it is also bringing on M&A personnel and reinforcing its human resources through new hires in fields such as internal control and auditing. Despite these efforts, however, personnel shortages remain a weakness for the company.

Key group companies

J Trust has set up a holdings structure where each group company operates under J Trust. Among the group companies, JT Chinae Savings Bank and Nihon Hoshou in particular provide significant earnings contributions.

Company name	Ownership	Main business
Nihon Hoshou	100.00%	Credit guarantee business, Finance business
Partir Servicer Co., Ltd.	100.00% Indirect holdings	Receivables collections business
J J Sync Co., Ltd.	100.00% Indirect holdings	Systems business
J-GRAND Co., Ltd.	100.00% Indirect holdings	Real Estate Business
J Trust Global Securities Co., Ltd.	100.00%	Securities
Nexus	99.96% Indirect holdings	Credit/credit sales
JT Savings Bank Co., Ltd.	100.00%	Savings bank business
TA Asset Management Co., Ltd.	100.00%	Receivables collections business
JT Chinae Savings Bank co., Ltd.	100.00% Indirect holdings	Savings bank business
J Trust Credit NBFi	100.00% Indirect holdings	Finance business
PT Bank Jtrust Indonesia Tbk.	95.75% Indirect holdings 21.59%	Bank business
PT JTUST INVESTMENTS INDONESIA	99.80% Indirect holdings 26.01%	Receivables collections business
PT TURNAROUND ASSET INDONESIA	100.00% Indirect holdings	Receivables collections business
J Trust Royal Bank Plc.	55.00%	Bank business
JTRUST ASIA PTE. LTD.	100.00% Indirect holdings 9.32%	Investment business

As of end-December 2022

Historical performance

Cumulative Q3 FY12/23 results

Overview

- Operating revenue: JPY84.6bn (+48.4% YoY; 71.7% of full-year company forecast)
- Operating profit: JPY11.1bn (-25.5% YoY; 106.0%)
- Quarterly net income attributable to owners of parent: JPY18.3bn (+28.6% YoY; 111.2%)

In cumulative Q3 FY12/23, the company reported operating revenue of JPY84.6bn (+48.4% YoY), operating profit of JPY11.1bn (-25.5% YoY), pre-tax profit of JPY13.1bn (-27.4% YoY), and profit attributable to owners of parent of JPY18.3bn (+28.6% YoY). Operating profit exceeded the revised full-year earnings forecast, marking the second-highest record since the adoption of IFRS in FY03/18. In addition, even after deducting the gains on negative goodwill, operating profit turned positive. Quarterly net income increased 28.6% YoY to JPY18.3bn, partly due to the reversal of deferred tax liabilities of JPY6.5bn associated with the acquisition and merger of Nexus Bank.

Consolidated operating revenue was up JPY27.6bn (+48.4% YoY) to JPY84.6bn. The JPY27.6bn increase resulted from an increase of JPY1.9bn (+22.1% YoY) in the Financial Business in Japan, an increase of JPY8.6bn (+31.6% YoY) in the Financial Business in South Korea and Mongolia, an increase of JPY7.1bn (+34.7% YoY) in the Financial Business in Southeast Asia, a decrease of JPY89mn (-42.6% YoY) in the Investment Business, and an increase of JPY10.0bn in the Real Estate Business. The increase in revenue from the Financial Business in Japan was driven by the addition of JTG Securities and Nexus Card as subsidiaries. In the Financial Business in South Korea and Mongolia, revenue grew thanks to the nine-month contribution of JT Chinae Savings Bank, which was acquired in April 2022. In the real estate business, revenue increased due to the absorption-type merger of Mirainovate in February 2023 and growth in real estate sales revenue from J-Grand.

Operating expenses increased JPY27.6bn (+92.8% YoY). This was partly due to higher costs of real estate sales and operating expenses resulting from the consolidation of JT Chinae Savings Bank, JTG Securities, and Gro-Bels. Savings banks and banks in South Korea and Southeast Asia also saw an increase in interest expenses on deposits following a surge in base rates. In addition, the provision of loan-loss reserves increased in South Korea.

SG&A expenses increased JPY5.0bn (+22.7% YoY) to JPY27.2bn following the consolidation of JT Chinae Savings Bank, JTG Securities, and Gro-Bels.

Other revenue increased JPY1.2bn (+12.1% YoY) to JPY11.1bn. Other revenue included gains on the transfer of the fixed assets and on negative goodwill (JPY9.3bn, Q1 FY12/23) associated with the acquisition of Mirainovate Co., Ltd. However, there was also a reactionary decline from the same period a year earlier, when the company posted gains on negative goodwill (JPY9.9bn) from the acquisition of JT Chinae Savings Bank and JTG Securities.

Consolidated operating profit declined JPY3.8bn (-25.5% YoY) to JPY11.1bn (operating profit after deducting the gains on negative goodwill turned positive). Factors affecting operating profit were a JPY10.2bn profit increase in the Real Estate business, a JPY166mn profit increase in the Financial Business in Japan, a JPY15.8bn profit decline in the Financial Business in South Korea and Mongolia, a JPY487mn profit increase in the Financial Business in Southeast Asia, a JPY8mn profit decline in the Investment Business, and a JPY153mn profit decrease in the Other Business. In the Financial Business in South Korea and Mongolia, negative goodwill of JPY9.7bn recorded in FY12/22 fell off. While the cost of processing non-performing loans (NPLs) rose more than expected, the business turned into the black in the month of September 2023, indicating a sign of recovery. In the Financial Business in Southeast Asia, profit margin expanded due to J Trust Royal Bank Plc. (JTRB)'s successful collection of large NPLs.

Results by segment

The company in February 2023 acquired Mirainovate Co., Ltd., which primarily engages in the development and sale of condominiums and also operates a renewable energy business. Thus, the company newly established its Real Estate and Renewable Energy segment from Q1 FY12/23. However, following the sale of solar power generation facilities owned by five LLCs under the umbrella of Mirainovate, the reporting segment name was changed to the Real Estate Business in Q2 FY12/23.

Financial Business in Japan

- Operating revenue: JPY10.2bn (+22.1% YoY; achievement rate of 84.9% versus full-year company forecast)
- Operating profit: JPY3.5bn (+5.0% YoY; 60.2% versus forecast)

J Trust's Financial Business in Japan is engaged mainly in the credit guarantee business and receivables collections (including Partir Servicer), credit and credit sales (Nexus Card), and the financial instruments business (JTG Securities). The company has diversified its credit guarantee products, offering credit guarantees mainly for condominium loans, real estate secured loans, and crowdfunding loans. JTG Securities and Nexus Card results were added to the scope of consolidation from Q2 FY12/22.

Operating revenue increased JPY1.9bn (+22.1% YoY) to JPY10.2bn due to growth in commission income related to the securities business and the credit/consumer credit business with the acquisition of JTG Securities and Nexus Card as subsidiaries (in Q2 FY12/22). Operating revenue increased JPY65mn at Nihon Hoshou, JPY249mn at Partir Servicer, JPY906mn at JTG Securities, and JPY735mn at Nexus Card (figures are unaudited).

In the credit guarantee business, the mainstay guarantees for condominium loans and securities-backed loans performed well, with the guarantee balance increasing for the seventh consecutive quarter to JPY223.7bn. The guarantee balance at end-FY12/23 is expected to exceed the initial forecast of JPY228.0bn. Nexus Card achieved transaction volume of JPY9.1bn, up 6.3 times YoY, related to Mens Clear, the largest operator of men's beauty and hair removal salons in Japan. The annual projection of JPY10.0bn is now within reach. The balance of installment-sales accounts receivable increased to JPY12.7bn, 4.5 times that of a year earlier.

Revenue increased due to growth in commission income from the inclusion of JTG Securities and Nexus Card in the scope of consolidation and stable performance of the guarantee business. The company also saw an increase in operating expenses and SG&A expenses, such as expenses related to television commercials and other advertising campaigns. As a result, operating profit rose JPY166mn (+5.0% YoY) to JPY3.5bn. The JPY166mn increase in operating profit resulted mainly from a JPY501mn increase at Nihon Hoshou, a JPY51mn decline at Partir Servicer, a JPY131mn decline at JTG Securities, and a JPY121mn increase at Nexus Card (figures are unaudited).

Financial Business in South Korea and Mongolia

- Operating revenue: JPY35.7bn (+31.6% YoY; achievement rate of 72.6% versus full-year company forecast)
- Operating loss: JPY1.7bn (versus operating profit of JPY14.1bn in cumulative Q3 FY12/22; full-year operating loss of JPY240mn projected)

In South Korea, the savings bank business is operated by JT Savings Bank and JT Chinae Savings Bank (consolidated from Q2 FY12/22), and the non-performing receivables purchasing/collections business is operated by TA Asset Management. As of June 2023, total assets of the two banks combined ranked seventh in value out of the 79 savings banks in South Korea. In Mongolia, the financing business is operated by J Trust Credit NBFi.

Operating revenue increased JPY8.6bn (+31.6% YoY) to JPY35.7bn. This JPY8.6bn growth included YoY increases of JPY6.7bn at JT Chinae Savings Bank, JPY1.2bn at JT Savings Bank, JPY230mn at TA Asset Management (figures are unaudited). The consolidation of JT Chinae Savings Bank resulted in an increase in interest income in the saving bank business. However, the bank strategically held down the loan balance. The ratio of loans behind on payments for 90 days or more was 8.68% at end-September 2023 (down MoM; net NPL less loan-loss provision at 2.64%) due in part to a decrease in the loan balance. On the other hand, JT Savings Bank's loan balance increased in April 2023, with the balance at end-September 2023 amounting to JPY231.5bn. The ratio of loans behind on payments for 90 days or more at end-September 2023 was 5.58% (net NPL at 2.43%). The two saving banks experienced a decline in their lending-deposit spreads but are seeing an increase in them.

Operating profit declined JPY15.8bn YoY, resulting in operating loss of JPY1.7bn. The 15.8bn decline resulted mainly from a JPY3.3bn decrease at JT Savings Bank, a JPY3.1bn decrease at JT Chinae Savings Bank, a JPY440mn increase at TA Asset Management, and a JPY9.7bn decrease in gains on negative goodwill (reactionary decline) (figures are unaudited). In the savings bank business, profit growth has stalled since Q4 FY12/22, as rising loan interest rates have been unable to keep pace with higher deposit interest rates accompanying a higher base rate in South Korea (interest expenses on deposits increased due to higher deposit balances resulting from the inclusion of JT Chinae Savings Bank in the scope of consolidation). In addition, the cost of processing NPLs (provision of allowance for doubtful accounts [loss evaluation allowance]) increased. Increases in interest expenses on deposits following high balance base rates at saving banks and in the provision of loan-loss reserves resulted in operating loss.

As the Bank of Korea (South Korea's central bank) has already paused its base rate hikes and funding rates have begun to fall, the savings banks' lending-deposit spreads, which had been narrowing, began to widen. High-interest time deposits collected a year ago will mature in order. There are signs of recovery, such as the segment profit turning into the black for the single month of September 2023.

Financial Business in Southeast Asia

- Operating revenue: JPY27.6bn (+34.7% YoY; achievement rate of 75.5% versus full-year company forecast)
- Operating profit: JPY1.2bn (+66.0% YoY; 113.6%)

The company's operations in Indonesia consist mainly of the banking business operated by PT Bank JTrust Indonesia (BJI), the farm equipment financing and other financing businesses operated by PT JTrust Olympindo Multi Finance ("OLYMPINDO," all shares transferred to a third party on October 31, 2023), and the receivables collections businesses operated by PT JTrust Investments Indonesia (JTII) and PT Turnaround Asset Indonesia (TAID). Its operations in Cambodia consist entirely of the banking business operated by J Trust Royal Bank Plc (JTRB).

Operating revenue increased JPY7.1bn (+34.7% YoY) to JPY27.6bn. The JPY7.1bn increase resulted from a JPY6.0bn increase at BJI, a JPY1.7bn increase at JTRB, and a JPY129mn decrease at JTII (figures are unaudited). Interest income increased in accordance with an increase in loans at BJI, and there was also an increase in the number of securities held.

