The following is an English translation of "The Company's System and Policy to Implement Appropriate and Efficient Operations," "Consolidated Statement of Changes in Equity," "Notes to Consolidated Financial Statements," "Non-Consolidated Statement of Changes in Net Assets" and "Notes to Non-Consolidated Financial Statements" of J Trust Co., Ltd.
The Company provides this translation for your reference and convenience only and without any warranty as to its accuracy.

Matters for Internet Disclosure under Laws and Regulations and the Articles of Incorporation

The Company's System and Policy to Implement Appropriate and Efficient Operations

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-Consolidated Statement of Changes in Net Assets

Notes to Non-Consolidated Financial Statements

(from April 1, 2017 to March 31, 2018)

J Trust Co., Ltd.

"The Company's System and Policy to Implement Appropriate and Efficient Operations," "Consolidated Statement of Changes in Equity," "Notes to Consolidated Financial Statements," "Non-Consolidated Statement of Changes in Net Assets" and "Notes to Non-Consolidated Financial Statements" are provided to our shareholders by posting the same on the Company's website (https://www.jt-corp.co.jp/en/) pursuant to laws and regulations, and Article 15 of the Company's Articles of Incorporation.

The Company's system and policy to implement appropriate and efficient operations

Overview of decisions regarding the Company's system and policy to implement appropriate and efficient operations and the implementation status thereof is as shown below (most recently revised on November 1, 2017).

1. System to ensure that execution of duties by directors and employees of the Company and its subsidiaries conforms to laws, regulations and the Articles of Incorporation

(1) The Company shall stipulate "Code of Ethics," "Corporate Philosophy" and "Behavioral Principles" as the basis of management. The Company and its subsidiaries, in accordance with its size and business characteristics, shall reinforce efficiency in business operation, accuracy of information, and compliance system in pursuit of sound corporate assets. To put these policies into practice, the Company shall strictly adhere to a code of conduct and ethics based on separately prescribed "Compliance Rules," and others as well as complying with laws, regulations and the Articles of Incorporation. Moreover, directors and employees of the Company and its subsidiaries shall take the initiative in compliance with and spread these social norms, ethics, laws and regulations, etc. in order to carry out fair and appropriate corporate activities and attain harmony with society.

(2) The Company shall further reinforce the compliance system through "Compliance and Risk Management Committee" established to oversee, review, and improve the internal compliance system stated above.

(3) The Company shall establish an internal control system regarding financial reporting to ensure reliability of financial reporting. The Company shall maintain and improve said system through regular assessment of the development and implementation status.

[Overview of implementation status]

(1) The Company has developed a "Code of Ethics," "Corporate Philosophy," and "Behavioral Principles" as well as "Group Compliance Rules," and posted them on the internal groupware to keep all employees thoroughly informed about them.

(2) The Company held Compliance and Risk Management Committee meetings four times during the business year under review to report on the status of legal compliance and relevant issues within the Group and discuss the causes. Then, the countermeasures are taken to improve the situation.

(3) Internal Control and Audit Office of the Company makes the assessment of internal control over financial reporting covering each business location within the Group and works toward improvements, if necessary.

2. System concerning storage and management of information pertaining to execution of duties by directors of the Company and system concerning reporting to the Company pertaining to execution of duties by directors and other relevant personnel of its subsidiaries

(1) Based on "Document Management Rules," the relevant department of the Company properly stores and manages legal minutes, minutes of the Management Meetings and other documents pertaining to execution of important duties, together with their appendices as prescribed by internal rules. Directors and Audit & Supervisory Board members of the Company can access these documents at any time.

(2) Based on "Document Management Rules for Affiliates," directors and other relevant personnel of the Company's subsidiaries shall report matters concerning the execution of duties by directors and other relevant personnel of subsidiaries by submitting copies of legal minutes and other documents to the Company. Directors and Audit & Supervisory Board members can access these documents at any time.

[Overview of implementation status]

(1) The relevant department of the Company has properly stored and managed legal minutes such as minutes of the Board of Directors meetings, minutes of the Management Meetings and other documents for the storage periods prescribed in the "Document Management Rules." When so

requested, the relevant department has appropriately made them available to a Director or Audit & Supervisory Board member of the Company.

(2) Human Resources & General Affairs Department of the Company receives a copy of legal minutes of subsidiaries from time to time and stores and manages them. When so requested, the relevant department has appropriately made them available to a Director or Audit & Supervisory Board member of the Company.

3. Rules and system pertaining to management of potential loss at the Company and its subsidiaries

Risk management shall be addressed as below.

(1) Based on "Risk Management Rules," the Company shall prescribe the basic policy and structure concerning operational risk management to raise employee awareness toward risks at all times.

(2) Based on the rules stated above, the Company shall establish "Risk Management Manual," which covers detailed procedures, and extract and assess information pertaining to potential risks, so that it can address such risks promptly and practically.

(3) The main tasks of Risk Management Team are to accurately forecast and organize, and to take measures in advance against expected future risks inside and outside of the Company. Risk Management Team leads in further strengthening risk management structure at each department of the Company and its subsidiaries.

(4) Should any contingencies arise despite the above initiatives, the Company shall establish a task force with Chief Risk Supervisor as general manager for prompt investigations and countermeasures.

[Overview of implementation status]

(1) The Company sets basic policies and systems relating to risk management in the "Risk Management Rules" and strives to enhance the employees' awareness of risks by posting the "Risk Management Rules" on the internal groupware.

(2)(3) The Company has established the process to extract and assess risk information in the "Risk Management Manual" and implements it properly. The manual specifies the risk collection approach and risk management process to promptly and practicably address future or potential risks that may arise in and out of the Company.

(4) The "Risk Management Rules" of the Company stipulates procedures to establish a relevant task force, conduct prompt investigations and decide and implement countermeasures in the event of contingencies. For the business year under review, there are no applicable items.

4. System to ensure effective execution of duties by directors of the Company and its subsidiaries

(1) The Board of Directors of the Company passes resolutions on important management issues and individual projects at regular monthly meetings of the Board of Directors and extraordinary meetings of the Board of Directors that are held as needed. The Board of Directors of subsidiaries also passes resolutions on important management issues and individual projects at regular meetings of the Board of Directors and extraordinary meetings of the Board of Directors that are held as needed. Moreover, Management Meeting is held, attended by executives of the Company and its subsidiaries, to track the performance and progress of each department, to examine the execution of duties and to implement appropriate measures.

