

J Trust Co., Ltd.

(8508 TSE2)

Issue Date: March 7, 2016

Steady growth of financial business in South Korea with stable income in domestic financial business

Results of financial business in South Korea significantly improved

Operating revenue in Q3 FY2016 recorded 57.9 billion yen, up about 20% (9.8 billion yen) year on year. While domestic financial business was downsized (down 7.3 billion yen) due to the sale of the KC Card business, operating revenue significantly increased in financial businesses in South Korea (up 6.2 billion yen) and Southeast Asia (up 9.0 billion yen), driven by the acquisition of Standard Chartered Savings Bank Korea during Q4 FY2015 and consolidation of Bank JTrust Indonesia into the results from FY2016. Despite a decline in operating revenue, domestic financial business achieved operating income of 2.9 billion yen (up 1.4 billion yen) as cost reduction and release from the claim for refund of overcharged interest contributed to the results. Financial business in South Korea recorded operating income of 0.1 billion yen due to strong growth in new loans, which was a significant improvement compared with operating loss of 4.2 billion yen in the same period of the previous year. Now that restructuring of business has completed, J Trust should have entered into a stage to promote aggressive management of financial business in South Korea. Financial business in Southeast Asia continued to suffer loss to date (operating loss of 5.8 billion yen), despite progress in improvement of the earning structure, given the background that Bank JTrust Indonesia used to be a failed bank. Bank JTrust Indonesia is expected to emerge from the deficit trend by March 2016 and contribute to the results from the next fiscal year. Apart from the above, investment business generated operating income of 2.5 billion yen during this quarter in connection with conversion into equities of convertible bond of Group Lease in Thailand, significantly contributing to the overall operating income.

Despite operating loss in Q3, positive operating income is expected for the full year

Though operating income/loss improved by 1.2 billion yen from loss of 3.3 billion yen in the same period of the previous fiscal year to loss of 2.1 billion yen in Q3 (cumulative), it is still short of 9.6 billion yen compared with target operating income of 7.5 billion yen. However, out of that shortfall, 1.5 billion yen is attributable to different treatment between JGAAP and IFRS, which is expected to disappear upon adoption of IFRS from March 2016. J Trust aims to achieve the target by offsetting the remaining shortfall of 8.1 billion yen with incremental operating income (estimated around 0.8 billion yen) in domestic financial business which has already achieved the target, gain on sales of NPLs (over 2.0 billion yen) and operating income from normal operations (around 0.5 billion yen) in South Korea and reversal of allowance for doubtful accounts expected in Southeast Asian business upon adoption of IFRS (over 2.0 billion yen). There are uncertainties about the impact of adoption of IFRS, and operating income will highly depend on its outcome, but operating income of over 5.0 billion yen is expected. In addition, as actual improvement in business has not been fully reflected in financial figures due to special factors which have occurred in financial business in South Korea (see P31), if financial business in Southeast Asia comes to the break-even, J Trust is considered to have assets which can generate operating income of over 6.0 billion yen from three financial businesses.

◆Business Overview

| | | (mil yen) | | | | | | | | | |
|------------|----------------|-------------------|--------|------------------|------------------------|-----------------|------------------------|-------------|------------|--------|-----------|
| FY | | Operating revenue | y/y | Operating income | Operating profit ratio | Ordinary income | Ordinary income Margin | Net income* | Net margin | EBITDA | EPS (yen) |
| Mar-14 | Actual | 61,926 | 111.2% | 13,745 | 22.2% | 13,351 | 21.6% | 11,145 | 18.0% | 17,376 | 109.66 |
| Mar-15 | Actual | 63,281 | 102.2% | (5,217) | -8.2% | (2,385) | -3.8% | 10,143 | 16.0% | (926) | 85.92 |
| Mar-16 | Company Est.** | 81,900 | - | 7,500 | 9.2% | n.a. | n.a. | 4,700 | 5.7% | n.a. | 40.85 |
| Cumulative | | Operating revenue | y/y | Operating income | Operating profit ratio | Ordinary income | Ordinary income Margin | Net income* | Net margin | EBITDA | EPS (yen) |
| 2015/3-3Q | Actual | 48,120 | 109.3% | (3,321) | -6.9% | (316) | -0.7% | (1,142) | -2.4% | n.a. | (9.68) |
| 2016/3-3Q | Actual | 57,947 | 120.4% | (2,108) | -3.6% | (1,525) | -2.6% | (1,045) | -1.8% | n.a. | (9.01) |
| 2016/3-3Q | Progress Rate | 70.8% | n.a. | - | n.a. | n.a. | n.a. | - | n.a. | n.a. | n.a. |

*Profit (loss) attributable to owners of parent, **Since voluntary adoption of IFRS is scheduled from FY2016-3, the company estimates are projected figures based on IFRS.

1/50

Basic Report

(3rd Quarter of FY2016)

SQUADD Research & Consulting, Inc.
Tomoko Okuyama

Company Information

| | |
|-------------------|---|
| Name | J Trust Co., Ltd. |
| Equity Code | 8508 |
| Market Section | TSE's 2nd Section |
| Location | Toranomon, Minato-ku, Tokyo |
| President | Nobuyoshi Fujisawa |
| Foundation Date | 1977/3/18 |
| Capital | 53,616 mil yen |
| Listed Date | Sep-1998 |
| URL | http://www.jt-corp.co.jp/en/ |
| Industry | Financials > Other Financing Business |
| Accounting Period | March |

Key Indicators

As of 2016/2/29

| | |
|--------------------|------------------------|
| Stock Price | 815 yen |
| Yearly High | 1,335 yen (2015/5/26) |
| Yearly Low | 668 yen (2016/2/12) |
| Shares Outstanding | 112,445,154 Stock |
| Unit of Trading | 100 Stock |
| Market Cap | 91,643 mil yen |
| Dividend (Est) | 12.00 yen (FY2016/3) |
| Div-Yield (Est) | 1.47 % (FY2016/3) |
| EPS (Est) | 40.85 yen (FY2016/3) |
| EPS (Act) | 85.92 yen (FY2015/3) |
| PER (Est) | 19.95 times (FY2016/3) |
| PBR (Act) | 0.54 times (FY2015/12) |

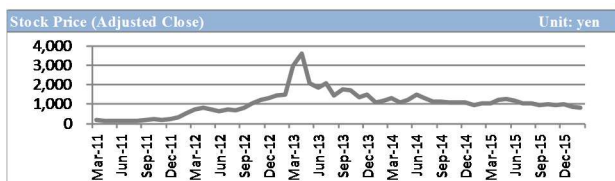
Brief Investor Summary

(As of 2015/12)

(mil yen)

| | | | | | |
|------------------|--|--------------------|---|----------------------|---------------------------------------|
| Name(J) | JTトラスト株式会社 | Name(E) | J Trust Co., Ltd. | Foundation Date | 1977/3/18 |
| Location | Toranomon, Minato-ku, Tokyo | URL | http://www.jt-corp.co.jp/ | President | Nobuyoshi Fujisawa |
| Market Section | TSE's 2nd Section | Equity Code | 8508 | Company Rating | n.a. |
| Industry | Financials > Other Financing Business | Capital | 53,616 mil yen | Number of Employee * | non-consolidated 30 |
| Underwriter | SMBC Nikko Securities | Main Bank | n.a. | (permanent staff) | consolidated 3,986 |
| Auditor | Hibiki Audit Corporation | Going concern note | n.a. | Average Salary * | non-consolidated (thousand yen) 6,747 |
| Business Profile | J Trust is an independent financial group carrying out (i) credit guarantee, receivable collection and business finance in Japan, (ii) savings bank business in South Korea and (iii) banking business in Indonesia. Fujisawa (current CEO) became the largest shareholder of a predecessor business finance company Ikko through TOB in 2008 and renewed the management structure. Since then, it has rapidly expanded the business through M&A, such as Lopro, Takefujii, Standard Chartered Savings Bank Korea. | | | | |
| Future Outlook | Growth driver has shifted from domestic business to overseas with South Korea (savings bank) and Indonesia (commercial bank) as core business. Savings bank business in South Korea achieved surplus in Q1 FY2016-3, and extent of growth in the loan balance will determine the performance going forward. Bank business in Indonesia now focuses on improvement in profitability right after the acquisition, while future development is expected from this high potential growth market. | | | | |

* "Number of Employee" and "Average Salary" are based on FY2015/3.



as of 2016/2/29

| Close Price | Market Cap | EV** | PER* | PBR** | Div-Yield* |
|-------------|------------|---------|--------|--------|--------------|
| 815 | 91,643 | (6,658) | 19.95 | 0.54 | 1.47% |
| FY | Mar-12 | Mar-13 | Mar-14 | Mar-15 | year to date |
| FYE Price | 729 | 2,995 | 1,304 | 1,034 | n.a. |
| High Price | 1,642 | 3,335 | 2,350 | 1,615 | 1,335 |
| Low Price | 274 | 564 | 905 | 930 | 668 |
| EPS | 575.95 | 214.45 | 109.66 | 85.92 | n.a. |
| PER | 1.41 | 15.55 | 11.89 | 12.03 | n.a. |
| PBR | 1.02 | 3.29 | 0.87 | 0.65 | n.a. |

* Company Forecast, **Calculation is based on Balance Sheet as of 2015/12

| PL | Mar-12 | Mar-13 | Mar-14 | Mar-15 |
|-------------------------------|--------|--------|--------|---------|
| Operating revenue | 24,508 | 55,683 | 61,926 | 63,281 |
| Operating gross profit | 19,969 | 34,897 | 35,586 | 33,996 |
| Operating income | 5,539 | 12,005 | 13,745 | (5,217) |
| Ordinary income | 5,486 | 13,704 | 13,351 | (2,385) |
| Net income | 34,500 | 13,309 | 11,145 | 10,143 |
| Depreciation | 216 | 2,560 | 2,311 | 2,957 |
| Amortization of goodwill | 110 | 687 | 1,320 | 1,334 |
| EBITDA (*1) | 5,865 | 15,252 | 17,376 | (926) |
| CAPEX (*2) | 268 | 2,501 | 4,914 | 5,719 |
| EBITDA-CAPEX | 5,597 | 12,751 | 12,462 | (6,645) |
| Interest expenses (inc. OPEX) | 1,161 | 1,634 | 1,248 | 1,303 |

(*1) EBITDA=Operating Income + Depreciation + Amortization of goodwill

(*2) CAPEX=Purchase of property, plant and equipment + Purchase of intangible assets on CF Statement

| Balance Sheet | Mar-12 | Mar-13 | Mar-14 | Mar-15 |
|-----------------------------------|---------|----------|----------|----------|
| Cash and deposits | 10,362 | 62,140 | 132,235 | 141,742 |
| Operating loans receivable(i) | 97,166 | 118,755 | 140,615 | 302,113 |
| Securities | - | 788 | 10,787 | 17,874 |
| Operational investment securities | - | - | 8,918 | 6,595 |
| Inventories | 1,314 | 1,691 | 2,570 | 3,203 |
| Other current assets | 4,929 | 17,456 | 15,317 | 17,253 |
| Allowance for doubtful accounts | (6,813) | (11,574) | (11,657) | (20,525) |
| Total current assets | 106,963 | 189,262 | 298,790 | 468,260 |
| Property, plant and equipment | 5,095 | 10,836 | 12,309 | 9,352 |
| Intangible assets | 1,120 | 6,764 | 8,633 | 47,102 |
| Operating loans receivable (LT) | 8,487 | 4,686 | 3,951 | 2,405 |
| Other | 3,601 | 11,623 | 15,546 | 23,688 |
| Allowance for doubtful accounts | (7,723) | (4,469) | (4,498) | (10,092) |
| Investments and other assets | 4,366 | 11,842 | 15,001 | 16,002 |
| Total non-current assets | 10,582 | 29,443 | 35,945 | 72,458 |
| Total assets | 117,546 | 218,706 | 334,736 | 540,718 |
| Current liabilities | 43,995 | 99,471 | 118,904 | 322,598 |
| Non-current liabilities | 24,079 | 48,339 | 31,601 | 23,254 |
| Total liabilities | 68,074 | 147,810 | 150,505 | 345,853 |
| Shareholders' equity | 48,099 | 62,716 | 170,928 | 180,062 |
| Other net assets | 1,371 | 8,178 | 13,300 | 14,802 |
| Total net assets | 49,471 | 70,895 | 184,230 | 194,865 |

(i)- Commercial notes + Accounts receivable - Operating loans + Loans by banking business + Advances paid - installment + Purchased receivables

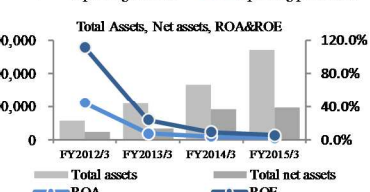
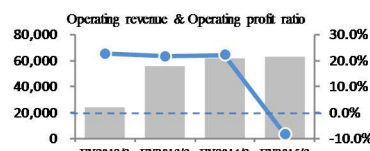
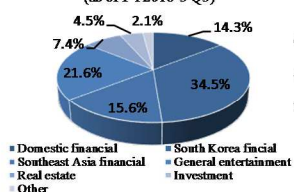
| Key data on BS | Mar-12 | Mar-13 | Mar-14 | Mar-15 |
|------------------------------|---------|---------|---------|---------|
| Consumer loan | 27,495 | 17,397 | 49,900 | 59,660 |
| Business loan | 3,708 | 3,967 | 4,624 | 10,387 |
| Loans by banking business | - | 48,210 | 46,701 | 224,401 |
| Advances paid - installment | 72,139 | 51,338 | 40,814 | 1,422 |
| Purchased receivables | 2,310 | 2,529 | 2,527 | 8,647 |
| ST & LT | 105,652 | 123,441 | 144,566 | 304,517 |
| Credit guarantee balance | 22,072 | 33,194 | 40,839 | 36,712 |
| Interest bearing debt(i) | 43,022 | 40,058 | 43,760 | 29,455 |
| Deposits by banking business | - | 73,194 | 77,142 | 287,452 |

(i)Interest bearing debt=Notes discounted + Bonds payable + Loans payable, Loans by banking business

EV: Enterprise value, EV=Market cap + (Interest bearing debt - Cash and deposits - Securities)

| Major Shareholders | Share |
|--------------------|--------|
| Nobuyoshi Fujisawa | 19.4% |
| TAIYO FUND, L.P. | 9.9% |
| BOTTOMS UP | 6.3% |
| CBNY - ORBIS SICAV | 5.9% |
| Others | 58.6% |
| Total | 100.0% |

Operating revenue Breakdown (as of FY2016-3 Q3)



| CF | Mar-12 | Mar-13 | Mar-14 | Mar-15 |
|--------------------------------|----------|---------|----------|----------|
| CF from Operating Activities | (16,489) | 9,378 | 11,434 | 15,452 |
| CF from Investing Activities | (12,424) | 36,764 | (17,775) | (15,148) |
| Free CF | (28,913) | 46,142 | (6,341) | 304 |
| CF from Financing Activities | 24,165 | (2,441) | 74,464 | (20,593) |
| Effect of Exchange Rate Change | 10 | 1,090 | 6,938 | 7,000 |
| Net CF | (4,738) | 44,792 | 75,061 | (13,288) |

| Segment Information | Operating revenue | Share% | Operating income | Operating profit ratio |
|--------------------------|-------------------|--------|------------------|------------------------|
| FY2016-3 (cumulative) | | | | |
| Domestic financial | 8,294 | 14.3% | 2,874 | 34.7% |
| South Korea financial | 19,977 | 34.5% | 55 | 0.3% |
| Southeast Asia financial | 9,038 | 15.6% | (5,773) | -63.9% |
| General entertainment | 12,490 | 21.6% | (118) | -0.9% |
| Real estate | 4,290 | 7.4% | 366 | 8.5% |
| Investment | 2,632 | 4.5% | 2,524 | 95.9% |
| Other | 1,223 | 2.1% | (140) | -11.4% |
| Adjustments | - | - | (1,896) | - |
| Total | 57,947 | 100.0% | (2,108) | -3.6% |

| FY2015/3 | 1Q | 2Q | 3Q | 4Q | Total |
|--------------------------|---------|---------|--------|-----------|---------|
| Quarterly | | | | | |
| Operating revenue | 15,928 | 16,051 | 16,141 | 15,161 | 63,281 |
| Operating income | (358) | (2,274) | (689) | (1,896) | (5,217) |
| Operating profit ratio | -2.2% | -14.2% | -4.3% | -12.5% | -8.2% |
| FY2016/3 | JGAAP | JGAAP | JGAAP | IFRS | |
| Quarterly | 1Q | 2Q | 3Q | 4Q (diff) | Plan |
| Operating revenue | 19,490 | 18,288 | 20,169 | 23,953 | 81,900 |
| Operating income | (1,951) | (384) | 227 | 9,608 | 7,500 |
| Operating profit ratio | -10.0% | -2.1% | 1.1% | 40.1% | 9.2% |
| Operating revenue Growth | 122.4% | 113.9% | 125.0% | 158.0% | - |

| Key Indicator | Mar-12 | Mar-13 | Mar-14 | Mar-15 |
|--------------------------------|---------|--------|--------|--------|
| Operating revenue growth | (%) | 44.9% | 127.2% | 11.2% |
| Operating gross margin | (%) | 81.5% | 62.7% | 57.5% |
| Operating profit ratio | (%) | 22.6% | 21.6% | 22.2% |
| Ordinary profit margin | (%) | 22.4% | 24.6% | 21.6% |
| Net margin | (%) | 140.8% | 23.9% | 18.0% |
| EBITDA margin | (%) | 23.9% | 27.4% | 28.1% |
| SG&A/Operating revenue | (%) | 58.9% | 41.1% | 35.3% |
| ROA | (%) | 44.4% | 7.9% | 4.0% |
| ROE | (%) | 111.4% | 23.8% | 9.3% |
| Capital adequacy ratio | (%) | 40.9% | 29.1% | 53.0% |
| D/E ratio | (times) | 0.87 | 0.57 | 0.24 |
| Interest Bearing Debt / EBITDA | (times) | 7.34 | 2.63 | 2.52 |

| Valuation | Mar-12 | Mar-13 | Mar-14 | Mar-15 |
|----------------------|---------|--------|---------|---------|
| Market cap | JPY(M) | 49,087 | 210,709 | 154,375 |
| EV | JPY(M) | 81,747 | 187,839 | 55,113 |
| EV/Operating revenue | (times) | 3.34 | 3.37 | 0.89 |
| EV/EBITDA | (times) | 13.94 | 12.32 | 3.17 |

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1. Business Overview

1-(1) Long-term Trend

Rapid business expansion through proactive M&A since TOB by Fujisawa in 2008

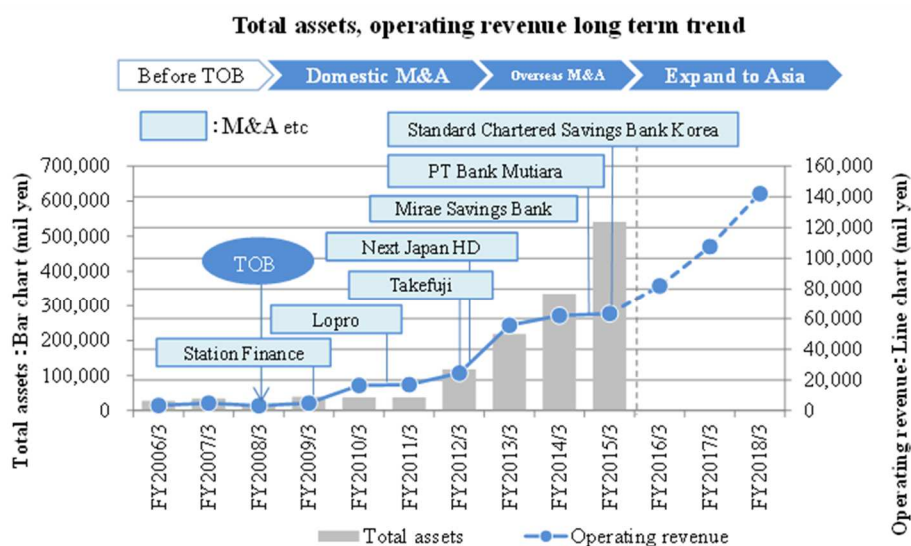
◆ Financial group conducting, among others, credit guarantee businesses in Japan and banking businesses in South Korea and Indonesia

J Trust Co., Ltd. is an independent financial group, carrying out credit guarantee business and receivable collection business, etc. in Japan, as well as banking and other business in South Korea and Indonesia.

Ikko Corporation (formerly Ikko Shoji Co., Ltd.), a predecessor of J Trust, had engaged primarily in B to B financial business (money lending services such as discount on commercial notes and loan on notes) before Nobuyoshi Fujisawa (currently Representative Director) made a TOB against Ikko in March 2008. After the TOB until around 2011, J Trust focused on expansion of business scale mainly through M&A and assumption of business in Japan (see P10). Specific deals included the acquisition of Lopro in September 2010 and Takefuji Corporation in March 2012, both under the Corporate Rehabilitation Act, and the KC Card business in August 2011. J Trust also actively implemented M&A from 2011 to 2015 and acquired banks and consumer finance companies in South Korea and Indonesia, growing to a financial group developing overseas business particularly in Asia as well as in Japan (see P10).

As a result of expansion of scale and scope of business through M&A, total assets expanded from 12.2 billion yen at the end of March 2008 to 540.7 billion yen at the end of March 2015 (about 44-fold increase), while operating revenue (sales) increased rapidly from 3.2 billion yen to 63.3 billion yen (about 20-fold increase) during the same period.

Particularly in FY2015, after implementation of three large M&As: i) PT Bank Mutiara Tbk. (currently PT Bank JTrust Indonesia Tbk.), ii) Standard Chartered Savings Bank Korea (currently JT Savings Bank) and iii) Standard Chartered Capital (Korea)(currently JT Capital), total assets significantly expanded from 334.7 billion yen at the end of March 2014 to 540.7 billion yen at the end of March 2015, about 1.6-fold expansion in a year.

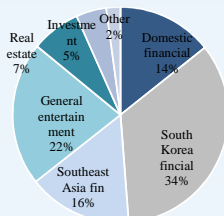


1-(2) Segment Composition

FY2015 Breakdown of Operating Revenue



FY2016 Q3 (cumulative) Breakdown of Operating Revenue



◆ Overseas share of operating revenue increased since FY2014

In FY2016 (Q3), business segments are comprised of "domestic financial business", "financial business in South Korea", "financial business in Southeast Asia", "general entertainment business", "real estate business", "investment business" and "other non-financial business".

Until FY2012, "domestic financial business (formerly financial business)" had accounted for nearly 80% of total operating revenue, but the weight declined to less than 60% in FY2013 when Next Japan Holdings (general entertainment business) became a wholly-owned subsidiary. In FY2014, financial business in South Korea expanded as JT Chinae Savings Bank started operation in October 2012. Entering in FY2016, PT Bank JTrust Indonesia Tbk. (hereinafter, "Bank JTrust Indonesia") is beginning to contribute to total revenue. On the other hand, J Trust has downsized domestic financial business after the peak in FY2013 along with the sale of the KC Card business in January 2015 and withdrawal from unsecured loan business, with cumulative operating revenue in Q3 FY2016 consisting of domestic financial business (14%), financial business in South Korea (34%), financial business in Southeast Asia (16%), general entertainment business (22%), real estate business (7%), investment business (5%) and other non-financial business (2%).

From FY2016, "international business" was split into "financial business in South Korea" and "financial business in Southeast Asia" along with business expansion in the Asia region (see below chart).