Operating profit increased JPY487mn (+66.0% YoY) to JPY1.2bn. The JPY487mn increase resulted mainly from a JPY58mn increase at BJI, a JPY253mn increase at JTRB, a JPY1.1bn increase at JTII, and a JPY1.1bn decrease at OLYMPINDO (figures are unaudited). The banking business saw an increase in interest expenses on deposits along with a rise in funding rates. However, operating profit rose YoY because the company raised its lending rates in line with the market condition and a decrease in its loan loss reserves there (loss evaluation allowance) following the collection of large non-performing loans.

BJI (Indonesia)

At BJI, operating revenue increased JPY6.0bn YoY to JPY17.1bn, while operating profit grew JPY58mn YoY to JPY1.2bn.

The deposit balance as of end-September 2023 was JPY288.4bn, of which about 80% were time deposits. By bringing in more liquid deposits, BJI aims to bring down its overall cost of funding from deposits. The cost of funding from deposits in September 2023 was 5.44%, below the Indonesian policy rate of 6.00%.

On the other hand, the loan balance has been solid as BJI targets large companies such as state-run enterprises and conglomerates. The loan balance was a record high JPY228.9bn at end-September 2023, up 34.0% YoY. Since January 2020,

BJI has been reforming its overall management structure, strengthening its risk management procedures. The reshuffling of loan portfolio, which began in Q4 2021, has made progress. BJI is aggressively pursuing measures to strengthen lending, even as it maintains a rigorous screening procedure. The NPL ratio (gross) was 1.5% (the average for the Indonesian banking industry was 2.4% as of end-June 2023). BJI reduced NPLs by taking steps to prevent delinquencies and collect more debts while increasing the overall loan balance. The net NPL ratio, which takes into account the allowance for loan losses, was 1.10%.

In lending, BJI also focuses on heavy machinery loans through business alliances. As of September 2023, its heavy machinery loan balance totaled roughly JPY4.6bn, up 31% QoQ. Since Q4 of 2021, BJI has been expanding the mortgage business through business alliances with local subsidiaries of Japanese companies. The company began to forge business alliances with Japanese and non-Japanese companies in November 2021. As of end-September 2023, BJI had projects in 23 locations with mortgage loan partners.

JTRB (Cambodia)

- Operating revenue: JPY10.0bn (+21.0% YoY)
- Operating profit: JPY1.4bn (+21.6% YoY)

JTRB's operating revenue grew by JPY1.7bn YoY to JPY10.0bn, and operating profit increased JPY253mn YoY to JPY1.4bn. The deposit balance decreased QoQ to JPY159.6bn. To reduce interest expenses, JTRB implemented strategic controls such as discontinuing the ongoing procurement of high-interest deposit products. On the other hand, the loan balance was strategically curbed (JPY148.1bn as of end-September, 2023) in response to weak demand for funds amid the sluggish economy and an increase in NPLs in the banking industry as a whole. As a result of focusing on debt collection, the NPL ratio decreased to 2.6% (net NPLs at 0.7%). JTRB plans to continue focusing on containing non-performing loans.

Real Estate Business

- Operating revenue: JPY10.9bn (versus revenue of JPY879mn in cumulative Q3 FY12/22; achievement rate of 55.9% versus full-year company forecast)
- Operating profit: JPY10.1bn (versus loss of JPY66mn in cumulative Q3 FY12/22; 101.2% versus full-year forecast)

The segment name was changed to the Real Estate Business in Q2 FY12/23. Main components are J-Grand Co., Ltd., Gro-Bels Co., Ltd., and Live Rent, which handle the domestic real estate business, and Prospect Asset Management, Inc., which handles real estate business in Hawaii in the US.

Operating revenue rose JPY10.0bn YoY to JPY10.9bn. This is because Gro-Bels and Live Rent became subsidiaries in February 2023 and May 2023, respectively, and because J-Grand began to book real estate sales revenue in Q1. J-Grand made Live Rent, a real estate leasing and management company, a wholly owned subsidiary. As a result, J-Grand has now established a one-stop system providing everything from land purchase, design, construction, sales, and loans for income-generating real estate to rental management. Operating revenue for cumulative Q3 FY12/23 included JPY4.2bn from J-Grand and JPY6.3bn from Gro-Bels (figures are unaudited). With an eye on the future of the real estate market, the company is now more selective than ever when purchasing properties, preferring those near train stations and other favorable locations.

In terms of operating profit, the segment profit was JPY10.1bn (versus loss of JPY66mn in cumulative Q3 FY12/22) as a result of JPY9.3bn gains on negative goodwill related to the absorption-type merger with Mirainovate.

Investment Business

- Operating revenue: JPY120mn (-42.6% YoY)
- Operating loss: JPY1.6bn (versus loss of JPY1.6bn in cumulative Q3 FY12/22)

The Investment Business is mainly operated by J Trust Asia. In April 2023, the Singapore High Court ordered the defendants to pay about USD124mn plus interest from August 2021. Once the case is settled and the payment is made, operating profit will increase. In addition, the company will no longer incur litigation costs (roughly JPY2.0bn per year).

Other Business

- Operating revenue: JPY421mn (+6.6% YoY)
- Operating loss: JPY22mn (versus operating profit of JPY131mn in cumulative Q3 FY12/22)

In the Other Business, J Sync (formerly Robot Systems) mainly handles system development, computer operation, and management for the company group.

Topics

1. Made MIRAI Co. Ltd. (formerly Saikyo Card Co., Ltd.) a subsidiary on October 2, 2023. It will contribute to increasing credit guarantee balance in the Financial Business in Japan.
2. Signed a memorandum of understanding to support the rehabilitation of GAIA Co., Ltd. and its group companies on October 30, 2023. J Trust will provide DIP financing to GAIA and the Gaia Group as a project in its business rehabilitation business.
3. Completed the transfer of shares of a specified subsidiary (PT JTRUST OLYMPINDO MULTI FINANCE) on October 31, 2023.

1H FY12/23 results

Overview

- Operating revenue: JPY53.6bn (+59.3% YoY; 45.5% of full-year company forecast)
- Operating profit: JPY8.6bn (-34.7% YoY; 82.0%)
- Quarterly net income attributable to owners of parent: JPY16.0bn (+22.7% YoY; 97.2%)

In 1H FY12/23, the company reported operating revenue of JPY53.6bn (+59.3% YoY), operating profit of JPY8.6bn (-34.7% YoY), pre-tax profit of JPY10.3bn (-35.5% YoY), and profit attributable to owners of parent of JPY16.0bn (+22.7% YoY). Operating profit was the second highest for 1H, even though it fell from 1H FY12/22, when the company posted gains on negative goodwill associated with the acquisition of Nexus Bank Co., Ltd. T Bank JTrust Indonesia (BJI), the banking business in Southeast Asia, continued to recover and grow steadily. The company also reshuffled its business portfolio through acquisitions.

Consolidated operating revenue was up JPY20.0bn (+59.3% YoY) to JPY53.6bn. The JPY20.0bn increase resulted from an increase of JPY1.6bn (+30.9% YoY) in the Financial Business in Japan, an increase of JPY7.4bn (+48.1% YoY) in the Financial Business in South Korea and Mongolia, an increase of JPY5.1bn (+40.5% YoY) in the Financial Business in Southeast Asia, a decrease of JPY58mn (-35.8% YoY) in the Investment Business, and an increase of JPY5.8bn in the Real Estate Business. JT Chinae Savings Bank (consolidated in Q2 FY12/22) and JTG Securities (consolidated in Q2 FY12/22) began to contribute to earnings at the start of the fiscal year. The consolidation of Gro-Bels Co., Ltd. (Q1 FY12/23) led to an increase in real estate sales revenue and other income.

Operating expenses increased JPY19.5bn (+113.2% YoY). This was partly due to higher operating expenses resulting from the consolidation of JT Chinae Savings Bank, JTG Securities, and Gro-Bels. Savings banks and banks in South Korea and Southeast Asia also saw an increase in interest expenses on deposits following a surge in base rates. In addition, the provision of loan-loss reserves increased in South Korea.

SG&A expenses increased JPY4.7bn (+35.4% YoY) to JPY17.8bn following the consolidation of JT Chinae Savings Bank, JTG Securities, and Gro-Bels.

Other revenue and expenses declined JPY354mn (-3.6% YoY) to JPY9.5bn. Other revenue included gains on negative goodwill (JPY9.3bn, Q1 FY12/23) associated with the acquisition of Mirainovate Co., Ltd. However, there was also a reactionary decline from the same period a year earlier, when the company posted gains on negative goodwill (JPY9.9bn) from the acquisition of JT Chinae Savings Bank and JTG Securities.

Consolidated operating profit declined JPY4.6bn (-34.7% YoY) to JPY8.6bn. Factors affecting operating profit were a JPY9.4bn profit increase in the Real Estate business, a JPY174mn (+8.3% YoY) profit increase in the Financial Business in Japan, a JPY13.7bn profit decline in the Financial Business in South Korea and Mongolia, a JPY382mn (+160.5% YoY) profit increase in the Financial Business in Southeast Asia, a JPY305mn profit decline in the Investment Business, and a JPY45mn profit increase in the Other Business. After deducting JPY9.3bn in gains on negative goodwill booked in the Real Estate Business, the company posted operating loss of JPY723mn.

Pre-tax profit declined JPY5.7bn (-35.5% YoY) to JPY10.3bn. The JPY1.1bn difference from the JPY4.6bn decline in operating profit reflects a JPY1.4bn YoY decline in financial income, a JPY342mn YoY decline in financial expenses, and an JPY11mn YoY decline in equity-method investment gains. Profit attributable to owners of parent rose JPY3.0bn (+22.7% YoY) to JPY16.0bn

in part because of the reversal of tax liabilities totaling JPY6.5bn associated with the acquisition of Nexus Bank. This was the highest Q2 profit since the company transitioned to the International Financial Reporting Standards (IFRS) (FY03/18).

The company raised its full-year forecast following the solid 1H results. The revised forecast calls for operating revenue of JPY118.0bn (+JPY3.0bn vs the initial forecast, +43.2% YoY), operating profit of JPY10.5bn (+JPY2.0bn vs the initial forecast, -27.1% YoY), pre-tax profit of JPY12.5bn (+JPY3.5bn vs the initial forecast, -26.4% YoY), and profit attributable to owners of the parent of JPY16.5bn (+3.5bn vs the initial forecast, +30.6% YoY). (See the "Company forecast for FY12/23 and medium-term outlook" section below.)

Results by segment

The company in February 2023 acquired Mirainovate Co., Ltd., which primarily engages in the development and sale of condominiums and also operates a renewable energy business. Thus, the company newly established its Real Estate and Renewable Energy segment from Q1 FY12/23. However, following the sale of solar power generation facilities owned by five LLCs under the umbrella of Mirainovate, the reporting segment name was changed to the Real Estate Business in Q2 FY12/23.

Financial Business in Japan

- Operating revenue: JPY6.8bn (+30.9% YoY; achievement rate of 56.5% versus full-year company forecast)
- Operating profit: JPY2.3bn (+8.3% YoY; 39.4% versus forecast)

J Trust's Financial Business in Japan is engaged mainly in the credit guarantee business and receivables collections (including Partir Servicer), credit and credit sales (Nexus Card), and the financial instruments business (JTG Securities). The company has diversified its credit guarantee products, offering credit guarantees mainly for condominium loans, real estate secured loans, and crowdfunding loans. JTG Securities and Nexus Card results were added to the scope of consolidation from Q2 FY12/22.

Operating revenue increased JPY1.6bn (+30.9% YoY) to JPY6.8bn due to growth in commission income related to the securities business and the credit/consumer credit business with the acquisition of JTG Securities and Nexus Card as subsidiaries. Operating revenue increased JPY104mn at Nihon Hoshou, JPY199mn at Partir Servicer, JPY914mn at JTG Securities, and JPY413mn at Nexus Card (figures are unaudited).

The guarantee balance for pre-owned condominiums, the company's mainstay, increased roughly 2.3 times YoY to JPY27.8bn, driving the overall credit guarantee balance (total guaranteed liabilities) (JPY218.6bn, a sixth consecutive quarterly increase). The securities-backed loans operations, a collaborative project among JTG Securities, partner banks, and Nihon Hoshou, had JPY3.2bn in assets under management. The company has established a section specializing in supporting independent financial advisers (IFAs). (This section began operations in July 2023.) Meanwhile, Nexus Card saw an increase in transaction volume related to Mens Clear, the largest operator of men's beauty and hair removal salons in Japan. (The transaction volume in 1H FY12/23 was 9.7 times that of a year earlier, while the balance of installment-sales accounts receivable was 5.1 times.)