(2) The Company uses the electronic approval system, which allows access from outside the Company for browsing and approval purposes, to realize faster decision-making and better operational efficiency.

(3) With regard to the execution of duties based on decisions, directors in charge shall give instructions to relevant supervisors according to "Organization Rules," "Policies of Division of Duties," "Policies of Administrative Authority," etc. If such execution of duties involves multiple departments, necessary coordination is made between directors in charge of the departments to ensure efficient implementation system.

[Overview of implementation status]

(1) The Company held 12 regular meetings of the Board of Directors and two extraordinary meetings of the Board of Directors during the business year under review and adopted relevant resolutions on significant issues concerning corporate management and other issues arising on an ad hoc basis.
The subsidiaries hold regular meetings of their Boards of Directors every three months at minimum, as well as extraordinary meetings when necessary, to adopt relevant resolutions on significant issues concerning corporate management and other issues arising on an ad hoc basis. In addition, relevant management meetings are held on a monthly basis to discuss policies on business management and execution of business and take appropriate measures.

(2) To achieve prompt decision-making on issues requiring approval, the Company has put the electronic approval system in place which can be accessed for review or approval of requests from outside the Company.

(3) The Company has clarified the segregation of duties for respective divisions and departments and the roles of each position and established the system to ensure the organizational and efficient operation of business by setting “Organization Rules,” “Policies of Division of Duties,” and “Policies of Administrative Authority.”

5. System to ensure proper operation as a corporate group constituted by the Company and its subsidiaries

(1) In principle, Directors and employees of the Company may assume the offices of directors or Audit & Supervisory Board members of subsidiaries to oversee if operations at subsidiaries are properly carried out. Also, the Company’s Internal Audit Team, Audit & Supervisory Board members and the Audit & Supervisory Board may conduct a direct audit on subsidiaries and report the results directly to President & CEO of the Company.

(2) Finance Department and General Accounting Department are in charge of management of accounting figures of subsidiaries and supervise the preparation of the consolidated financial statements of the Company.

(3) At the Management Meeting attended by executives of the Company and its subsidiaries, we discuss the operation and performance of the subsidiaries, and then take appropriate actions.

(4) In principle, “The Company with Board of Directors” shall be established at each corporation within the Group.

[Overview of implementation status]

(1) In principle, directors and employees of the Company assume the office of directors or Audit & Supervisory Board members of subsidiaries to oversee if operations at subsidiaries are properly carried out. In addition, the Company’s Internal Control and Audit Office and Audit & Supervisory Board members of the Company conduct a direct audit on the subsidiaries and report any findings to President & and CEO of the Company.

(2) Finance Department and General Accounting Department of the Company are charged with the relevant management of subsidiaries’ accounting figures and supervise the preparation of the consolidated financial statements of the Company.

(3) The Company holds a monthly Management Meeting attended by executives of the Company and subsidiaries to discuss the operation and performance of the subsidiaries.

(4) In principle, “The Company with Board of Directors” is established at each corporation within the Group.

6. System to ensure the employees’ independence from directors and effectiveness of instruction to such employees in case Audit & Supervisory Board members request the assignment of employees who assist Audit & Supervisory Board members’ duties

(1) If Audit & Supervisory Board members find it necessary, employees shall be appointed as their assistants. In such case, personnel matters such as appointment, transfer and evaluation of the assistants shall be decided in consideration of opinions by the Audit & Supervisory Board to ensure the independence and effectiveness of instruction by Audit & Supervisory Board members.

(2) Employees who assist Audit & Supervisory Board members' duties follow none but their instructions.

[Overview of implementation status]

(1) (2) Personnel matters such as the appointment and evaluation of employees who assist the duties of the Audit & Supervisory Board members are stipulated in the "Audit Standards for Audit & Supervisory Board members." On the request of the Audit & Supervisory Board, the Company appointed two employees who also assist the duties of the Audit & Supervisory Board members.

7. System to report to Audit & Supervisory Board members and system to ensure that employees shall not receive any disadvantageous treatment due to their submission of reports

(1) Directors and employees of the Company and its subsidiaries (including people who received reports from those: hereinafter collectively referred to as "Directors and Employees of the Company and Subsidiaries") report the status regarding the execution of duties upon request by Audit & Supervisory Board members of the Company.

(2) Directors and Employees of the Company and Subsidiaries shall immediately report to Audit & Supervisory Board members of the Company any matters that may cause material harm to the Company and its subsidiaries and when they find serious violations by Directors and Employees of the Company and Subsidiaries.

(3) Audit & Supervisory Board members of the Company may request clarification directly from Directors and Employees of the Company and Subsidiaries at any time as needed.

(4) Audit & Supervisory Board members of the Company may attend Committee Meetings, etc. at any time for their understanding of the decision-making process and status of execution, in addition to the Board of Directors' meeting and Management Meeting of the Company and its subsidiaries. Audit & Supervisory Board members of the Company shall endeavor to facilitate mutual understanding on matters such as confirmation of management policy through regular exchange of views with the President & CEO.

(5) The Company shall ensure prompt reporting to Audit & Supervisory Board members of the Company with regard to violations of the laws and regulations and other compliance issues through the proper management of the Group's internal reporting system or external consultation contact.

(6) A person who submits reports applicable to (1) and (2) above shall not receive any disadvantageous treatment for filing such reports. The Group's internal reporting system shall stipulate prohibiting any disadvantageous treatment for filing internal report and ensure the proper operation thereof.

[Overview of implementation status]

(1) (3) The Company's "Audit Standards for Audit & Supervisory Board members" provides that Audit & Supervisory Board members may request clarification directly from Directors and Employees of the Company and Subsidiaries regarding the status of the execution of duties. Directors and Employees of the Company and Subsidiaries have appropriately responded on the request of the Audit & Supervisory Board members.

(2) The Company's "Audit Standards for Audit & Supervisory members" provides that Directors and Employees of the Company and Subsidiaries shall report to Audit & Supervisory Board members of the Company for any matters that may cause material harm to the Company and its subsidiaries and when they find serious violations by Directors and Employees of the Company and Subsidiaries. The Company has appropriately implemented the standards.

(4) The Company's "Audit Standards for Audit & Supervisory Board members" provides that Audit & Supervisory Board members may attend the Board of Directors' meeting and Management Meeting of the Company and its subsidiaries to express their opinions and views. The Company has implemented the standards. President & CEO and Audit & Supervisory Board members exchange opinions once every quarter and share information on management policies and issues that the Company is required to address. In addition, the Company has been holding a monthly liaison meeting with the Audit & Supervisory Board members of domestic subsidiaries

to exchange and share the views and opinions among the Audit & Supervisory Board members of the Group. In the fiscal year under review, taking into account the increasing importance of overseas subsidiaries, the Company started having such liaison meetings with overseas subsidiaries as well.