◆ Old Segment

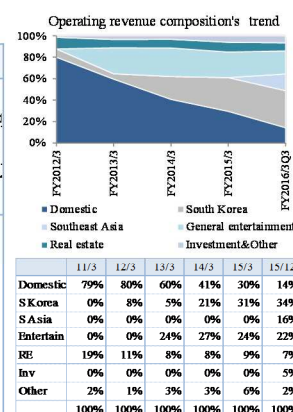
| Old segment |
|---------------|
| Financial |
| International |
| Amusement |
| Real estate |
| Other |

◆ New Segment (after FY2016-3)

| New segment | | |
|------------------------|-----------------------|---|
| Financial business | Domestic financial | Credit guarantee, receivable collection, credit and consumer credit |
| | South Korea | Banking, receivable collection, leasing and installment loan |
| | Southeast Asia | Banking, receivable collection |
| Non-financial business | General entertainment | Manufacturing and sales of amusement machine toys, Operation of amusement facilities |
| | Real estate | Real estate sales, brokerage and rental |
| | Investment | Domestic/overseas investment |
| | Other | Planning and construction of various commercial facilities, computer operation and management |

- Split "International business" into "Financial business in South Korea" and "Financial business in Southeast Asia"
- Moved "Overseas investment business" under "International business" to "Other" in Q1 FY2016, then created a new segment as "Investment business" in Q2 given significance of its volume.
- Moved "Development, manufacturing and sales of computer system for peripheral equipment of amusement machine toys" under "Other" to "General entertainment business"

Source: Annual securities report, financial results



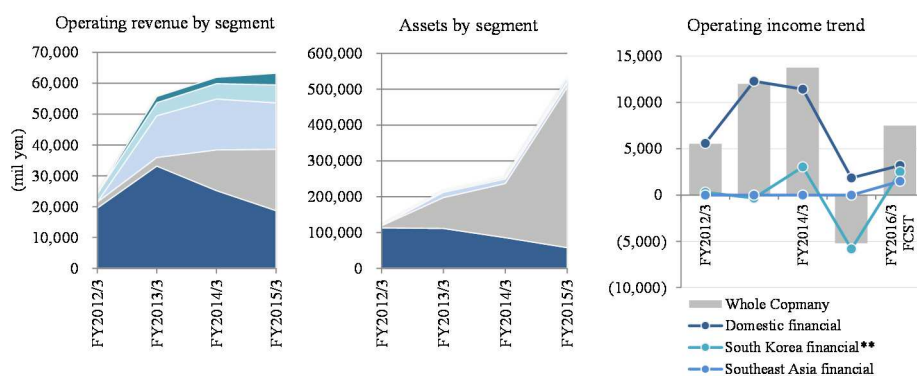
◆Business results by segment

| | | | | | | | (mil yen) |
|------------------------|--------------------------|---------|---------|---------|---------|-----------------|------------------|
| | | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Plan* Mar-16 | Mar-16 3Q cum |
| Operating revenue | Domestic financial | 19,605 | 33,186 | 25,193 | 18,731 | 11,100 | 8,294 |
| | South Korea financial** | 1,916 | 2,793 | 13,214 | 19,857 | 30,000 | 19,977 |
| | Southeast Asia financial | - | - | - | - | 12,000 | 9,038 |
| | General entertainment | - | 13,484 | 16,510 | 15,075 | 15,000 | 12,490 |
| | Real estate | 2,645 | 4,285 | 4,970 | 5,821 | 6,500 | 4,290 |
| | Investment | - | - | - | - | 500 | 2,632 |
| | Other | 341 | 1,933 | 2,037 | 3,795 | 3,500 | 1,223 |
| Total | | 24,508 | 55,683 | 61,926 | 63,281 | 81,900 | 57,947 |
| Operating income | Domestic financial | 5,571 | 12,293 | 11,435 | 1,852 | 3,200 | 2,874 |
| | South Korea financial** | 303 | (336) | 3,046 | (5,811) | 2,500 | 55 |
| | Southeast Asia financial | - | - | - | - | 1,500 | (5,773) |
| | General entertainment | - | 250 | 951 | 483 | 1,100 | (118) |
| | Real estate | 131 | 270 | 496 | 402 | 500 | 366 |
| | Investment | - | - | - | - | (200) | 2,524 |
| | Other | 44 | 169 | 70 | (69) | (200) | (140) |
| Sub total | | 6,050 | 12,647 | 16,000 | (3,142) | 8,400 | (213) |
| adjustment | | (510) | (642) | (2,255) | (2,075) | (900) | (1,896) |
| Total | | 5,539 | 12,005 | 13,745 | (5,217) | 7,500 | (2,108) |
| Operating profit ratio | Domestic financial | 28.4% | 37.0% | 45.4% | 9.9% | 28.8% | 34.7% |
| | South Korea financial** | 15.8% | -12.0% | 23.1% | -29.3% | 8.3% | 0.3% |
| | Southeast Asia financial | - | - | - | - | 12.5% | -63.9% |
| | General entertainment | - | 1.9% | 5.8% | 3.2% | 7.3% | -0.9% |
| | Real estate | 5.0% | 6.3% | 10.0% | 6.9% | 7.7% | 8.5% |
| | Investment | - | - | - | - | -40.0% | 95.9% |
| | Other | 12.9% | 8.7% | 3.4% | -1.8% | -5.7% | -11.4% |
| Total | | 22.6% | 21.6% | 22.2% | -8.2% | 9.2% | -3.6% |
| Segment assets | Domestic financial | 113,165 | 111,359 | 85,631 | 58,030 | n.a. | n.a. |
| | South Korea financial** | 5,895 | 86,507 | 151,453 | 447,815 | n.a. | n.a. |
| | Southeast Asia financial | - | - | - | - | n.a. | n.a. |
| | General entertainment | - | 14,759 | 12,314 | 12,080 | n.a. | n.a. |
| | Real estate | 1,889 | 3,166 | 4,799 | 5,236 | n.a. | n.a. |
| | Investment | - | - | - | - | n.a. | n.a. |
| | Other | 317 | 1,522 | 3,261 | 7,249 | n.a. | n.a. |
| Sub total | | 121,267 | 217,315 | 257,459 | 530,412 | n.a. | n.a. |
| adjustment | | (3,721) | 1,391 | 77,277 | 10,307 | n.a. | n.a. |
| Total | | 117,546 | 218,706 | 334,736 | 540,718 | n.a. | n.a. |

*The sum of operating revenue by segment under company plan is different from total by JPY 3,300M due to figure before consolidation adjustment.

**International business figures are used as a substitute for South Korea financial figures from Mar-2012 to Mar-2015.

Source: Annual securities report, financial results and materials on medium term business plan



Source: Annual securities report, materials on medium term business plan

1-(3) Business Overview by Segment

Each segment will be summarized in the following sections. Details of core businesses - domestic financial business, financial business in South Korea and financial business in Southeast Asia - will be described in "5. Segment Overview and Business Model" (P22 -).

◆ Domestic Financial Business

Domestic financial business is categorized into various financial businesses conducted in Japan, including credit guarantee business, receivable collection business, credit and consumer credit business. J Trust had previously engaged in unsecured loan business through sponsorship to Takefuji Corporation (currently TFK Co., Ltd. under the Corporate Rehabilitation Act), but has effectively withdrawn from unsecured loan business after transferring part of unsecured loan (consumer finance) business of a subsidiary Nihon Hoshou Co., Ltd. to CREDIA Co., Ltd. in September 2015. J Trust made a full-fledged entry into credit and consumer credit business with the acquisition of the KC Card business from Rakuten, Inc. in 2011, but has significantly downsized the business after the sale of KC Card business to Yahoo Japan and SoftBank Payment Service Corp in January 2015. Through these efforts of selection and concentration, credit guarantee business and receivable collection business (investment in NPLs and servicing) have become two core businesses within domestic financial business.

◆ Financial Business in South Korea

In South Korea, (i) savings bank business as core business, (ii) receivable collection (investment in NPLs and servicing) and (iii) leasing and other business are carried out.

J Trust entered the South Korean market with the acquisition of Neoline Credit Co., Ltd., a consumer finance company, in April 2011. Subsequently, it expanded business scope into the savings bank business by assuming assets and liabilities of Mirae Savings Bank Co., Ltd. in 2012, built up the balance of receivables through the purchase of receivables from third parties, and further expanded the business scale with the acquisition of Standard Chartered Savings Bank Korea Co., Ltd. and Standard Chartered Capital (Korea) Co., Ltd. in FY2015. As a result, the asset base has grown to become the third largest among savings banks in South Korea (two banks combined) (see P28) with operating assets exceeding 200 billion yen (in Q3 FY2016 under IFRS). In addition, JT Chinae Savings Bank was granted the 2016 First Brand Award and selected as number one South Korean savings bank in terms of customer satisfaction out of 79 banks*¹, indicating the bigger presence in South Korea. Thus, financial business in South Korea will replace domestic financial business as core business driving the business of J Trust Group going forward.

*¹ According to a survey implemented from November 19 to 29, 2015 against 852,740 domestic consumers with age of 15 or above.

◆ Financial Business in Southeast Asia

Financial business in Southeast Asia started full-fledged operation with the acquisition of PT Bank Mutiara Tbk. (currently PT Bank JTrust Indonesia Tbk.) in November 2014, and J Trust plans to expand the business scale centered on this bank from FY2016. As Bank Mutiara, which used to be under administration of the Indonesia Deposit Insurance Corporation in the past, faces many business issues, the focus is currently put on rehabilitation of its business.

Also, J Trust underwrote c.3.6 billion yen of convertible bond issued by Group Lease, a listed company in Thailand engaged in hire-purchase financing of motorcycles, in May

2015 and converted them into equities in December 2015 to hold 6.43% of outstanding common shares of Group Lease. Going forward, J Trust plans to work closely with Group Lease as a strategic partner to develop leasing and consumer finance businesses in Indonesia and other ASEAN markets. As part of such efforts, J Trust plans to establish a joint venture with Group Lease, PT Group Lease Finance Indonesia ^{*2}(hereinafter, "GLFI") in February 2016 (plan) to develop the hire-purchase business and provide financing to GLFI through Bank JTrust Indonesia.

^{*2} GLFI is owned by Group Lease Holdings (65%), JTRUST ASIA (20%) and Wijaya Infrastruktur Indonesia (15%).

◆General Entertainment Business

In April 2012, Next Japan Holdings Co., Ltd. (hereinafter, "NJHD") became a wholly-owned subsidiary of J Trust through a share exchange, adding the amusement business to J Trust Group. The largest shareholder of NJHD at the time of the share exchange was Nobuyoshi Fujisawa (about 35% ownership).

Next Japan Holdings Co., Ltd., listed on TSE Mothers, was engaged in designing, producing and sales of toys for amusement machine through its subsidiary, BREAK Co., Ltd. It also owned ADORES, Inc. (JASDAQ 4712), an operator of amusement facilities such as game arcades (about 34% ownership). In July 2012 after the share exchange, J Trust absorbed NJHD, and in March 2013, ADORES, Inc. became a consolidated subsidiary of J Trust under the controlling standard. Currently, the general entertainment business is centered on (i) operation of amusement premises and (ii) production and sales of toys for amusement machine. Though Fujisawa concurrently serves as a director of ADORES, Inc., ADORES, Inc. independently manages its business.

◆Real Estate Business

Real estate business is led by a group company, Keynote Co., Ltd. It provides sales and brokerage services for both custom and ready-built houses and is also engaged in renovation of used homes mainly in Japan's Kanto and Kansai regions. It also has a track record in design, planning and construction of interiors and exteriors of more than 2,000 amusement outlets and other commercial premises. In the mid- to long-term, sales of Japanese quality houses in Southeast Asia is also being contemplated. While this segment accounts for less than 10% of total operating revenue, it contributes to the overall results as a stable source of revenue.

◆Investment Business

Investment business and management support business for invested companies conducted by JTRUST ASIA mainly in Singapore are categorized in this segment. Large scale investments include the acquisition of shares of Bank Mayapada in Indonesia (SGD 57 million) in December 2013 and underwriting of convertible bond issued by Group Lease, listed on 1st Section of the Stock Exchange of Thailand (USD 30 million) in May 2015. The conversion right attached to convertible bond of Group Lease was exercised in December 2015, and operating revenue of c.2.5 billion yen was recorded as realized and unrealized gains at the conversion (cumulative Q3 FY2016).

Investment business had been included in "international business" until FY2015, but was moved to "other" segment in Q1 FY2016 and subsequently became a new reportable segment from Q2 given its significance in volume.

2. Company Overview

2-(1) 2015 Topics Since April 2015

Underwrote shares issued by BtcBox, the largest Bitcoin exchange in Japan, through third-party allotment

Established a joint venture with Group Lease in Thailand

◆Notable developments include entry into Bitcoin business and enhanced tie-up with Group Lease in Thailand

In May 2015, J Trust underwrote shares (200 million yen) issued by BtcBox Co., Ltd., the largest Bitcoin exchange in Japan, through a third-party allotment. BtcBox Co., Ltd. had been recognized as an equity method affiliate in Q1 and Q2, but was excluded from the scope of equity method in Q3 as the shares were partially transferred. In relation to Bitcoin, J Trust established JTRUST BITCOIN PTE. LTD. (currently JTRUST FINTECH PTE. LTD. with paid-in capital of 150 million yen), as a consolidated subsidiary of JTRUST ASIA in July 2015. Currently, JTRUST FINTECH PTE. LTD. operates "Coin Portal", a portal site providing Bitcoin-related information, but going forward, the company plans to develop various services including margin trading between Bitcoin and other currencies and establish a system to support creating new business using Bitcoin.

In December 2015, JTrust Asia acquired a 6.43% equity stake in Group Lease in Thailand by exercising the conversion right attached to convertible bond of Group Lease (USD 30 million) underwritten in May 2015. Subsequently in February 2016 (plan), J Trust established a joint venture multi-finance company with Group Lease, PT Group Lease Finance Indonesia, which will become an equity method affiliate after establishment.

◆Press release after April of 2015 (excerpt)

| Date | Category | | | | Reference | Note |
|-----------|----------|----------|-------------|----------------|-----------|--|
| | Whole | Domestic | South Korea | Southeast Asia | | |
| Apr-15 | | ○ | | | 1Q report | Underwriting of BtcBox Shares Issued through Third-Party Allotment. |
| Apr-15 | | ○ | | | | Results of Elective Retirement Plan at Subsidiary. |
| Apr-15 | | ○ | | | | Guarantee Business Tie-up between Nihon Hoshou and Kinki Sangyo Credit Union. |
| May-15 | ○ | | | | | Decision on Matters Concerning Acquisition of Own Shares (Under the Provisions of the Articles of Incorporation Pursuant to Article 165, Paragraph 2 of the Companies Act) |
| May-15 | | | | ○ | | Underwriting of Convertible Bond Issued by Group Lease PCL Listed on the Stock Exchange of Thailand |
| May-15 | ○ | | | | | Appointment of Representative Director |
| Jun-15 | ○ | | | | | Postponement of Voluntary Adoption of IFRS |
| Oct-15 | ○ | | | | P15 | Resignation of Representative Director |
| Oct-15 | | | ○ | | P27 | Transfer of Shares of Consolidated Subsidiaries in South Korea |
| Dec-15 | ○ | | | | P15 | Cancellation of Treasury Shares |
| Dec-15 | | | | ○ | P33 | Acquisition of Group Lease PCL Shares |
| 4Q Jan-16 | | | | ○ | P33 | Joint Establishment of a New Company with Group Lease PCL |

Source: Company HP.

2-(2) M&A Activities

In the following sections, the rapid expansion of business scale through M&A activities and accompanying shift in business will be reviewed. From an early stage, J Trust has considered that it is hard to expand the scale as money lender in Japanese market, and has focused on the business (credit guarantee, etc.) partnered with banks. Also from the mid- to long-term perspective, J Trust has formulated a vision to develop new financial services centered on retail banking business in Asia, and has steadily accumulated the track record, though still half way through.

◆2008-2011:expanded business scale through M&A in Japan

During the period from TOB made by Fujisawa in 2008 to around 2011, J Trust focused on expansion of business scale through M&A and assumption of business in Japan. Expansion of business scale has been accelerated by building up receivables through the acquisition of Station Finance Co., Ltd., an affiliate of Hankyu Corporation, in March 2009, and sponsorship to Lopro Corporation in September 2010 and Takefuji Corporation in March 2012, both under the Corporate Rehabilitation Act. Most of the companies acquired during this period were distressed companies, and the business model was to purchase receivables at discount and later generate profit through collection of receivables. It was also the period when as fallout of the Lehman shock foreign investors were unable to conduct investment actively, and not many competitors dared to purchase receivables with a risk of refunding overcharged interest*, which worked favorably to J Trust.

At one time J Trust made an effort to acquire new customers through TV CM that promotes consumer finance, but given fierce competition and poor reactions from advertisement, it quickly refrained from a path of expansion of unsecured loans and shifted its focus to the credit guarantee business. Around then, J Trust came to the conclusion that it may be difficult to achieve sustainable growth if stayed in Japan, and since then it would accelerate development of the international market.

Meanwhile in Japan, J Trust acquired the KC Card business from Rakuten, Inc. in August 2011 and entered the credit card business. Though highly evaluated for customer satisfaction, etc., the card business continued to face obstacles such as slow growth in the number of card holders. Under these circumstances, KC Card was sold to a consortium of Yahoo Japan and SoftBank, which were considered to be able to assess the KC Card's expertise and capitalize on its strength. J Trust decided to downsize the card and consumer credit business.

*J Trust assumed a part of business from Takefuji Corporation without assuming the risk of refunding overcharged interest.

◆2011-2015:expanded business scale through overseas M&A

As the domestic market was leveling off, J Trust entered the South Korean market where the maximum lending interest rate is higher than that of Japan and there is no risk of refunding overcharged interest in 2011. Also in South Korea at the time, the maximum lending interest rate had been cut, though higher than Japan, and consolidation and restructuring of money lenders had started to be seen as in the case of Japan in the past. Therefore, J Trust selected South Korea as the next target, as it had advantages to leverage its expertise and experience accumulated in Japan to date in South Korea.

In October 2012, J Trust Group assumed part of assets and liabilities of failed Mirae Savings Bank Co., Ltd. and made full-fledged entry into the savings bank business, then built up operating assets through purchase of receivables from Solomon Savings Bank and HK Savings Bank, and acquired KJI Consumer Finance and HICAPITAL in March 2014 in

an effort to expand the business scale. The acquisition of Standard Chartered Savings Bank Korea in January 2015 brought the asset base to the third largest among savings banks, and the subsequent acquisition of Standard Chartered Capital (Korea) in March 2015 led to the establishment of infrastructure to provide the comprehensive financial services.

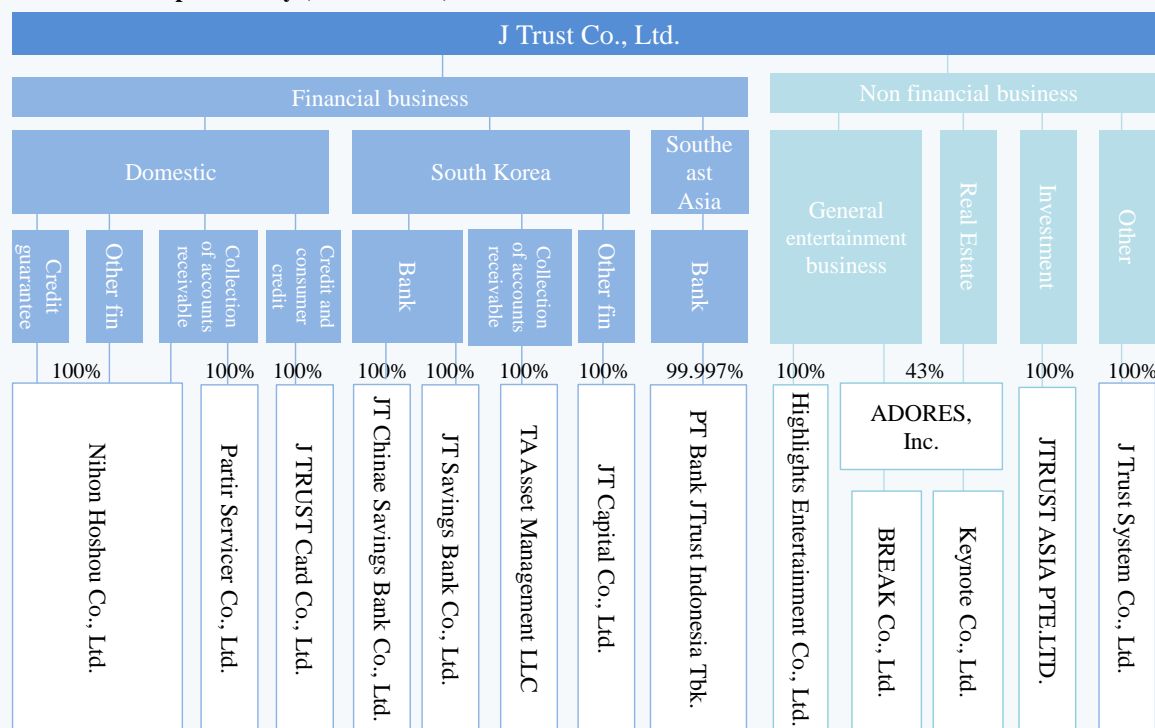
The assumption of assets of Mirae Savings Bank included transfer of employees, and as such the transaction was more like business investment than simple asset purchase. After the assumption of business, J Trust has adopted practical measures such as sending human resources from Japan to rehabilitate the business, and entering into Q1 FY2016, the South Korean business achieved surplus.

While strengthening the business foundation in South Korea, in pursuing further growth, J Trust acquired 99% share of PT Bank Mutiara Tbk. in Indonesia in November 2014. The banking industry in Indonesia has high potential and is attractive as an investment target. In addition, the knowledge of banking operation and expertise of business rehabilitation gained in the South Korean business allowed J Trust to formulate a specific rehabilitation plan for failed PT Bank Mutiara Tbk. Against these backdrop, J Trust decided the acquisition.

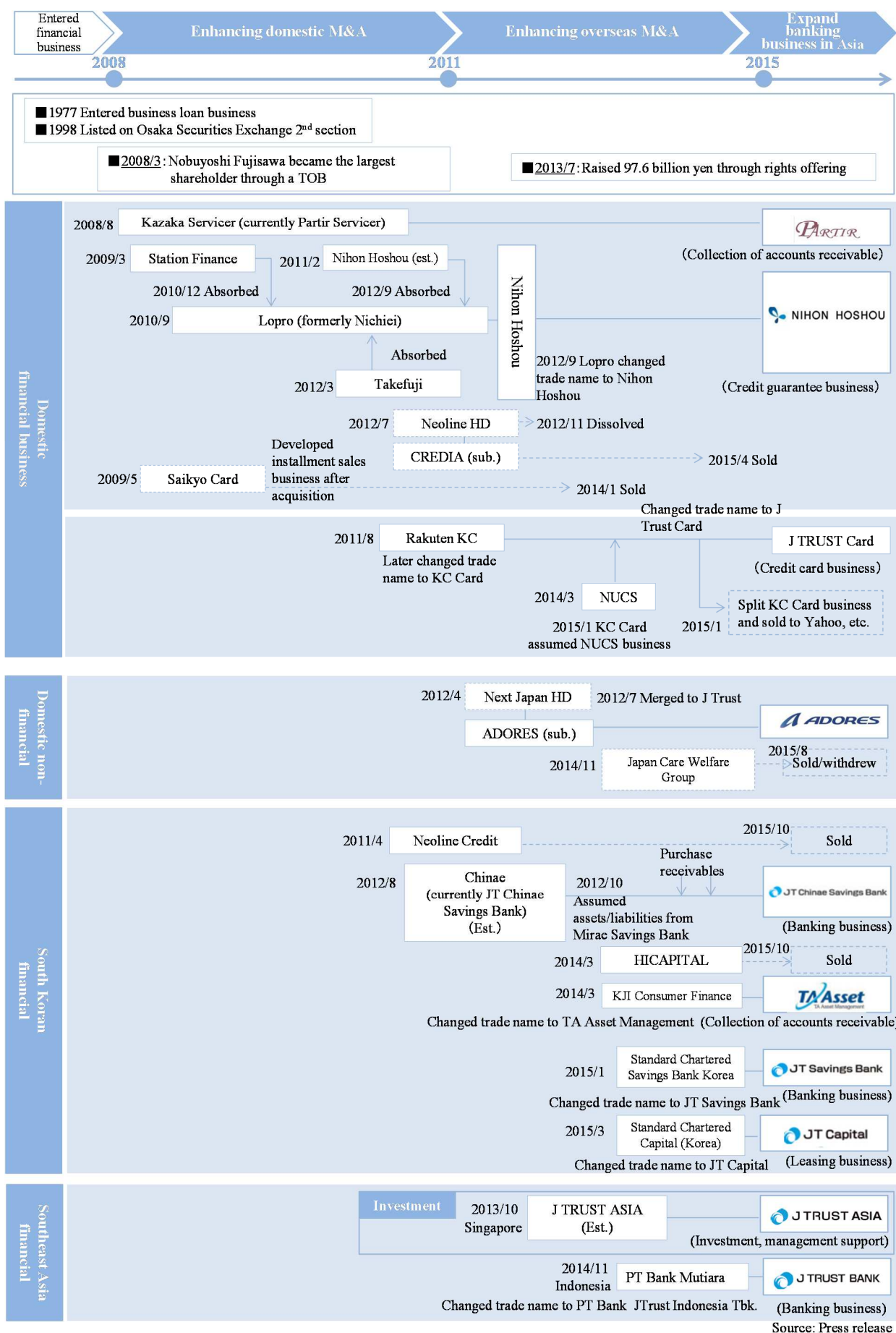
◆2015 and beyond: enter stage to seek sustainable growth by cultivating business

J Trust positions the period through to FY2015 as "the first stage when it had advanced business expansion mainly through purchase of receivables and M&A" and the period from FY2016 as "the second stage when it aims to achieve sustainable profit growth mainly in overseas banking business", and going forward, cultivating the overseas banking business will drive the overall growth. However, it plans to maintain an active stance in investment in the financial business and other businesses that are expected to generate synergies, and plans to use financial reserves of 50-100 billion yen in three years to invest in projects that are in growth areas and expected to generate more than 15% IRR, without limitation to regions.

◆J Trust Group Summary (as of 2015-12)



Source: Quarterly securities report



2-(3) Ownership
/Capital Policya. Shareholder
composition

Value investment fund
CBNY-ORBIS SICAV
newly ranked 5th largest
shareholder

◆New institutional investor ranked top 10 largest shareholders during the first half of FY2016

Nobuyoshi Fujisawa is the largest shareholder with about 20% ownership under his own name as of the end of September 2015, and combined with shares held by BOTTOMS UP (about 6%), which is wholly owned by Fujisawa, and shares held by FUJISAWA PTE. LTD. (about 6%), an asset management company of Fujisawa, he effectively holds about 32% of shares in total. In March 2008, Fujisawa acquired shares from then parent company Zenkoku Hosho Co., Ltd. (about 51%) through a TOB and became the largest shareholder with the majority ownership. Subsequently, his ownership has decreased to about 30% after the rights offering in July 2013, etc. There has been no change in the number of shares held by Fujisawa (including shares held by his asset management company, etc.) from the end of March 2015 to the end of September 2015.

The second largest shareholder, TAIYO FUND L.P. is a fund established by Taiyo Pacific Partners (U.S.), a pioneer of friendly activist investment. Taiyo Fund (Taiyo Fund Management Co., LLC) submitted a large shareholding report for the first time on June 12, 2013, when the Fund held about 6% of shares in total. Subsequently, the Fund has added to the holding while trading shares, and according to the latest large shareholding report (as of January 20, 2016), it appeared that the Fund held 15.77% of shares. J Trust maintains a good relationship with the Fund, and while keeping moderate communication, a discretion of decision making on business is given to J Trust.

During the first half of FY2016, CBNY-ORBIS SICAV newly ranked top 10 (5th) largest shareholder. ORBIS is an asset management company which makes investment mainly in value shares. It takes an investment approach to "buy undervalued shares", and should have invested in J Trust based on the judgment that share price of J Trust is cheaper than its intrinsic value.

While the Resolution and Collection Corporation (RCC) ranks among the largest shareholders, those shares had been held by Incubator Bank of Japan, Limited and later transferred to RCC upon its bankruptcy.