Revenue increased due to growth in commission income from the inclusion of JTG Securities and Nexus Card in the scope of consolidation. The company also saw an increase in operating expenses and SG&A expenses, such as expenses related to television commercials and other advertising campaigns. As a result, operating profit rose JPY174mn (+8.3% YoY) to JPY2.3bn. The figure also reflects a reactionary drop in gains on negative goodwill from a year earlier, when the company posted JPY148mn in such gains associated with the acquisition of JTG Securities. The JPY174mn increase in operating profit resulted from a JPY345mn increase at Nihon Hoshou, a JPY61mn decline at Partir Servicer, a JPY64mn decline at JTG Securities, and a JPY30mn increase at Nexus Card (figures are unaudited).

Financial Business in South Korea and Mongolia

- Operating revenue: JPY22.9bn (+48.1% YoY; achievement rate of 46.6% versus full-year company forecast)
- Operating loss: JPY1.2bn (versus operating profit of JPY12.5bn in 1H FY12/22; full-year operating loss of JPY240mn projected)

In South Korea, the savings bank business is operated by JT Savings Bank and JT Chinae Savings Bank (consolidated from Q2 FY12/22), and the non-performing receivables purchasing/collections business is operated by TA Asset Management. As of June 2023, total assets of the two banks combined ranked seventh in value out of the 79 savings banks in South Korea. In Mongolia, the financing business is operated by J Trust Credit NBF.I.

Operating revenue increased JPY7.4bn (+48.1% YoY) to JPY22.9bn. This JPY7.4bn growth included YoY increases of JPY6.5bn at JT Chinae Savings Bank, JPY511mn at JT Savings Bank, JPY77mn at TA Asset Management (figures are unaudited). The loan balance increased following the consolidation of JT Chinae Savings Bank, resulting in an increase in interest income. However, the loan balance at JT Chinae Savings Bank was JPY261.5bn, down JPY27.0bn (-9.4% YoY), as the bank strategically held down the loan balance. The ratio of loans behind on payments for 90 days or more rose to 7.8% at end-June 2023, largely because of the decrease in the loan balance. On the other hand, JT Savings Bank's loan balance increased in April 2023, with the balance at end-June 2023 amounting to JPY198.8bn. The ratio of loans behind on payments for 90 days or more at end-June 2023 declined MoM to 5.39%. The balance of purchased receivables increased 31.5% YoY to JPY2.3bn.

Operating profit declined JPY13.7bn YoY, resulting in operating loss of JPY1.2bn. The 13.7bn decline resulted from a JPY2.2bn decrease at JT Savings Bank, a JPY2.0bn decrease at JT Chinae Savings Bank, a JPY284mn increase at TA Asset Management, and a JPY9.7bn decrease in gains on negative goodwill (reactionary decline) (figures are unaudited). In the savings bank business, profit growth has stalled since Q4 FY12/22, as rising loan interest rates have been unable to keep pace with higher deposit interest rates accompanying a higher base rate in South Korea (interest expenses on deposits increased due to higher deposit balances resulting from the inclusion of JT Chinae Savings Bank in the scope of consolidation). In addition, the cost of processing NPLs (provision of allowance for doubtful accounts [loss evaluation allowance]) increased. However, the operating loss was not as large as anticipated at the beginning of FY12/23, as the Bank of Korea (South Korea's central bank) has already paused its base rate hikes and funding rates have begun to fall. J Trust expects earnings to recover from 2H FY12/23.

Financial Business in Southeast Asia

- Operating revenue: JPY17.6bn (+40.5% YoY; achievement rate of 48.0% versus full-year company forecast)
- Operating profit: JPY620mn (+160.5% YoY; 57.5%)

The company's operations in Indonesia consist mainly of the banking business operated by PT Bank JTrust Indonesia (BJI) and the receivables collections businesses operated by PT JTrust Investments Indonesia (JTII) and PT Turnaround Asset Indonesia (TAID). Its operations in Cambodia consist entirely of the banking business operated by J Trust Royal Bank Plc (JTRB).

Operating revenue increased JPY5.1bn (+40.5% YoY) to JPY17.6bn. The JPY5.1bn increase resulted from a JPY4.2bn increase at BJI, a JPY1.2bn increase at JTRB, and a JPY23mn decrease at JTII (figures are unaudited). Interest income increased in accordance with an increase in loans at BJI, and there was also an increase in the number of securities held.

Operating profit increased JPY382mn (+160.5% YoY) to JPY620mn. The JPY382mn increase resulted mainly from a JPY376mn increase at BJI, a JPY38mn increase at JTRB, and a JPY1.0bn increase at JTII (figures are unaudited). The company saw an increase in interest expenses on deposits along with a rise in funding rates. However, operating profit rose YoY because the company raised its lending rates in line with the market condition.

BJI (Indonesia)

At BJI, operating revenue increased JPY4.1bn YoY to JPY10.5bn, while operating profit grew JPY400mn YoY to JPY800mn. Operating revenue and operating profit both exceeded the company's 1H forecast by JPY200mn.

The deposit balance as of end-June 2023 was JPY283.6bn, of which about 80% were time deposits. By bringing in more liquid deposits, the company aims to bring down its overall cost of funding from deposits. The cost of funding from deposits in June 2023 was 5.39%, below the Indonesian policy rate of 5.75%.

On the other hand, the loan balance has been increasing steadily as the company targets large companies such as state-run enterprises and conglomerates. The loan balance was JPY210.5bn at end-June 2023, up 42.0% YoY. The company is raising lending rates in line with the increase in funding costs in anticipation of higher interest rates. Since January 2020, BJI has been reforming its overall management structure, strengthening its risk management procedures. The reshuffling of loan portfolio, which began in Q4 2021, has made progress. The company is aggressively pursuing measures to strengthen lending, even as it maintains a rigorous screening procedure. The NPL ratio (gross) was 1.6% (the average for the Indonesian banking industry was 2.5% as of end-May 2023). The company reduced NPLs by taking steps to prevent delinquencies and collect more debts while increasing the overall loan balance. The net NPL ratio, which takes into account the allowance for loan losses, was 1.18%.

Since Q4 of 2021, BJI has been expanding the mortgage business through business alliances with local subsidiaries of Japanese companies. The company began to forge business alliances with Japanese and non-Japanese companies in November 2021. As of end-June 2023, BJI had projects in 20 locations with 17 mortgage loan partners.

The company also focuses on heavy machinery loans through business alliances. In July 2022, J Trust forged a business alliance with PT Daya Kobelco Construction Machinery Indonesia (Kobelco Indonesia) for sales of financial investment products for heavy machinery. In August 2022, it signed a business alliance agreement with PT Hexindo Adiperkasa, an Indonesian subsidiary of Hitachi Construction Machinery Co., Ltd., for sales of heavy machinery. In October 2022, it entered an alliance with the Astra group's PT United Tractors Tbk (exclusive distributor for Komatsu Ltd.). As of June 2023, the company's heavy machine loan balance totaled roughly JPY3.5bn, up 54% QoQ.

With regard to BJI, the company is looking for business and capital alliances to form strategic partnerships, while also considering debt purchasing or M&A with financially distressed financial institutions.

JTRB (Cambodia)

JTRB's operating revenue increased JPY1.2bn YoY to JPY6.3bn, while operating profit was unchanged at JPY300mn. Operating revenue was in line with the company's 1H projection, but operating profit fell short by JPY300mn because of a loan-loss provision. The deposit balance increased (deposit balance at end-June 2023 was JPY161.3bn) as the company prioritized securing liquidity through the sale of new deposit products. On the other hand, the loan balance was strategically subdued (JPY137.7bn as of end-June, 2023) in response to weak demand for funds amid the sluggish economy and an increase in NPLs in the banking industry as a whole. For the time being, the company will seek to increase the loan balance and strengthen the collection of NPLs by aligning its loan pricing with an increase in funding rates.

Real Estate Business

- Operating revenue: JPY6.3bn (versus revenue of JPY461mn in 1H FY12/22; achievement rate of 32.3% versus full-year company forecast)
- Operating profit: JPY9.3bn (versus loss of JPY45mn in 1H FY12/22; 93.3% versus full-year forecast)

The segment name was changed to the Real Estate Business in Q2 FY12/23. Main components are J-Grand Co., Ltd., Gro-Bels Co., Ltd., and Live Rent, which handle the domestic real estate business, and Prospect Asset Management, Inc., which handles real estate business in Hawaii in the US.

Operating revenue rose JPY5.8bn YoY to JPY6.3bn. This is because Gro-Bels and Live Rent became subsidiaries in February 2023 and May 2023, respectively, and because J-Grand began to book real estate sales revenue in Q1. J-Grand made Live Rent, a real estate leasing and management company, a wholly owned subsidiary. As a result, J-Grand has now established a one-stop system providing everything from land purchase, design, construction, sales, and loans for income-generating real estate to rental management.

Operating revenue for 1H FY12/23 included JPY1.9bn from J-Grand and JPY924mn from Gro-Bels. Operating profit ballooned to JPY9.3bn (versus loss of JPY45mn in 1H FY12/22) due to JPY9.3bn in gains on negative goodwill related to the absorption-type merger with Mirainovate.

Investment Business

- Operating revenue: JPY104mn (-35.8% YoY)
- Operating loss: JPY960mn (versus loss of JPY655mn in 1H FY12/22)

The Investment Business is mainly operated by J Trust Asia, which also provides management support to investees. The company posted an operating loss of JPY960mn, even though it made efforts to reduce litigation costs.

Other Business

- Operating revenue: JPY289mn (+10.7% YoY)
- Operating profit: JPY65mn (+225.0% YoY)

In the Other Business, J Sync (formerly Robot Systems) mainly handles system development, computer operation, and management for the company group.

Q1 FY12/23 results

Overview

- Operating revenue: JPY26.1bn (+111.6% YoY; 22.7% of full-year company forecast)

- Operating profit: JPY9.3bn (+365.3% YoY; 109.3%)
- Quarterly profit attributable to owners of parent: JPY9.1bn (+147.7% YoY; 70.2%)

In Q1 FY12/23, the company reported operating revenue of JPY26.1bn (+111.6% YoY), operating profit of JPY9.3bn (+365.3% YoY), pre-tax profit of JPY10.0bn (+146.1% YoY), and profit attributable to owners of parent of JPY9.1bn (+147.7% YoY). Operating revenue and pre-tax profit items reached record highs for Q1, achieving full-year projections just in Q1. Quarterly profit attributable to owners of parent also reached a record high for Q1.

The favorable start to FY12/23 was largely due to growth in banking business in Southeast Asia and the merger with Mirainovate Co., Inc. (in February 2023), which is engaged in real estate and renewable energy businesses. In FY12/22, the real estate and renewable energy businesses had been included in the Other Business segment, but due to their increased monetary importance, they have been recategorized from Q1 FY12/23 into a new Real Estate and Renewable Energy Business segment. The company recorded JPY9.3bn in gains on negative goodwill due to adjustment in the handling of Mirainovate's assets and liabilities from J-GAAP to IFRS.

Consolidated operating revenue was up JPY13.8bn YoY to JPY26.1bn. The increase was due to upticks of JPY895mn in the Financial Business in Japan, JPY2.5bn in the Financial Business in Southeast Asia, JPY7.0bn YoY in the Financial Business in South Korea and Mongolia, and JPY3.3bn in the Real Estate and Renewable Energy Business. JTG Securities in the Financial Business in Japan, JT Chinae Savings Bank in the Financial Business in South Korea, Gro-Bels in the Real Estate and Renewable Energy Business, and other companies were added to the scope of consolidation, contributing to YoY revenue growth.