(5) (6) The Company's "Group Compliance Rule" provides that the Company shall have in place a system that a person who makes a report to an Audit & Supervisory Board member shall not receive any disadvantageous treatment for filing such report. The system has been properly implemented. The Company has also established internal report desks in and outside of the Company, ensuring that any information to the desk is promptly escalated to the Audit & Supervisory Board members. "Group Compliance Rule" provides that any employee who reports to or consults with an internal report desk shall not receive any disadvantageous treatment including personnel matters as a result of such report or consultation. The Company has disseminated this requirement thoroughly.

8. System concerning settlement of expenses, etc. pertaining to execution of duties by Audit & Supervisory Board Members

The Company shall set procedures for the settlement of expenses pertaining to execution of duties by Audit & Supervisory Board members. If Audit & Supervisory Board Members request for prepayment or repayment, except when deemed unnecessary for execution of their duties, the Company shall accept such requests in accordance with the prescribed procedures.

[Overview of implementation status]

"Audit Standards for Audit & Supervisory Members" provides for the settlement of expenses pertaining to execution of duties by Audit & Supervisory Board members. Any settlement of expenses requested by Audit & Supervisor members and the payments thereto has been carried out in accordance with the defined procedures.

9. Basic policy on exclusion of anti-social forces and its development status

(1) The Company and its subsidiaries shall steer away from all anti-social forces and stand resolutely against any unreasonable demand by them.

(2) If the Company receives unreasonable demand from anti-social forces, Human Resources & General Affairs Department shall address the issue, and closely work with department heads and external specialist organizations such as the police to handle the issue systematically.

[Overview of implementation status]

(1) The Group has established basic policies and measures for eliminating anti-social forces in its "Rules on Exclusion of Anti-Social Forces" and its "Manual to Deal with Unreasonable Demand and Violence." The Company requires all employees to abide by the policies and measures thoroughly.

(2) The Company designated the Human Resources & General Affairs Department of the Company as the department to handle unreasonable demand, etc. by appointing an officer in charge of preventing unreasonable demand and has established a system to closely work with the police or Center for Elimination of Organized Crime Groups as appropriate.

[Reference]
The Company set forth the basic idea and policy on corporate governance as stated below.

1. Basic policy on corporate governance

The Company adheres to a code of ethics, set forth by the following five principles:

(i) The Company shall acknowledge its social responsibility and public mission, conduct sound business operations as a listed company, ensure transparency in its business activities, and aim to grow into a trusted company.

(ii) Not only shall the Company comply with the letter of the law, it shall embrace the spirit in which it was written in its efforts to achieve a fair and more affluent society for future generations.

(iii) The Company shall respect the rights of all stakeholders, contribute to the growth and development of society and economy, and honor and respect the differences in cultures and customs.

(iv) When faced with a conflict of interest, the Company shall choose an ethical solution without fail and stand resolutely against any and all criminal elements.

(v) When faced with a difficult ethical decision, the Company shall resolve to ensure a satisfactory outcome for all parties involved in the matter.

Under our corporate philosophy, “For our customers, shareholders and ourselves, we make continuous effort to respond quickly to changing environment and challenge ourselves diligently to create better future for the world,” the Company promotes to:

(i) Treat all stakeholders, including customers, shareholders and business partners as our customers and take customer oriented approach to meet their expectations;

(ii) Tackle various issues swiftly while pursuing ingenuity and improvements without being satisfied with the status quo;

(iii) Ensure accurate and timely information disclosure as well as upholding high ethical standards for business execution; and

(iv) Create new services and value to contribute to the economic expansion.

Furthermore, based on the code of ethics, the Company has separately established its “Behavioral Principles,” “J / T / R / U / S/ T” to practice “Corporate Philosophy.”

“J”	=	Justice	Conduct business with integrity
“T”	=	Teamwork	Respect individuals to form an organization
“R”	=	Revolution	Stimulate a spirit of innovation for new value
“U”	=	Uniqueness	Embrace ingenuity
“S”	=	Safety	Deliver services with sincerity
“T”	=	Thankfulness	Express our appreciation

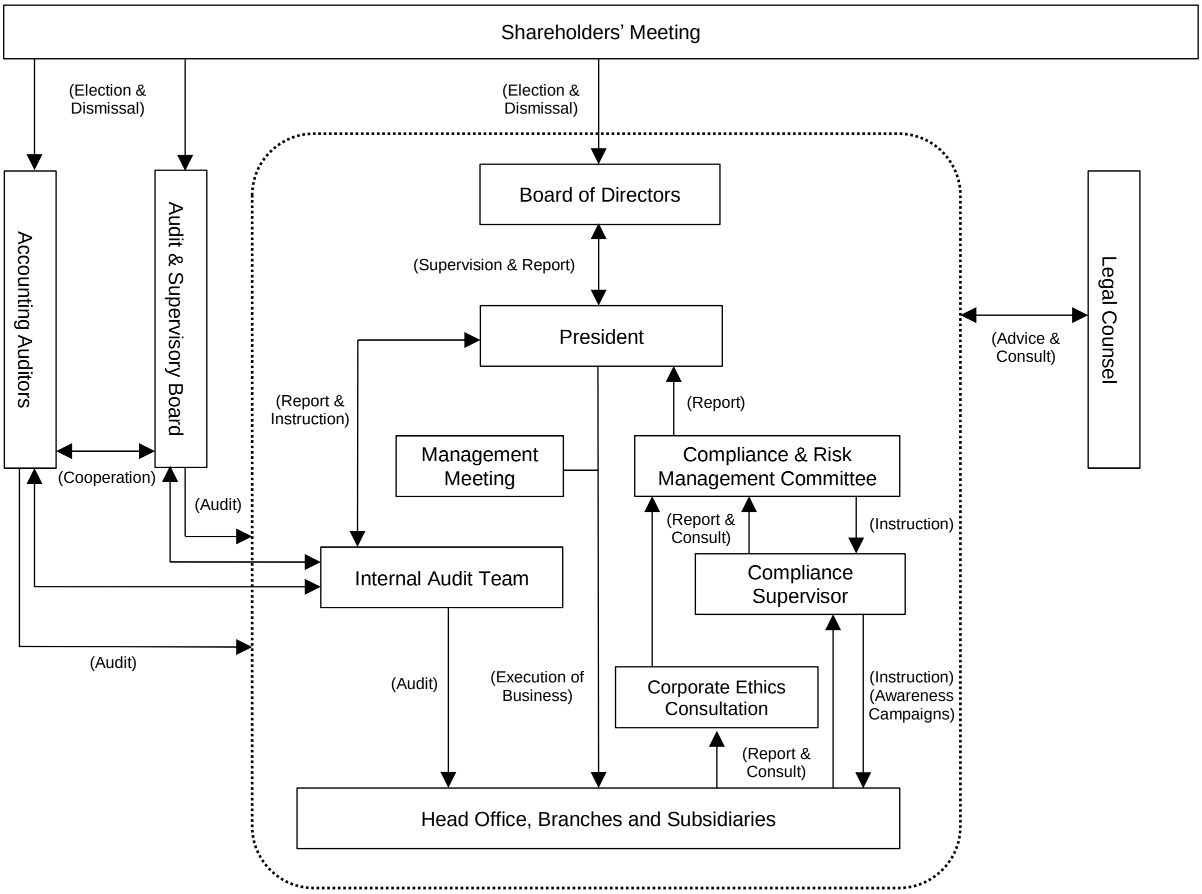
The Company adopts the Audit & Supervisory Board system. Of four Audit & Supervisory Board members, two are outside Audit & Supervisory Board members. The outside Audit & Supervisory Board members come from the Ministry of Foreign Affairs and financial institutions respectively. We believe this helps fortify our management oversight function.
We also have elected three Outside Directors to further reinforce the supervision function of the Board of Directors.