◆Major Shareholders

| Sep-2015 | | | | | | |
|----------|--|--------|--------|--------|--------|--------|
| Rank | Major shareholders | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Sep-15 |
| 1 | Nobuyoshi Fujisawa | 48.7% | 47.6% | 26.5% | 19.4% | 19.4% |
| 2 | TAIYO FUND, L.P. | - | - | 8.0% | 8.7% | 9.9% |
| 3 | BOTTOMS UP, Ltd. | - | - | 5.1% | 6.3% | 6.3% |
| 4 | FUJISAWA PTE. LTD.* | - | - | - | 5.9% | 5.9% |
| 5 | CBNY-ORBIS SICAV | - | - | - | - | 2.4% |
| 6 | TAIYO HANEI FUND, L.P. | - | - | 2.0% | 2.1% | 2.4% |
| 7 | THE SAIKYO BANK, LTD. | 4.6% | 4.6% | 2.4% | 2.4% | 2.4% |
| 8 | Japan Trustee Services Bank, Ltd.(Trust account) | 3.7% | 7.4% | 3.8% | 3.3% | 2.4% |
| 9 | STATE STREET BANK AND TRUST COMPANY 505019 | - | - | - | 2.2% | 2.3% |
| 10 | The Master Trust Bank of Japan, Ltd.(Trust account) | 1.4% | 1.9% | 3.2% | 2.6% | 2.0% |
| | J.P. Morgan Whitefriars Inc. London Branch | - | - | 3.2% | - | - |
| | Goldman Sachs International | - | - | 2.5% | - | - |
| | The Resolution and Collection Corporation (Resolution and Collection Bank Account) | 4.4% | 4.2% | 2.2% | 2.2% | - |
| | L'espoir Investment Limited Partnership | 4.1% | - | - | - | - |
| | Other major shareholders | 4.9% | 4.4% | - | - | - |
| | Top 10 shareholders total | 71.7% | 70.1% | 59.0% | 55.2% | 55.4% |
| | Others | 28.3% | 29.9% | 41.0% | 44.8% | 44.6% |
| | Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

100% shares of "BOTTOMS UP, Ltd." are held by Nobuyoshi Fujisawa. "FUJISAWA PTE. LTD." is Nobuyoshi Fujisawa's private asset management company.

(Reference)

| | | | | | |
|---|-------|-------|-------|-------|-------|
| Nobuyoshi Fujisawa/BOTTOMS UP/FUJISAWA PTE. Total | 48.7% | 47.6% | 31.6% | 31.5% | 31.5% |
|---|-------|-------|-------|-------|-------|

Source: Annual securities report, quarterly securities report.

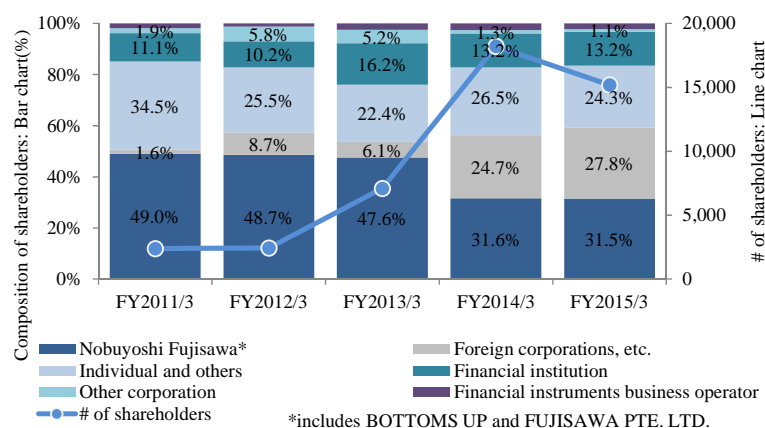
b. Capital Policy

June 2012:
Two-for-one stock split

July 2013:
Raised 97.6 billion yen
through rights offering

Considered assignment to
TSE 1st section

Shareholders composition & # of shareholders' trend



Source : Annual securities report

◆ Raised about 97.6 billion yen through rights offering in 2013, which were fully deployed by FY2015

J Trust implemented a two-for-one split of common shares in June 2012, for the purpose of improving the liquidity of shares and broadening the investor diversification, and a share exchange with Next Japan Holdings in April 2012 (allotment of two shares of J Trust for one share of Next Japan), leading to a significant increase in the number of shareholders from 2,441 at the end of March 2012 to 7,098 at the end of March 2013.

As mentioned earlier, after Fujisawa became the largest shareholder, J Trust has expanded the business scale through the acquisition of external resources such as M&A and purchase of receivables mainly in Japan, but for the purpose of securing funds for M&A in the Asian region, J Trust conducted a rights offering in July 2013, raising c.97.6 billion yen (exercise ratio: c.86%). Nearly 100 billion yen of funds raised through a rights offering was one of the largest at the time.

As a result of the rights offering, the number of outstanding shares increased from c.63 million to c.118 million shares, and the number of shareholders doubled from 7,098 at the end of March 2013 to 18,223 at the end of March 2014. The funds raised through the rights offering have been completely invested by the end of March 2015 (see below table).

While J Trust shares are currently listed on the 2nd Section of TSE, assignment to the 1st Section is considered as various formal requirements such as the number of shareholders (more than 2,200) and market capitalization (more than 4 billion yen) are fulfilled.

◆ Allocation of funds from rights offering

| | Date | Purpose | 100 mil yen |
|----------|--------|---|-------------|
| FY2014/3 | Oct-13 | Establishment of JTRUST ASIA PTE. LTD. | 100.0 |
| | Dec-13 | Repaid borrowings etc. to the Resolution and Collection Corporation | 145.5 |
| | Feb-14 | Acquired KJI Consumer Finance LLC | 112.9 |
| | Feb-14 | Acquired HICAPITAL Co., Ltd. | 43.9 |
| FY2015/3 | Sep-14 | Injected capital into JTRUST ASIA | 63.9 |
| | Nov-14 | Acquired PT Bank Mutiara Tbk. | 432.4 |
| | Jan-15 | Acquired Standard Chartered Savings Bank Korea Co., Ltd. | 56.4 |
| | Mar-15 | Acquired Standard Chartered Capital (Korea) Co., Ltd.* | 21.6 |
| Total | | | 976.8 |

*Fund raised through rights offering is used to cover part of share acquisition expenses(c.9.8 billion yen)

Source : Materials on medium term business plan

May 2015:
Established share buyback
program

December 2015:
Canceled treasury shares

2-(4) Executives Status

In June 2015, Nobuiku
Chiba was newly
appointed as
representative director
In October 2015, Nobiru
Adachi resigned
representative director and
became director

◆December 2015: canceled treasury shares for the purpose of maximizing shareholder value

In May 2015, J Trust established a share buyback program for the purpose of rewarding shareholders through improvement in capital efficiency. Total number of shares that can be repurchased is up to 6,250,000 shares (5.29%) in the amount of up to 7.5 billion yen.

Subject to insider-free condition (i.e. shares can be repurchased when there is no important matters such as M&A and in the period other than immediately prior to the announcement of financial results), J Trust actively repurchased its shares when they were deemed undervalued, and acquired 6,250,000 shares for c.6.26 billion yen in total from August 2015 to November 2015. Then, J Trust canceled all repurchased shares to return profits to shareholder through reduction of the number of outstanding shares.

◆Nobuyoshi Fujisawa and Nobuiku Chiba are two representative directors

In June 2015, Nobuiku Chiba was newly appointed as representative director, joining Nobuyoshi Fujisawa and Nobiru Adachi to form a structure of three representative directors. Later in October 2015, Nobiru Adachi voluntarily resigned representative director and became director, and now Nobuyoshi Fujisawa and Nobuiku Chiba are two representative directors. There have been no other change in officers since June 2015.

◆Member of Executives

| Official title | Name | Age* | from | Previous jobs |
|--|--------------------|------|--------|---|
| Representative Director, President & Chief Executive Officer | Nobuyoshi Fujisawa | 45 | Jun-08 | 2007 Representative Director & Chairman, Partir Servicer Co., Ltd. 2008 Representative Director & Chairman, J Trust Co., Ltd. 2010 Director & Supreme Advisor, J Trust Co., Ltd. 2011 President & CEO, J Trust Co., Ltd. |
| Representative Director & Senior Managing Executive Officer | Nobuiku Chiba | 42 | Jun-08 | 2008 Vice President & Director, J Trust Co., Ltd. 2010 President & Representative Director, J Trust Co., Ltd. 2012 Director, J Trust Co., Ltd. |
| Director & Senior Managing Executive Officer | Nobiru Adachi | 57 | Jun-13 | 1980 Joined Ministry of Finance 2011 Chairman and CEO, M&A Solutions Japan Co., Ltd. 2013 Managing Director, J Trust Co., Ltd. |
| Director & Managing Executive Officer | Shigeyoshi Asano | 45 | Jun-15 | 2012 Joined J Trust Co., Ltd. as General Manager of President's Office 2013 Director, JTRUST ASIA PTE. LTD. (incumbent) |
| Director & Managing Executive Officer | Toru Myochin | 50 | Jun-15 | 2012 Executive Officer, Shinsei Bank, Limited 2013 Managing Executive Officer, Shinsei Bank, Limited |
| Director | Norio Igarashi | 75 | Jun-14 | 1998 Chief Public Prosecutor, Yokohama District Public Prosecutors Office 2000 Notary, Yaesu notary office 2010 Visiting Attorney, Yamada Ozaki Law Office (incumbent) |
| Director | Ryuji Mizuta | 63 | Jun-14 | 2006 Director-General of Kyushu Regional Police Bureau 2009 Managing Director of Japan Crime Prevention Association 2012 Advisor of Sumitomo Life Insurance Company (incumbent) |
| Director | Masanori Kaneko | 60 | Jun-15 | 2010 Chief of Audit & Supervisory Board, THE SAIKYO BANK, LTD. 2011 Full-Time Audit & Supervisory Board Member, THE SAIKYO BANK, |
| Full-Time Audit & Supervisory Board Member | Masao Onishi | 67 | Jun-09 | 2008 Associate Director, General Affairs Department, J Trust Co., Ltd. 2009 Outside Audit & Supervisory Board Member, Nihon Hoshou Co., Ltd. |
| Full-Time Audit & Supervisory Board Member | Hideki Yamane | 63 | Jun-12 | 2007 Full-Time Auditor, THE SAIKYO BANK, LTD. 2011 Advisor, THE SAIKYO BANK, LTD. (Compliance Control) |
| Audit & Supervisory Board Member | Masato Inoue | 68 | Jun-12 | 2008 Full-Time Auditor, Housetec Inc. 2009 Director & Chairman, Housetec Inc. |
| Audit & Supervisory Board Member | Takaaki Kojima | 68 | Jun-15 | 2010 Ambassador in charge of International Counter-Terrorism Cooperation, Ministry of Foreign Affairs 2013 Advisor, Libera Corporation (incumbent) 2015 Adjunct Professor, National University of Singapore (incumbent) |

*as of 2015/12

Source : Annual securities report, quarterly securities report.

3. Performance Highlight

3-(1) Recent Quarter Overview

Operating revenue remained strong and is expected to achieve the full-year target

Financial business in Southeast Asia recorded more operating loss than anticipated

<Domestic Financial Business>

Recorded operating income already exceeding target income of 3.2 billion yen under IFRS

<Financial Business in South Korea>

Aim to achieve operating income of 2.5 billion yen by selling NPLs in Q4

◆Strong results of financial business in South Korea and consolidation of Bank JTrust Indonesia contributed to a 20% increase in operating revenue

Cumulative operating revenue in Q3 FY2016 was 57.9 billion yen, up about 20% year on year. Domestic financial business suffered from a decrease in (cumulative) operating revenue by c.7.3 billion yen from 15.6 billion yen in the same period of the previous year to 8.3 billion yen, mainly due to the sale of the KC Card business (January 2015). On the other hand, financial business in South Korea enjoyed an increase in operating revenue (cumulative) by c.6.2 billion yen from 13.7 billion yen in the same period of the previous year to 20.0 billion yen, attributable to the acquisition of Standard Chartered Savings Bank Korea (January 2015) and Standard Chartered Capital (Korea) (March 2015), both of contributed to revenue from the beginning of the fiscal year, as did steady growth in the loan balance. Financial business in Southeast Asia recorded operating revenue (cumulative) of c.9.0 billion yen, as consolidation of Bank JTrust Indonesia started from this fiscal year. As for the progress rate of three financial businesses in Japan, South Korea and Southeast Asia, the progress rate of about 67% in South Korea looks somewhat disappointing, while the progress rate of around 75% in Japan and Southeast Asia was mostly as scheduled.

◆Aim to achieve full-year operating income of 7.5 billion yen by offsetting loss in financial business in Southeast Asia with investment business and domestic financial business

Cumulative operating loss of 2.1 billion yen in Q3 saw an improvement compared with loss of 3.3 billion yen in the same period of the previous year. Compared with target operating income of 7.5 billion yen, though, there still remains a shortfall of c.9.6 billion yen due to large operating loss of 5.8 billion yen in financial business in Southeast Asia. However, out of that shortfall, 1.5 billion yen is attributable to different treatment between JGAAP and IFRS, which is expected to disappear upon adoption of IFRS from March 2016.

✓ Domestic Financial Business (see P25)

In domestic financial business, despite a decrease in revenue along with downsizing of business, release from claims for refunding of overcharged interest mainly due to the sale of the KC Card business, improvement in profitability through cost cut driven by implementation of rationalization including personnel reduction and successful acquisition of large NPLs all contributed to operating income which recorded c.3.3 billion yen in Q3 on a cumulative basis (under IFRS), already achieving the target (3.2 billion yen), and is expected to be further accumulated in Q4.

✓ Financial Business in South Korea (see P30)

Financial business in South Korea successfully turned around from the deficit trend and recorded (cumulative) operating income of 55 million yen in Q3 (under JGAAP), attributable to smooth accumulation of the loan balance and improvement in loan loss ratio along with an increase in new loans. Considering operating loss of 4.2 billion yen in the same period of the previous year, this significant improvement implies that financial business in South Korea has achieved development into business which can contribute to profit of the overall group. However, as operating loss of 300 million yen was recorded under IFRS compared with target operating income of 2.5 billion yen, income of c.2.8 billion yen need to be generated in Q4. Currently, the sale of NPLs is in process to achieve the target with an aim to achieve the full-year operating income of 2.5 billion yen with gain on sales of NPLs (estimated more than 2.0 billion yen). Factors depressing operating income relative to the target include more than expected collection of receivables which

<Financial Business in Southeast Asia>

Operating assets grew steadily following improvement in balance sheet

Expect to eliminate operating loss by March 2016

The provision of allowance for doubtful accounts is likely to be reversed upon adoption of IFRS

<Group>

Aim to achieve full-year operating income of 7.5 billion yen by offsetting loss in Southeast Asia by incremental profit in domestic financial business and profit in investment business

had been written up as consolidation accounting when two Standard Chartered affiliates were acquired, causing a larger amount of income eliminated than expected (see P31).

✓ **Financial business in Southeast Asia** (see P34)

Bank JTrust Indonesia made an effort to improve balance sheet with injection of additional capital and separation of NPLs. This caused a shift in the bank category from the status under special supervision of the financial authority to normal supervision and elimination of the restriction on loans, contributing to a significant growth in operating assets in Q3. The bank is also gradually improving profitability with cost reduction by soliciting lower interest rate product at maturity of time deposits with high interest rates. However, given recurring income/loss remaining a deficit of c.0.2-0.3 billion yen per month, the bank seeks to secure profit by taking measures such as accumulation of operating assets, reduction in weight of loans for large corporations and increase in loans for small- to mid-sized enterprises. The bank is also planning to further cut cost, and if things go well, recurring loss is likely to be eliminated by March 2016. It should be noted that the full-year target had been developed on the assumption that recurring income/loss reaches to the breakeven in 2016 and it was aimed to achieve operating income of 1.5 billion yen in this fiscal year mainly by promoting collection of NPLs. Considering this point, failure to achieve the target should be partly attributable to slower progress in collection of NPLs than expected. Outlook for the full year results is operating loss of 1.5 billion yen, as reversal of allowance for doubtful accounts is anticipated along with adoption of IFRS, reducing the deficit from Q3 (cumulative).

Domestic financial business has almost secured operating income in excess of the target, and financial business in South Korea is also expected to record operating income above the level of 2.0 billion yen if the sale of NPLs progresses smoothly in Q4. Financial business in Southeast Asia is expected to reduce operating loss attributable to reversal of allowance for doubtful accounts but record full-year operating loss of 1.5 billion yen. Investment business generated income exceeding the target, as operating income of 2.5 billion yen was recorded as unrealized gain and realized gain at equity conversion of convertible bond of Group Lease underwritten in May 2015. J Trust aims to achieve full-year operating income of 7.5 billion yen by offsetting loss in financial business in Southeast Asia with operating income of 2.5 billion yen in investment business and incremental income above the target which is highly likely to be achieved in domestic financial business. However, there are uncertainties about at what prices NPLs can be sold in South Korea and the impact of adoption of IFRS. The amount of operating income will depend on their outcome.

◆ **Difference between full-year target and 3Q actual data**

(mil yen)

| | Operating income | | | 3Q act vs target IFRS | comment |
|--------------------------|------------------|----------------|----------------|-----------------------------|---|
| | 3Q cum JGAAP | 3Q cum IFRS | target IFRS | | |
| Domestic financial | 2,800 | 3,300 | 3,200 | 100 | Already achieved full-year target under IFRS by 3Q and aim to further accumulate income |
| South Korea financial | 100 | (300) | 2,500 | (2,800) | Expect gain on sale of NPL over 2bn yen in 4Q |
| Southeast Asia financial | (5,700) | (4,000) | 1,500 | (5,500) | Expect reversal of allowance for doubtful accounts upon adoption of IFRS in 4Q to result in operating loss of c.1.5bn |
| Non financial | 2,700 | 3,200 | 600 | 2,600 | Unrealized gain and realized gain on equity conversion of Group Lease CB significantly contributed to 3Q results |
| adjustment/other | (2,000) | (2,800) | - | - | |
| Total | (2,100) | (600) | 7,500 | (8,100) | Aim to achieve operating income of 7.5bn yen by offsetting deficit in Southeast Asian financial business with surplus in domestic financial and investment businesses |

Source: Earnings presentation materials

| (mil yen) | | | | | | | | | | | | | | |
|--|-----------|-----------|------------------|-----------|-----------|-----------|-----------|---------|-----------|-----------|-----------|---------|-------------|-----------|
| ◆ Quarterly Business Trend | | | | | | | | | | | | | | |
| | FY 2014-3 | FY 2015-3 | FY 2016-3 (plan) | Mar-15 | | | | | Mar-16 | | | | | IFRS |
| | | | | 1Q | 2Q | 3Q | 4Q | 3Q cum | 1Q | 2Q | 3Q | 3Q cum | 3Q cum IFRS | 4Q (diff) |
| Operating revenue | annual | annual | annual | quarterly | quarterly | quarterly | quarterly | 9M | quarterly | quarterly | quarterly | 9M | 9M | quarterly |
| Domestic financial | 25,193 | 18,731 | 11,100 | 5,205 | 4,928 | 5,451 | 3,147 | 15,584 | 2,698 | 2,683 | 2,913 | 8,294 | 7,920 | 3,180 |
| South Korea financial** | 13,214 | 19,857 | 30,000 | 4,974 | 4,837 | 3,923 | 6,123 | 13,734 | 7,412 | 5,978 | 6,587 | 19,977 | 20,151 | 9,849 |
| Southeast Asia financial | - | - | 12,000 | - | - | - | - | - | 3,227 | 2,913 | 2,898 | 9,038 | 8,818 | 3,182 |
| General entertainment | 16,510 | 15,075 | 15,000 | 3,631 | 4,055 | 4,345 | 3,044 | 12,031 | 3,904 | 4,459 | 4,127 | 12,490 | 12,491 | 2,509 |
| Real estate | 4,970 | 5,821 | 6,500 | 1,846 | 1,626 | 1,287 | 1,062 | 4,759 | 1,244 | 1,622 | 1,424 | 4,290 | 4,292 | 2,208 |
| Investment | n.a. | n.a. | 500 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1,797 | 2,632 | 2,723 | (2,223) |
| Other adj. | 2,037 | 3,795 | 6,800 | 272 | 605 | 1,135 | 1,785 | 2,012 | 1,002 | 633 | 423 | 1,223 | 952 | 5,848 |
| Total | 61,926 | 63,281 | 81,900 | 15,928 | 16,051 | 16,141 | 15,161 | 48,120 | 19,490 | 18,288 | 20,169 | 57,947 | 57,347 | 24,553 |
| Operating income | | | | | | | | | | | | | | |
| Domestic financial | 11,435 | 1,852 | 3,200 | 1,011 | (201) | 617 | 425 | 1,427 | 903 | 658 | 1,313 | 2,874 | 3,362 | (162) |
| South Korea financial** | 3,046 | (5,811) | 2,500 | (1,298) | (1,981) | (951) | (1,581) | (4,230) | 15 | (141) | 181 | 55 | (311) | 2,811 |
| Southeast Asia financial | - | - | 1,500 | - | - | - | - | - | (2,519) | (952) | (2,302) | (5,773) | (4,077) | 5,577 |
| General entertainment | 951 | 483 | 1,100 | 187 | 212 | 22 | 62 | 421 | 44 | 10 | (172) | (118) | 160 | 940 |
| Real estate | 496 | 402 | 500 | 241 | 117 | 56 | (12) | 414 | 73 | 187 | 106 | 366 | 400 | 100 |
| Investment | n.a. | n.a. | (200) | n.a. | n.a. | n.a. | n.a. | 0 | n.a. | n.a. | 1,822 | 2,524 | 2,727 | (2,927) |
| Other adj. | (2,185) | (2,144) | (1,100) | (500) | (421) | (433) | (790) | (1,354) | (469) | (146) | 1,101 | (2,036) | (2,901) | 1,801 |
| Total | 13,745 | (5,217) | 7,500 | (358) | (2,274) | (689) | (1,896) | (3,321) | (1,951) | (384) | 227 | (2,108) | (640) | 8,140 |
| Ordinary income (loss) | 13,351 | (2,385) | n.a. | (294) | (2,165) | 2,143 | (2,069) | (316) | (1,585) | (615) | 675 | (1,525) | n.a. | n.a. |
| Extraordinary income | 1,902 | 15,482 | n.a. | 11 | 17 | 1,033 | 14,421 | 1,061 | 12 | 1,041 | 618 | 1,671 | n.a. | n.a. |
| Extraordinary loss | 3,564 | 2,080 | n.a. | 150 | 636 | 58 | 1,236 | 844 | 1,175 | 245 | 55 | 1,475 | n.a. | n.a. |
| Income taxes | (85) | 679 | n.a. | (161) | 429 | 492 | (81) | 760 | 377 | 4 | (67) | 314 | n.a. | n.a. |
| Net margin | 11,774 | 10,337 | n.a. | (273) | (3,212) | 2,625 | 11,197 | (860) | (3,124) | 175 | 1,305 | (1,644) | n.a. | n.a. |
| Profit attributable to non-controlling interests | 629 | 194 | n.a. | 121 | 148 | 13 | (88) | 282 | (335) | (293) | 29 | (599) | n.a. | n.a. |
| Loss attributable to owners of parent | 11,145 | 10,143 | 4,700 | (395) | (3,359) | 2,612 | 11,285 | (1,142) | (2,789) | 469 | 1,275 | (1,045) | n.a. | n.a. |

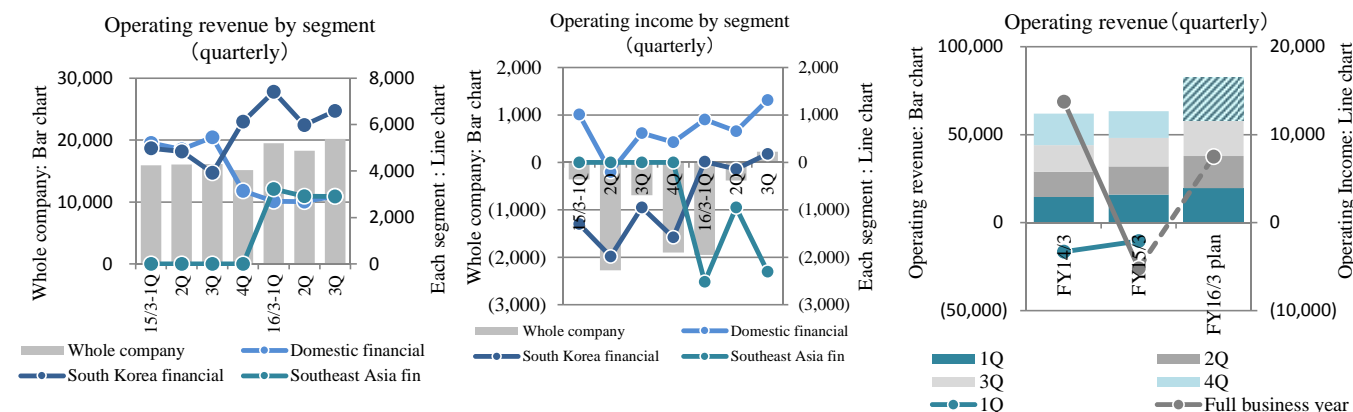
| ◆ Key Indicator | | | | | | | | | | | | |
|---|-----------|-----------|------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| | FY 2014-3 | FY 2015-3 | FY 2016-3 (plan) | Mar-15 | | | | | Mar-16 | | | |
| | | | | 1Q | 2Q | 3Q | 4Q | 3Q cum | 1Q | 2Q | 3Q | 3Q cum |
| Operating profit ratio | 22.2% | -8.2% | 9.2% | -2.2% | -14.2% | -4.3% | -12.5% | -6.9% | -10.0% | -2.1% | 1.1% | -3.6% |
| Ordinary profit margin | 21.6% | -3.8% | n.a. | -1.8% | -13.5% | 13.3% | -13.6% | -0.7% | -8.1% | -3.4% | 3.3% | -2.6% |
| Net margin | 18.0% | 16.0% | 5.7% | -2.5% | -20.9% | 16.2% | 74.4% | -2.4% | -14.3% | 2.6% | 6.3% | -1.8% |
| EPS** (yen) | 109.66 | 85.92 | 40.00 | (3.35) | (31.81) | (9.68) | 85.92 | (23.60) | (23.60) | (19.72) | (9.01) | (9.01) |
| ROA** | 4.0% | 2.3% | n.a. | n.a. | n.a. | n.a. | 2.3% | n.a. | -0.5% | -0.5% | -0.2% | -0.2% |
| ROE** | 9.3% | 5.6% | 2.5% | n.a. | n.a. | n.a. | 5.6% | n.a. | -1.5% | -1.4% | -0.6% | -0.6% |
| Total assets | 334,736 | 540,718 | n.a. | 330,203 | 361,339 | 463,671 | 540,718 | 540,718 | 536,835 | 495,893 | 509,007 | 509,007 |
| Total liabilities | 150,505 | 345,853 | n.a. | 149,006 | 183,293 | 280,612 | 345,853 | 345,853 | 346,947 | 317,948 | 334,607 | 334,607 |
| Total net assets | 184,230 | 194,865 | n.a. | 181,196 | 178,045 | 183,058 | 194,865 | 194,865 | 189,887 | 177,945 | 174,399 | 174,399 |
| Interest bearing debt | 43,760 | 29,455 | n.a. | 40,125 | 27,444 | 26,971 | 29,455 | 29,455 | 42,274 | 50,896 | 51,566 | 51,566 |
| Cash and deposits | 132,235 | 141,742 | n.a. | 137,684 | 166,766 | 143,524 | 141,742 | 141,742 | 133,045 | 122,886 | 115,243 | 115,243 |
| Accounts receivable - operating loans (L&S) | 53,193 | 67,720 | n.a. | 49,372 | 21,647 | 18,759 | 67,720 | 67,720 | 59,097 | 52,721 | 53,155 | 53,155 |
| Loans by banking business | 46,701 | 224,401 | n.a. | 43,233 | 71,364 | 154,941 | 224,401 | 224,401 | 219,512 | 212,695 | 221,955 | 221,955 |
| Deposits by banking business | 77,142 | 287,452 | n.a. | 80,973 | 122,657 | 222,150 | 287,452 | 287,452 | 282,045 | 250,379 | 267,696 | 267,696 |
| Loan-to-deposit ratio | 60.5% | 78.1% | n.a. | 53.4% | 58.2% | 69.7% | 78.1% | 78.1% | 77.8% | 84.9% | 82.9% | 82.9% |

(Note) The blue colored font suggests company plan. The figures for FY2016-3 4Q suggests the difference between company plan and 3Q cumulative (IFRS) figures.