Consolidated operating profit increased JPY7.3bn (+365.3% YoY) to JPY9.3bn. Factors affecting operating profit were profit increases of JPY9.3bn in the Real Estate and Renewable Energy Business, JPY211mn in the Financial Business in Southeast Asia, JPY218mn in the Investment Business, and JPY46mn in Other Business, but profit decreases of JPY304mn in the Financial Business in Japan and JPY1.8bn in the Financial Business in South Korea and Mongolia (operating profit for the three financial businesses [after deducting negative goodwill] improved from JPY358mn in Q4 FY12/22 to JPY1.0bn in Q1 FY12/23). In the Real Estate and Renewable Energy Business, there was a significant impact from recording of gains on negative goodwill (JPY9.3bn). After deducting negative goodwill, segment operating profit actually declined JPY1.9bn YoY, leaving operating loss of JPY35mn.

Pre-tax profit increased JPY5.9bn (+146.1% YoY) to JPY10.0bn. The JPY1.4bn difference from the JPY7.3bn increase in operating profit (increase by JPY5.9bn minus increase by JPY7.3bn) reflects a JPY1.9bn decrease in financial income, a JPY388mn decrease in financial expenses, and an JPY84mn increase in equity-method investment gains. Profit attributable to owners of parent rose JPY5.4bn (+147.7% YoY) to JPY9.1bn.

Q1 FY12/23 results represented a strong start toward achieving the full-year forecast. J Trust says the Financial Business in Southeast Asia exceeded its Q1 projection by JPY2.3bn, and the Financial Business in South Korea and Mongolia exceeded it by JPY1.0bn. In addition, the company recorded JPY9.3bn in gains on negative goodwill in the Real Estate and Renewable Energy Business, roughly JPY1.0bn above plan. However, it has not revised its forecast, saying that with Q1 just ended, it would like to observe progress a bit more.

Results by segment

Financial Business in Japan

- Operating revenue: JPY3.1bn (+41.5% YoY; achievement rate of 27.1% versus full-year company forecast)
- Operating profit: JPY879mn (-25.7% YoY; 15.2% versus forecast)

J Trust's Financial Business in Japan is engaged mainly in the credit guarantee business and receivables collections (including Partir Servicer), credit and credit sales (Nexus Card), and the financial instruments business (JTG Securities). The company has diversified its credit guarantee products, offering credit guarantees mainly for condominium loans, real estate secured loans, and crowdfunding loans. JTG Securities and Nexus Card results were added to the scope of consolidation from Q2 FY12/22.

Operating revenue increased JPY895mn (+41.5% YoY) to JPY3.1bn due to growth in commission income related to the securities business and the credit/consumer credit business with the acquisition of JTG Securities and Nexus Card as subsidiaries. The operating revenue breakdown was JPY1.5bn from Nihon Hoshou, JPY795mn from Partir Servicer, JPY726mn from JTG Securities, and JPY192mn from Nexus Card (figures are unaudited). Nexus Card saw an increase in

transaction volume at Men's Clear, the largest operator of men's beauty and hair removal salons in Japan, and the balance of installment sales accounts receivable expanded 3.9x YoY.

Although revenue increased due to growth in commission income from the inclusion of JTG Securities and Nexus Card in the scope of consolidation, operating profit declined JPY304mn (-25.7% YoY) to JPY879mn due to higher operating expenses, including for TV commercials and other advertising expenses, and higher SG&A expenses. The decline also included a reactionary drop versus the gains on negative goodwill (JPY148mn) recorded in Q1 FY12/22 with the acquisition of JTG Securities. The JPY879mn in operating profit included operating profit of JPY857mn at Nihon Hoshou and JPY270mn at Partir Servicer, but operating loss of JPY171mn at JTG Securities and JPY10mn at Nexus Card (figures are unaudited).

In addition to condominium loan guarantees, J Trust has been working to diversify its product lineup by offering guarantees for loans that cover pre-owned condominiums, real estate-backed loans, and reverse mortgages, as well as guarantees for real estate purchases. The company started a business (in August 2022) to provide guarantees for loan credits provided by affiliated financial institutions to investors (buyers) of luxury condominiums (the Kichijoji, Sangenjaya and other "J-ARC Series" properties, exclusively in Tokyo Jonan and Josai areas, at JPY400-800mn/property) sold by J-Grand (formerly Nihon Funding). The company provides start-to-finish support for projects, including the purchase of land, construction, recruiting investors, condominium sales, and guarantees on mortgage loans. In January 2023, it entered into a purchase guarantee partnership pertaining to crowdfunding business operated by Hakatafudousanhanbai Co., Ltd. Total guaranteed debt as of end-March 2023 is JPY212.7bn, and the guarantee balance for pre-owned condominium loans, which started in November 2020, is JPY23.9bn (as of end-March 2023).

Financial Business in South Korea and Mongolia

- Operating revenue: JPY11.3bn (+166.8% YoY; achievement rate of 22.8% versus full-year company forecast)
- Operating loss: JPY578mn (versus operating profit of JPY1.2bn in Q1 FY12/22; full-year operating loss of JPY1.4bn projected)

In South Korea, the savings bank business is operated by JT Savings Bank and JT Chinae Savings Bank (consolidated from Q2 FY12/22), and the non-performing receivables purchasing/collections business is operated by TA Asset Management. As of end-December 2022, total assets of the two banks combined ranked seventh in value out of the 79 savings banks in South Korea. In Mongolia, the financing business is operated by J Trust Credit NBFIL.

Operating revenue increased JPY7.0bn (+166.8% YoY) to JPY11.3bn. This JPY7.0bn growth included YoY increases of JPY6.6bn at JT Chinae Savings Bank, JPY145mn at JT Savings Bank, JPY33mn at TA Asset Management (figures are unaudited). The impact of JT Chinae Savings Bank falling within the scope of consolidation was significant. In addition, interest income in the savings bank business increased as the loan balance grew. The loan balance in the banking business increased JPY209.3bn (+113.8% YoY) to JPY393.2bn. The balance of purchased receivables increased 12.3% YoY to JPY2.0bn.

Operating profit declined JPY1.8bn YoY, resulting in operating loss of JPY578mn. JT Savings Bank generated operating profit of JPY357mn, while JT Chinae Savings Bank and TA Asset Management recorded operating loss of JPY976mn and JPY20mn, respectively (figures are unaudited). In the savings bank business, profit growth has stalled since Q4 FY12/22, as rising loan interest rates have been unable to keep pace with higher deposit interest rates accompanying a higher base rate in South Korea (interest expenses on deposits increased due to higher deposit balances resulting from the inclusion of JT Chinae Savings Bank in the scope of consolidation). In addition, the cost of processing NPLs (provision of allowance for doubtful accounts [loss evaluation allowance]) increased. However, the operating loss was not as large as anticipated at the beginning of FY12/23, as the Bank of Korea (South Korea's central bank) has already paused its base rate hikes and funding rates have begun to fall, so J Trust expects earnings to recover from 2H FY12/23.

Financial Business in Southeast Asia

- Operating revenue: JPY8.3bn (+43.6% YoY; achievement rate of 22.9% versus full-year company forecast)
- Operating profit: JPY719mn (+41.5% YoY; full-year operating loss of JPY466mn projected)

The company's operations in Indonesia consist mainly of the banking business operated by PT Bank JTrust Indonesia (BJI), the receivables collections businesses operated by PT JTrust Investments Indonesia (JTII) and PT Turnaround Asset Indonesia (TAID), and the farm equipment financing and other financing businesses operated by PT JTrust Olympindo Multi Finance (JTO). Its operations in Cambodia consist entirely of the banking business operated by J Trust Royal Bank Plc (JTRB).

Operating revenue increased JPY2.5bn (+43.6% YoY) to JPY8.3bn. Breaking this down, BJI saw a JPY1.9bn YoY increase to JPY4.9bn, JTRB a JPY665mn YoY increase to JPY3.1bn, JTII a JPY140mn YoY increase to JPY181mn, and JTO a JPY217mn YoY

decrease to JPY52mn (figures are unaudited). Interest income increased in accordance with an increase in loans at BJI, and there was also an increase in the number of securities held.

Operating profit increased JPY211mn (+41.5% YoY) to JPY719mn, representing steady growth since returning to profitability in Q1 FY12/22. The YoY improvement was attributable to the increase in operating revenue, success in minimizing bad debt risks through the reassessment of screening procedures at BJI, and a reduction in funding costs due to lower interest rates on deposits.

BJI (Indonesia)

At BJI, operating revenue increased 63.9% YoY to JPY4.9bn and operating profit grew 99.0% to JPY593mn (figures are unaudited). BJI returned to profitability for full-year FY12/22. As of end-March 2023, BJI reported total loans outstanding of JPY175.4bn, up 67.5% YoY. Since January 2020, BJI has been reforming its overall management structure, strengthening its risk management procedures. The reshuffling of its loan portfolio, which began in Q4 2021, has made progress, and BJI is aggressively pursuing measures to strengthen its loan portfolio while maintaining rigorous screening procedures. In addition to reducing the amount of non-performing loans through collection of receivables, BJI has managed to maintain the NPL ratio (gross) at 1.73% (compared to an average of 2.4% for the Indonesian banking industry as of end-December 2022) due to growth in the total loan balance, and, after taking into account the allowance for bad debts, the net NPL ratio has been kept to a mere 1.24%.

The deposit balance as of end-March 2023 was JPY218.1bn, of which about 80% were time deposits. By bringing in more liquid deposits, the company aims to bring down its overall cost of funding from deposits. The cost of funding from deposits in March 2023 was 5.03%, below the Indonesian policy rate of 5.75%.

Since Q4 of 2021, BJI has been expanding the mortgage business through business alliances with local subsidiaries of Japanese companies. Business alliances forged with Japanese and non-Japanese companies since November 2021 are as follows. As of end-March 2023, BJI had projects in 20 locations with 17 mortgage loan partners.

- February 2022: BJI signed a business alliance agreement for housing sales with PT Hajime Indonesia Jaya, a local subsidiary of Iida Group Holdings (TSE Prime: 3291), which has the top market share of detached house sales in Japan.
- March 2022: BJI entered into a business alliance agreement on housing sales with PT Dax Jaya Indonesia, an Indonesian subsidiary of DAX Corporation (headquartered in Fukuoka City).
- June 2022: BJI concluded a business alliance agreement with PT Springhill Mizumi Serpong, a joint venture between Hankyu Hanshin Real Estate Co., Ltd. (headquartered in Osaka) and PT Nasional Hijau Lestari (NHL, headquartered in Jakarta) of the Springhill Group, a real estate developer in Indonesia. The business alliance is for housing sales involving a residential development project near the capital Jakarta.
- August 2022: BJI signed a business alliance agreement with PT Jababeka Creed Residence, a joint venture of the Creed Group, for housing sales pertaining to Jababeka Residence.
- November 2022: BJI entered into a business alliance agreement with PT Pakuan. Tbk, belonging to the Mitsubishi Corporation group, for housing sales involving Shila at Sawangan slated for development in Depok, West Java.
- February–March 2023: BJI entered into partnerships pertaining to housing loans for Riverview Residence - Tower Mahakam, being developed in Cikarang, West Java, by PT PP (Persero) Tbk, which belongs to major Indonesian real estate developer Jababeka Group; for Damara Village Alaya and Damara Village Jimbaran Hijau, being developed on Bali by PT Greenwoods Bali Graha/PT Bali Sakanti and other members of major Indonesian real estate developer Greenwoods Group; for Hikari Garden Residence, being developed on Lombok by PT Ione Home Indonesia, the local subsidiary of Arnest One Corporation, a member of Iida Group Holdings; and (in March) for Ayodhya, Alam Sutera, and Suvarn Sutera, being developed in Tangerang, Banten, by major Indonesian real estate developer Alam Sutera Group.

The company also focuses on heavy machinery loans through business alliances. In July 2022, J Trust forged a business alliance with PT Daya Kobelco Construction Machinery Indonesia (Kobelco Indonesia) for sales of financial investment products for heavy machinery. In August 2022, it signed a business alliance agreement with PT Hexindo Adiperkasa, an Indonesian subsidiary of Hitachi Construction Machinery Co., Ltd., for sales of heavy machinery. In October 2022, it entered an alliance with the Astra group's PT United Tractors Tbk (exclusive distributor for Komatsu Ltd.). As of end-March 2023, the company's heavy machine loan balance had quadrupled YoY to roughly JPY2.0bn.