2. Basic Policy on Corporate Governance

For the Group to coexist with society, the Company needs to maximize its corporate value as well as earning high trust from our shareholders and customers. To this end, we put in place governance structures based on ethical and legal governance to ensure accelerated business operations and enhanced internal control and audit functions. Moreover, we are working for prompt, transparent and sound management under the corporate governance declaration.

For the detailed information on the basic idea on the Company's corporate governance, please see our website: https://www.jt-corp.co.jp/en/

2. Corporate Governance Structure



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of April 1, 2017	53,630	52,743	(7,685)	49,504	2,091	150,284	5,628	155,913
Profit (loss)	–	–	–	(731)	–	(731)	809	77
Other comprehensive income	–	–	–	–	(3,945)	(3,945)	37	(3,908)
Total comprehensive income	–	–	–	(731)	(3,945)	(4,677)	847	(3,830)
Issuance of new shares	8	8	–	–	–	16	–	16
Dividends of surplus	–	–	–	(1,235)	–	(1,235)	–	(1,235)
Purchase of treasury shares	–	–	(0)	–	–	(0)	–	(0)
Other	–	(24)	–	17	–	(7)	–	(7)
Total contributions by and distributions to owners	8	(16)	(0)	(1,218)	–	(1,226)	–	(1,226)
Changes in ownership interest in subsidiaries	–	–	–	–	–	–	(0)	(0)
Dividends to non-controlling interests	–	–	–	–	–	–	(79)	(79)
Other	–	(13)	–	–	–	(13)	13	(0)
Total changes in ownership interest in subsidiaries	–	(13)	–	–	–	(13)	(66)	(79)
Total transactions with owners	8	(29)	(0)	(1,218)	–	(1,240)	(66)	(1,306)
Balance as of March 31, 2018	53,638	52,713	(7,685)	47,555	(1,854)	144,366	6,409	150,776

Notes to Consolidated Financial Statements

1. Significant Matters Regarding the Preparation of Consolidated Financial Statements

(1) Accounting Principles for Preparing Consolidated Financial Statements

From the current fiscal year, consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") pursuant to the provisions of Article 120, Paragraph 1 of the Ordinance on Accounting of Companies. Pursuant to the provisions of the second sentence of the same paragraph, some disclosure items required under IFRS are omitted in the consolidated financial statements.

(2) Scope of consolidation

Number of consolidated subsidiaries: 23; All subsidiaries are included in the scope of consolidation.

Names of major consolidated subsidiaries

Nihon Hoshou Co., Ltd.
Partir Servicer Co., Ltd.
J TRUST Card Co., Ltd.
KeyHolder, Inc.
Keynote Co., Ltd.
Highlights Entertainment Co., Ltd.
J Trust System Co., Ltd.
JT Chinae Savings Bank Co., Ltd.
TA Asset Management Co., Ltd.
JT Savings Bank Co., Ltd.
JT Capital Co., Ltd.
JTRUST ASIA PTE. LTD.
PT Bank JTrust Indonesia Tbk.
PT JTRUST INVESTMENTS INDONESIA

In the current fiscal year, the Group established ADORES Company Split Preparation, Inc. and conducted an absorption-type company split, with ADORES, Inc. as the splitting company and ADORES Company Split Preparation, Inc. as the succeeding company. Thereafter, ADORES, Inc. changed its name to KeyHolder, Inc. and ADORES Company Split Preparation, Inc. to ADORES, Inc. ADORES, Inc. was excluded from the scope of consolidation because we transferred all the shares.

Our former consolidated subsidiary NUCS Co., Ltd. was excluded from the scope of consolidation because we transferred all the shares during the current fiscal year.

J Trust Fintech Co., Ltd. was excluded from the scope of consolidation upon the completion of liquidation procedures.

(3) Application of equity method

Number of affiliates subject to equity method accounting: 1
PT Group Lease Finance Indonesia

(4) Accounting period of consolidated subsidiaries

Following consolidated subsidiaries have the account closing date different from the consolidated closing date. In principle, provisional settlement of accounts as of the consolidated closing date is prepared for these subsidiaries.

Company name	Closing date
NL Value Capital Co., Ltd.	End of November
JT Chinae Savings Bank Co., Ltd.	End of December
JT Savings Bank Co., Ltd.	End of December
JT Capital Co., Ltd.	End of December
PT Bank JTrust Indonesia Tbk.	End of December
PT JTRUST INVESTMENTS INDONESIA	End of December

Other consolidated subsidiaries have the same account closing date as the consolidated closing date.

(5) Matters regarding accounting standards

(a) Valuation standards and methods for significant assets

1) Valuation standards and methods for financial assets

A. Non-derivative financial assets

Trade and other receivables and loans by banking business are initially recognized on the date when they are incurred. All other financial assets are initially recognized on the trade date when the Group becomes a party to the contractual provisions of the financial instruments. An overview of classification and measurement model of financial assets is as follows.