*International business figures are used as a substitute for South Korea financial figures from Mar-2014 to Mar-2015. FY2015-3 4Q figures are difference between international business annual data and 3Q cumulative data.

**Quarterly EPS, ROA and ROE figures are calculated from the quarterly cumulative data.

Source : Financial results, materials on medium term business plan



4. Market Environment

4-(1) South Korea: Category of Financial Institutions

Savings banks belong to "2nd tier" financial market

Savings banks mainly provide loans for consumers and small and mid-sized enterprises with moderate credit risk

◆South Korea: category of financial institutions

In this section, the financial system in South Korea and environments surrounding savings banks are highlighted.

Financial market in South Korea is categorized into three tiers (see table below), and generally the 1st tier refers to banks and financial institutions subject to supervision excluding banks belong to the 2nd tier. Financial institutions subject to supervision are financial institutions which operate business with an approval from financial authorities in South Korea and governed directly by financial authorities.

The 2nd tier is further divided into (i) nonbank deposit taking institution, (ii) specialized credit financial institution and (iii) other. J Trust's savings banks belong to (i) nonbank deposit taking institution and the capital company belongs to (ii) specialized credit financial institution. Consumer finance companies and other financial institutions not subject to supervision belong to the 3rd tier.

◆Classification of financial market in South Korea

| Legislative system | Category(*1) | Broad category | Sub category |
|---------------------------------------|-------------------------|--|--|
| Financial institutions in system (*2) | 1st (approval base) | Bank | <ul style="list-style-type: none"> ● Commercial bank (city bank, local bank, foreign bank) ● Specialized bank (NongHyup Bank, National Federation of Fisheries Cooperatives, Korea Development Bank etc.) |
| | 2nd (approval base) | Nonbank deposit taking institution | <ul style="list-style-type: none"> ● <u>Savings bank</u> ● Credit cooperative (credit cooperative, Korean Federation of Community Credit Cooperative etc.) ● Diversified financial company etc. |
| | | Specialized credit financial institution | <ul style="list-style-type: none"> ● <u>Capital company</u> ● Credit card company |
| | | Other | <ul style="list-style-type: none"> ● Insurance company ● Securities company |
| Financial institutions outside system | 3rd (registration base) | Moneylender | <ul style="list-style-type: none"> ● <u>Moneylender</u> |

(*1) Above category is not a legal classification but is generally used in South Korea.

(*2) Financial institutions in system: Financial institutions which operate business with an approval from financial authorities in South Korea and governed directly by financial authorities of South Korea

Source : Materials on medium term business plan

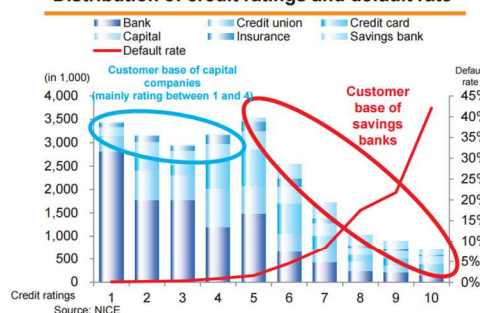
◆Savings banks mainly provide loans for consumers and small and medium-sized enterprises with moderate to high risk

Savings banks are "financial institutions established under the Mutual Savings Bank Act to improve convenience of financial system and increase savings for general public and small and medium-sized enterprises". Compared with general banks such as city banks, one of their characteristics lies in that they mainly provide loans for consumers and small and medium-sized enterprises.

Also, with respect to consumer loans, while banks and capital companies focus on high quality customers with credit ratings*¹ between 1- 4, savings banks mainly hold receivables of high default risk with credit rating of 5 or lower (below normal receivables). Compared with Japan's so-called consumer finance companies, savings banks are different in terms of funding by deposits, but similar in terms of type of customers.

As of the end of December 2014, there existed 81 savings banks with the total deposit amount of c.32 trillion won. With the average deposit amount per bank calculated c.400 billion won (c.40 billion yen), the size is smaller than general banks (average deposit amount per general bank is c.17 trillion won).

Distribution of credit ratings and default rate



Classification of credit ratings

➢ Credit ratings range from 1 to 10 depending on the individual's default rate (probability of bankruptcy).

| 1 - 4 | 5 - 6 | 7 - 8 | 9 - 10 |
|-------------------|----------|-------|--------------------|
| Good | Ordinary | Watch | At risk |
| Superior/low risk | | | Inferior/high risk |

* Above ratings classification is arbitrary standard and each financial company has own standard in interpretation of credit ratings.

Number of customers

| Number of customers | (in 10,000) |
|--------------------------------|----------------------|
| Bank | 1,076 |
| Credit card | 333 |
| Savings bank | 122 |
| Capital | 268 |
| Insurance | 114 |
| Population (South Korea 2014) | About 50 mil |
| Nominal GDP (South Korea 2014) | About 1,492 tril won |

Source: Materials on medium term business plan

◆Number of Insured Financial Institutions

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------|------|------|------|------|------|------|
| Banks | 54 | 54 | 55 | 56 | 57 | 56 |
| Domestic | 17 | 17 | 17 | 17 | 17 | 17 |
| Foreign | 37 | 37 | 38 | 39 | 40 | 39 |
| Financial Investment Companies | 115 | 118 | 117 | 115 | 117 | 116 |
| Insurance Companies | 44 | 44 | 44 | 46 | 48 | 48 |
| Merchant Banks | 2 | 1 | 1 | 1 | 1 | 1 |
| Mutual Savings Banks | 106 | 105 | 107 | 101 | 92 | 81 |
| Total | 321 | 322 | 324 | 319 | 315 | 302 |

◆Insurable Deposits by Financial Sector

| (tril won) | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------|-------|-------|-------|-------|-------|-------|
| Banks | 633 | 738 | 850 | 892 | 940 | 970 |
| Domestic | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Foreign | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Financial Investment Companies | 19 | 22 | 20 | 20 | 16 | 19 |
| Insurance Companies | 294 | 323 | 358 | 450 | 508 | 565 |
| Merchant Banks | 2 | 1 | 1 | 1 | 1 | 1 |
| Mutual Savings Banks | 73 | 77 | 51 | 42 | 33 | 32 |
| Total | 1,020 | 1,161 | 1,281 | 1,405 | 1,497 | 1,587 |

Source: Korea Deposit Insurance Corporation

*¹ Credit ratings (credit ratings for individual) are granted by credit rating agencies based on evaluation of individual's credit, and are used for decision making regarding loan disbursement and lending interest rate. They are also used as the standards for underwriting when issuing credit cards and insurance policies. Korean Credit Bureau (KCB) and National Information & Credit Evaluation Information Service (NICE) are private credit rating agencies. They gather information on financial transaction provided by banks, savings banks and credit card companies and credit transaction breakdown provided by public organizations, and grant credit ratings. NICE's ratings are categorized into 1 - 10, where lower numbers represent higher quality and higher numbers represent lower quality. (Source: Summary by SQUADD based on the medium term business plan)

◆Indonesian banking business is a fast-growing industry at CAGR over 20%

One of the attraction of Indonesia is the 4th largest population in the world (c.250 million), half of which are 28 years or younger, making it the high potential market where the mid- to long-term growth of middle income group is expected. Though the economy is currently slowing down, it has maintained high GDP growth ranging between 5 to 6% over more than ten years. The banking business in particular, currently at the development stage with the amount of both loans and deposits growing at higher pace than the economy, is a growing industry with expected CAGR over 20% in the future. In addition, as only about 40% of total population (c.100 million) now has bank accounts and the potential customers are estimated to amount to 80 million, there is a significant room for growth.

Actually, bank's total assets have sharply increased, as they doubled from 2,343 trillion rupiah in 2008 to 4,330 trillion rupiah in 2012 and further increased to 5,705 trillion rupiah in 2014 (CAGR during 2008-2014 was 16%). On the other hand, there have been no significant change in the number of commercial banks from 124 in 2008 to 118 in 2014, implying that banks have rapidly expanded the asset size.

4-(2) Indonesia: Trend in Banking Business



◆ Indonesian banking industry structure highly concentrated in larger banks

Banks in Indonesia are divided into commercial banks and rural banks, and 119 commercial banks and 1,644 rural banks existed as of June 2015 (see below table). Though there are by far more rural banks, assets are concentrated in commercial banks, out of which four state owned banks hold about 35% share. Top 10 banks' share also reach to about 60%, showing the structure highly concentrated in larger banks.

While many large banks conduct business centered on loans for large companies, the largest BANK RAKYAT INDONESIA, which is strong in micro finance, has recently expanded assets and surpassed BANK MANDIRI in 2014 to become the top domestic bank in terms of total assets. Bank JTrust Indonesia acquired by J Trust ranks in the middle among commercial banks with total assets of 13 trillion rupiah. Though there is a large room to catch up with top banks in terms of size, it aims to build up the balance centered on loans for consumers and small and mid-sized enterprises with high growth potential.

◆ Category of Indonesia Bank (2014/12)

| | | | (tril Rupiah) |
|---------------------------------------|-------|--------------|---------------|
| Category | # | Total assets | Share |
| Commercial Banks | | | |
| State Owned Banks | 4 | 2,128 | 35.3% |
| Foreign Exchange Commercial Banks | 38 | 2,302 | 38.2% |
| Non-Foreign Exchange Commercial Banks | 29 | 188 | 3.1% |
| Regional Development Banks | 26 | 549 | 9.1% |
| Joint Venture Banks | 12 | 287 | 4.8% |
| Foreign Owned Banks | 10 | 479 | 8.0% |
| Total | 119 | 5,933 | 98.4% |
| Rural Banks | | | |
| Total | 1,644 | 94 | 1.6% |
| | 1,763 | 6,027 | 100.0% |

Source: INDONESIA BANKING STATISTICS

(Ref) 1Rupiah=about 0.008yen

◆ Indonesian Major Bank (2014/12)

| Rank | Category | Name | (tril Rupiah) | |
|----------------------------|----------|------------------------|-------------------|--------------|
| | | | Bank Total assets | Share* (Est) |
| 1 | SOB | BANK RAKYAT INDONESIA | 778 | 12.9% |
| 2 | SOB | BANK MANDIRI | 756 | 12.5% |
| 3 | FECB | BANK CENTRAL ASIA | 542 | 9.0% |
| 4 | SOB | BANK NEGARA INDONESIA | 393 | 6.5% |
| 5 | FECB | BANK CIMB NIAGA | 227 | 3.8% |
| 6 | FECB | BANK PERMATA | 185 | 3.1% |
| 7 | FECB | BANK TABUNGAN NEGARA | 145 | 2.4% |
| 8 | FECB | PAN INDONESIA BANK | 159 | 2.6% |
| 9 | SOB | BANK DANAMON INDONESIA | 163 | 2.7% |
| 10 | FECB | MAYBANK INDONESIA | 136 | 2.2% |
| Total | | | 3,484 | 58.7% |
| : | | | : | : |
| FECB BANK JTRUST INDONESIA | | | 0 | 0.0% |

*Estimated from INDONESIA BANKING STATISTICS & Indonesia Financial Service Authority's data

SOB: State Owned Banks, FECB: Foreign Exchange Commercial Banks

Source: Indonesia Financial Service Authority (Otoritas Jasa Keuangan)

5. Segment Overview and Business Model

5-(1) Domestic Financial Business

a. Domestic Financial Business: Outline

◆Focus on credit guarantee and receivable collection

Domestic financial business has driven the overall business as a main source of revenue since TOB by Fujisawa in March 2008. Starting with the acquisition of Station Finance Co., Ltd. (consumer finance company affiliated with Hankyu Corporation) in March 2009, J Trust has aggressively expanded the business scale through the acquisition of a leading small business loan provider Lopro Corporation in September 2010 and assumption of consumer finance business from Takefuji Corporation in March 2012. Subsequently, through the intra-group reorganization, the loan business and guarantee business were consolidated into Nihon Hoshou Co., Ltd. Also, J Trust made a full-fledged entry into the credit card business through the acquisition of Rakuten KC Card Co., Ltd. in August 2011. However, J Trust later downsized credit card business by selling the KC Card business in January 2015. J Trust also effectively withdrew from unsecured loan business by transferring part of unsecured loan (consumer finance) business of a subsidiary Nihon Hoshou Co., Ltd. in September 2015. After these reorganization, (i) credit guarantee and (ii) receivable collection (investment in NPLs and servicing) became core businesses within domestic financial business. Credit and consumer credit business, though scaled down, continues to be handled under the J Trust brand.

As a basic direction, J Trust plans to downsize the new loan disbursement operation, and develop domestic financial business with focus on credit guarantee, investment in NPLs and servicing as core businesses. In addition, despite decline in operating revenue, structural reform centered on cut of personnel costs implemented in the previous fiscal year as well as efforts of selection and concentration were successful to significantly improve profitability (see P25), making domestic financial business as the foundation for J Trust Group to generate stable cash flow.

◆Domestic business structure



◆Overview for domestic financial business

| Category | Note |
|----------------------------|--|
| Credit guarantee | Focus on <i>Apartment Loans</i> |
| Receivable collection | Continue developing |
| Credit and consumer credit | Significantly scale down along with sale of KC Card business |

Source: Materials on medium term business plan

<Credit Guarantee>

Focus on accumulation of guarantee balance centered on *Apartment Loans*

(1) Domestic financial business: credit guarantee business

Credit guarantee business, conducted by Nihon Hoshou Co., Ltd. in partnership with financial institutions such as banks and shinkin banks, provides guarantee for consumer and business loans extended by those partnered institutions. Guarantors receive guarantee commission from borrowers and, in the case of default, repay to financial institutions on behalf of borrowers. Expansion of the credit guarantee business is J Trust Group's mid- to long-term strategy, and J Trust Group has established partnership with five regional financial institutions*¹ including Saikyo Bank (Yamaguchi) and Tokyo Star Bank (Tokyo) as of the end of December 2015. While there has been no change in the number of partnered financial institutions since April 2015, J Trust aims to build up the credit balance per institution.

With focus on the credit guarantee business to establish a new source of revenue as an

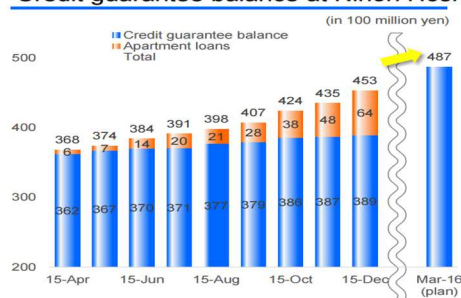
alternative to unsecured loans, money lenders have expanded the balance of credit guarantee for loans extended by financial institutions from c.3.4 trillion yen in March 2011 to c.5.6 trillion yen in March 2015, about 1.6-fold increase. Rapid growth of the credit guarantee balance of consumer finance companies was driven by increase in revolving credit, etc. extended by banks. As banks are not subject to the Money Lending Business Act (not subject to total loan volume control), the balance of revolving credit, etc. extended by banks hit the bottom in March 2011 (c.3.2 trillion yen) following full enforcement of the revised Money Lending Business Act (2010), and reached c.4.1 trillion in March 2015, up about 30%. Consumer finance companies take risks by providing guarantee for bank loans, and benefit from growth of bank's consumer loans.

Under these circumstances, J Trust aims to differentiate itself by focusing on guarantee for Apartment Loans (rental housing loans) and strives to expand the credit guarantee business. *Apartment Loans* are provided to landlords who construct rental houses attached to their residence for reduction of inheritance tax. Generally, in the case of inheritance tax-reduction purpose, banks often reject underwriting of loans due to unstable income stream as borrowers are old, though secured by the property. Therefore, Nihon Hoshou Co., Ltd. provides guarantee and has banks, etc. extend loans. As needs for *Apartment Loans* are strong, supported by progress in aging and revision of Inheritance Tax Act, J Trust aims to strengthen tie-up with housing manufacturers and further build up the balance.

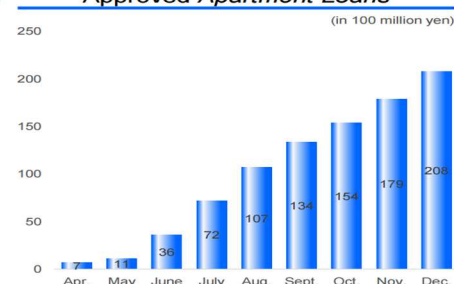
Additionally, among receivables transferred from Takefuji, J Trust has sold performing loans to banks, etc. and provided guarantee for them. It then earns guarantee commission. The average guarantee commission rate slightly decreased from 5.17% in Q1 FY2016 to 4.92% in Q3 FY2016. Also, when looking at the entire money lender industry, about 80% of the guarantee balance are for unsecured loans, but in the case of J Trust, about 70% of the guarantee balance are for secured loans, which is one of unique characteristics.

*1 Saikyo Bank (Yamaguchi), Tokyo Star Bank (Tokyo), Ehime Bank (Ehime), Seikyo Credit Union (Osaka) and Kinki Sangyou Credit Union (Osaka)

Credit guarantee balance at Nihon Hoshou



Approved Apartment Loans



<Receivable Collection>

Strong in unsecured NPLs and leverage expertise built through M&A to secure high returns

(2) Domestic financial business: receivable collection business

Receivable collection business (sevicig business), conducted by Partir Servicer Co, Ltd. and Nihon Hoshou Co., Ltd., mainly involves investment in and collection of NPLs.

Investment in NPLs is the business that generates returns by purchasing default and delinquent receivables from financial institutions through SPCs, etc. at lower price than the face amount and collecting them at higher price than the purchase price. Partir Servicer Co., Ltd. is highly skilled in collection of unsecured NPLs, which are mainly purchased from banks through auction.

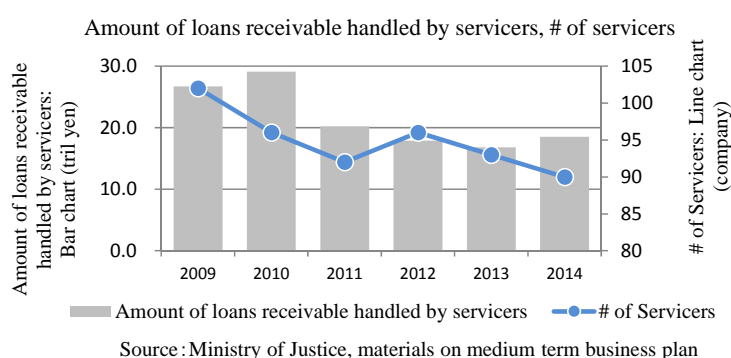
While Partir Servicer has achieved high profitability, generating IRR of over 40%

from investment in NPLs, as the domestic NPL market has peaked out and is in a contracting trend, the investment balance cannot be built up quickly.

J Trust's strength lies in expertise of receivable collection. Given its involvement in many M&As, J Trust has employees who used to work for various companies, and has developed its unique collection expertise incorporating advantages of legacy companies. Advantages of the strong collection expertise include that it allows J Trust to pursue higher return and bid high at auction, which increases the probability of successful bids and chance to be invited to auction. On the other hand, uncertainty in building up the balance as the nature of auction poses a risk that success of auction affects performance.

Receivable collection company (servicer) means a private company specialized in management and collection of receivables with an approval by the Minister of Justice to carry out management and collection of specified monetary claims. The Lawyers Act had prohibited parties other than lawyers or legal professional corporation from carrying out this business, but the "Act on Special Measures Concerning Claim Management and Collection Business (Servicer Act)" was enacted in 1999 to promote disposal of bad debts, making it possible to establish a private company as an exception to the Lawyers Act. Servicers are required to take measures to eliminate entry of anti-social forces such as organized crime groups in obtaining a license, and are also required to comply with laws as they are put under regulations of the Servicer Act and subject to control and supervision of the Ministry of Justice.

Partir Servicer Co., Ltd. is a servicer established in 2007 pursuant to the Servicer Act (License Number 113). Partir Servicer has passed all audit and inspection by supervisory authorities from its establishment to date, and strives to maintain compliance with laws and improve the control level in the receivable collection process.



<Credit and Consumer Credit>

Significantly contracted the business scale by sale of the KC Card business in January 2015

(3) Domestic financial business: credit and consumer credit business

J Trust entered the credit card business with the acquisition of KC Card Co., Ltd. (Rakuten KC) in August 2011. After the acquisition, the card business has not progressed smoothly, as the number of new card holders has not increased much, though the number of card holders has been maintained, and the balance of cash advance decreased. Also, while the strength of KC Card was "integration of internet and finance", severe business environment has continued as competition with major internet-related and e-commerce-related companies has intensified.

Under these circumstances, J Trust sold the KC Card business to Yahoo Japan and SoftBank Payment Service Corp. in January 2015 and would conduct the credit card business under the J Trust brand^{*2}.

However, the business environment for the credit card industry is not necessarily bright, as the highly profitable cash advance market has contracted after revision of the

b. Domestic Financial
Business: Recent
Quarter Performance

Significantly improved
profitability by separating
loans with interest
repayment liability and
pushing through structural
reform such as cut of
personnel costs

Strong growth in guarantee
for *Apartment Loans*

Money Lending Business Act, and competition with major credit card companies, etc. on acquisition of customers has intensified.

^{*2} The KC Card business was sold under the scheme that the KC Card business split from KC Card Co., Ltd. was transferred to a newly established company (KC Co., Ltd.), which was then sold to Yahoo Japan and SoftBank Payment Service Corp. At the same time, KC Card Co., Ltd. changed the trade name to J Trust Card Co., Ltd. Along with the sale of the KC Card business, J Trust Card Co., Ltd. assumed the card business of Miyazaki-based NUCS Co., Ltd. acquired in March 2014.

◆Operating income doubled despite decrease in revenue due to the sale of the KC Card business, etc.

Cumulative operating revenue decreased by about 47% year on year to 8.3 billion yen in Q3, as the business scale significantly contracted due to the sale of the KC Card business implemented in the previous fiscal year. On the other hand, (cumulative) operating income recorded 2.9 billion yen, which was much larger than 1.4 billion yen in the same period of the previous year, with significant improvement in profitability.

Improvement in profitability was driven by: (i) there has been no provision of allowance for loss on interest repayment in FY2016 due to release from interest repayment liability as the KC Card business was sold and unsecured loans with interest repayment liability were separated through a company split, and (ii) Nihon Hoshou Co., Ltd. (565 regular employees) offered an elective retirement plan for around 300 employees as part of the structural business reform and received 320 applications almost as scheduled, leading to reduction in annual personnel cost of c. 1.5 billion yen.

The progress rate (under IFRS) also remains well in line with the target for (cumulative) operating revenue at about 71% (7.9 billion yen v.s. target of 11.0 billion yen) and (cumulative) operating income at about 105% (3.4 billion yen v.s. target of 3.2 billion yen). Particularly as for operating income, significant increase in the claim balance (by 123.0 billion yen) from 342.1 billion yen at the end of Q1 to 465.1 billion yen at the end of Q3 due to success in purchase of large NPLs in July 2015 and the large amount of collection during the period contributed to larger-than-expected operating income. Operating income in Q4 is expected to be less than that in Q3 (1.3 billion yen) due to provision of allowance for doubtful accounts, etc. but similar to that in Q1 (0.9 billion yen) or Q2 (0.6 billion yen). Domestic financial business has almost secured operating income in excess of the full-year target and seeks to further generate incremental income in Q4.

◆Claim balance has already achieved the full-year target and credit guarantee balance is also firm particularly in *Apartment Loans*

This section reviews the trend of "credit guarantee balance" and "claim balance" as leading indicator of core domestic financial business "credit guarantee business" and "receivable collection business", respectively.

At the end of Q3 FY2016, the credit guarantee balance was 45.3 billion yen, up c.8.6 billion yen from the previous fiscal year-end. To achieve the full-year target of an increase by c.12.0 billion yen, c.3.4 billion yen of additional loans need to be built up in Q4. *Apartment Loans* has shown a rapid growth in the balance with the cumulative amount of approved loans reaching to c. 20.8 billion yen in December 2015 from c.0.7 billion yen in April 2015. Construction costs are typically paid one third each at start, in interim and upon completion of construction, and loans are extended at the same timing. Therefore, there is also a timing gap between approval and provision of credit guarantee for *Apartment Loans*. Although there is a risk of delay in construction starts due to short

Successfully purchased large NPLs

workers at construction companies, etc., the credit guarantee balance for *Apartment Loans* is expected to grow steadily, driven by an increase in starts in January through March.