With regard to BJI, the company is looking for business and capital alliances to form strategic partnerships, while also considering debt purchasing or M&A with financially distressed financial institutions.

JTRB (Cambodia)

JTRB's operating revenue grew 27.1% YoY to JPY3.1bn, but operating profit declined 1.5% to JPY545mn (figures are unaudited). The deposit balance is continuing to rise, due mainly to sales of new deposit products. The loan balance hit JPY130.4bn at end-March 2023 for a YoY increase of 16.6%. The Cambodian banking industry continues to grow at a rate of 15–20% per annum, but JTRB's loan balance plan, which takes into account the loan-deposit balance, has resulted in somewhat restrained management. The ratio of loans behind on payments was 2.31% as of end-March 2023, up from 2.05% at end-FY12/22 but still relatively low. The company is focusing on growing business with new customers, particularly large companies, and enhancing products and online banking services for the wealthy. Its aim is for earnings to recover back to the level prior to the COVID-19 pandemic (before it acquired JTRB) by FY12/24. In March 2023, JTRB relocated its headquarters and main office to Kramuon Sar.

JTO • JTII

As for JTO, the business environment has deteriorated due to the COVID-19 pandemic, with the company having implemented restructuring measures such as branch consolidation and real estate sales. It is concentrating its efforts on retaining/managing agricultural equipment-related loan receivables, and is transferring some receivables to JTII. JTO only handles loans for agricultural equipment at present, so its loan balance is declining. JTII will strive to maximize the amount of money collected, including the receivables transferred from JTO. In addition, as the market is expected to expand due to an increase in non-performing loans, the company is looking to expand earnings opportunities by purchasing other companies' loans.

Real Estate and Renewable Energy Business

- Operating revenue: JPY3.4bn (versus revenue of JPY154mn in Q1 FY12/22; achievement rate of 19.2% versus full-year company forecast)
- Operating profit: JPY9.3bn (versus loss of JPY37mn in Q1 FY12/22; 104.8% versus full-year forecast)

The new Real Estate and Renewable Energy Business segment (from Q1 FY12/23) encompasses some operations included in the Other Business segment through FY12/22, recategorized due to their increased monetary importance. Main components are J-Grand Co., Ltd., and Gro-Bels Co., Ltd., which handle the domestic real estate business, and Prospect Asset Management, Inc., which handles real estate business in Hawaii in the US. In terms of renewable energy business, the company has taken over Mirainovate's solar power generation business and is operating solar power generation facilities and investing in solar power generation projects.

Operating revenue grew substantially YoY to JPY3.4bn, due mainly to Gro-Bels becoming a subsidiary in February 2023 and J-Grand recording real estate sales revenue during Q1. Operating revenue included JPY660mn from J-Grand and JPY2.7bn from Gro-Bels. Operating profit ballooned to JPY9.3bn (versus loss of JPY37mn in Q1 FY12/22) due to JPY9.3bn in gains on negative goodwill related to the absorption-type merger with Mirainovate.

In May 2023, J-Grand made Live Rent, a real estate leasing and management company, into a wholly owned subsidiary. As a result, J-Grand has now established a one-stop system providing everything from land purchase, design, construction, sales, and loans for income-generating real estate to rental management.

Investment Business

- Operating revenue: JPY92mn (+23.0% YoY)
- Operating loss: JPY204mn (versus loss of JPY422mn in Q1 FY12/22)

J Trust's investment business consists mainly of the investment business and investee management support business operated by J Trust Asia. Operating loss was halved YoY as a result of efforts to reduce litigation expenses.

Other Business

- Operating revenue: JPY136mn (-4.6% YoY)
- Operating profit: JPY56mn (+436.8% YoY)

In the Other Business, J Sync (formerly Robot Systems) mainly handles system development, computer operation, and management for the company group. Operating revenue was JPY136mn and operating profit was JPY56mn.

Full-year FY12/22 results

Overview

- Operating revenue: JPY82.4bn (+94.7% YoY; 104.3% of revised company forecast)
- Operating profit: JPY14.4bn (+173.7% YoY; 110.8%)
- Profit attributable to owners of parent: JPY12.6bn (up over ten times; 105.3%)

In FY12/22, the company reported operating revenue of JPY82.4bn (+94.7% YoY, where results for FY12/21 have been retrospectively adjusted), operating profit of JPY14.4bn (+173.7% YoY), pre-tax profit of JPY17.0bn (+188.1% YoY), and profit attributable to owners of parent of JPY12.6bn (over 10x YoY). Operating revenue and all profit items outperformed the company's revised full-year projections; operating profit reached a record high.

Consolidated operating revenue was up JPY40.1bn YoY to JPY82.4bn. The increase was due to a JPY2.0bn uptick in the Financial Business in Japan, a JPY12.4bn increase in the Financial Business in Southeast Asia, JPY23.6bn YoY increase in the Financial Business in South Korea and Mongolia, and JPY2.6bn jump in the Other Business segment. On the other hand, operating revenue was down JPY416mn YoY at the Investment Business and adjustments (segment deductions) were up JPY88mn YoY. JTG Securities Co., Ltd., Nexus Card Co., Ltd., and South Korea's JT Chinae Savings Bank Co., Ltd. were consolidated in Q2, with the balance of loans in the banking business increasing and interest income trending favorably in the financial business in Southeast Asia.

Consolidated operating profit increased by JPY9.1bn YoY to JPY14.4bn, reaching a record high. Factors contributing to operating profit growth were earnings increases of JPY11.2bn in the Financial Business in South Korea and Mongolia (from gains on negative goodwill and positive impact of making JT Chinae Savings Bank a subsidiary) and JPY6.4bn in the Financial Business in Southeast Asia (a turn to the black). These factors were more than enough to offset the profit declines of JPY657mn in the Financial Business in Japan, JPY7.7bn in the Investment Business (drop-off of the upswing owing to a Singapore lawsuit), and JPY228mn in the Other Business, as well as increases in adjustments (JPY195mn) and company-wide expenses (JPY180mn).

Without the gains on negative goodwill recorded in the financial businesses in Japan and South Korea, consolidated operating profit would have been JPY4.5bn, down JPY729mn YoY. For the three financial businesses combined, total operating profit rose JPY17.0bn YoY (JPY657mn+JPY11.2bn+JPY6.4bn) to JPY18.4bn. However, deducting the gains on negative goodwill (JPY148mn in the Financial Business in Japan and JPY9.7bn in the Financial Business in South Korea and Mongolia for a total of JPY9.8bn), their profit growth would have been JPY7.1bn YoY, bringing the total operating profit of the three financial businesses to JPY8.6bn.

Pre-tax profit increased JPY11.1bn YoY (or 188.1%) to JPY17.0bn. The JPY2.0bn difference from the JPY9.1bn increase in operating profit (increase by JPY11.1bn minus increase by JPY9.1bn) reflects a JPY357mn decrease in financial income, a JPY2.1bn decrease in financial expenses, and a JPY197mn increase in equity-method investment gains.

Profit attributable to owners of parent stood at JPY12.6bn, up JPY11.5bn YoY, marking a record high since the company's transition to IFRS. The tax effect of JT Chinae Savings Bank's retained earnings had a negative impact, but a valuation gain was generated as a result of recalculation of the shares at fair value following the delisting of Nexus Bank. In addition, although a loss was recorded on the sale of shares of HS Holdings, a reversal of tax effect accounting in the previous period exceeded this. Further contribution came from the recording of foreign exchange gains due to the revaluation of assets and liabilities denominated in foreign currencies resulting from a weaker yen.

Mirainovate Co., Ltd., a company primarily engaged in the development and sale of condominiums and also operates a renewable energy business, resolved to merge with J Trust on November 14, 2022, and signed a merger agreement under which J Trust would survive the merger and Mirainovate would be dissolved for delisting. The company will seek to expand its real state business from FY12/23 (newly establishing Real Estate Business as a reportable segment), at the same time pursuing synergies between this business and the credit guarantee business.

Results by segment

Financial Business in Japan

- Operating revenue: JPY11.8bn (+20.4% YoY; achievement rate of 124.6% versus revised full-year company forecast)
- Operating profit: JPY3.9bn (-14.3% YoY; 105.1%)

J Trust's Financial Business in Japan is engaged mainly in the credit guarantee business and receivables collections (including Partir Servicer), credit and credit sales (Nexus Card), and the financial instruments business (JTG Securities). The company has diversified its credit guarantee products, offering credit guarantees mainly for condominium loans, real estate secured loans, and crowdfunding loans. JTG Securities and Nexus Card results have been added to the scope of consolidation from Q2 FY12/22.

Operating revenue increased by JPY2.0bn (+20.4% YoY) to JPY11.8bn due to an increase in commission income from JTG Securities and Nexus Card, which became consolidated subsidiaries, despite a decrease in interest income from purchased receivables (mainly due to lower gains on book value adjustments). Meanwhile, operating profit decreased by JPY657mn (-14.3% YoY) to JPY3.9bn. With the consolidation of JTG Securities and Nexus Card, commission income from the securities business and the credit/consumer credit business grew, lifting profit, but higher SG&A expenses more than offset the increase. The segment's operating profit included JPY148mn in negative goodwill associated with the acquisition of JTG Securities.

As of end-December 2022, the company's total guarantee balance stood at JPY209.6bn, while the balance of used apartment loans that began in November 2020 was JPY20.5bn (as of end-December 2022), exceeding the company forecast of JPY14.5bn. In July 2022, J Trust started a guarantee tie-up with Towa Bank, Ltd. (TSE Prime: 8558), bringing the number of partner financial institutions to 10.

To shift focus from condominium loan guarantees, J Trust has been working to diversify its product lineup by offering guarantees for loans that cover pre-owned condominiums, real estate-backed loans, and reverse mortgages, as well as guarantees for real estate purchases. The company started a business to provide guarantees for loan credits provided by affiliated financial institutions to investors (buyers) of luxury condominiums (the Kichijoji, Sangenjaya and other "J-ARC Series" properties, exclusively in Tokyo Jonan and Josai areas, at JPY400-800mn/property) sold by J-Grand (formerly Nihon Funding), a wholly owned subsidiary of Nihon Hoshou (beginning August 26, 2022). The company provides start-to-finish support for projects, including the purchase of land, construction, recruiting investors, condominium sales, and guarantees on mortgage loans. In order to provide investors with attractive yields, the company is focused on creating a mechanism for expanding cash flow in cooperation with financial institutions. As part of this effort, the company is working with financial institutions to establish a structure that increases cash flow and provides more attractive returns to investors.

Financial Business in South Korea and Mongolia

- Operating revenue: JPY38.5bn (+159.7% YoY; achievement rate of 101.3% versus revised full-year company forecast)
- Operating profit: JPY14.4bn (+350.0% YoY; 110.7%)

In South Korea, the savings bank business is operated by JT Savings Bank and JT Chinae Savings Bank (consolidated from Q2 FY12/22), and the non-performing receivables purchasing/collections business is operated by TA Asset Management. As of end-September 2022, total assets of the two banks combined ranked seventh in value out of the 79 savings banks in South Korea. In Mongolia, the financing business is operated by J Trust Credit NBFI.

Operating revenue increased by JPY23.6bn YoY to JPY38.5bn. In addition to JT Chinae Savings Bank falling within the scope of consolidation, interest income in the savings bank business increased as the loan balance grew. The loan balance in the banking business increased 149.3% YoY to JPY414.6bn. Outstanding operating loans were up 3.2% YoY to JPY1.7bn. The balance of purchased receivables increased 14.1% YoY to JPY2.0bn. Operating profit increased JPY11.2bn YoY to JPY14.4bn, thanks to the recording of JPY9.7bn in gains on negative goodwill from the share exchange with Nexus Bank. Operating profit on a business basis, excluding gains on negative goodwill, increased by about JPY1.5bn.

Financial Business in Southeast Asia

- Operating revenue: JPY29.2bn (+73.7% YoY; achievement rate of 105.7% versus revised full-year company forecast)
- Operating profit: JPY58mn (versus loss of JPY6.4bn in FY12/21) (full-year forecast for operating loss of JPY268mn)

The company's operations in Indonesia consist mainly of the banking business operated by PT Bank JTrust Indonesia (BJI), the receivables collections businesses operated by PT JTrust Investments Indonesia (JTI) and PT Turnaround Asset Indonesia (TAID), and the farm equipment financing and other financing businesses operated by PT JTrust Olympindo Multi Finance (JTO). Its operations in Cambodia consist entirely of the banking business operated by J Trust Royal Bank Plc (JTRB).