<u>Financial assets measured at fair value through profit or loss</u>
Financial assets held-for-sale are initially measured at fair value, and any changes in the fair value are recognized as profit or loss. Its transaction cost at initial recognition is recognized in profit or loss when incurred.

<u>Held-to-maturity investments</u>
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that do not fall under loans and receivables and that the Group has the distinctive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus transaction costs that are directly attributable to the held-to-maturity investment. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method.

<u>Loans and receivables</u>
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to the loans and receivables. After the initial recognition, amortization cost is measured using the effective interest method, and accumulated impairment losses are deducted where necessary.
The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income or interest expense over the relevant period. For purchased receivables that were acquired after discounting existing loss from bad debts, the loss from bad debts is included in the estimated future cash flows in the calculation of the effective interest.

<u>Available-for-sale financial assets</u>
Available-for-sale financial assets include debt and equity instruments. Equity instruments, which are not for the purpose of trading and not designated as measured at fair value through profit or loss, are classified in available-for-sale financial assets. Debt instruments are included in this classification when their reserve periods are yet to

be fixed and they may be sold depending on demand for funds or changes in market conditions.
Available-for-sale financial assets are initially recognized at fair value plus transaction costs that are directly attributable to the available-for-sale financial assets. After the initial recognition, these assets are measured at fair value and a change in fair value is recognized as a "Net change in fair values of available-for-sale financial assets." These assets are reported in other components of equity until the recognition of the assets is discontinued or an impairment loss is recognized.

Derecognition of financial assets
The Group derecognizes financial assets when the contractual rights to the cash flows from the financial assets expire, or when the contractual rights to receive the cash flows from the financial assets are transferred and substantially all the risks and rewards of ownership of the financial assets are transferred. When the Group continues to control the transferred financial assets, it recognizes the assets and related liabilities to the extent of its continuing involvement in the financial assets.

Impairment losses on financial assets
The Group assesses whether there is any objective evidence or not of impairment of financial assets that are not classified as financial assets measured at fair value through profit or loss, on a quarterly basis. Impairment loss is recognized when, as a result of one or more events that occurred subsequent to initial recognition of the financial assets, there is objective evidence of impairment and the effect on estimated future cash flows from the relevant financial asset can be reliably estimated.

(Impairment losses on financial assets measured at amortized cost)
Objective evidence for impairment of financial assets measured at amortized cost includes the following: (i) the debtor's failure or delinquency of payment; (ii) the Group's extension of the collection period for receivables made for the debtor on the conditions that would not have been presented unless the receivables had been in such circumstances; (iii) indications of potential bankruptcy of the debtor or issuer company; and (iv) the disappearance of an active market.
The Group assesses evidence of impairment of financial assets measured at amortized cost, individually for each financial asset and collectively for the financial assets. Significant financial assets are assessed for impairment individually. For significant financial assets for which impairment is not necessary on an individual basis, the Group collectively assesses whether there is any evidence of impairment that has occurred but not been identified. Financial assets that are not significant are classified in groups having similar risk characteristics and their impairment is assessed as a whole.
In the assessment of impairment as a whole, management of each Group company considers the possibility of default, period of recovery and past trends in conjunction with generated losses, judges the possibility that actual losses may be larger or smaller than those in the past trends depending on the current economic and credit situations, and makes necessary adjustments.
The impairment loss of financial assets measured at amortized cost is recognized in profit or loss through allowance for doubtful accounts as the difference between the carrying amount of the asset and the present value of the estimated future cash flow discounted at the asset's initial effective interest. Allowance for doubtful accounts concerning financial assets measured at amortized cost is directly reduced in value when future recovery is not expected in reality and the entire collateral is realized or transferred to the Group. In the event that impairment losses are reduced after the recognition of the impairment losses, the decrease in the impairment losses (the decrease in the allowance for doubtful accounts) is reversed in profit or loss. Impairment losses that had not been recognized are reversed up to the amount of the amortized cost at the time when the impairment losses were reversed.

(Impairment losses on available-for-sale financial assets)
The objective evidence of impairment regarding equity instruments categorized as available-for-sale financial assets includes a significant or prolonged decline in fair value below its acquisition cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss) is transferred from other comprehensive income and recognized in the consolidated statement of profit or loss. Impairment losses on equity instruments are not reversed subsequently in profit or loss and a rise in the fair value after impairment is recognized directly in other comprehensive income.
For debt instruments classified as available-for-sale financial assets, impairment losses are evaluated in the same manner as financial assets measured at amortized cost. However, the amount reported as impairment losses is cumulative losses measured as the difference between the amortized cost and the current fair value less the impairment losses previously recognized in profit or loss. If the fair value for the debt instruments increases after the recognition of the impairment losses and if objectively the increase is correlated with events that occurred after the recognition of the impairment losses in the consolidated statement of profit or loss, the decrease in the impairment losses is reversed in profit or loss.

B. Derivatives
The Group utilizes derivatives to hedge interest rate and foreign currency risks. Derivatives used by the Group are mainly currency swaps and forward exchange contracts. Changes in the fair value of derivatives are recognized in profit or loss immediately.
The Group did not apply hedge accounting based on IAS 39 “Financial Instruments: Recognition and Measurement.” As for derivatives embedded in non-derivative financial assets that are host contracts (embedded derivatives), the Group separates these embedded derivatives from the host contracts and treats them as independent derivatives in accounting when their economic characters and risks are not closely related to the host contracts, independent financial products with the same conditions as those for the embedded derivatives match the definition of derivatives, and the whole financial products including the embedded derivatives are measured at fair value and their changes are not recognized in profit or loss.

2) Valuation standards and methods for non-financial assets, and depreciation method of significant depreciable assets

A. Inventories
Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The cost of inventories is determined mainly by using the specific identification method. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to the present location and condition.

B. Property, plant and equipment (excluding leased assets)
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes cost directly relating to the acquisition of assets, the costs of dismantling and removing the assets, and restoration costs.
Depreciation expense for assets except for land and construction in progress is recognized mainly by the straight-line method over the respective estimated useful lives. The estimated useful lives of major asset items are as follows:

Buildings and structures	3 to 50 years

The estimated useful lives, residual values and depreciation methods of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in an accounting estimate.