As mentioned above, the claim balance has already exceeded the full-year target of c.384.1 billion yen in Q3 (c.465.1 billion) by a large margin, implying that a revenue source has been successfully secured not only for this fiscal year but for next fiscal year and beyond.

◆ Domestic financial business : Business trend (quarterly)

(mil yen)

| Domestic financial business, Business trend (quarterly) | | | | | | | | | | | | | (mill yen) |
|---|----------|-------|-------|-------|----------|-------|-------|-------|----------|-------|-------|---------|------------|
| | FY2014/3 | | | | FY2015/3 | | | | FY2016/3 | | | | |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | Change | y/y |
| Operating revenue | 6,269 | 5,912 | 5,874 | 7,138 | 5,205 | 4,928 | 5,451 | 3,147 | 2,698 | 2,683 | 2,913 | (2,538) | 53.4% |
| Operating income | 2,357 | 1,527 | 4,576 | 2,975 | 1,011 | (201) | 617 | 425 | 903 | 658 | 1,313 | 696 | 212.8% |
| Operating profit ratio | 37.6% | 25.8% | 77.9% | 41.7% | 19.4% | -4.1% | 11.3% | 13.5% | 33.5% | 24.5% | 45.1% | 14.0% | |

◆ Domestic financial business : Business trend (quarterly, cumulative)

(mil yen)

Domestic financial business : Business trend (quarterly, cumulative)

(mil yen)

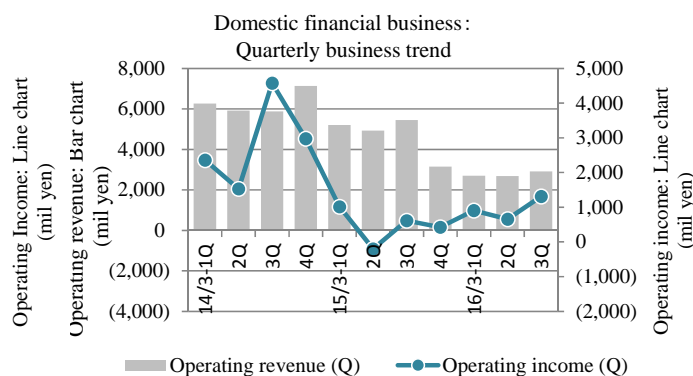
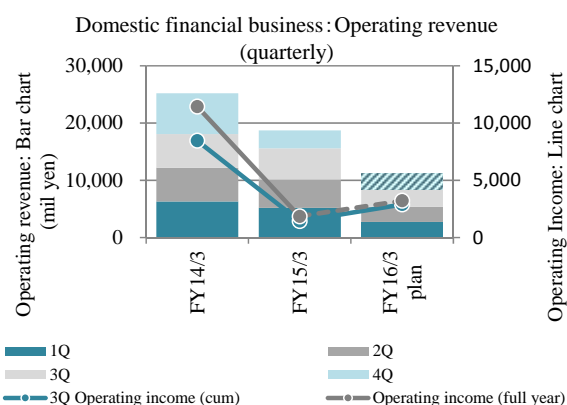
| | FY2014/3 | | | | FY2015/3 | | | | FY2016/3 | | | | |
|--------------------------|----------|--------|--------|---------|----------|--------|--------|---------|----------|---------|---------|---------|-----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 3Q IFRS | Plan IFRS |
| Operating revenue | 6,269 | 12,181 | 18,055 | 25,193 | 5,205 | 10,133 | 15,584 | 18,731 | 2,698 | 5,381 | 8,294 | 7,920 | 11,100 |
| Operating income | 2,357 | 3,884 | 8,460 | 11,435 | 1,011 | 810 | 1,427 | 1,852 | 903 | 1,561 | 2,874 | 3,362 | 3,200 |
| Operating profit ratio | 37.6% | 31.9% | 46.9% | 45.4% | 19.4% | 8.0% | 9.2% | 9.9% | 33.5% | 29.0% | 34.7% | 42.4% | 28.8% |
| Credit guarantee balance | 33,983 | 34,814 | 36,050 | 40,839 | 42,795 | 44,373 | 45,725 | 36,712 | 38,426 | 40,709 | 45,310 | n.a. | 48,700 |
| inc rental housing loan | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1,401 | 2,807 | 6,394 | n.a. | 12,300 |
| Net growth* | 789 | 1,620 | 2,856 | 7,645 | 1,956 | 3,534 | 4,886 | (4,127) | 1,714 | 3,997 | 8,598 | n.a. | 11,988 |
| Loans claimed balance | n.a. | n.a. | n.a. | 283,300 | n.a. | n.a. | n.a. | 349,200 | 342,100 | 461,200 | 465,100 | n.a. | 384,100 |
| Net growth* | n.a. | n.a. | n.a. | 26,100 | n.a. | n.a. | n.a. | 65,900 | (7,100) | 112,000 | 115,900 | n.a. | 34,900 |

◆ Domestic financial business : Approved apartment loans

*Net growth is compared with the latest fiscal year end.

| | 2015/6 | 2015/9 | 2015/12 |
|----------------------------|--------|--------|---------|
| Cumulative approved loans | 3,600 | 13,400 | 20,800 |
| Approved loans (quarterly) | — | 9,800 | 7,400 |

Source : Financial results, earnings presentation materials



Source : Annual securities report, financial results

<Savings Bank>

The 3rd largest savings bank in South Korea after acquisition of Standard Chartered Savings Bank Korea

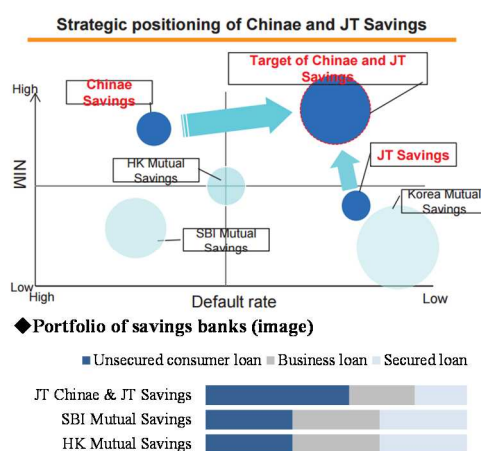
(1) Financial business in South Korea: overview of savings bank business

Upon the acquisition of Standard Chartered Savings Bank Korea in January 2015, J Trust Group's savings bank business (total assets of c.1.9 trillion won) became the third largest in South Korea on the asset base, following SBI Savings Bank (c.3.9 trillion won) and HK Savings Bank (c.2.0 trillion won) (as of March 2015). Operating areas of two companies have also expanded from c.50% to c.70% of total population, allowing J Trust to provide services and conduct marketing activities throughout the country.

Savings banks are nonbank deposit taking institutions primarily targeting consumers and small and mid-sized enterprises with medium-to-low credit quality (credit rating between 5-9) that are difficult to borrow from banks. J Trust Group also plans to develop business centered on consumer loans of relatively higher profitability and set a target on the average credit rating of 5.8 in three years. As the average credit rating was 6.8 as of December 2015, J Trust will raise the weight of quality customers to stabilize the loan portfolio for the time being. It plans to use the name of JT Capital in obtaining quality customers, and fund loans extended by JT Capital from deposits obtained by the savings banks.

While anticipating decline in the average lending interest rate from 18% in June 2015 to about 16% in December 2015 and to around 15% in March 2016 due to an increase in the weight of quality customers, J Trust aims to achieve net interest margin over 10% driven by reduction of funding cost. Also, the maximum lending interest rate is kept below the statutory maximum lending interest rate in anticipation of the potential cut in the maximum lending interest rate in the future.

As there is no difference in business strategies and target customers between two subsidiaries, J Trust considers the merger of these companies, taking into account advantages and disadvantages.

**◆Savings bank: Lending interest rate & default rate by loan type**

| Type | Industry average lending interest rate | Industry average default rate | Profitability |
|---------------|--|-------------------------------|---------------|
| Consumer loan | 25%-35% | 10%~15% | 5.0% |
| Business loan | 4%~10% | 3%~10% | 0.5% |
| Secured loan | 4%~10% | 3%~10% | 1.0% |

◆JT Chinae Savings Bank and JT Savings Bank

| | Q3 of FY 2016 Actual | FY 2016 Target |
|-------------------------------|----------------------|----------------|
| Average lending interest rate | 16.1% | 14.9% |
| Average deposit interest rate | 2.6% | 2.8% |
| Net interest margin | 8.5% | 10.10% |

Source: Materials on medium term business plan

◆Asset ranking of savings banks (2014/12)

| | | | | | | | (tril won) |
|---------------|------|-------------------------------|--------------|----------|-------|-----------------------|---------------------|
| Japanese | Rank | Name | Total assets | Deposits | Loans | Loan-to-deposit ratio | # of branch offices |
| ○ | 1 | SBI Mutual Savings | 3.82 | 3.30 | 3.05 | 92.5% | 20 |
| | 2 | HK Mutual Savings | 2.00 | 1.74 | 1.95 | 112.0% | 19 |
| ○ | 3 | JT Chinae Savings & JT Saving | 1.48 | 1.32 | 0.98 | 74.2% | 19 |
| | 4 | Korea Mutual Savings | 1.43 | 1.12 | 1.34 | 119.6% | 12 |
| | 5 | Moa Mutual Savings | 1.39 | 1.27 | 1.15 | 90.6% | 6 |
| (○) | | JT Chinae Savings | 1.14 | 1.05 | 0.72 | 68.8% | 15 |
| | 6 | Dongbu Mutual Savings | 1.10 | 0.87 | 0.67 | 76.7% | 9 |
| | 7 | Hana Savings | 1.07 | 0.89 | 0.88 | 99.7% | 11 |
| | 8 | Shinan Mutual Savings | 0.92 | 0.83 | 0.82 | 99.3% | 1 |
| | 9 | Pureun Mutual Savings Bank | 0.91 | 0.70 | 0.77 | 109.2% | 5 |
| | | : | : | : | : | : | : |
| (○) | | JT Savings | 0.34 | 0.27 | 0.26 | 94.7% | 4 |
| Top 9's total | | | 14.12 | 12.02 | 11.59 | 96.5% | |

Source : Materials on medium term business plan

<Capital Business>

Carry out installment loan and leasing business for high-quality customers with credit ratings between 1-4

(2) Financial business in South Korea: overview of capital business

Capital companies are specialized credit financial institutions established under the Specialized Credit Finance Business Act, belonging to the 2nd tier financial market (approval base). Business of capital companies consists of (i) installment loan business, (ii) leasing business and (iii) venture capital business. However, most capital companies mainly carry out (i) installment loan business and (ii) leasing business, as does JT Capital. Targeting low-risk quality customers with the credit rating between 1-4 is also one of characteristics.

There are 61 capital companies registered to the Credit Finance Association, of which 44 companies registered as leasing and installment financing business operator (2014). In addition, the leasing and installment loan business is categorized as automobile finance-driven-type and personal credit loan-driven-type, and JT Capital falls under the personal credit loan-driven-type capital company. The aggregate total assets of top 20 leasing and installment loan business operators amount to c.80 trillion won. JT Capital is a medium size company ranking 19th with the total assets of 1.2 trillion won.

(3) Financial business in South Korea: overview of receivable collection business

<Receivable Collection>

Specialized in investment in unsecured NPLs with expertise as in Japan

Receivable collection business is carried out by TA Asset Management (formerly KJI Consumer Finance).

Investment targets are unsecured NPLs that J Trust has abundant experience in Japan and that have the potential of higher growth and higher profitability, and the asset size as of December 2015 was 243.9 billion won (c.25.2 billion yen) on the basis of claimed face value (book value of purchased receivables was c. 3.3 billion yen).

As the NPL market in South Korea is growing, J Trust expects the size of unsecured NPL market (currently c.3.3 trillion won) to expand at a pace of around 10% p.a. As communication with borrowers is essential in collection of unsecured NPLs, requiring intensive business operations, foreign business operators tend to be hesitant about entry. On the other hand, J Trust Group has the advantage in that infrastructure for collection of receivables is already in place, such as branches all over the country.

Also, unlike Japan, laws and regulations on receivable collection companies have not been established in South Korea, but J Trust Group has independently established the high level of internal control system in compliance with the Japanese system and strives to ensure compliance.

b. Financial Business in South

Achieved about 45%
revenue growth
(cumulative) year on year

A core subsidiary JT
Chinae Savings Bank (on a
standalone basis) recorded
cumulative operating
income of c. 2.0 billion yen
in Q3.

Operating income far
behind the target due to
larger-than-expected
consolidation adjustment
(cancel of income)

◆ Both new loans and loan balance continued to grow by the effect of advertisement

Financial business in South Korea recorded (cumulative) operating revenue of 20.0 billion yen in Q3 FY2016, up about 45% year on year, as a result of consolidation of JT Savings Bank from Q4 FY2015 and JT Capital from Q1 FY2016. While the progress rate of about 67% was somewhat disappointing, new loans reached c.300 billion won both in Q1 and Q2 with the monthly average of c.100 billion won acquired steadily. In addition, new loans reached the record high of c.400 billion won for three months in Q3 with the monthly average of c.130 billion won, in part attributable to name recognition raised by advertisements such as TV CM. The loan balance maintained a steady growth trend since June 2015, exceeding c.1.8 trillion won in December 2015. J Trust aims to achieve 2.0 trillion won by March 2016.

◆ Successful turnaround to profitable business

Operating income/loss in FY2015 was a deficit of 5.8 billion yen due to the additional provision of allowance for doubtful accounts along with the transfer of loan business from three consumer finance subsidiaries to JT Chinae Savings Bank^{*3}, as well as temporary expenses of c.5.5 billion yen in total including loss on sale of receivables of c.1.3 billion yen.

On the other hand, financial business in South Korea has escaped from the deficit trend in FY2016 and recorded a surplus of c. 55 million yen in Q3 (cumulative). The earning structure started improving as a result of further reduction in bad debt costs such as a decrease in the ratio of NPLs (more than 30-day delinquent receivables) from over 10% in FY2015 to about 6.6% in December 2015 due to the steady growth of the loan balance, as mentioned above, as well as an increase in direct loan receivables (loan loss ratio of less than 3%). In particular, JT Chinae Savings Bank has sufficiently grown to record quarterly operating revenue of around 0.6-0.7 billion yen with cumulative operating income of c.2.0 billion yen in Q3 on a standalone basis. Meanwhile, JT Capital (on a standalone basis) recorded operating income of c.3.9 billion yen thanks to gain on bad debts recovered for c.5.0 billion yen from the sale of NPLs in Q1, but recorded a deficit of around 0.5 billion yen in Q2 and Q3. The deficit in Q2 and Q3 was attributable to additional costs incurred by JT Capital in relation to advertisements implemented on behalf of the savings bank as savings banks were temporarily restricted from advertisements in South Korea.

^{*3} Additional provision was required as the standards of provision for banks are different from those for consumer finance companies (more strict for banks).

◆ More than expected elimination of income after consolidation adjustment depressed operating income, but aim to achieve full-year operating income of 2.5 billion yen by selling receivables

As mentioned above, financial business in South Korea successfully turned around to become profitable, but in order to achieve the full-year target of 2.5 billion yen, operating income of c.2.8 billion yen need to be recorded in Q4. The factor that makes operating income looks disappointing relative to the target is a difference in book value of receivables between on a standalone basis and on a consolidated basis which appeared when two Standard Chartered affiliates were acquired in the previous fiscal year. To illustrate this by using hypothetical figures, NPL with book value of 10 yen on a standalone basis at the time of acquisition was re-evaluated for 100 yen which was recorded as cost on a consolidated basis. This re-evaluation partially caused "gain on

Aim to achieve full-year operating income of 2.5 billion yen by selling NPLs in Q4

bargain purchase" recorded in the previous fiscal year. The difference in book value between on a standalone basis and on a consolidated basis (c.10.4 billion yen as of the end of March 2015) would be amortized by eliminating income recorded on a standalone basis in accordance with collection in cash or sale of receivables*⁴. Out of the difference of c. 10.4 billion yen, c.5.5 billion has been amortized in total by Q3 FY2016, as a result of sale of receivables (c.3.8 billion yen) and collection of receivables (c.1.7 billion yen). When the target was set out, the expected amount of amortization during Q3 was around 4.0 billion yen, but more-than-expected amount was actually amortized (more income was eliminated), resulting in less operating income compared with the target.

Despite unexpected factor depressing income, sale of receivables is currently under way to achieve the full-year income target of 2.5 billion yen. The sale of receivables is expected to generate over 2.0 billion yen of gain and bring operating income above the level of 2.0 billion yen, unless timing of the sale delays or actual selling price is significantly lower than expected.

*⁴ In the above case, if receivable with book value of 10 yen on a standalone basis can be collected for 120 yen, gain of 110 yen will be recorded on a standalone basis. On the other hand, on a consolidated basis, gain will be 20 yen as book value of receivable has been re-evaluated for 100 yen. In this case, when preparing the consolidated financial statements, accounting treatment will be to eliminate (debit) a difference in gain for 90 yen (=110 yen on a standalone basis - 20 yen on a consolidated basis) from income and eliminate (credit) a difference in book value of receivable for 90 yen (= 10 yen on a standalone basis - 100 yen on a consolidated basis) from receivables.

◆South Korea financial business: Business trend (quarterly)

(mil yen)

| | FY2014/3* | | | | FY2015/3 | | | | FY2016/3 | | | | |
|-----------------------------------|-----------|---------|--------|--------|----------|---------|--------|---------|----------|---------|---------|---------|--------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q* | 1Q | 2Q | 3Q | Change | y/y |
| Operating revenue | 2,688 | 2,414 | 2,813 | 5,299 | 4,974 | 4,837 | 3,923 | 6,123 | 7,412 | 5,978 | 6,587 | 2,664 | 167.9% |
| Operating income | (31) | (1,479) | (568) | 5,124 | (1,298) | (1,981) | (951) | (1,581) | 15 | (141) | 181 | 1,132 | - |
| Operating profit ratio | -1.2% | -61.3% | -20.2% | 96.7% | -26.1% | -41.0% | -24.2% | -25.8% | 0.2% | -2.4% | 2.7% | 26.3% | - |
| New loan balance** | 600 | 2,200 | 6,400 | 4,000 | 6,800 | 9,600 | 15,300 | 16,000 | 32,000 | 30,000 | 42,000 | 26,700 | 274.5% |
| New loan balance(100 million won) | 60 | 220 | 640 | 400 | 680 | 960 | 1,530 | 1,600 | 2,943 | 2,936 | 4,057 | 2,527 | 265.2% |
| Loan balance** | 58,000 | 52,000 | 51,000 | 48,000 | 43,000 | 68,000 | 72,000 | 113,000 | 188,000 | 174,000 | 191,000 | 119,000 | 265.3% |
| Loan balance(100 million won) | 5,828 | 5,190 | 5,149 | 4,753 | 4,260 | 6,835 | 7,154 | 11,346 | 17,175 | 17,295 | 18,481 | 11,327 | 258.3% |

*Figures in FY2014/3 are those of international business. Figures in FY2015/3 4Q are difference between full-year and 3Q cumulative results of international business.

**New loan balance and loan balance in FY2014/3 and FY2015/3 in yen terms show the amount converted at 0.1JPY = 1KRW for reference.

◆South Korea financial business: Business trend (quarterly, cumulative)

(mil yen)

| | FY2014/3* | | | | FY2015/3 | | | | FY2016/3 | | | | |
|------------------------|-----------|---------|---------|--------|----------|---------|---------|---------|----------|--------|--------|---------|-----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q* | 1Q | 2Q | 3Q | 3Q IFRS | Plan IFRS |
| Operating revenue | 2,688 | 5,102 | 7,915 | 13,214 | 4,974 | 9,811 | 13,734 | 19,857 | 7,412 | 13,390 | 19,977 | 20,151 | 30,000 |
| Operating income | (31) | (1,510) | (2,078) | 3,046 | (1,298) | (3,279) | (4,230) | (5,811) | 15 | (126) | 55 | (311) | 2,500 |
| Operating profit ratio | -1.2% | -29.6% | -26.3% | 23.1% | -26.1% | -33.4% | -30.8% | -29.3% | 0.2% | -0.9% | 0.3% | -1.5% | 8.3% |

*Figures in FY2014/3 are those of international business. Figures in FY2015/3 4Q are difference between full-year and 3Q cumulative results of international business.

Source: Financial results, earnings presentation materials

◆South Korea financial business: Operating income trend from major subsidiary (quarterly)

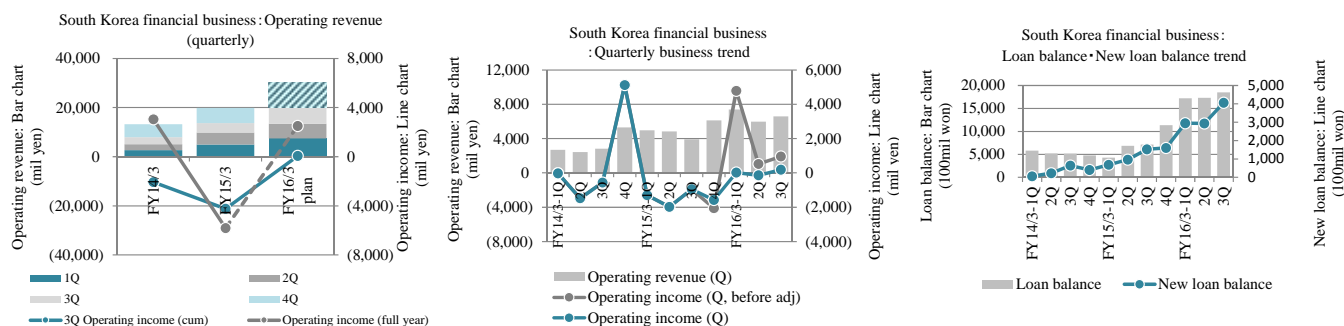
| | FY2015/3 | | | | FY2016/3 | | | 2015/3 full year | FY2016/3 3Q cum |
|-----------------------------------|----------|---------|-------|---------|----------|-------|-------|------------------|-----------------|
| | 1Q | 2Q | 3Q | 4Q* | 1Q | 2Q | 3Q | | |
| JT Chinae Savings Bank | (1,908) | (1,558) | (332) | (2,105) | 694 | 606 | 755 | (5,905) | 2,056 |
| JT Savings Bank | - | - | - | (4) | 48 | 154 | 140 | (4) | 344 |
| JT Capital | - | - | - | - | 3,907 | (482) | (598) | 0 | 2,827 |
| TA Asset Management | 610 | (423) | (618) | 44 | 132 | 237 | 654 | (387) | 1,024 |
| Operating income (unconsolidated) | (1,298) | (1,981) | (950) | (2,065) | 4,781 | 515 | 951 | (6,296) | 6,251 |
| Adjustment | 0 | 0 | (1) | 484 | (4,766) | (656) | (770) | 485 | (6,196) |
| Segment's operating income | (1,298) | (1,981) | (951) | (1,581) | 15 | (141) | 181 | (5,811) | 55 |

Source: Financial results, earnings presentation materials

◆South Korea financial business : Key Indicator

| | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Mar-18 |
|--|---------|---------|---------|---------|---------|---------|
| | Act | Act | Act | Act | Plan | Plan |
| Operating assets (mil yen) | 190,700 | 196,351 | 182,991 | 202,581 | 250,000 | 400,000 |
| Average lending interest rate (%) | n.a. | 18.0% | 17.3% | 16.1% | 14.9% | n.a. |
| Average deposit interest rate (%) | n.a. | 2.9% | 2.6% | 2.6% | 2.8% | n.a. |
| Net interest margin (NIM) (%) | n.a. | 9.56% | 8.70% | 8.50% | 10.10% | n.a. |
| Loans by banking business (100 million won) | 13,260 | 13,068 | 13,301 | 14,298 | n.a. | n.a. |
| JT Chinae Savings Bank (100 million won) | 10,896 | 10,478 | 10,509 | 11,261 | n.a. | n.a. |
| JT Savings Bank (100 million won) | 2,364 | 2,590 | 2,792 | 3,037 | n.a. | n.a. |
| Deposits by banking business (100 million won) | 16,571 | 17,362 | 14,935 | 17,338 | n.a. | n.a. |
| JT Chinae Savings Bank (100 million won) | 13,057 | 14,290 | 12,226 | 13,851 | n.a. | n.a. |
| JT Savings Bank (100 million won) | 3,514 | 3,072 | 2,709 | 3,487 | n.a. | n.a. |
| Loan-to-deposit ratio (%) | 80.0% | 75.3% | 89.1% | 82.5% | n.a. | n.a. |
| JT Chinae Savings Bank (%) | 83.4% | 73.3% | 86.0% | 81.3% | n.a. | n.a. |
| JT Savings Bank (%) | 67.3% | 84.3% | 103.1% | 87.1% | n.a. | n.a. |
| Consumer loans (100 million won) | 7,564 | 7,980 | 7,313 | 7,433 | n.a. | 18,000 |
| Credit rating (average) | 6.9 | 6.8 | 6.9 | 6.8 | n.a. | 5.8 |
| Cost to obtain a customer (10 thousand won) | 60 | 67 | 67 | 60 | n.a. | 30 |
| NPL Principal balance (100 million won) | 2,600 | 2,760 | 2,667 | 2,439 | n.a. | 10,000 |
| (Ref) Exchange rate (yen/won) | 0.1087 | 0.1094 | 0.1006 | 0.1033 | n.a. | n.a. |

Source: Earnings presentation materials, materials on medium term business plan.



Source: Financial results, earnings presentation materials

5-(3) Financial business in Southeast Asia

a. Financial Business in Southeast Asia: Outline

Financial business in Southeast Asia started full-fledged operation with the acquisition of PT Bank Mutiara Tbk. in November 2014

◆Development of financial business in Southeast Asia

J Trust entered the Southeast Asian market in October 2013 with establishment of JTRUST ASIA PTE. LTD. in Singapore by investing c.10 billion yen out of c.97.6 billion yen raised from the rights offering. Later in December 2013, J Trust concluded a capital tie-up agreement with Bank Mayapada International Tbk. PT, a core financial company of the Mayapada Group, one of the largest business groups in Indonesia, and acquired a 10% equity stake in Bank Mayapada for c.4.8 billion yen (SGD 57 million) from the Mayapada Group.