The segment reported operating revenue of JPY29.2bn (+73.7% YoY), a YoY increase of JPY12.4bn. Interest income increased in accordance with an increase in loans at BJI, and there was also an increase in the number of securities held. Operating loss of JPY6.4bn in FY12/21 swung to profit of JPY58mn in FY12/22. The significant improvement from the previous year was

attributable to success in minimizing bad debt risks through the reassessment of screening procedures and a reduction in funding costs due to lower interest rates on deposits at PT Bank JTrust Indonesia (BJI), in addition to the increase in operating revenue.

BJI (Indonesia)

Full-year operating revenue at BJI increased about JPY8.0bn YoY to JPY15.8bn. Earnings at the operating level improved by roughly JPY5.4bn to profit of JPY1.1bn. BJI turned to the black in the month of March 2022 and maintained profitability for the full-year as well. As of end-December 2022, BJI reported total loans outstanding of JPY164.0bn, up 103.7% YoY. Since January 2020, BJI has been reforming its overall management structure, strengthening its risk management procedures. The reshuffling of loan portfolio, which began in Q4 2021, has made progress. In addition to reducing the amount of non-performing loans through collection of receivables, BJI has managed to maintain the NPL ratio (gross) at 1.80% due to growth in the total loan balance, and, after taking into account the allowance for bad debts, the net NPL ratio has been kept to a mere 1.38%.

On the deposit side of the business, BJI has been seeing deposit balances continue to rise off the bottom logged in June 2020. The deposit balance as of end-December 2022 was roughly JPY218.1bn, of which over 80% were time deposits. By bringing in more small savers and new accounts, the company has continued to bring down its overall cost of funding from deposits and improve its interest income. Evincing the success of these efforts, the company said that its cost of funding from deposits in December 2022 was down to a low 4.7%, although this was higher than the previous month due to the policy interest rate hike, or roughly half of what it was (9.30%) when BJI first entered the Indonesia banking business in January 2015. By depending less on large depositors and focusing its marketing efforts on small savers, BJI was also able to grow its new savings account opening numbers.

Since Q4 of 2021, BJI has been expanding the mortgage business through business alliances with local subsidiaries of Japanese companies. As of end-December 2022, its mortgage loan balance grew 35.5% YoY, substantially outstripping the average growth rate of mortgage loans in Indonesia, which was 7%. Business alliances forged with Japanese company subsidiaries since November 2021 are shown below.

- February 2022: BJI signed a business alliance agreement for housing sales with PT.Hajime Indonesia Jaya, a local subsidiary of Iida Group Holdings (TSE Prime: 3291), which has the top market share of detached house sales in Japan.
- March 2022: BJI entered into a business alliance agreement on housing sales with PT.Dax Jaya Indonesia, an Indonesian subsidiary of DAX Corporation (headquartered in Fukuoka City).
- June 2022: BJI concluded a business alliance agreement with PT Springhill Mizumi Serpong, a joint venture between Hankyu Hanshin Real Estate Co., Ltd. (headquartered in Osaka) and PT Nasional Hijau Lestari (NHL, headquartered in Jakarta) of the Springhill Group, a real estate developer in Indonesia. The business alliance is for housing sales involving a residential development project near the capital Jakarta.
- August 2022: BJI signed a business alliance agreement with PT Jababeka Creed Residence, a joint venture of the Creed Group, for housing sales pertaining to Jababeka Residence.
- November 2022: BJI entered into a business alliance agreement with PT. Pakuan. Tbk, belonging to the Mitsubishi Corporation group, for housing sales involving Shila at Sawangan slated for development in Depok, West Java.

In addition, the company also focuses on heavy machinery loans through business alliances. In July 2022, J Trust forged a business alliance with PT Daya Kobelco Construction Machinery Indonesia (Kobelco Indonesia) for sales of financial investment products for heavy machinery. In August 2022, it signed a business alliance agreement with PT Hexindo Adiperkasa, an Indonesian subsidiary of Hitachi Construction Machinery Co., Ltd. for sales of heavy machinery.

With regard to BJI, the company is looking for business and capital alliances to form strategic partnerships, while also considering debt purchasing or M&A with financially distressed financial institutions. In fact, the company has concluded a comprehensive business alliance with PT Asuransi Jiwa Sequis Financial (a wholly owned subsidiary of PT Asuransi Jiwa Sequis Life, a joint venture between Indonesian conglomerate GSK Group and Nippon Life Insurance Company).

JTO • JTII

As for JTO, the business environment has deteriorated due to the COVID-19 pandemic, with the company having implemented restructuring measures such as branch consolidation and real estate sales. It is concentrating its efforts on retaining/managing agricultural equipment-related loan receivables, and is transferring some receivables to JTII. Because JTO only handles loans for agricultural equipment at present, its outstanding operating loans have fallen 50.1% YoY to JPY767mn. In contrast, the total balance of purchased receivables for JTII and TAID increased by JPY2.1bn YoY to JPY27.2bn by end-December 2022 as a result of the transfer of some receivables from JTO. JTII will strive to maximize the amount of

money collected, including the receivables transferred from JTO. In addition, as the market is expected to expand due to an increase in non-performing loans, the company is looking to expand earnings opportunities by purchasing other companies' loans.

JTRB (Cambodia)

Deposit balance at JTRB continued to rise, while the loan balance hit JPY128.7bn at end-December 2022 for a YoY increase of 26.1%. Aided by the rapid growth in the Cambodian banking industry, which is currently growing at the rate of 15–20% per annum, JTRB has grown its loan book by focusing on business loans. The ratio of loans behind on payments rose to 2.05% for the full year due to some large clients falling behind on payments, but was still relatively low. Deposit funding costs rose to 3.5% due to higher US interest rates, but were still relatively low as well. The company is focusing on growing business with new customers, particularly large companies, and enhancing products and online banking services for the wealthy. Its aim is for earnings to recover back to the level prior to the COVID-19 pandemic (before it acquired JTRB) by FY12/24.

Investment Business

- Operating revenue: JPY226mn (-64.8% YoY)
- Operating loss: JPY2.2bn (versus profit of JPY5.4bn in FY12/21)

J Trust's investment business consists mainly of the investment business and investee management support business operated by J Trust Asia. The decline in revenue and profit was due to the partial payments of damages awarded to J Trust Asia in a Singapore lawsuit in FY12/21.

Other Business

In Other Business, J Sync (formerly Robot Systems) mainly handles system development, computer operation and management for the company group, while J-Grand Co., Ltd. handles real estate operations. Operating revenue was JPY3.5bn (+294.4% YoY) and operating profit was JPY202mn (-53.0% YoY). J-Grand's real estate business contributed to the increase in operating revenue.

Topics

► Merger with Mirainovate

On November 14, 2022, J Trust entered into a merger agreement with Mirainovate Co., Ltd. (mainly engaged in condominium development and sales; also operates a renewable energy business) following a board approval on business integration of the two parties. (The transaction was an absorption-type merger where J Trust was the surviving company; Mirainovate was delisted and dissolved.) The effective date of the merger was February 1, 2023. Mirainovate had cash and deposits of JPY13.0bn, which was almost equivalent to its market capitalization. Since the merger was implemented based on a merger ratio at a valuation below net assets, the liquidity of the J Trust group could be efficiently improved. J Trust expects to build up the balance of credit guarantees in the Financial Business in Japan segment by expanding Mirainovate's mainstay real estate business.

Income statement

Income statement (JPYmn)	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Operating revenue	66,453	74,321	74,935	24,728	32,652	42,325	82,038	114,279
YoY	-	11.8%	0.8%	-	-	7.5%	93.8%	39.3%
Operating expenses	38,116	47,451	78,253	16,054	17,653	23,017	45,999	81,148
SG&A expenses	26,431	26,870	28,488	18,926	19,643	21,560	30,447	36,870
SG&A, % of operating revenue	39.8%	36.2%	38.0%	76.5%	60.2%	50.9%	37.1%	32.3%
Other revenues	1,254	2,239	366	5,215	602	8,731	10,428	12,109
Other expenses	2,552	222	1,159	93	709	1,218	1,431	310
Operating profit	606	4,759	-32,600	-5,130	-4,752	5,260	14,589	8,059
YoY	-	685.3%	-785.0%	-	-	-	177.4%	-44.8%
Operating profit margin	0.9%	6.4%	-	-	-	12.4%	17.8%	7.1%
Financial revenue	282	47	1,612	76	2,052	3,020	2,679	1,516
Financial expense	1,320	1,895	110	472	278	2,728	608	418
Equity in earnings of affiliates	-	-	-	-	-	347	544	615
Equity in earnings of affiliates	-2	-12	-36	-	-	-	-	-
Pre-tax profit (loss)	-433	2,898	-31,135	-5,526	-2,978	5,899	17,205	9,772
YoY	-	-	-	-	-	-	191.7%	-43.2%
Pre-tax profit margin	-	3.9%	-	-	-	13.9%	21.0%	8.6%
Income tax expenses	1,136	1,012	2,753	1,275	7,145	2,311	3,538	-7,199
Profit from continued operations	-1,570	1,885	-33,888	-6,802	-10,123	3,587	13,666	16,972
Profit from discontinued operations	504	-	-	3,047	4,108	-2,646	-243	-203
Net income (loss)	-1,065	-731	-36,676	-3,754	-6,014	941	13,422	16,769
YoY	-	-	-	-	-	-	-	24.9%
Profit (loss) attributable to owners of parent	-1,270	-731	-36,107	-3,260	-5,342	1,123	12,632	16,310
YoY	-	-	-	-	-	-	-	29.1%
Net margin	-	-	-	-	-	2.7%	15.4%	14.3%

Source: Shared Research based on company data

Note: Figures that exceed 1,000% YoY, are denoted by "-."

Note: In FY03/17 IFRS results, figures down to pre-tax profit exclude results for discontinued operations (Adores, Inc).

FY03/09–FY03/14

Operating revenue increased from JPY4.9bn in FY03/09 to JPY61.9bn in FY03/14 and operating profit grew from JPY240mn to JPY13.7bn over the same period.

Up until FY03/13, business expansion was achieved through M&A centering on the Financial Business in Japan, with growth in operating revenue and profit driving consolidated earnings. While many peer companies were struggling financially due to the January 2006 ruling by the Supreme Court allowing borrowers to request the refund of interest payments, the December 2006 enactment of the amended Money Lending Business Act, the June 2010 lowering of the maximum interest rate under the Capital Subscription Law, and the introduction of limits on total volume, J Trust was aggressively pursuing M&A. Specifically, it acquired Station Finance (March 2009), Lopro Corporation (September 2010), KC Card (August 2011), and the consumer financial business of Takefuji Corp. (March 2012), which was undergoing corporate reorganization proceedings, and made these subsidiaries.

In October 2012, J Trust launched a savings bank business in South Korea and established JT Chinae Savings Bank. Owing to initial investment costs, the Financial Business in South Korea registered operating loss in FY03/13. However, when the Financial Business in Japan saw operating revenue and profit fall in FY03/14, the Financial Business in Korea logged growth in both operating revenue and profit. As a result, consolidated operating profit reached JPY13.7bn in the same year.

FY03/14–FY12/20

In July 2013, J Trust procured funds of JPY97.6bn through a rights offering, which it used to expand its business overseas. While continuing to expand its business in South Korea through the acquisition of savings banks, it entered the Indonesian banking business in November 2014 with the acquisition of PT Bank JTrust Indonesia.

After this time, J Trust suffered repeated losses due to provisioning for doubtful accounts in South Korea and Indonesia. Operating loss was recorded in FY03/15 due to the provisioning for doubtful accounts and the processing of NPLs in South Korea. In FY03/16, despite a swing to profit in South Korea, the operating loss continued owing to the amortization of goodwill from the acquisition of PT Bank JTrust Indonesia and increasing provisions against NPLs. Operating loss was again recorded in FY03/17 (Japanese accounting standards basis) mainly due to provisions against NPLs at PT Bank JTrust Indonesia.