C. Goodwill and intangible assets (excluding leased assets)

(i) Goodwill

The Group reports consideration for an acquisition that exceeds the fair value for recognizable assets and liabilities as goodwill in the consolidated statement of financial position. Goodwill is not amortized, but is tested for impairment each period, or whenever there is any indication of impairment.

Any impairment loss for goodwill is recognized in consolidated statement of profit or loss and is not reversed in subsequent periods.

Goodwill is stated at cost, net of accumulated impairment losses, in consolidated statement of financial position.

(ii) Intangible assets

Intangible assets that are acquired separately are measured at cost at the initial recognition and are amortized using the straight-line method over their estimated useful lives, excluding tangible assets with indefinite useful lives, and their values are stated by subtracting accumulated amortization and impairment losses from the acquisition costs. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment each period, or whenever there is any indication of impairment.

The estimated useful lives of major intangible assets are as follows:

Software	Mostly 5 years

The estimated useful lives, residual values and amortization methods of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in an accounting estimate.

D. Investment property

Investment property is property held for the purpose of obtaining rental income or capital gains or both. Property which is sold as ordinary course of operation or used for other administrative purposes is not included in investment property.

Investment property is stated at cost, net of accumulated depreciation and accumulated impairment losses. Depreciation expense for assets except for land is recognized mainly by the straight-line method over the respective estimated useful lives. The range of estimated useful lives is 3 to 50 years. The estimated useful lives, residual values and depreciation methods of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in an accounting estimate.

E. Leased assets

Lease transactions in which substantially all the risks and rewards incidental to contractual ownership are transferred to the Group are classified as finance leases. All other lease transactions are classified as operating leases.

With regards to finance lease transactions, the Group initially recognizes lease assets at the fair value of the leased property or, if lower, the present value of the total amount of the minimum lease payments, each determined at the inception of the lease. After the initial recognition, the Group depreciates the assets using the straight-line method or the declining-balance method over the estimated useful lives or the lease term, whichever are shorter, or, in case that the ownership is transferred to lessees by the end of lease periods, over the estimated useful lives, according to the accounting policy applied to the assets.

Lease payments are apportioned between finance costs and repayment of lease obligations so as to produce a constant interest rate in proportion to the remaining balance of lease obligations. Finance costs are recognized in the consolidated statement of profit or loss.

Lease payments under operating leases transactions are recognized as expenses using the straight-line method over the lease term in the consolidated statement of profit or loss.

F. Impairment losses on non-financial assets

The Group assesses whether there is any indication of impairment for carrying amounts of non-financial assets, excluding inventories and deferred tax assets, on a quarterly basis. If any such indication exists, the recoverable amount of the asset is estimated. For goodwill and intangible assets with indefinite useful lives, or those not yet available for use, the recoverable amounts are estimated at the same time each year, regardless of whether there is any indication of impairment.

The recoverable amount of an individual asset or a cash-generating unit is measured at the higher of its value in use or fair value less its cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset. Assets that are not tested separately in an impairment test are integrated into the smallest cash-generating unit that generates, by constant use, cash inflows that are generally independent from cash inflows in other assets or asset groups. In an impairment test for goodwill, the cash-generating unit to which the goodwill is allocated is so made that the goodwill is managed to be reported internally and the size of the unit does not exceed that of a business segment. Goodwill acquired through business combinations is allocated to a cash-generating unit that is expected to benefit from synergies of the business combination.

The Group's corporate assets do not generate independent cash inflows. When there is an indication of impairment of corporate assets, the recoverable amount of the cash-generating unit to which the corporate assets belong is determined.

Impairment loss is recognized in profit or loss when the carrying amount of the asset or cash-generating unit exceeds the estimated recoverable amount. With regard to allocation of impairment losses recognized in association with cash-generating units, first the carrying amount of goodwill that has been allocated to the unit is reduced, and then the carrying amount of other assets within the cash-generating unit is reduced proportionally.

For impairment losses recognized on goodwill, no reversal is made. For other assets, the Group assesses whether there is any indication that an impairment loss recognized in the past has decreased or no longer exists on a quarterly basis. If there is any indication of reversal of impairment loss and the recoverable amount of the asset or cash-generating unit exceeds its carrying amount, impairment losses are reversed. The impairment loss is reversed up to the carrying amount less any depreciation and amortization costs had no impairment loss been recognized.

(b) Provisions

Provisions are recognized when there are present legal or constructive obligations as a result of past events, it is probable that outflows of resources embodying economic benefits will be required to settle the obligations, and reliable estimates can be made of the amount of obligations. When the time value of money is material, the present value is calculated by discounting the estimated future cash flows to the present value using a pre-tax discount rate that reflects the time value of money and the risks specific to the obligation.

(c) Accounting standards for important revenues and expenses

1) Revenues

Revenues are measured at the fair value of consideration received or receivable, less trade discounts, rebates and sales-related taxes. The standards by major segments for recognizing revenues and presenting the total amount or net amount are as follows:

A. Financial business
   (i) Interest income
   Interest income from loans and receivables is recognized using the effective interest method when the income arises.
   (ii) Service revenues
   The Group recognizes service revenues relating to the financial business according to progress of the rendering of services when all of the following conditions are met and the outcome of the transaction can be estimated reliably.
   - The amount of revenue can be estimated reliably.
   - It is probable that economic benefits associated with the transaction will flow to the Group.
   - The stage of completion of the transaction at the end of the reporting period can be measured reliably.
   - The costs incurred in respect of the transaction and those required to complete the transaction can be measured reliably.

   Major items to which this policy is applied are as follows:
   - Merchant fees in the credit and consumer credit business are recognized as revenues when services are provided.
   - Guarantee commission revenues in the credit guarantee business are recognized as revenues proportionally distributed over guarantee periods.

B. Other
   (i) Sale of goods
   Revenues from the sale of products are recognized, when significant risks and rewards of ownership of the goods have been transferred to the customer, neither continuing involvement in the goods sold nor effective control over the goods sold is retained, it is probable that the economic benefits associated with the transaction will flow to the Group, and such economic benefits along with associated costs can be measured reliably. The Group engages in sales of real estate including land and buildings. Revenues from sales of real estate are recognized when the delivery of property is completed.
   (ii) Construction contracts
   The Group engages in commercial facility construction business including design and building work. Revenues from construction contracts are recognized when the outcome of the construction contract can be estimated reliably. In principle, revenues and cost are recognized using the percentage-of-completion method. Revenues are recognized based on the ratio of construction cost incurred to date to the estimated total construction cost, in accordance with the percentage-of-completion method.