Also in November 2014, J Trust acquired a 99% equity stake in PT Bank Mutiara Tbk. (currently PT Bank JTrust Indonesia Tbk.), making it a consolidated subsidiary. Bank Mutiara went bankrupt in November 2008 and had proceeded with corporate rehabilitation under administration of the Indonesia Deposit Insurance Corporation, from which J Trust acquired the bank through an open bid held in 2014. While the foreign ownership on commercial banks is limited to 40%, this was the rare case where acquisition of 100% was allowed as an exception (as of December 31, 2015, J Trust held a 98.997% equity stake and PT JTRUST INVESTMENTS INDONESIA, a newly established local subsidiary, held a 1% stake). J Trust aims to build the foundation which can generate profit in the near future by leveraging the strength as the shareholder that was allowed to hold up to 100% equity stake to implement speedy and drastic organizational reform.

Further in May 2015, J Trust underwrote convertible bond of Group Lease, a listed

Establish a joint venture multi-finance company with Group Lease in February 2016 (plan)

Leverage strength as the shareholder allowed to hold up to 100% equity stake to promote improvement in management structure of Bank JTrust Indonesia

company in Thailand, through JTRUST ASIA (USD 30 million), and later acquired a 6.43% stake in outstanding shares of Group Lease by exercising the conversion right attached to the subject convertible bond in December 2015.

Group Lease is a finance company engaged in leasing of motorcycles and agricultural equipment in the Southeast Asian region including Thailand, Laos and Cambodia. J Trust Group has just started full-fledged business development in Indonesia and will strengthen a tie-up with Group Lease to jointly cultivate the Indonesian market. As the first step, Group Lease and J TRUST ASIA established a joint venture multi-finance company PT Group Lease Finance Indonesia (hereinafter, "GLFI") in February 2016 (plan)*¹. J Trust plans to expand the business scale by providing financing to GLFI through Bank JTrust Indonesia and using Group Lease's marketing expertise.

^{*1} GLFI is owned by Group Lease Holdings (65%), JTRUST ASIA (20%) and Wijaya Infrastruktur Indonesia (15%). GLFI will become an equity method affiliate of J Trust.

◆History of Bank JTrust Indonesia

PT Bank Mutiara (formerly Century Bank) acquired in November 2014 is a failed bank that was distressed due to the Lehman shock, etc. and central bank of Indonesia placed Bank Mutiara under its special supervision. Later, it had proceeded with corporate rehabilitation under administration of the Indonesia Deposit Insurance Corporation, but struggled as the total assets decreased from the peak of c.500 billion yen to c.100 billion yen. It faced difficulties in collecting deposits, as it has not actively conducted marketing activities but was also negatively affected by the image of failed bank and low level of convenience such as lack of online banking, etc. As a result, it came to rely on time deposits with high interest rates of large customers for funding and has fallen in a vicious cycle of lower margin. Then, J Trust changed the trade name to "PT Bank JTrust Indonesia Tbk." after the acquisition to eliminate the image of failed bank. The character of "J" has a positive effect on marketing, as Indonesia is a pro-Japan country. To cope with the poor users-friendliness, introduction of online banking was determined at an early stage. As for time deposits with high interest rates, the bank plans to reduce funding rates by soliciting low interest rate product at maturity.

◆Competitor Analysis of Bank J Trust Indonesia (as of 2013)

| | Bank J Trust Indonesia | Best in class | Competitor average |
|---|------------------------|---------------|--------------------|
| Average loan balance per branch (100 mil rupiah) | 1,830 | 10,040 | 3,540 |
| Average deposit balance per branch (100 mil rupiah) | 1,890 | 9,630 | 3,580 |
| Average lending interest rate (%) | 9.1% | 10.1% | 8.4% |
| Average deposit interest rate (%) | 7.9% | 2.7% | 4.1% |

Source :Materials on medium term business plan

| | |
|---|--|
| <p>Enhanced capital base with issue of additional shares, restriction on loans was removed</p> <p>Separate NPLs and establish structure which can strengthen marketing</p> <p>Bank category improved from special supervision to normal supervision of the authority</p> <p>Hire the strong management familiar with local banking business</p> | <p>◆ Accelerate management reconstruction by enhancing capital, promoting disposal of NPLs and hiring strong management</p> <p>On the financial front, <u>Bank JTrust Indonesia sought to improve the capital ratio (up from about 12% to about 18% as of the end of October 2015) by increasing capital for 700 billion rupiah (c.6.2 billion yen) in total including 300 billion rupiah in March 2015 and 400 billion rupiah in September 2015, and issuing subordinated debt for USD 25 million (c.3.0 billion yen) in October 2015.</u></p> <p>As for NPLs, <u>the bank sought to improve its financial health by transferring NPLs with face value of 2.4 trillion rupiah (c.22.0 billion yen) to PT JTRUST INVESTMENTS INDONESIA (hereinafter, "JTII", established in June 2015) for 487.1 billion rupiah (c.4.3 billion yen) in October 2015.</u> As a result, <u>the bad debt ratio of Bank JTrust Indonesia significantly improved from 7.5% in September 2015 to 2.6% in December 2015.</u> In addition, the above capital injection and the lower bad debt ratio led to <u>a shift in the bank category from the status under special supervision of the financial authority to normal supervision</u> and removal of the restriction on loans, allowing the bank to extend the pending loans.</p> <p>As for the management team, J Trust <u>replaced all of the former officers with well experienced team sent from Japan and established the structure that can oversee the local operation.</u> It is particularly notable that <u>Ritsuo Ando, who awarded the Best CEO in Leadership in Indonesia Banking Awards in the past, joined Bank JTrust Indonesia in November 2015 and was appointed Director in December 2015.</u> He has lived in Indonesia since 1989 and is very familiar with local banking business. His excellent personal network and name recognition in the industry will also be used to accelerate reconstruction of Bank JTrust Indonesia.</p> |
| <p>b. Financial business in Southeast Asia: Recent Quarter</p> <p>Recurring income/loss have remained a deficit until Q3, but is expected to improve to the breakeven in Q4</p> | <p>◆ Focus on improvement in profitability is expected to bring operating income/loss to the breakeven by March 2016</p> <p><u>Financial business in Southeast Asia recorded operating revenue of around 3.0 billion yen in Q1, Q2 and Q3, and cumulative operating revenue reached 9.0 billion yen in Q3 with the progress rate of about 75%, almost as scheduled.</u> On the other hand, segment income remained a deficit with operating loss of 5.8 billion yen in Q3 (cumulative).</p> <p>Q1 saw a deficit of c.2.5 billion yen, as additional provision of allowance for doubtful accounts (c.1.4 billion yen) heavily weighed on the results, while in Q3 operating loss of c.2.3 billion yen was partly attributable to provision of allowance for doubtful accounts (c.0.52 billion yen) and loss on sale of NPLs (c.0.46 billion yen). <u>As recurring income/loss remained a deficit of around 0.2-0.3 billion yen per month until Q3, there is an urgent need to improve profitability. Focus is currently put on accumulation of the loan balance and reduction of interest expenses and selling, general and administrative expenses, which are expected to bring operating income/loss to the breakeven by March 2016.</u></p> |

◆Southeast Asia financial business: Business trend (quarterly)

(mil yen)

| JGAAP (local accounting period) | FY2015/3 | | | | FY2016/3 | | | | Change y/y |
|------------------------------------|---|----|----|----|-----------|-----------|-----------|---------|---------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q 1-3 | 2Q 4-6 | 3Q 7-9 | | |
| Operating revenue | Excluded from consolidated results under IFRS | | | | 3,227 | 2,913 | 2,898 | 2,898 | - % |
| Operating income | | | | | (2,519) | (952) | (2,302) | (2,302) | - % |
| Operating profit ratio | | | | | -78.1% | -32.7% | -79.4% | - | - |

◀ In the case of IFRS adoption ▶

| IFRS (local accounting period) | FY2015/3 | | | | FY2016/3 | | | | |
|-----------------------------------|----------|----|----|----|------------|------------|--------------|------------------|--------------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q 4-6月 | 2Q 7-9月 | 3Q 10-12月 | 4Q(est.) 1-3月 | Estimation 4-3月 |
| Operating revenue | - | - | - | - | 2,900 | 2,800 | 3,100 | 3,200 | 12,000 |
| Operating income | - | - | - | - | (500) | (3,000) | (500) | 2,500 | (1,500) |
| Operating profit ratio | - | - | - | - | -17.2% | -107.1% | -16.1% | 78.1% | |

◆Southeast Asia financial business: Business trend (quarterly, cumulative)

(mil yen)

| JGAAP | FY2015/3 | | | | FY2016/3 | | | | Plan | Progress ratio |
|------------------------|---|----|----|----|----------|---------|---------|--|------|----------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | | | |
| Operating revenue | Excluded from consolidated results under IFRS | | | | 3,227 | 6,140 | 9,038 | | - | - |
| Operating income | | | | | (2,519) | (3,471) | (5,773) | | - | - |
| Operating profit ratio | | | | | -78.1% | -56.5% | -63.9% | | - | - |

◀ In the case of IFRS adoption ▶

| IFRS | FY2015/3 | | | | FY2016/3 | | | | |
|------------------------|----------|----|----|----|----------|---------|---------|------------|--------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | Estimation | Plan |
| Operating revenue | - | - | - | - | 2,900 | 5,700 | 8,800 | 12,000 | 12,000 |
| Operating income | - | - | - | - | (500) | (3,500) | (4,000) | (1,500) | 1,500 |
| Operating profit ratio | - | - | - | - | -17.2% | -61.4% | -45.5% | -12.5% | 12.5% |

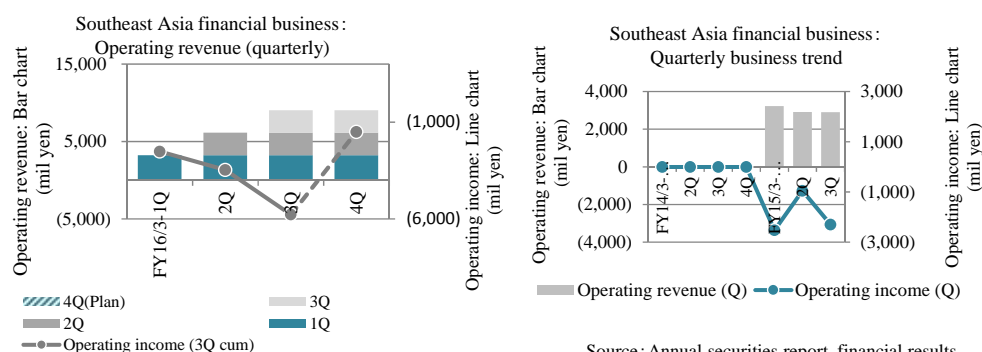
Source: Financial results, earnings presentation materials

◆Southeast Asia financial business: Key Indicator

| | Mar-15 Act | Jun-15 Act | Sep-15 Act | Dec-15 Act | Mar-16 Plan | Mar-18 Plan |
|--|---------------|---------------|---------------|---------------|----------------|----------------|
| Operating assets (mil yen) | 76,000 | 77,102 | 81,564 | 76,973 | 109,500 | 215,200 |
| Average lending interest rate (%) | n.a. | 9.99% | 10.55% | 11.22% | 12.70% | 13.40% |
| Average deposit interest rate (%) | 8.90% | 8.43% | 7.69% | 8.04% | 8.20% | 7.00% |
| Net interest margin (NIM) (%) | n.a. | 0.43% | 0.94% | 0.96% | 4.50% | 6.40% |
| Loans by banking business (trillion rupiah) | 7.8 | 7.9 | 8.3 | 8.8 | n.a. | n.a. |
| Deposits by banking business (trillion rupiah) | 11.1 | 10.5 | 11.0 | 11.6 | n.a. | n.a. |
| Loan-to-deposit ratio (%) | 70.8% | 75.5% | 75.7% | 75.5% | 92.0% | n.a. |
| SME loan (trillion rupiah) | 3.8 | 3.7 | 3.0 | 4.4 | n.a. | 13.0 |
| Multi finance (trillion rupiah) | 2.4 | 2.7 | 2.8 | 3.4 | n.a. | 5.2 |
| CASA ratio (%) | 10.3% | 14.7% | 18.1% | 13.2% | n.a. | 29.2% |
| Balance of loan to overseas business (trillion rupiah) | 0.7 | 1.1 | 1.2 | 1.2 | n.a. | 2.1 |
| Fee income* (trillion rupiah) | 0.09 | 0.25 | 0.06 | 0.10 | n.a. | 0.25 |
| (Ref) Exchange rate (yen / rupiah) | 0.0092 | 0.0092 | 0.0092 | 0.0082 | n.a. | n.a. |

* The figures for 2015/6, 9, 12 are quarterly cumulative base.

Source: Earnings presentation materials, materials on medium term business plan.



| | |
|--|---|
| <p>After separation of NPLs and improvement in the bank category under supervision of the authority, significant improvement in operating assets is expected</p> <p>Promote shift from the large amount of loans for large corporations to loans for small and mid-sized enterprises.</p> <p>The average deposit interest rate fell below the target to about 8.0%</p> | <p>◆Growth of operating assets accelerated in Q3</p> <p>As for a challenge to reduce NPLs, as mentioned above, NPLs were separated by transferring them to JTII in October 2015, and the structure that can focus on enhancement of marketing was established. JTII will specialize in collection of NPLs and strive to increase profit by maximizing collection through early disposal of collateral properties, etc. A special project to handle doubtful accounts (Special Asset Management Team) was also launched within the bank, establishing the framework to prevent deterioration of the debtor category by an early response.</p> <p><u>Operating assets</u> temporarily decreased from c. 8.9 trillion rupiah (c.81.6 billion yen) to c.8.4 trillion rupiah (c.77.3 billion yen) in September and October 2015 as a result of the transfer of NPLs, but later <u>achieved accumulation of c.1.6 trillion rupiah (c.14.0 billion yen) over three months from October to December</u> partly due to the effect of improvement in the bank category under supervision, and <u>the balance of operating assets reached c.9.4 trillion rupiah (c.77.0 billion yen) at the end of December 2015.</u></p> <p>As measures taken on <u>the loan side</u>, J Trust plans to reduce the large amount of loans to large corporations in excess of 1.0 billion yen and <u>promote diversification in small lots by enhancing loans to small and mid-sized enterprises and individual business owners.</u> A team specialized in mid-sized loans has been already set up with an aim not only to expand the loan balance quantitatively but also to promote qualitative improvement. <u>Expansion of hire-purchase financing for consumers is also expected</u> through Group Lease Finance Indonesia (a joint venture with Group Lease in Thailand) which is scheduled to be established. The average lending interest rate has risen from less than 10% to about 11.2% in Q3, and rebalancing of the loan portfolio is promoted to achieve the target of 12.7%.</p> <p>As for <u>deposits</u>, following steady negotiation to lower interest rates on large time deposit with high interest rates, <u>the average deposit interest rate has declined below the target of 8.2% and further to about 8.0% in December 2015.</u> In addition, online banking for corporate customers has been introduced since October 2015. Going forward, J Trust seeks to improve convenience by developing new deposit products and starting to provide online banking to expand deposit, as well as aims to lower deposit interest rates further.</p> <p>The average deposit interest rate has slightly risen from Q2 to Q3, which is a seasonal phenomenon arising out of intensified competition for deposits at the fiscal year end. Similarly, the ratio of current/saving accounts has deteriorated from Q2 (about 18%) to Q3 (about 13%), which is also caused by a temporary increase in 3 month time deposits due to competition for deposits and typically levels off in Q4.</p> |
|--|---|

| | |
|--|--|
| <p>Different treatment between IFRS and JGAAP created a gap in (cumulative) operating income of c. 1.8 billion yen</p> <p>Operating income of c. 2.5 billion yen is expected in Q4 driven by reversal of allowance for doubtful accounts along with adoption of IFRS and collection of NPLs.</p> | <p>◆Operating income of c.2.5 billion yen is expected in Q4 under IFRS</p> <p>Another factor depressing operating income in financial business in Southeast Asia is <u>delay in adoption of IFRS</u>. While, under JGAAP, results from January 2015 till December 2015 are reflected in results of FY2016, under IFRS, results from April 2015 till March 2016 will be reflected in consolidated results of FY2016, and results from January till March 2015 (operating loss of 2.5 billion yen) will be removed. Cumulative operating loss in Q3 FY2016 was 5.8 billion yen under JGAAP v.s. 4.0 billion yen under IFRS, creating a difference of c. 1.8 billion yen due to different treatment between IFRS and JGAAP. <u>In Q4, operating income/loss is expected to return to the breakeven by March due to improved profitability, and gain from collection of NPLs at JTII will start fully contributing to income. Also, when IFRS is adopted, change in calculation method of allowance for doubtful accounts*2 will cause some reversal of allowance for doubtful accounts, and operating income of c.2.5 billion is expected in Q4.</u> However, even when IFRS is adopted, it is hard to achieve the target income of c.1.5 billion yen, as the <u>full-year operating loss of c. 1.5 billion is expected.</u></p> <p>It should be noted that the full-year target had been developed on the assumption that operating income/loss in financial business in Southeast Asia would be back to the breakeven in Q4 and it was expected to achieve operating income of 1.5 billion yen mainly through collection of NPLs. Therefore, operating income was short of the target partly because gain from collection of NPLs did not meet the target.</p> <p>Although adoption of IFRS is scheduled for account closing in FY2016, subject to judgment by the auditing firm, there is still a possibility of delay in adoption of IFRS.</p> <p><small>*2 Under JGAAP allowance for doubtful accounts is calculated based on the actual loan loss rate over the past three years, while under IFRS allowance for doubtful accounts is calculated based on the actual loan loss rate over the past one year. Reversal of allowance for doubtful accounts is expected as the loan loss rate has improved in a recent year due to the sale of NPLs.</small></p> |
|--|--|

| | |
|--|--|
| <p>5-(4) Non-Financial Business</p> <p>a. General Entertainment Business</p> | <p>◆General Entertainment Business:profitability deteriorated despite strong operating revenue</p> <p>In this business segment, BREAK Co., Ltd. (subsidiary of ADORES, Inc.) produces and sells toys for amusement machines, ADORES, Inc. operates amusement facilities and Highlights Entertainment Co., Ltd. develops, produces and sells computer system in relation to peripheral equipment for Japanese pinball/slot machines.</p> <p>Operating revenue in general entertainment business remains strong with the progress rate of about 83%, but profitability has deteriorated due to the effect of surge in cost of manufactured goods along with the yen's depreciation, causing cumulative segment loss of c. 0.1 billion yen in Q3 FY2016.</p> <p>J Trust has started new initiatives such as a tie-up campaign with popular TV animation works from December 2015 as the first collaboration event involving all outlets of ADORES including game arcades, aiming to improve profitability by getting more customers.</p> <p>With the acquisition of Highlights Entertainment Co., Ltd., the segment as a whole aims to develop general entertainment business across the segment, for example, by utilizing ADORE's own contents in development of Japanese pinball/slot machines.</p> |
|--|--|

◆General entertainment business: Business trend (quarterly)

(mil yen)

| General entertainment business, business trend (quarterly) | | | | | | | | | | | | | (mil yen) |
|--|----------|-------|-------|-------|----------|-------|-------|-------|----------|-------|-------|--------|-----------|
| | FY2014/3 | | | | FY2015/3 | | | | FY2016/3 | | | | y/y |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | Change | |
| Operating revenue | 4,222 | 4,494 | 3,947 | 3,847 | 3,631 | 4,055 | 4,345 | 3,044 | 3,904 | 4,459 | 4,127 | (218) | 95.0% |
| Operating income | 294 | 494 | 110 | 53 | 187 | 212 | 22 | 62 | 44 | 10 | (172) | (194) | - |
| Operating profit ratio | 7.0% | 11.0% | 2.8% | 1.4% | 5.2% | 5.2% | 0.5% | 2.0% | 1.1% | 0.2% | -4.2% | -4.7% | |

◆General entertainment business: Business trend (quarterly, cumulative)

(mil yen)

| ▼ General entertainment business: Business trend (quarterly, cumulative) | | | | | | | | | | | | | (mil. yen) |
|--|----------|-------|--------|--------|----------|-------|--------|--------|----------|-------|--------|---------|------------|
| | FY2014/3 | | | | FY2015/3 | | | | FY2016/3 | | | | |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 3Q IFRS | Plan IFRS |
| Operating revenue | 4,222 | 8,716 | 12,663 | 16,510 | 3,631 | 7,686 | 12,031 | 15,075 | 3,904 | 8,363 | 12,490 | 12,491 | 15,000 |
| Operating income | 294 | 788 | 898 | 951 | 187 | 399 | 421 | 483 | 44 | 54 | (118) | 160 | 1,100 |
| Operating profit ratio | 7.0% | 9.0% | 7.1% | 5.8% | 5.2% | 5.2% | 3.5% | 3.2% | 1.1% | 0.6% | -0.9% | 1.3% | 7.3% |

Source: Financial Results, Earnings Presentation Materials

b. Real Estate Business

◆Real Estate Business: results in line with target

In this segment, Keyonote Co., Ltd. mainly sells ready-built residential housing and ADORES, Inc. conducts real estate asset business.

Both (cumulative) operating revenue and operating income were lower than the same period of the previous year when there was a large transaction in the real estate asset business, but construction starts of ready-built residential housing is showing a recovery trend and rent income remains stable. Also, entering in Q3, as the number of orders for large construction works has been increasing, J Trust aims to achieve the full-year target with better results in Q4 than Q3.

In the mid- to long-term, J Trust aims to expand profit opportunities with a view to develop overseas real estate business, taking advantage of the group's foundation in Southeast Asia, supported by Keynote's ability to plan and construct residential housing and commercial facilities of Japanese quality.

◆Real estate business: Business trend (quarterly)

(mil yen)

| | FY2014/3 | | | | FY2015/3 | | | | FY2016/3 | | | | Change | y/y |
|------------------------|----------|-------|-------|-------|----------|-------|-------|-------|----------|-------|-------|------|--------|-----|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | | | |
| Operating revenue | 703 | 1,327 | 1,836 | 1,104 | 1,846 | 1,626 | 1,287 | 1,062 | 1,244 | 1,622 | 1,424 | 137 | 110.6% | |
| Operating income | 23 | 126 | 308 | 39 | 241 | 117 | 56 | (12) | 73 | 187 | 106 | 50 | 189.3% | |
| Operating profit ratio | 3.3% | 9.5% | 16.8% | 3.5% | 13.1% | 7.2% | 4.4% | -1.1% | 5.9% | 11.5% | 7.4% | 3.1% | | |

◆Real estate business: Business trend (quarterly, cumulative)

(mil yen)

| | FY2014/3 | | | | FY2015/3 | | | | FY2016/3 | | | | |
|------------------------|----------|-------|-------|-------|----------|-------|-------|-------|----------|-------|-------|---------|-----------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 3Q IFRS | Plan IFRS |
| Operating revenue | 703 | 2,030 | 3,866 | 4,970 | 1,846 | 3,472 | 4,759 | 5,821 | 1,244 | 2,866 | 4,290 | 4,292 | 6,500 |
| Operating income | 23 | 149 | 457 | 496 | 241 | 358 | 414 | 402 | 73 | 260 | 366 | 400 | 500 |
| Operating profit ratio | 3.3% | 7.3% | 11.8% | 10.0% | 13.1% | 10.3% | 8.7% | 6.9% | 5.9% | 9.1% | 8.5% | 9.3% | 7.7% |

Source: Financial Results, Earnings Presentation Materials

6. Financial Analysis

6-(1) Cost Overview

◆Operating expenses

Among items within operating expenses, (i) discount on notes payable expense, (ii) interest on loans and (iii) banking business expenses are related to funding in the financial business. Out of 12.1 billion yen of (iii) banking business expenses, about 80% or 9.9 billion yen was interest paid on deposits (cumulative in Q3 FY2016). Other than the above, cost of purchased receivable is related to the financial business, but it recognizes the price of purchased NPLs (purchased receivable account).

◆Selling, general and administrative expenses

Selling, general and administrative expenses are broadly divided into provisions of various allowances related to financial business such as provision of allowance for doubtful accounts and personnel expenses. In FY2015, provisions sharply increased to 9.5 billion yen due to additional provision of allowance for doubtful accounts in the savings bank business in South Korea for c.4.2 billion yen. In FY2016, provision of allowance for doubtful accounts amounted to c.6.1 billion yen up to Q3, largely affected by additional provision of allowance for doubtful accounts for c.1.4 billion yen at Bank JTrust Indonesia in Q1. As the receivable balance of the group as a whole has increased, provision of allowance for doubtful accounts is also on an increasing trend. Provision for loss on interest repayment has significantly decreased in FY2016 and turned to zero in Q3, as the interest repayment related liability for advances paid installment was eliminated along with the sale of the KC Card business.

◆Extraordinary income

A major item among extraordinary income is gain on bargain purchase which amounted to 29.4 billion yen in FY2012 in association with purchase of KC Card. Gain on bargain purchase also recorded 14.6 billion yen in FY2015, of which c.5.1 billion yen was related to the acquisition of Standard Chartered Savings Bank Korea and c.8.4 billion yen was related to the acquisition of Standard Chartered Capital (Korea).

There was no significant extraordinary income recorded in FY2016 up to Q3, but out of extraordinary income of 1.7 billion yen, c.0.8 billion yen was gain on reversal of foreign currency translation adjustment related to capital decrease with compensation of South Korean subsidiaries and c.0.6 billion yen was gain on sales of shares of two South Korean affiliates (Neoline Credit and HICAPITAL).