In FY03/18, the Investment Business posted operating loss as a result of valuation losses, but on a consolidated basis (IFRS), the company turned an operating profit thanks to increased operating revenue at PT Bank JTrust Indonesia and a reduction in the provision for doubtful accounts. Then, in FY03/19, another operating loss of JPY32.6bn was recorded as a result of the processing of NPLs at PT Bank JTrust Indonesia and the provisions booked in the Investment Business. In the irregular nine-month fiscal year ended December 2019, the company posted operating loss of JP5.1bn.

In FY12/20, the financial business in Southeast Asia continued to post losses. Several one-off factors impacted the loss attributable to owners of parent of JPY5.3bn. Although the company booked JPY1.9bn in valuation gains on shares of Nexus Bank, it had income tax expenses of JPY6.5bn due to the booking of deferred tax liabilities on Nexus Bank shares. In discontinued operations it booked losses totaling JPY1.4bn due to loss of control of subsidiaries J Trust Card and JT Chinae Savings Bank.

FY12/21 onward

In FY12/21, the company returned to the black after posting operating loss. The company estimates that, excluding one-time factors from its operating profit of JPY5.3bn in FY12/21, its base profit was approximately JPY1.2bn.

In FY12/22, operating revenue was 82.4bn (+94.7% YoY; YoY change versus retroactively adjusted FY12/21 result), operating profit was JPY14.4bn (173.7% YoY), pre-tax profit was JPY17.0bn (+188.1% YoY), and profit attributable to owners of parent was JPY12.6bn (over 10x YoY). Operating revenue and all profit lines reached their revised full-year targets (announced in August 2022), with operating profit marking a record high.

In FY12/23, operating revenue rose JPY32.2bn (+39.3% YoY) to a record high of JPY114.3bn. Operating profit fell JPY6.5bn (-44.8% YoY) to JPY8.1bn, the second-highest level since the transition to IFRS, behind FY12/22, when the company posted gains on negative goodwill associated with the acquisition of Nexus Bank.

Balance sheet

Balance sheet (JPYmn)	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Assets								
Cash and deposits	80,666	84,723	87,150	81,913	60,593	74,648	131,960	105,740
Trade and other receivables	78,416	92,723	106,735	113,942	87,599	44,345	50,226	60,796
Marketable securities in banking business	30,459	37,159	46,599	52,805	14,176	40,471	94,740	101,881
Loans in the banking business	311,480	343,400	326,234	370,174	118,159	338,593	680,949	716,422
Assets related to securities business							27,432	27,445
Operational investment securities	21,494	3,242	2,855	1,895	505	274	305	327
Marketable securities	144	208	1,179	721	24,354	27,139	2,566	2,209
Other financial assets	38,066	46,300	33,416	40,893	18,451	28,554	54,018	110,314
Investments accounted for by equity method	168	144	126	118	5,841	6,132	6,626	7,708
Inventories	6,848	6,937	6,742	7,285	42	1,358	4,120	21,318
Assets held for sale	4,199	1,807	2,310	1,102	156,515	679	859	684
Total tangible assets	5,622	3,028	5,119	9,871	6,032	7,708	10,592	8,617
Investment property	2,249	610	916	2,309	-	-	-	-
Goodwill	32,140	29,578	33,508	35,901	28,290	30,260	30,839	33,507
Intangible assets	3,459	3,087	3,790	7,461	4,620	4,078	12,667	11,860
Deferred tax assets	1,476	1,502	2,373	934	824	923	640	1,452
Other assets	2,971	2,505	9,317	4,053	4,454	5,463	7,396	4,427
Total assets	619,865	656,961	668,377	731,384	530,462	610,631	1,115,943	1,214,714
Liabilities								
Trade and other payables	8,110	9,811	14,613	16,137	14,888	14,657	13,856	14,041
Deposits by banking business	364,462	403,509	437,010	483,402	184,239	437,755	864,547	908,933
Liabilities related to securities business							25,187	24,445
Liabilities directly related to assets held for sale	-	-	-	-	141,109	-	-	-
Bonds and loans payable	72,139	78,727	86,002	85,105	67,803	26,939	39,749	61,518
Other financial liabilities	8,182	5,272	13,383	19,911	9,425	11,837	23,895	27,727
Income taxes payable	1,205	629	1,215	977	483	1,411	1,073	1,136
Provisions	2,128	353	1,114	1,214	724	253	614	557
Deferred tax liabilities	759	850	1,076	1,865	7,327	8,085	10,166	3,361
Other liabilities	6,963	7,029	3,233	3,864	2,003	1,746	4,500	4,778
Total liabilities	463,952	506,184	557,650	612,478	428,004	502,685	983,593	1,046,499
Capital stock	53,630	53,638	54,760	54,760	54,760	90	90	90
Capital surplus	52,743	52,713	53,844	54,082	54,261	99,088	103,920	115,557
Treasury stock	-7,685	-7,685	-7,685	-7,685	-7,685	-7,685	-7,690	-7,709
Other components of equity	2,091	-1,854	-3,170	-4,219	-7,273	-4,281	-128	7,098
Retained earnings	49,504	47,555	6,424	3,040	-2,212	8,459	21,077	36,552
Equity attributable to owners of the parent	150,284	144,366	104,173	99,977	91,599	95,670	117,268	151,588
Non-controlling interests	5,628	6,409	6,554	18,928	10,858	12,275	15,081	16,626
Total equity	155,913	150,776	110,727	118,905	102,458	107,945	132,349	168,215
Total liabilities and equity	619,865	656,961	668,377	731,384	530,462	610,631	1,115,943	1,214,714
Total interest-bearing debt	72,139	78,727	86,002	85,105	67,803	26,939	39,749	61,518
Net debt	-8,527	-5,996	-1,148	3,192	7,210	-47,709	-92,211	-44,222

Source: Shared Research based on company data

Note: FY03/17 IFRS results exclude results for discontinued operations (Adores, Inc.).

Statement of cash flows

Cash flow statement	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22	FY12/23
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Cash flows from operating activities (1)	-12,413	4,581	18,831	-20,829	6,813	15,408	49,518	-47,079
Pre-tax profit (loss)	-433	2,898	-31,135	-357	2,953	5,899	17,205	9,772
Pre-tax profit or loss from discontinued operations						-2,675	-228	-329
Depreciation	2,636	2,456	1,535	2,767	4,013	2,791	4,532	5,369
Change in trade and other receivables	-10,805	-11,644	497	840	20,618	-1,227	-1,268	-2,638
Change in deposits in banking business	86,236	49,354	39,554	-13,724	25,583	89,804	136,491	-6,432
Change in loans in banking business	-87,500	-42,789	-5,395	-17,559	-48,361	-77,316	-89,032	471
Income taxes paid	-1,922	-2,231	-2,332	-2,574	-2,333	-1,685	-2,752	-2,647
Cash flows from investing activities (2)	-4,468	-7,603	-15,190	15,431	-8,422	-10,002	-9,121	-501
Purchase of tangible assets and investment property	-1,843	-1,474	-1,941	-1,636	-514	-2,629	-794	-815
Proceeds from sale of tangible assets and investment property	1,162	270	48	737	303	588	671	6,428
Purchase of in tangible assets	-1,537	-794	-1,983	-2,312	-634	-301	-519	-347
purchase of marketable securities in banking business	-102,457	-106,170	-105,252	-74,266	-142,954	-30,051	-54,501	-177,163
Proceeds from sale of marketable securities in banking business	73,739	97,229	95,565	67,529	142,062	15,140	17,330	117,797
Proceeds from redemption of marketable securities in banking business	24,984	984	5,869	1,331	10,355	2,403	6,836	60,873
Free cash flow (1+2)	-16,881	-3,022	3,641	-5,398	-1,609	5,406	40,397	-47,580
Cash flows from financing activities	10,612	7,798	-525	18	-8,638	-6,129	7,289	4,344
Net change in short-term loans payable	-4,635	4,112	-4,929	-770	-2,555	-3,502	-395	-1,506
Net change in current portion of bonds	14,959	5,915	-5,487	-4,251	-5,868	7,164	-	-
Repayment of long-term loans payable	-10,751	-18,938	-26,946	-20,349	-33,583	-30,866	-8,830	-16,863
Proceeds from long-term loans payable	26,189	17,850	31,964	23,344	35,678	23,842	17,391	24,045
Redemption of bonds	-7,446	-6,577	-5,956	-6,371	-16,012	-9,808	-150	-210
Proceeds from issuance of bonds	470	7,060	9,540	10,050	15,024	7,647	400	1,400
Purchase of treasury shares	-7,279	-	-	-	-	-	-5	-7
Dividends paid	-1,401	-1,235	-1,236	-105	-105	-	-105	-1,286

Source: Shared Research based on company data

Note: Figures may differ from company materials due to differences in rounding methods

Note: FY03/17 IFRS results exclude results for discontinued operations (Adores, Inc.).

Other information

History

Date	Description
Mar. 2009	Bought 100% of Station Finance (now Nihon Hoshou) from Hankyu Corp.
Sep. 2010	Bought 100% of Lopro Corporation (now Nihon Hoshou).
Aug. 2011	Bought 97.76% of KC Card (formerly Rakuten KC) from Rakuten.
Mar. 2012	Bought and transferred the consumer financial business of Takefuji Corp. (now TFK under corporate rehabilitation) to Lopro Corporation (now Nihon Hoshou) via an absorption-type split.
Apr. 2012	Company bought Next Japan Holdings through a stock swap.
Jun. 2012	Made Adores a consolidated subsidiary.
Jul. 2012	Bought 100% of JT Investment (formerly Neoline Holdings) from NLHD.
Oct. 2012	Obtained a South Korean savings bank business license via Chinae; launched savings bank business with the establishment of Chinae Savings Bank (now JT Chinae Savings Bank).
Jul. 2013	Procured JPY97.6bn of funds via rights offering (non-commitment/gratis-allotment of listed conversion options).
Oct. 2013	Established JTrust Asia Pte. Ltd. in Singapore as a foothold for advancement into Southeast Asia.
Mar. 2014	Bought 100% of KJI Consumer Finance LLC and HICAPITAL CO., LTD., making them subsidiaries.
Nov. 2014	In Indonesia acquired 99.0% of Indonesian commercial bank PT Bank Mutiara Tbk.'s shares from Indonesia Deposit Insurance Corporation, making it a consolidated subsidiary.
Jan. 2015	Demerged the credit card business of KC Card, which was taken over by KC Card's Subsidiary KC (now YJ Card) with all of KC's shares sold to Yahoo Japan Corporation and SoftBank Payment Service Corp. Also, KC Card's trading name changed to J Trust Card.
Jan. 2015	In South Korea, purchased all the shares of Standard Chartered Savings Bank Korea Co., Ltd., made it a consolidated subsidiary, and changed trading name to JT Savings Bank.
Mar. 2015	In South Korea, purchased all the shares of Standard Chartered Capital (Korea) Co., Ltd., made it a consolidated subsidiary, and changed trading name to JT Capital.
Jun. 2015	Established PT JTrust Investments Indonesia in Indonesia as a subsidiary of JTrust Asia Pte. Ltd.
Oct. 2017	Transferred the General Entertainment business, part of the Real Estate business, and Other business (money exchange services) of Adores, Inc. to Adores Company Split Preparatory Company through a company split (absorption-type split). At the same time, Adores, Inc. changed its trading name to KeyHolder, Inc., and Adores Company Split Preparatory Company changed its to Adores, Inc.
Mar. 2018	Sold all shares in Adores, Inc. to Wide Leisure, K.K., and subsequently excluded Adores from the scope of consolidation.
May 2018	Purchased all the shares of Capital Continent Investment NBFi (now, J Trust Credit NBFi), which conducts automobile loans, from Japan Pocket Co. Ltd., and entered the Mongolian market.
Oct. 2018	In Indonesia, JTrust Asia Pte. Ltd. acquired shares of PT Olympindo Multi Finance (now, PT JTrust Olympindo Multi Finance) and 60% of new shares via third-party allotment to make PT JTrust Olympindo Multi Finance a consolidated subsidiary.
Aug. 2019	Company completed share purchases of ANZ Royal Bank (Cambodia) Ltd. and made it a consolidated subsidiary.
Nov. 2020	J Trust Card Co., Ltd. and its subsidiary JT Chinae Savings Bank deconsolidated after a share exchange with Nexus Bank Co., Ltd. made J Trust Card a wholly owned subsidiary of Nexus Bank
Aug. 2021	Sold all shares in JT Capital Co., Ltd. and subsequently excluded JT Capital from the scope of consolidation.
Mar. 2022	Acquired all outstanding shares in J Trust Global Securities Co., Ltd. from HS Holdings Co., Ltd., making it a consolidated subsidiary.
Apr. 2022	Made Nexus Card, JT Chinae Savings Bank, and Samurai Technology consolidated subsidiaries through a share exchange wherein J Trust became the wholly-owning parent company.
Apr. 2022	Moved its listing to the Standard Market of the Tokyo Stock Exchange following the restructuring of market segments.
Feb. 2023	Conducted absorption-type merger with Mirainovate Co., Ltd.
Apr. 2023	Conducted absorption-type merger with Nexus Bank Co., Ltd.