2) Methods of presentation of revenues
   When the Group conducts transactions as a principal, revenue is presented as the total amount of consideration received from customers. When the Group conducts transactions as an agent for the benefit of a third party, revenue is presented as the amount of fees which is the difference between the total amount of consideration received from customers and the amount collected for the benefit of the third party.
   The following indicators are taken into account in the determination of whether the Group conducts a transaction as a principal or agent:
   - Whether the Group has principal responsibility for providing the goods or services to the customer or for fulfilling the order
   - Whether the Group has inventory risk before or after the customer order, during shipping or on return
   - Whether the Group has discretion in establishing prices directly or indirectly
   - Whether the Group bears credit risk of the customer in association with receivables from the customer

- Whether the amount received is predetermined, being either a fixed fee per transaction or a stated percentage of the amount billed

(d) Standard for translation of significant foreign currency-denominated assets or liabilities into Japanese yen

1) Foreign currency transactions
Foreign currency transactions are translated to the respective functional currencies of the group companies at exchange rates on the transaction dates.
Foreign currency monetary assets and liabilities are translated to the functional currency at the rates prevailing at the end of the period. Foreign currency non-monetary assets and liabilities that are measured at fair value are translated into the functional currency using the exchange rate at the date of measurement.
Translation differences arising from translations or settlements are recognized as profit or loss; provided, however, that translation differences arising from re-translation of financial assets measured at fair value and its changes recognized as other comprehensive income are recognized as other comprehensive income.

2) Financial statements of foreign operations
The assets and liabilities of foreign operations are translated into Japanese yen at the rates prevailing at the end of the period. The revenues and expenses of foreign operations are translated into Japanese yen at the average exchange rate for the period, unless there are significant changes in the rate. Translation differences arising from translation of financial statements of foreign operations are recognized as other comprehensive income. Translation differences in foreign operations are recognized as profit or loss for the period in which the foreign operations concerned are disposed.

(e) Other significant matters regarding the preparation of consolidated financial statements

1) Post-employment benefits

A. Defined benefit plans
Defined benefit plans are retirement benefit plans other than defined contribution plans. The retirement benefit plan obligation is calculated using the projected unit credit method. The present value of the defined benefit plan obligation is determined by a discount rate based on the market yields on high-quality bonds whose terms to maturity approximate to the terms when benefits are expected to be paid. The fair value of plan assets is discounted from the present value of defined benefit plan obligation.
Past service costs are recognized in profit or loss immediately.
An increase or decrease in liabilities (assets) due to re-measurement of the net amount of all defined benefit liabilities (assets) generated from the defined benefit plans is immediately recognized in other comprehensive income.

B. Defined contribution plans
Defined contribution plans are retirement benefit plans under which an employer pays fixed contributions into a pension scheme managed by a public or private entity and will have no legal or constructive obligations to pay further contributions. Contribution obligation under defined contribution plans is recognized as expense during the period when employees provide related services.

2) Financial guarantee contracts
A financial guarantee contract is a contract that requires the issuer of the contract to compensate for the contract holder’s loss which is generated as a specific debtor fails to repay his/her debt even when the maturity date comes according to the initial or modified conditions for a debt instrument.
Financial guarantee contracts are measured at fair value at the time of initial contracts, and subsequently measured at the higher of: (i) the best estimated expenditures required for the settlement of obligations arising from the financial guarantee contracts; or (ii) the unamortized balance of the sum of guarantee commissions to be received.

3) Accounting method for consumption taxes
   Consumption taxes are excluded from revenues and expenses. However, amounts of nondeductible consumption taxes related to fixed assets are reported in “other assets” and depreciated equally over five years.

2. Notes to Consolidated Statement of Financial Position

(1) The amount less than 1 million yen is rounded down.

(2) Pledged assets

Pledged as collateral

	(Millions of yen)
Trade and other receivables	15,895
Other financial assets	3,248
Inventories	4,668
Property, plant and equipment	41
Investment property	610
Total	24,464

Liabilities corresponding to the above

Bonds and borrowings	18,569
Total	18,569

Assets pledged as collateral are also used as collateral for financial guarantee contract in relation to credit guarantee services other than the liabilities above.
In addition, shares of subsidiaries of 3,338 million yen that have been eliminated on consolidation are pledged as collateral for the borrowings above.
Other financial assets of 3,248 million yen are all deposits that are pledged as collateral as derivative deposits. Other than the above, based on regulations in countries where overseas subsidiaries operate their businesses, the Group holds deposits worth 18,284 million yen and marketable securities for banking business worth 756 million yen with the central bank as payment reserves. These deposits are included in other financial assets in the consolidated statement of financial position.
There is no asset pledged as collateral by the Group to which the transferee has the right to sell the collateral or pledge it again as collateral.

(3) Allowance for Doubtful Accounts Directly Deducted from Assets

	(Millions of yen)
Trade and other receivables	4,804
Loans by banking business	14,379
Other financial assets	6,030
Total	25,214

(4) Accumulated depreciation of property, plant and equipment 3,132 million yen

(5) Financial guarantee contracts

As part of the credit guarantee operation, the Group guarantees debts mainly owed by business operators and consumers to financial institutions.
The size of guarantees based on these contracts at the end of the current fiscal year is as follows.
Size of guarantees: 145,718 million yen

Note: The amount above includes 9,268 million yen in financial guarantee contracts, which are reported in the consolidated statement of financial position, as of the end of the current fiscal year.

In addition, a consolidated subsidiary of the Company KeyHolder, Inc. provides guarantees for loans from financial institutions of 3,111 million yen to companies other than consolidated subsidiaries.

3. Notes to Consolidated Statement of Profit or Loss
(1) The amount less than 1 million yen is rounded down.

(2) Impairment losses on fixed assets
The Group classifies its assets group into business assets, assets for lease, and idle assets. Business assets are grouped by company and business segment, while assets for lease and idle assets are grouped by property.
Impairment losses are recorded in “other expenses” in the consolidated statement of profit or loss.

Relevant segment	Location	Use	Type of assets
General Entertainment Business	Chiyoda-ku, Tokyo	Business assets	Property, plant and equipment
			Intangible assets

For business assets (General Entertainment Business), the carrying amount was reduced to the recoverable amount due to a decrease in the profitability.
Property, plant and equipment subject to impairment loss are “buildings and structures,” “tools, furniture and fixtures,” “land” and “other,” and accounted for 176 million yen of impairment losses. The recoverable amount in assets subject to impairment loss is determined based on value in use.
Intangible assets subject to impairment loss is “software” and accounted for 43 million yen of impairment losses. Its recoverable amount is determined based on value in use.
The recoverable amount in business assets is 15 million yen.