◆Extraordinary loss

Provision for loss on litigation of c.3.0 billion yen recorded in FY2014 was related to former subsidiary CREDIA Co., Ltd. (sold in April 2015) and its subsidiary SF Corporation (bankrupt in August 2011). In September 2012, administrator in bankruptcy of SF Corporation (plaintiff) filed lawsuit against CREDIA Co., Ltd., claiming denial of repayment of c.5.4 billion yen made by SF Corporation to CREDIA Co., Ltd. The lawsuit had continued, but the parties later reconciled in November 2014, and the case was resolved with the settlement payment in the amount of c.2.85 billion yen in May 2015.

Business structure improvement expenses of c.0.9 billion yen recorded in FY2015 represented additional allowance for early retirement related to elective retirement plan (target c.300 employees) implemented in March 2015 at Nihon Hoshou.

Out of extraordinary losses of c.1.5 billion yen accrued up to Q3 FY2016, c.1.0 billion yen was impairment loss in association with withdrawal from elderly care business (August 2015).

| | | | | | | | (mil yen) | | | |
|---|--------|--------|--------|---------|---------|-------------|-----------|-----------|-------------|-----------------|
| ◆PL Summary | Mar-11 | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Composition | 2015/3-3Q | 2016/3-3Q | Composition | v.s. prev. year |
| Discount revenue | 141 | 204 | 190 | 183 | 188 | 0.3% | n.a. | 100 | 0.2% | 53.2% |
| Interest on loans | 2,960 | 3,639 | 5,123 | 3,054 | 4,934 | 7.8% | | 3,087 | 5.3% | 62.6% |
| Collection from purchased receivable | 2,669 | 2,740 | 2,403 | 3,018 | 3,439 | 5.4% | | 2,719 | 4.7% | 79.1% |
| Installment payment paying for commission | 616 | 9,236 | 10,016 | 7,463 | 4,701 | 7.4% | | 159 | 0.3% | 3.4% |
| Guarantee commission | 513 | 801 | 1,751 | 2,377 | 2,443 | 3.9% | | 1,379 | 2.4% | 56.4% |
| Other financial revenue | 5,823 | 3,358 | 6,868 | 3,091 | 1,051 | 1.7% | | 428 | 0.7% | 40.7% |
| Gain from bad debts recovered | - | 536 | 6,634 | 5,135 | 4,809 | 7.6% | | 3,346 | 5.8% | 69.6% |
| Banking business revenue | - | - | 1,222 | 12,392 | 14,376 | 22.7% | | 24,818 | 42.8% | 172.6% |
| Sales on real estate business | 3,167 | 2,645 | 4,285 | 4,970 | 5,821 | 9.2% | | 4,290 | 7.4% | 73.7% |
| Sales on general entertainment business | - | - | 14,823 | 16,510 | 15,073 | 23.8% | | 12,490 | 21.6% | 82.9% |
| Completed work | - | - | - | 1,372 | 1,747 | 2.8% | n.a. | 5,127 | 8.8% | 79.6% |
| Other | 1,015 | 1,346 | 2,364 | 2,356 | 4,693 | 7.4% | | | | |
| Total operating revenue | 16,908 | 24,508 | 55,683 | 61,926 | 63,281 | 100.0% | | 48,120 | 57,947 | 100.0% |
| Discount on notes payable expense | 30 | 55 | 58 | 50 | 63 | 0.1% | | n.a. | - | - |
| Interest on loans | 539 | 1,082 | 1,412 | 979 | 1,076 | 1.7% | | 729 | 1.3% | 67.8% |
| Guarantee commission | 22 | 14 | 10 | - | - | - | | n.a. | - | - |
| Cost of purchased receivable | 1,661 | 939 | 614 | 700 | 843 | 1.3% | | 804 | 1.4% | 95.4% |
| Cost of sales - real estate | 2,486 | 2,277 | 3,700 | 4,045 | 4,919 | 7.8% | | 13,069 | 22.6% | 73.2% |
| Cost of sales on amusement business | - | - | 11,867 | 13,982 | 12,942 | 20.5% | | | | |
| Banking business expenses | - | - | 816 | 4,630 | 6,031 | 9.5% | | 12,097 | 20.9% | 200.6% |
| Other operating expenses | 392 | 170 | 2,305 | 1,950 | 3,407 | 5.4% | | 2,297 | 4.0% | 67.4% |
| Total operating expenses | 5,132 | 4,539 | 20,786 | 26,339 | 29,285 | 46.3% | n.a. | 21,522 | 28,998 | 50.0% |
| Operating gross profit | 11,776 | 19,969 | 34,897 | 35,586 | 33,996 | 53.7% | | 26,597 | 28,948 | 50.0% |
| Provision of allowance for doubtful accounts | - | 2,019 | 71 | 213 | 9,513 | 15.0% | | 6,122 | 10.6% | 64.4% |
| Bad debts expenses | 31 | 288 | 988 | 1,161 | 54 | 0.1% | | 31 | 0.1% | 57.4% |
| Provision for loss on interest repayment | 2,535 | 1,460 | 1,195 | (209) | 2,229 | 3.5% | | 337 | 0.6% | 15.1% |
| Provision for loss on guarantees | - | 87 | 1,484 | (3,575) | 108 | 0.2% | | 14 | 0.0% | 13.0% |
| Directors' compensations | 278 | 393 | 536 | 601 | 690 | 1.1% | | n.a. | - | - |
| Salaries and allowances | 2,284 | 3,952 | 7,537 | 9,395 | 9,432 | 14.9% | | n.a. | - | - |
| Share-based compensation expenses | 40 | 76 | 77 | 67 | 72 | 0.1% | | n.a. | - | - |
| Provision for bonuses | - | 48 | (75) | - | - | - | | n.a. | - | - |
| Retirement benefit expenses | - | 113 | (7) | 246 | 328 | 0.5% | | n.a. | - | - |
| Commission fee | 470 | 2,340 | 2,497 | 3,483 | 3,824 | 6.0% | | n.a. | - | - |
| Amortization of goodwill | 86 | 110 | 687 | 1,320 | 1,334 | 2.1% | n.a. | 2,395 | 4.1% | 179.5% |
| Other | 1,723 | 3,538 | 7,898 | 9,135 | 11,624 | 18.4% | | 22,155 | 38.2% | 190.6% |
| Total SG&A expenses | 7,451 | 14,429 | 22,892 | 21,841 | 39,214 | 62.0% | | 29,918 | 31,057 | 53.6% |
| Operating income (loss) | 4,324 | 5,539 | 12,005 | 13,745 | (5,217) | -8.2% | | (3,321) | (2,108) | -3.6% |
| Interest income, Dividend income | 4 | 23 | 948 | 178 | 51 | 0.1% | | 43 | 67 | 131.4% |
| Foreign exchange gains | - | - | 530 | 243 | 2,814 | 4.4% | | 3,014 | 534 | 19.0% |
| Other | 39 | 210 | 499 | 587 | 298 | 0.5% | | 225 | 437 | 146.6% |
| Total non-operating income | 44 | 234 | 1,979 | 1,010 | 3,166 | 5.0% | | 3,285 | 1,040 | 32.8% |
| Interest expenses | 13 | 24 | 164 | 219 | 164 | 0.3% | | 118 | 118 | 0.2% |
| Other | 31 | 262 | 113 | 1,183 | 168 | 0.3% | | 161 | 338 | 201.2% |
| Total non-operating expenses | 45 | 287 | 279 | 1,404 | 333 | 0.5% | | 281 | 457 | 137.2% |
| Ordinary income (loss) | 4,323 | 5,486 | 13,704 | 13,351 | (2,385) | -3.8% | | (316) | (1,525) | -2.6% |
| Gain on bargain purchase | 6 | 29,444 | 294 | 1,060 | 14,573 | 23.0% | n.a. | 1,042 | - | - |
| Other | 376 | 473 | 349 | 840 | 908 | 1.4% | | 18 | 1,671 | 184.0% |
| Total extraordinary income | 385 | 29,919 | 645 | 1,902 | 15,482 | 24.5% | | 1,061 | 1,671 | 10.8% |
| Impairment loss | 49 | 48 | 283 | 429 | 782 | 1.2% | | 704 | 1,102 | 140.9% |
| Provision for loss on litigation | - | - | - | 2,951 | 200 | 0.3% | | - | - | - |
| Business structure improvement expenses | - | - | 158 | 27 | 908 | 1.4% | | - | - | - |
| Other | 42 | 36 | 85 | 155 | 188 | 0.3% | | 138 | 371 | 197.3% |
| Total extraordinary losses | 94 | 86 | 528 | 3,564 | 2,080 | 3.3% | | 844 | 1,475 | 70.9% |
| Income before income taxes and minority interests | 4,614 | 35,319 | 13,821 | 11,689 | 11,016 | 17.4% | | (100) | (1,329) | -2.3% |
| Income taxes | 1,372 | 703 | 581 | (85) | 679 | 1.1% | | 760 | 314 | 46.2% |
| Net income | 3,241 | 34,615 | 13,240 | 11,774 | 10,337 | 16.3% | | (860) | (1,644) | -2.8% |
| Profit attributable to non-controlling interests | 8 | 114 | (69) | 629 | 194 | 0.3% | n.a. | 282 | (599) | -1.0% |
| Profit attributable to owners of parent | 3,233 | 34,500 | 13,309 | 11,145 | 10,143 | 16.0% | | (1,142) | (1,045) | -1.8% |
| Operating income (loss) | 4,324 | 5,539 | 12,005 | 13,745 | (5,217) | -8.2% | | (3,321) | (2,108) | -3.6% |
| Depreciation | 120 | 216 | 2,560 | 2,311 | 2,957 | 4.7% | | 2,168 | 1,892 | 64.0% |
| Amortization of goodwill | 86 | 110 | 687 | 1,320 | 1,334 | 2.1% | | 994 | 2,395 | 179.5% |
| EBITDA | 4,530 | 5,865 | 15,252 | 17,376 | (926) | -1.5% | | (159) | 2,179 | 3.8% |
| ◆Key Indicator | Mar-11 | Mar-12 | Mar-13 | Mar-14 | Mar-15 | change | 2015/3-3Q | 2016/3-3Q | change | |
| Operating revenue growth | 2.2% | 44.9% | 127.2% | 11.2% | 2.2% | -9.0% | 9.3% | 20.4% | 11.1% | |
| Operating expenses/Operating revenue | 30.4% | 18.5% | 37.3% | 42.5% | 46.3% | 3.7% | 44.7% | 50.0% | 5.3% | |
| SG&A/Operating revenue | 44.1% | 58.9% | 41.1% | 35.3% | 62.0% | 26.7% | 62.2% | 53.6% | -8.6% | |
| Operating gross profit margin | 69.6% | 81.5% | 62.7% | 57.5% | 53.7% | -3.7% | 55.3% | 50.0% | -5.3% | |
| Operating profit ratio | 25.6% | 22.6% | 21.6% | 22.2% | -8.2% | -30.4% | -6.9% | -3.6% | 3.3% | |
| Ordinary profit margin | 25.6% | 22.4% | 24.6% | 21.6% | -3.8% | -25.3% | -0.7% | -2.6% | -2.0% | |
| Net margin | 19.1% | 140.8% | 23.9% | 18.0% | 16.0% | -2.0% | -2.4% | -1.8% | 0.6% | |

Source : Annual Securities Report, Financial Results, Earnings presentation materials.

6-(2) BS Overview

◆ **Cash and Deposits**

The cash and deposit balance has remained over 100.0 billion yen since FY2014 due to progress in collection of funds invested in M&As and purchase of receivables through repayment and sales. In FY2016, as J Trust has repurchased its own shares for c.6.3 billion yen in total and used excess funds to further purchase government bonds and local government bonds, the cash and deposit balance decreased by c.26.5 billion yen from 141.7 billion yen at the end of March 2015 to 115.2 billion yen at the end of December 2015.

◆ **Accounts receivable-operating loans/loans by banking business/advances paid-installment**

Accounts receivable-operating loan are mainly held by three subsidiaries: Nihon Hoshou (Japan), JT Capital (South Korea) and TA Asset Management (South Korea), of which JT Capital holds slightly less than 80% of the total balance (as of the end of Q3 FY2016). While the balance in Japan has decreased after the peak in March 2012 immediately after assumption of the consumer finance business from Takefuji, the overseas balance has increased since FY2014 in association with the acquisition of consumer finance companies and a capital company in South Korea, resulting in the consolidated balance reaching 65.3 billion yen in March 2015. However, in FY2016, revision to LTV regulation on housing loans in South Korea caused a shift in business from capital companies to mega banks, and accounts receivable-operating loans of JT Capital decreased by 5.2 billion yen from 44.6 billion yen in March 2015 to 39.4 billion yen in December 2015, which had a significant impact on the consolidated balance decreasing from 65.3 billion yen at the end of March 2015 to 50.8 billion yen at the end of December 2015.

Loans by banking business are on balance sheet since FY2013 along with the entry into the savings bank business in October 2012. The balance sharply increased from 46.7 billion yen in FY2014 to 224.4 billion yen in FY2015 due to the acquisition of Standard Chartered Savings Bank Korea and Bank Mutiara. In FY2016, all subsidiary banks have experienced a growth of loans in the banking business in local currency terms, but in yen terms, the consolidated balance slightly decreased from 224.4 billion yen at the end of March 2015 to 222.0 billion yen at the end of December 2015.

Advances paid-installment represent receivables related to the credit card business, and significantly decreased from 39.8 billion yen at the end of March 2014 to 1.4 billion yen at the end of March 2015, along with the sale of the KC Card business in January 2015. The balance has not become zero, as the card business continues, despite small, under the J Trust brand.

◆ **Securities and operational investment securities**

Securities have increased along with the banking business and the balance amounted to c.34.6 billion yen in December 2015, of which c.30.7 billion yen is held in government bonds and local government bonds, mainly for the purpose of investing excess funds that are not used for loans in the banking business. While the loan-to-deposit ratio improved from about 78% in March 2015 to about 83% in December 2015, it is one of ongoing targets to further improve the loan-to-deposit ratio through development of loan customers and reduce investment in government bonds, etc.

Operational investment securities are investment securities held by a subsidiary JTRUST ASIA. Operational investment securities mainly include shares of Bank Mayapada in Indonesia acquired in December 2013 (acquisition cost of SGD 57

million) and shares of Group Lease in Thailand acquired by converting convertible bond in December 2015. With regard to convertible bond of Group Lease (acquisition cost of USD 30 million), income of c.2.5 billion yen was recorded as unrealized gain on convertible bond and realized gain at conversion (included in other operating income on PL).

◆Interest-bearing liabilities (excluding deposits by banking business)

"Cash flow management not dependent upon borrowing from financial institutions" is a basic policy, and interest-bearing liabilities are kept to the minimum.

In FY2014, funds raised from the rights offering in December 2013 was used for full prepayment of borrowings (21.58 billion yen) to the Resolution and Collection Corporation (RCC) (including accrued interest and borrowings by subsidiaries). Borrowings from RCC were originally loans extended by the Incubator Bank of Japan to the J Trust Group and later transferred to RCC along with its bankruptcy. However, as borrowings from RCC may cause misunderstanding that J Trust receives public support via RCC, J Trust decided to make full prepayment.

In FY2016, the balance of interest-bearing liabilities increased by c.22.1 billion yen in association with the acquisition of JT Capital from 29.5 billion yen at the end of March 2015 to 51.6 billion yen at the end of December 2015. Though the balance of interest-bearing liabilities increased in FY2016, after the balance of cash and deposits exceeded interest-bearing liabilities in FY2013, net interest-bearing liabilities have remained negative (i.e. cash and deposits exceed interest-bearing liabilities).

◆Provision for loss on interest repayment

The balance of provision for loss on interest repayment (both current and non-current) significantly decreased from 13.4 billion yen in March 2014 to 6.3 billion yen in March 2015, as provision for loss on interest repayment against advances paid-installment was removed following the sale of the KC Card business in January 2015. Also in FY2016, as interest repayment liability was separated along with organizational restructuring such as partial transfer of the domestic unsecured loan business through a company split, risk of contingent liability receded. As a result, there has been no balance of provision for loss on interest repayment since Q2 FY2016.

◆Capital stock, capital surplus and retained earnings

Capital stock and capital surplus increased from 8.6 billion yen at the end of March 2013 to 106.5 billion yen at the end of March 2014 due to funding through the rights offering (97.6 billion yen) in July 2013, and the capital ratio significantly improved from c.29% to c.53% as well. The capital ratio has stayed around 35% since FY2015, as deposits by banking business (liabilities) increased due to the acquisition of two banks in FY2015.

In FY2016, 6,250,000 treasury shares (acquisition cost of c. 6.3 billion yen) were canceled in December 2015. As a result, retained earnings and treasury shares decreased by 8.3 billion yen and 6.0 billion yen, respectively, for the first nine months of FY2016, amounting to 65.4 billion yen and 0.4 billion yen, respectively, as of December 2015.

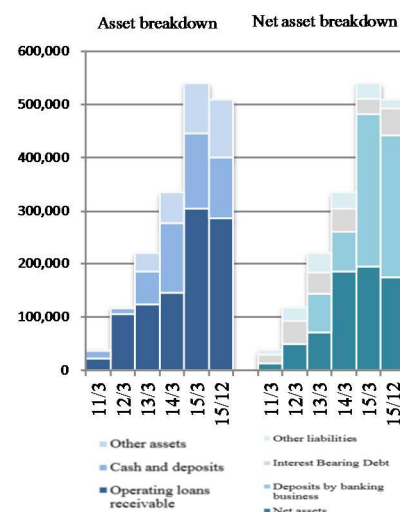
| | | | | | | | | | | (mil yen) | | |
|--|---------|---------|----------|----------|----------|-------------|----------|---------|----------|-------------|----------|--|
| ◆BS Summary | Mar-11 | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Composition | change | y/y | Dec-15 | Composition | change | |
| Cash and deposits | 14,846 | 10,362 | 62,140 | 132,235 | 141,742 | 26.2% | 9,507 | 107.2% | 115,243 | 22.6% | (26,499) | |
| Commercial notes | 1,900 | 2,119 | 1,656 | 2,369 | 2,355 | 0.4% | (14) | 99.4% | 1,401 | 0.3% | (954) | |
| Accounts receivable - operating loans | 11,725 | 27,713 | 18,227 | 49,242 | 65,315 | 12.1% | 16,073 | 132.6% | 50,795 | 10.0% | (14,520) | |
| Loans by banking business | - | - | 48,210 | 46,701 | 224,401 | 41.5% | 177,700 | 480.5% | 221,955 | 43.6% | (2,446) | |
| Advances paid - installment | 1,443 | 65,024 | 48,133 | 39,776 | 1,395 | 0.3% | (38,381) | 3.5% | 2,409 | 0.5% | 1,014 | |
| Purchased receivables | 4,008 | 2,310 | 2,529 | 2,527 | 8,647 | 1.6% | 6,120 | 342.2% | 7,053 | 1.4% | (1,594) | |
| Subrogation receivable | 518 | 506 | 656 | 798 | 1,124 | 0.2% | 326 | 140.9% | 1,417 | 0.3% | 293 | |
| Securities | - | - | 788 | 10,787 | 17,874 | 3.3% | 7,087 | 165.7% | 34,624 | 6.8% | 16,750 | |
| Operational investment securities | - | - | - | 8,918 | 6,595 | 1.2% | (2,323) | 74.0% | 14,394 | 2.8% | 7,799 | |
| Merchandise and finished goods | 412 | 632 | 1,336 | 2,152 | 2,688 | 0.5% | 536 | 124.9% | 2,245 | 0.4% | (443) | |
| Work in process | 153 | 682 | 355 | 418 | 515 | 0.1% | 97 | 123.2% | 1,910 | 0.4% | 1,395 | |
| Deferred tax assets | 139 | 154 | 184 | 3,013 | 2,273 | 0.4% | (740) | 75.4% | | | | |
| Accounts receivable - other | - | 2,381 | 12,032 | 6,614 | 2,399 | 0.4% | (4,215) | 36.3% | n.a. | n.a. | n.a. | |
| Other | 982 | 1,888 | 4,584 | 4,892 | 11,457 | 2.1% | 6,565 | 234.2% | 16,926 | 3.3% | 5,469 | |
| Allowance for doubtful accounts | (1,836) | (6,813) | (11,574) | (11,657) | (20,525) | -3.8% | (8,868) | 176.1% | (21,106) | -4.1% | (581) | |
| Total current assets | 34,293 | 106,963 | 189,262 | 298,790 | 468,260 | 86.6% | 169,470 | 156.7% | 449,270 | 88.3% | (18,990) | |
| Buildings and structures, net | 623 | 1,811 | 3,774 | 3,984 | 3,729 | 0.7% | (255) | 93.6% | | | | |
| Amusement machine, net | - | - | 2,356 | 1,848 | 1,351 | 0.2% | (497) | 73.1% | | | | |
| Land | 481 | 2,897 | 4,107 | 4,825 | 3,359 | 0.6% | (1,466) | 69.6% | n.a. | n.a. | n.a. | |
| Other | 60 | 386 | 596 | 1,650 | 911 | 0.2% | (739) | 55.2% | | | | |
| Total property, plant and equipment | 1,166 | 5,095 | 10,836 | 12,309 | 9,352 | 1.7% | (2,957) | 76.0% | 7,787 | 1.5% | (1,565) | |
| Goodwill | 344 | 805 | 5,761 | 5,694 | 41,438 | 7.7% | 35,744 | 727.7% | 33,173 | 6.5% | (8,265) | |
| Other | 111 | 315 | 1,003 | 2,939 | 5,664 | 1.0% | 2,725 | 192.7% | 4,673 | 0.9% | (991) | |
| Total intangible assets | 455 | 1,120 | 6,764 | 8,633 | 47,102 | 8.7% | 38,469 | 545.6% | 37,846 | 7.4% | (9,256) | |
| Investment securities | 547 | 515 | 678 | 118 | 3,171 | 0.6% | 3,053 | 2687.3% | | | | |
| Long-term loans receivable | - | - | 2,373 | - | - | - | - | - | n.a. | n.a. | n.a. | |
| Long-term operating loans receivable | 2,286 | 8,487 | 4,686 | 3,951 | 2,405 | 0.4% | (1,546) | 60.9% | 2,360 | 0.5% | (45) | |
| Other | 494 | 3,086 | 8,572 | 15,428 | 20,517 | 3.8% | 5,089 | 133.0% | 14,704 | 2.9% | (5,813) | |
| Allowance for doubtful accounts | (1,382) | (7,723) | (4,469) | (4,498) | (10,092) | -1.9% | (5,594) | 224.4% | (2,963) | -0.6% | 7,129 | |
| Total investments and other assets | 1,947 | 4,366 | 11,842 | 15,001 | 16,002 | 3.0% | 1,001 | 106.7% | 14,102 | 2.8% | (1,900) | |
| Total non-current assets | 3,569 | 10,582 | 29,443 | 35,945 | 72,458 | 13.4% | 36,513 | 201.6% | 59,736 | 11.7% | (12,722) | |
| Total assets | 37,862 | 117,546 | 218,706 | 334,736 | 540,718 | 100.0% | 205,982 | 161.5% | 509,007 | 100.0% | (31,711) | |
| Interest bearing debt(ST)* | 5,271 | 29,352 | 9,571 | 27,431 | 16,205 | 3.0% | (11,226) | 59.1% | 26,665 | 5.2% | 10,460 | |
| Deposits by banking business | - | - | 73,194 | 77,142 | 287,452 | 53.2% | 210,310 | 372.6% | 267,696 | 52.6% | (19,756) | |
| Provision for loss on litigation | - | - | - | - | 200 | 0.0% | 200 | - | - | 0.0% | (200) | |
| Provision for loss on interest repayment | 3,359 | 10,172 | 7,124 | 4,055 | 1,089 | 0.2% | (2,966) | 26.9% | - | 0.0% | (1,089) | |
| Provision for loss on business liquidation | - | 1,107 | 95 | 28 | 905 | 0.2% | 877 | 3232.1% | - | 0.0% | (905) | |
| Other | 1,632 | 3,360 | 9,484 | 10,243 | 16,744 | 3.1% | 6,501 | 163.5% | 11,498 | 2.3% | (5,246) | |
| Total current liabilities | 10,264 | 43,995 | 99,471 | 118,904 | 322,598 | 59.7% | 203,694 | 271.3% | 305,861 | 60.1% | (16,737) | |
| Bonds payable* | - | - | - | 1,875 | 2,241 | 0.4% | 366 | 119.5% | 1,981 | 0.4% | (260) | |
| Long-term loans payable* | 10,814 | 13,670 | 30,487 | 14,454 | 11,009 | 2.0% | (3,445) | 76.2% | 22,920 | 4.5% | 11,911 | |
| Provision for loss on interest repayment | 2,382 | 9,711 | 12,052 | 9,382 | 5,219 | 1.0% | (4,163) | 55.6% | - | 0.0% | (5,219) | |
| Provision for loss on guarantees | 203 | 290 | 4,017 | 441 | 422 | 0.1% | (19) | 95.7% | 420 | 0.1% | (2) | |
| Net defined benefit liability ** | - | 9 | 16 | 197 | 414 | 0.1% | 217 | 210.2% | 475 | 0.1% | 61 | |
| Provision for loss on litigation | - | - | - | 2,951 | 399 | 0.1% | (2,552) | 13.5% | 337 | 0.1% | (62) | |
| Other | 234 | 398 | 1,764 | 2,296 | 3,546 | 0.7% | 1,250 | 154.4% | 2,609 | 0.5% | (937) | |
| Total non-current liabilities | 13,635 | 24,079 | 48,339 | 31,601 | 23,254 | 4.3% | (8,347) | 73.6% | 28,746 | 5.6% | 5,492 | |
| Total liabilities | 23,900 | 68,074 | 147,810 | 150,505 | 345,853 | 64.0% | 195,348 | 229.8% | 334,607 | 65.7% | (11,246) | |
| Capital stock | 4,496 | 4,530 | 4,625 | 53,578 | 53,604 | 9.9% | 26 | 100.0% | 53,616 | 10.5% | 12 | |
| Capital surplus | 2,230 | 2,265 | 3,966 | 52,920 | 52,945 | 9.8% | 25 | 100.0% | 52,571 | 10.3% | (374) | |
| Retained earning | 7,235 | 41,377 | 54,320 | 64,626 | 73,709 | 13.6% | 9,083 | 114.1% | 65,445 | 12.9% | (8,264) | |
| Treasury shares | (72) | (72) | (194) | (197) | (197) | 0.0% | 0 | 100.0% | (406) | -0.1% | (209) | |
| Total shareholders' equity | 13,889 | 48,099 | 62,716 | 170,928 | 180,062 | 33.3% | 9,134 | 105.3% | 171,226 | 33.6% | (8,836) | |
| Accumulated other comprehensive income | 5 | (32) | 908 | 6,335 | 7,972 | 1.5% | 1,637 | 125.8% | (2,897) | -0.6% | (10,869) | |
| Subscription rights to shares | 52 | 103 | 140 | 117 | 167 | 0.0% | 50 | 142.7% | 185 | 0.0% | 18 | |
| Non-controlling interests | 14 | 1,300 | 7,130 | 6,848 | 6,663 | 1.2% | (185) | 97.3% | 5,885 | 1.2% | (778) | |
| Total net assets | 13,961 | 49,471 | 70,895 | 184,230 | 194,865 | 36.0% | 10,635 | 105.8% | 174,399 | 34.3% | (20,466) | |
| Total liabilities and net assets | 37,862 | 117,546 | 218,706 | 334,736 | 540,718 | 100.0% | 205,982 | 161.5% | 509,007 | 100.0% | (31,711) | |