Top management

President and chief executive officer

Nobuyoshi Fujisawa

Date of birth: January 17, 1970

Aug. 2007	Representative Director & Chairman, Kazaka Servicer Co., Ltd. (now Partir Servicer Co., Ltd.)
Jun. 2008	Representative Director & Chairman, J Trust Co., Ltd.; Director, Mass Work Co., Ltd. (now Gro-Bels Co., Ltd.)
Jun. 2010	Director, J Trust Co., Ltd.; Director, Adores, Inc. (now KeyHolder, Inc.)
Oct. 2010	Director & Supreme Advisor, J Trust Co., Ltd.
May 2011	Representative Director & Chairman, Adores, Inc. (now KeyHolder, Inc.)
Jun. 2011	President & CEO, J Trust Co., Ltd.
Oct. 2013	Managing Director & CEO, J Trust Asia Pte. Ltd. (current position)
Jan. 2014	Chairman, Chinae Savings Bank Co., Ltd. (now JT Chinae Savings Bank Co., Ltd.)
May 2014	Chairman, Adores, Inc. (now KeyHolder, Inc.)
Sep. 2014	Executive Director, LCD Global Investments Ltd. (now AF Global Limited)
Mar. 2015	Director & Chairman, JT Capital Co., Ltd. (now A Capital Co., Ltd.)
Jun. 2015	Representative Director, President & CEO, J Trust Co., Ltd.; President Commissioner, PT JTrust Investments Indonesia; Director, Adores, Inc. (now KeyHolder, Inc.)
Mar. 2017	Outside Director, Digital Design Co., Ltd. (now J Trust Co., Ltd.)
Jun. 2019	Chairman, KeyHolder, Inc. (current position)
Mar. 2020	Director, maneo market Inc.
Jun. 2020	Chairman and Director, J Trust Co., Ltd. Outside Director, Prospect Co., Ltd. (now J Trust Co., Ltd.); Representative Director and President, Prospect Energy Management Co., Ltd. (now J-Grand Co., Ltd.)
Jul. 2020	Representative Director, Chairman & CEO, Prospect Co., Ltd. (now J Trust Co., Ltd.)
Oct. 2020	Representative Director, President & CEO, J Trust Co., Ltd. (current position); Chairman & Director, Prospect Co., Ltd. (now J Trust Co., Ltd.)
Mar. 2022	Director & Chairman, H.S. Securities Co., Ltd. (now J Trust Global Securities Co., Ltd.) (current position)
May 2022	Director & Chairman, Clear Co., Ltd. (current position)
June 2023	Chairman, Gro-Bels Co., Ltd. (current position)

Major shareholders

Top shareholders	Number of shares held in the company	Shareholding ratio
	(000 shares)	
NLHD Co., Ltd.	35,434	25.74%
Nobuyoshi Fujisawa	11,477	8.34%
KSD-KB	6,233	4.53%
JAPAN POCKET Co., Ltd.	3,055	2.22%
Nomura Securities Co., Ltd. (self-transfer account)	3,000	2.18%
S Finance Co., Ltd.	2,890	2.10%
KOREA SECURITIES DEPOSITORY-SHINHAN INVESTMENT	2,113	1.54%
Japan Securities Finance Co., Ltd.	1,634	1.19%
Omotesando Capital Co., Ltd.	1,519	1.10%
G Cross LLC	1,480	1.08%
SUM	68,839	50.01%

Source: Shared Research based on company data

Notes: Shareholding percentages calculated after excluding treasury shares

As of end-June 2023

Shareholder returns

J Trust views the appropriate return of profits to shareholders as a matter of importance. It strives to redistribute profits, while also taking into account the future operating environment and industry conditions. In FY12/22, the company declared a year-end dividend of JPY10 per share. On February 14, 2023, J Trust announced the reintroduction of a shareholder benefit program. In FY12/24, it plans to award coupons for DS Clinic treatment (worth JPY30,000 each; for shareholders holding 100 or more shares on the record date), which were well received in FY12/23, and raffle off tickets for an exclusive performance at the Tokyo Takarazuka Theater (for shareholders holding 500 or more shares on the record date).

In February 2024, the company announced repurchases of its own stock (up to 4mn shares with a maximum acquisition value of JPY2.0bn), and it canceled the bulk of its treasury shares at the end of February.

Dividends

In FY12/23, the company expects to pay an interim dividend of JPY1 per share to shareholders of record as of June 30, 2023 and a year-end dividend of JPY13 per share to shareholders of record as of December 31, 2023, for an annual dividend of JPY14 per share.

For FY12/24, the company forecasts a year-end dividend of JPY14 per share.

News and topics

Completed transfer of shares of specified subsidiary (PT JTRUST OLYMPINDO MULTI FINANCE)

2023-11-01

J Trust Co., Ltd. announced on October 31 that the transfer of all shares of PT JTRUST OLYMPINDO MULTI FINANCE ("JTO") held by its subsidiary JTRUST ASIA PTE. LTD. has been completed. This share transfer was completed after obtaining required approval from Otoritas Jasa Keuangan (OJK), the Indonesian Financial Services Authority. The effective date of the share transfer was October 31, 2023.

The company expects the share transfer to have a positive impact on its consolidated results. This is because the share transfer price was set to exceed the value of net assets at the closing of the transaction and also because JTO will be classified as a discontinued operation at the closing and JTO's accumulated deficit will be excluded from the company's operating profit.

Basic agreement to support restructuring of GAIA and its group companies

2023-10-31

J Trust Co., Ltd. announced on October 30, 2023, that it has resolved to sign a memorandum of understanding to support the rehabilitation of GAIA Co., Ltd. (which operates a nationwide chain of pachinko halls) and its group companies. On October 30, 2023, GAIA and its seven group companies filed for the commencement of civil rehabilitation proceedings with the Tokyo District Court, as they are in a difficult situation to continue their business on their own. J Trust will provide DIP financing to GAIA and the Gaia Group and participate in the business rehabilitation. The impact on the company's earnings forecast is currently under examination.

Overview of GAIA Co., Ltd.

- Business: Operation of amusement facilities
- Revenue: JPY189.5bn
- Operating profit: JPY1.8bn
- Net loss: JPY6.6bn
- Total assets: JPY86.7bn
- Net assets: JPY1.7bn
- Group companies: 1. Topos Enterprise, 2. GAIA Build, 3. Java, 4. United Agency, 5. MG, 6. MG Construction, 7. GAIA Store Management, 8. One Forward
(GAIA and companies 1 to 6 have filed for the commencement of civil rehabilitation proceedings.)

Dividends of surplus from consolidated subsidiary

2023-10-03

On October 3, 2023, J Trust Co., Ltd. announced it has received dividends of surplus from its consolidated subsidiary, Nihon Hoshou Co., Ltd.

Outline of dividends

- Amount of dividends: JPY4.0bn
- Date of receipt: October 2, 2023

Impact on earnings results

- The company will post the dividend income under operating revenue for FY12/23 non-consolidated financial results.
- Since the dividends are from a consolidated subsidiary, they will have no impact on the company's consolidated business results for FY12/23.

Transfer of fixed assets and recognition of other revenue

2023-09-21

On September 20, 2023, J Trust Co., Ltd. announced it has resolved to transfer its fixed assets and expects to record a gain on the sale of the fixed assets in consolidated Q3 FY12/23.

- ▶ Reason for the transfer of fixed assets: To effectively utilize management resources and strengthen financial soundness
- ▶ Details of the fixed assets: The land and building at 3-chome, Kita Aoyama, Minato-ku, Tokyo (unused real estate)
- ▶ Transferee: GMO Asset Management Co., Ltd. (Real estate business)
- ▶ Profit or loss on transfer: A gain on sale of fixed assets of JPY1.4bn
- ▶ Scheduled transfer date: September 29, 2023
- ▶ Impact on earnings results: The company will record a gain on sale of JPY1.4bn as other revenue in Q3 FY12/23.

Acquisition of shares of Saikyo Card Co., Ltd.

2023-08-28

J Trust Co., Ltd. announced it will acquire shares of Saikyo Card Co. Ltd. to make it a subsidiary.

J Trust has decided to acquire all shares of Saikyo Card Co. Ltd. and concluded a share transfer agreement.

Background and reasons for the share transfer

Saikyo Card, a wholly-owned subsidiary of The Saikyo Bank, Ltd., operates an installment business specializing in loans to beauty salons and medical institutions. Meanwhile, J Trust Group operates an installment business through its subsidiary Nexus Card Co., Ltd., where the transaction volume has been expanding rapidly, mainly due to the full operation of installment processing with Mens Clear, number one in the men's hair removal industry, in 2023. As the installment business is growing briskly, the company believes it is urgent to strengthen Nexus Card's application screening and internal control systems. By adding Saikyo Card, which is vital in these areas, to the Group, J Trust expects to share management resources such as knowledge, personnel, and system functions between the two companies to optimize the distribution of resources and further develop the installment business as a new growth driver in its domestic financial business.

Saikyo Card will change its name to MIRAI Co., Ltd. on October 2, 2023.

Summary of the share acquisition

- ▶ Company in which shares will be acquired: Saikyo Card Co., Ltd.
- ▶ Number of shares to be acquired: 1,200 shares (shareholding ratio of 100%)
- ▶ Acquisition price: JPY137mn for Saikyo Card common stock and JPY3mn (estimate) in advisory fees, for a total of JPY140mn (estimate)
- ▶ Date of stock transfer agreement conclusion: August 25, 2023
- ▶ Stock transfer execution date: October 2, 2023 (scheduled)

The company is currently examining the impact of this acquisition on its earnings forecast for FY12/23, and will promptly announce any facts that warrant disclosure.

Upward revisions to full-year FY12/23 earnings forecast

2023-08-09

J Trust Co., Ltd. announced that it has revised its full-year FY12/23 earnings forecast upward.

The company revised up its full-year FY12/23 earnings forecast on August 8, 2023. The revised forecast calls for operating revenue of JPY118.0bn (up JPY3.0bn from its initial forecast, +43.2% YoY), operating profit of JPY10.5bn (up JPY2.0bn, -27.1% YoY), pre-tax profit of JPY12.5bn (up JPY3.5bn, -26.4% YoY), and profit attributable to owners of parent of JPY16.5bn (up JPY3.5bn, +30.6% YoY). The company has revised its forecast upward as businesses have performed well across all segments relative to initial expectations and further growth is expected.

In the banking business of the Financial Business in Southeast Asia, outstanding loans exceeded JPY 200.0bn, and interest income increased more than initially expected as interest rates were raised. As for the Financial Business in South Korea and Mongolia, despite the company's initial expectation of earnings deterioration due to increased deposit rates in the savings bank business, the losses have not been as severe as anticipated. In the Financial Business in Japan, Nexus Card's installment account receivable balance is growing, and the collection of receivables is proceeding more than initially assumed.

The company recognized gain on negative goodwill (in connection with the absorption-type merger with Mirainovate Co., Ltd.) in Q1 FY12/23. In Q2 FY12/23, the reversal of deferred tax liabilities (associated with the completed merger with Nexus Bank Co., Ltd. as of April 1, 2023) will be added to profit attributable to owners of the parent.

Profile

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Tokyo Stock Exchange, Standard Market

Exchange Listing

1998-09-08

Fiscal Year-End

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