* Refer the next page of "Composition of interest bearing debt"

Source: Annual Securities Report, Financial Results

**FY2011/3~FY2013/3 figures: Provision for retirement benefits

| ◆ Key Indicator | Mar-11 | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Dec-15 |
|--|--------|--------|----------|----------|-----------|----------|
| Interest bearing debt | 16,085 | 43,022 | 40,058 | 43,760 | 29,455 | 51,566 |
| Cash and deposits | 14,846 | 10,362 | 62,140 | 132,235 | 141,742 | 115,243 |
| Interest bearing debt (Net) | 1,239 | 32,660 | (22,082) | (88,475) | (112,287) | (63,677) |
| Current ratio | 334.1% | 243.1% | 190.3% | 251.3% | 145.2% | 146.9% |
| Capital adequacy ratio | 36.7% | 40.9% | 29.1% | 53.0% | 34.8% | 33.1% |
| D/E ratio (times)* | 1.15 | 0.87 | 0.57 | 0.24 | 0.15 | 0.30 |
| Interest bearing debt/EBITDA(times) | 3.55 | 7.34 | 2.63 | 2.52 | - | - |
| ROA | 8.5% | 44.4% | 7.9% | 4.0% | 2.3% | -0.2% |
| ROE | 26.0% | 111.4% | 23.8% | 9.3% | 5.6% | -0.6% |
| Loans by banking business | - | - | 48,210 | 46,701 | 224,401 | 221,955 |
| Deposits by banking business | - | - | 73,194 | 77,142 | 287,452 | 267,696 |
| Loan-to-deposit ratio | - | - | 65.9% | 60.5% | 78.1% | 82.9% |
| *D/E ratio=Interest bearing debt./Net assets | | | | | | |
| ◆ Composition of interest bearing debt | Mar-11 | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Dec-15 |
| Notes discounted | 1,291 | 1,776 | 1,500 | 2,173 | 2,226 | 1,290 |
| Current portion of bonds | 2,465 | - | - | 2,610 | 130 | 60 |
| ST loans payable | - | 3,039 | 3,062 | 6,225 | 7,862 | 12,482 |
| ST loans payable to shareholders etc. | - | 22,000 | - | - | - | - |
| Current portion of long-term loans payable | 1,515 | 2,537 | 5,009 | 16,423 | 5,987 | 12,833 |
| Total short term debt | 5,271 | 29,352 | 9,571 | 27,431 | 16,205 | 26,665 |
| Bonds payable | - | - | - | 1,875 | 2,241 | 1,981 |
| Long-term loans payable | 10,814 | 13,670 | 30,487 | 14,454 | 11,009 | 22,920 |
| Total long term debt | 10,814 | 13,670 | 30,487 | 16,329 | 13,250 | 24,901 |
| Interest bearing debt | 16,085 | 43,022 | 40,058 | 43,760 | 29,455 | 51,566 |
| Cash and deposits | 14,846 | 10,362 | 62,140 | 132,235 | 141,742 | 115,243 |
| Interest bearing debt (net) | 1,239 | 32,660 | (22,082) | (88,475) | (112,287) | (63,677) |



Source: Annual Securities Report, Financial Results.

7. Business Plan

7-(1) Business plan

Aims to achieve operating revenue of c.140 billion yen with ROE of 10% in three years.

◆ Business model shifted from "hunting style" to "agricultural style"

J Trust disclosed its medium term business plan (FY2016 - FY2018) in May 2015 for the first time under Fujisawa's leadership. J Trust believes that it is critical to seek to convert business in anticipation of changes in global and Japanese economies going forward, and seeks to expand business centered on the Asia region where rapid economic growth can be expected and develop business to maximize synergy effects of its network. To achieve that goal, this medium term business plan was developed under the group vision that "aims to be provider of unique financial services not constrained by existing paradigms".

J Trust positions the period through to FY2015 as "the first stage when it had advanced business expansion mainly through purchase of receivables and M&A" and the period from FY2016 as "the second stage when it aims to achieve sustainable profit growth mainly in overseas banking business", and will convert the business model from "hunting style" to "agricultural style" with growth driver shifting from Japan to South Korea and Southeast Asia..

Numerical target of operating revenue is set at 81.9 billion yen in FY2016, up about 30% from results in FY2015 (63.3 billion yen), and 142.1 billion yen in three years (FY2018), about 2.2-fold increase.

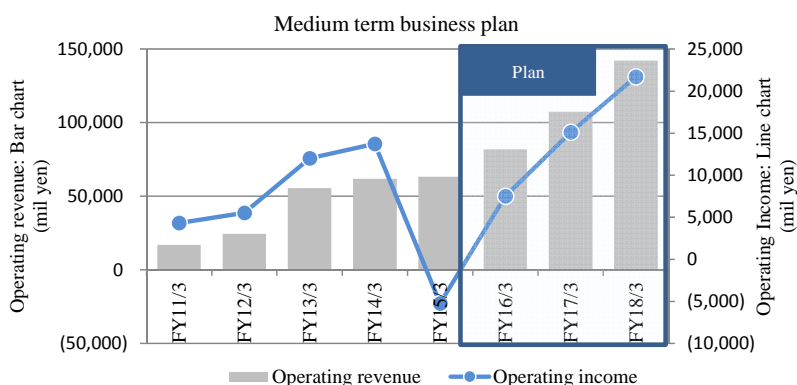
◆Medium Term Business Plan

| (mil yen) | Purchase of receivable/Business expansion through M&A | | | | | | Medium term business plan | | |
|------------------------------|---|----------|----------|----------|----------|----------|---------------------------|----------|----------|
| | | | | | | | Sustainable profit growth | | |
| | FY2008/3 | FY2011/3 | FY2012/3 | FY2013/3 | FY2014/3 | FY2015/3 | FY2016/3 | FY2017/3 | FY2018/3 |
| Operating revenue | 3,201 | 16,908 | 24,508 | 55,683 | 61,926 | 63,281 | 81,900 | 107,500 | 142,100 |
| Operating income | 23 | 4,324 | 5,539 | 12,005 | 13,745 | (5,217) | 7,500 | 15,100 | 21,700 |
| Operating profit ratio | 0.7% | 25.6% | 22.6% | 21.6% | 22.2% | -8.2% | 9.2% | 14.0% | 15.3% |
| y/y* | -35.6% | 2.2% | 44.9% | 127.2% | 11.2% | 2.2% | 29.4% | 31.3% | 32.2% |
| Growth ratio against FY15/3* | - | - | - | - | - | - | 29.4% | 69.9% | 124.6% |
| EPS** | 1.8 | 54.3 | 576.0 | 214.4 | 109.7 | 85.9 | 40 | 116 | 164 |
| ROE | 1.5% | 26.0% | 111.4% | 23.8% | 9.3% | 5.6% | 2.5% | 7.0% | 10.0% |

*The company plan the voluntary adoption for IFRS from FY2016/3. Medium Term Business Plan is based on IFRS, while the other until FY2015/3 is based on Japanese GAAP. The Comparison of FY2016/3 with FY2015/3 is indicated as reference.

**2012/6/1: One common share was divided into two shares by stock split. Retroactive adjustment is made for EPS after the effect of stock split.

Source: Annual securities report, materials on medium term business plan



◆Joint venture with Group Lease is highly expected

Looking at results through Q3 FY2016, operating revenue has expanded mostly as scheduled, but operating income, though divergent among segments, has been undeniably unstable. In the near term, the first priority might be put on turnaround of the Southeast Asian business. Positive factors in the Southeast Asian business include leasing and hire-purchase financing business to be developed by Group Lease Finance Indonesia, established as a joint venture with Group Lease. Group Lease has a strength in its business model which is to conclude contracts with Japanese manufacturers and exclusively offer Japanese products in target countries, and has generated high returns not only in its home country Thailand, but in Laos and Cambodia. Combining marketing expertise of Group Lease with funds provided by J Trust should lead to steady business growth in Indonesia.

Although financial business in South Korea has been on a growth path, to what extent it can expand the scale will determine whether or not the numerical target of financial business in South Korea in FY2018, i.e. operating revenue of 63.2 billion and operating income of 8.3 billion can be achieved. Strength of J Trust lies in its ability to make forward-looking business decisions based on its expertise and experience accumulated in Japan, while other banks make business decisions based on their past results.

In addition, J Trust plans to maintain an active stance in investment in financial business and other businesses that are expected to generate synergies as in the past, and with abundant liquidity (cash and deposit balance as of December 2015: 115.2 billion yen), may add to new sources of revenue by implementing M&As.

◆Medium Term Business Plan by Segments

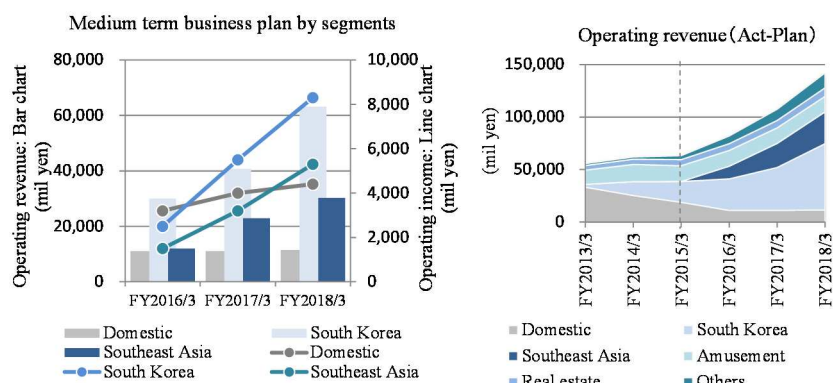
JPY(M)

| | Act | Act | Act | Plan | Plan | Plan |
|-------------------------|----------|----------|----------|----------|----------|----------|
| ◆Operating revenue | FY2013/3 | FY2014/3 | FY2015/3 | FY2016/3 | FY2017/3 | FY2018/3 |
| Domestic | 33,186 | 25,193 | 18,731 | 11,100 | 11,100 | 11,500 |
| South Korea* | 2,793 | 13,214 | 19,857 | 30,000 | 40,800 | 63,200 |
| Southeast Asia | - | - | - | 12,000 | 22,900 | 30,300 |
| General entertainment | 13,484 | 16,510 | 15,075 | 15,000 | 14,900 | 14,800 |
| Real estate | 4,285 | 4,970 | 5,821 | 6,500 | 7,100 | 8,000 |
| Others | 1,933 | 2,037 | 3,795 | 3,500 | 7,000 | 10,200 |
| Investment | - | - | - | 500 | 2,200 | 3,000 |
| Adjustment | - | - | - | 3,300 | 1,500 | 1,100 |
| Total operating revenue | 55,683 | 61,926 | 63,281 | 81,900 | 107,500 | 142,100 |

* The figure from FY2013/3 to FY2015/3 refer to the international business's data.

| | Act | Act | Act | Plan | Plan | Plan |
|------------------------|----------|----------|----------|----------|----------|----------|
| ◆Operating income | FY2013/3 | FY2014/3 | FY2015/3 | FY2016/3 | FY2017/3 | FY2018/3 |
| Domestic | 12,293 | 11,435 | 1,852 | 3,200 | 4,000 | 4,400 |
| South Korea* | (336) | 3,046 | (5,811) | 2,500 | 5,500 | 8,300 |
| Southeast Asia | - | - | - | 1,500 | 3,200 | 5,300 |
| General entertainment | 250 | 951 | 483 | 1,100 | 1,100 | 1,100 |
| Real estate | 270 | 496 | 402 | 500 | 600 | 700 |
| Others | 169 | 70 | (69) | (200) | 200 | 500 |
| Investment | - | - | - | (200) | 1,500 | 2,300 |
| Adjustment | (642) | (2,255) | (2,075) | (900) | (1,000) | (900) |
| Total operating income | 12,005 | 13,745 | (5,217) | 7,500 | 15,100 | 21,700 |

* The figure from FY2013/3 to FY2015/3 refer to the international business's data.



Source: Annual securities report, materials on medium term business plan

8. Stock Price Trend and Investment Return Analysis

8-(1) Stock Price Trend

Successfully secured sufficient liquidity for institutional investors to consider purchase

◆Increasing trend in operating revenue over the recent five years draws attention of institutional investors including foreigners

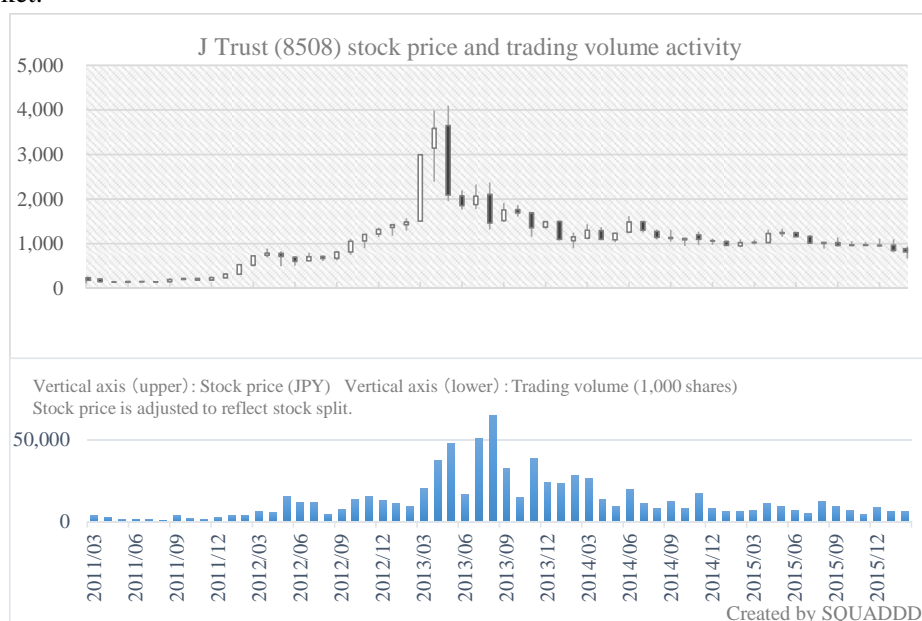
Stock price trend will be reviewed in this section. After Nobuyoshi Fujisawa (currently Representative Director) became the largest shareholder of J Trust through TOB made in March 2008, J Trust has rapidly expanded scale and scope of business with significant growth in both operating revenue and total assets (see P4).

J Trust also implemented a two-for-one stock split in June 2012. Liquidity per day (amount base) had been initially at the level well below 100 million yen, at which institutional investors generally consider to start purchase, but it reached the level of several hundred million yen after the stock split, also helped by expansion of business scale. Then, trading of J Trust shares overheated around July 2013 when the rights

After overheating around July 2013 due to rights offering, stock prices have currently stabilized

offering was implemented as the liquidity per day recorded over 5.0 billion yen, but subsequently, overheating had gradually calmed down and the liquidity per day converged around 500 million yen. More recently, the liquidity per day has stayed around 200-300 million yen since October 2015 partly due to the sell-off in the equity market including the Nikkei Average.

Prior to the stock split implemented in June 2012, the liquidity had been very low and stock prices had remained at the level of 100-200 yen (adjusted-closing price base), but since the stock split, stock prices have gradually moved up along with the liquidity to cross the 1,000 yen mark, boosted by higher ROE. Particularly around July 2013 when the rights offering was implemented, stock prices sharply went up, sometimes reaching to 4,000 yen instantaneously. Stock prices subsequently regained stability and have recently stayed around 1,000 yen. Looking back the past five years, the liquidity has been sufficiently secured for institutional investors to consider starting purchase and the number of shareholders and foreign ownership have significantly increased, indicating that active capital policy under the new management structure is highly evaluated in the market.



8-(2) Investment Return Analysis

Valuation remains at cheap level compared to industry average

◆ Stabilization and persistent rise in profitability metrics such as ROE are key

The stock valuation is reviewed in this section. As of February 29, 2016, market capitalization of J Trust was c.91.6 billion yen with PBR of 0.54x, ROE (actual FY2015) of 5.55% and estimated dividend yield of 1.47%. Compared with the other financing business sector average (30 companies) of PBR (1.32x) and ROE (5.39%), J Trust's valuation (PBR) remains cheap. In most recent Q3 (cumulative), net income was negative partly with the effect of delay in adoption of IFRS, but valuation still remains cheap relative to the target ROE of 2.5%.

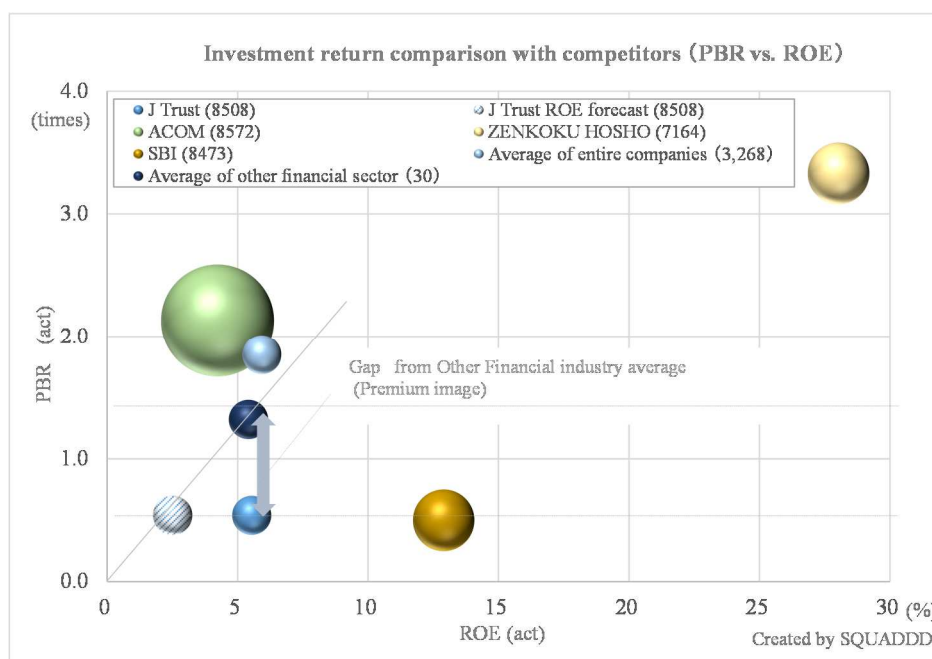
Among other names in the same industrial sector, valuation (PBR) of ACOM (PBR: 2.28x v.s. ROE: 4.24%) is at the higher level than the average of other financial business sector. Also, although in the different industry, stocks of SBI Holdings (securities sector) which competes with J Trust in the South Korean savings banks (PBR: 0.52x v.s. ROE: 12.90%) are traded at the cheap level and expected to rise going forward, together with J Trust.

Currently, 30 companies belong to the other financing business sector. Their average market capitalization of around 236.9 billion yen is more than twice as large as that of J

Trust, and the liquidity of J Trust is less than one sixth of the average (liquidity per day (amount base) of J Trust: 240 million yen v.s. sector average: 1.4 billion yen). It varies by sector, but in other financing business sector, strong correlation is observed between stock prices and the size factor such as sales as well as profitability after considering the capital efficiency such as ROE and operating income relative to capital.

In the case of J Trust, the size factor such as sales continues to grow steadily, while ROE and operating income are volatile partly because it has taken expansion strategy through M&A, making it difficult to evaluate profitability uniformly.

For the stock price to go up (premium against the market average to dissolve), further expansion of the institutional (professional) investor base by increasing the liquidity per day and approach to value investors, while seeking to expand the revenue size and consistently improve the capital efficiency pursuant to the medium term business plan, and enhancing the disclosure and IR activities, should be critical.



◆Competitor's Key Indicator

(mil yen)

| Code | Company | 2015/3 Operating revenue | 2015/3 Operating income | 2015/3 Total net assets | Market cap 2016/2/29 | EPS (Act) | EPS (Est) | ROE (Act) | PBR (Act) | PER (Est) | Div-Yield (Est) |
|----------------------------------|---------------|--------------------------------|-------------------------------|-------------------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------------|
| 8508 | J Trust | 63,281 | 10,143 | 188,035 | 91,643 | 85.92 | 40.85 | 5.55% | 0.54 | 19.95 | 1.47% |
| 8572 | ACOM | 219,289 | 12,864 | 312,588 | 802,930 | 8.21 | 32.55 | 4.24% | 2.28 | 15.45 | - % |
| 7164 | ZENKOKU HOSHO | 29,507 | 15,112 | 60,494 | 231,717 | 219.68 | 232.69 | 28.04% | 3.46 | 14.5 | 1.38% |
| 8473 | SBI HD | 245,045 | 45,721 | 383,491 | 231,299 | 211.18 | n.a. | 12.90% | 0.52 | n.a. | 3.05% |
| Other Financing Business average | | - | - | - | 236,900 | - | - | 5.39% | 1.32 | - | - |
| Market average | | - | - | - | - | - | - | 5.90% | 1.85 | - | - |

Source: SQUADD

8-(3) Return to Shareholders & Dividend Policy

◆ Cancellation of treasury shares pushed up estimated EPS from 39.77 yen to 40.85 yen

J Trust considers fair returns to shareholders to be one of the most important management issues, and as a basic policy seeks to actively return profits to shareholders, with comprehensively taking the future business environment and industry trend into consideration. While J Trust has continued paying dividend of 10 yen per share since FY2014, in FY2016, it plans to pay 12 yen with an addition of 2 yen per share as commemorative dividend in the 40th term.

In order to realize flexible capital and dividend policy, J Trust states in its Articles of Incorporation that appropriation of dividends of surplus may be resolved by the board of directors, a decision making body on dividends of surplus.

In FY2016, J Trust repurchased its own shares and canceled all those treasury shares (6,250,000 shares) in December 2015 for the purpose of rewarding shareholders through improvement in capital efficiency. As a result, net profit per share (estimate) moved up from 39.77 yen before cancellation of treasury shares to 40.85 yen.

◆ Shares outstanding / Per share information

| | | Mar-11 | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Plan Mar-16 |
|---|--------------|--------|--------|----------|----------|----------|----------------|
| Shares outstanding at the end of the period | (1,000stock) | 30,010 | 30,226 | 63,162 | 118,386 | 118,589 | n.a. |
| # of shareholders | | 2,393 | 2,441 | 7,098 | 18,223 | 15,190 | n.a. |
| Stock price (before stock split adj.) | (yen) | 405 | 1,624 | 3,336 | 1,304 | 1,034 | n.a. |
| Stock price (after stock split adj.) | (yen) | 182 | 729 | 2,995 | 1,304 | 1,034 | n.a. |
| Market Cap | (mil yen) | 12,154 | 49,087 | 210,709 | 154,375 | 122,621 | n.a. |
| Net income | (mil yen) | 3,233 | 34,500 | 13,309 | 11,145 | 10,143 | 4,700 |
| Total net assets | (mil yen) | 13,961 | 49,471 | 70,895 | 184,230 | 194,865 | n.a. |
| Earnings per share (EPS)* | (yen) | 54.30 | 575.95 | 214.45 | 109.66 | 85.92 | 40.85 |
| Diluted EPS* | (yen) | 53.85 | 567.68 | 208.30 | 108.05 | 85.61 | n.a. |
| Book value per share (BPS)* | (yen) | 232.40 | 798.18 | 1,013.88 | 1,502.54 | 1,591.09 | n.a. |
| EPS(non-consolidated)* | (yen) | 19.67 | 11.40 | 17.02 | 12.48 | 42.27 | n.a. |
| BPS(non-consolidated)* | (yen) | 184.60 | 189.80 | 218.17 | 949.55 | 980.59 | n.a. |
| PER | (times) | 3.73 | 1.41 | 15.55 | 11.89 | 12.03 | n.a. |
| PBR | (times) | 0.87 | 1.02 | 3.29 | 0.87 | 0.65 | n.a. |
| ROE | (%) | 26.0% | 111.4% | 23.8% | 9.3% | 5.6% | 2.5% |

*2012/6/1: One common share was divided into two shares by stock split.

Retroactive adjustment is made for the per share information after the effect of stock split.

◆ Shareholder return information

| | | Mar-11 | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Plan Mar-16 |
|--|-------|--------|--------|--------|--------|--------|----------------|
| Interim dividend per share | (yen) | 4.00 | 6.00 | 3.00 | 5.00 | 5.00 | 5.00 |
| Year-end dividend per share | (yen) | 6.00 | 6.00 | 4.00 | 5.00 | 5.00 | 7.00 |
| DPS | (yen) | 10.00 | 12.00 | 7.00 | 10.00 | 10.00 | 12.00 |
| DPS (after stock split adj) | (yen) | 5.00 | 6.00 | 7.00 | 10.00 | 10.00 | 12.00 |
| Dividend payout ratio (consolidated) | (%) | 9.2% | 1.0% | 3.3% | 9.1% | 11.6% | n.a. |
| Dividend payout ratio (non-consolidated) | (%) | 25.4% | 52.6% | 41.1% | 80.1% | 23.7% | n.a. |
| Dividend yield | (%) | 2.5% | 0.7% | 0.2% | 0.8% | 1.0% | n.a. |

Source : Annual securities report, financial results, earnings presentation materials

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