(3) Discontinued operations
In March 2018, the Group transferred all the shares of ADORES, Inc., a consolidated subsidiary, which had played a central role in General Entertainment Business, to WIDE LEISURE. As a result, profit and loss of ADORES, Inc. are categorized to be included as discontinued operations, and continued operations and discontinued operations are separately presented.
The profit and loss of discontinued operations are as follows:
Profit and loss of discontinued operations

	(Millions of yen)
Operating revenue	10,884
Operating expenses	9,664
Selling, general and administrative expenses	1,052
Other income	961
Other expenses	153
Operating profit	975
Finance income	30
Finance costs	64
Profit before tax from discontinued operations	941
Income taxes	265
Profit from discontinued operations	676

4. Notes to Consolidated Statement of Changes in Equity
(1) Class and total number of issued shares at the end of the current fiscal year
Common share 112,596,710 shares

(2) Matters pertaining to dividends
(i) Dividend payments

Resolution	Class	Total dividends (millions of yen)	Dividend per share (yen)	Reference date	Effective date
The Board of Directors' meeting (May 12, 2017)	Common share	617	6	March 31, 2017	June 29, 2017
The Board of Directors' meeting (November 13, 2017)	Common share	617	6	September 30, 2017	December 5, 2017

(ii) Of dividends whose reference date belongs to the current fiscal year, the effective date that belongs to the following fiscal year

Resolution	Class	Total dividends (millions of yen)	Source of funds	Dividend per share (yen)	Reference date	Effective date
The Board of Directors' meeting (May 14, 2018)	Common share	617	Retained earnings	6	March 31, 2018	June 28, 2018

(3) Class and number of shares underlying subscription rights to shares at the end of the current fiscal year (excluding subscription rights to shares of whose exercise period has not commenced):
Common share 3,040,640 shares

5. Notes to Financial Instruments
(1) Matters regarding financial instruments
(i) Policy on management of financial instruments
The Group is engaged in Domestic Financial Business, Financial Business in South Korea, Financial Business in Southeast Asia, General Entertainment Business, Real Estate Business, and Investment Business, etc. In the course of operation, the Group is exposed to financial risks including credit risk, market risk and liquidity risk and conducts risk management in accordance with a certain policy to mitigate these financial risks.
The Group (excluding subsidiaries engaging in banking) limits its fund management activities to short-term deposits and the like, and funds are procured primarily through loans from banks and other financial institutions and issuance of corporate bonds.
The subsidiaries engaging in banking in South Korea and Indonesia primarily perform deposit taking, foreign exchange business and lending to individuals and business operators. They procure funds by taking ordinary and time deposits and others from individuals and corporations and provide loans to small and medium-size enterprises, business owners and individuals in South Korea and Indonesia. They also invest mainly in government and corporate bonds for the purpose of asset management. Under the leadership of a committee for the comprehensive management of assets and liabilities, they have established a system to forecast risks and cope with them, such as formulating a management policy of financial assets and liabilities in accordance with relevant regulations, monitoring market interest rates and foreign exchange market trends continuously, preparing a policy to evaluate financial assets and liabilities subject to interest rate risk, evaluating the appropriateness of the method for calculating lending and procurement interest rates and determining restrictions concerning foreign exchange transactions. Outcomes of the monitoring are reported to the

risk management committee. They also manage liquidity risk by managing financing gaps, the structure of fund procurement and products with high liquidity.
There is no specific concentration of credit risk in these financial assets as the industries and regions of counterparties are distributed in wide areas.

(ii) Nature of financial instruments and risks arising from them

1) Credit risk
Financial assets held by the Group are primarily trade receivables and banking-related assets held by the subsidiaries engaging in banking.
Trade receivables include accounts receivable - operating loans held by subsidiaries engaging in lending to consumers and business operators, purchased receivables held by subsidiaries engaging in purchases of accounts receivable and advances paid – installment held by subsidiaries engaging in credit and consumer credit business. They are set forth as "trade and other receivables" and are exposed to credit risk of debtors. Banking-related assets include "marketable securities for banking business" and "loans by banking business." "Marketable securities for banking business" include primarily government and corporate bonds. They are exposed to credit risk depending on financial positions of issuers. "Loans by banking business" include unsecured loans to small and medium-size enterprises, business owners and individuals. They are exposed to credit risk of those small and medium-size enterprises, business owners and individual customers.

2) Liquidity risk
Of financial liabilities held by the Group, those exposed to liquidity risk are primarily borrowings and banking-related liabilities. Borrowings are exposed to risks such as the worsening of procurement conditions due to changes in the Group's creditability at partner financial institutions and the market environment.

3) Market risk
The Group's activities are mainly exposed to risks of changes in economic circumstances and financial market circumstances. Specifically, the risks of changes in financial market circumstances include interest rate risk, price fluctuation risk, and foreign currency risk.
Financial assets held by the Group and exposed to market risk are primarily marketable securities for banking business, operational investment securities and marketable securities. Marketable securities for banking business include government bonds and are exposed to interest rate risk. As there are no listed shares, the effect of price fluctuation risk is minimal. Operational investment securities and marketable securities include shares. They are exposed to price fluctuation risk.
Financial liabilities held by the Group and exposed to market risk are primarily borrowings and banking-related liabilities and exposed to interest rate risk. Banking-related liabilities include ordinary and time deposits of individual and corporate customers, ordinary and time deposits in foreign currencies and currency swaps as part of derivatives transactions and are exposed to interest rate risk.

(iii) Risk management system for financial instruments

1) Credit risk
Each of the Group companies defines management methods for various risks and risk management systems under risk management regulations set by each company.
The Group has established and operates the credit management system, examining credit, setting the limit credit amount, managing credit information, assigning in-house ratings, setting collateral by item and coping with problem accounts receivable. Not only each sales department, but also credit and receivable management departments engage in credit management, and the management team discusses credit management and receives reports on the issue at regular meetings of the Board of Directors and the reporting committee. Moreover, the audit department randomly examines the situation of credit management. The credit department manages credit risk of issuers by regularly obtaining their credit information.

2) Liquidity risk
Each of the Group companies manages liquidity risk concerning fund procurement and others by methods including the preparation of financing plans to maintain proper liquidity on hand, in accordance with regulations set by each company. With regard to liquidity risk of securities, the Group acquires securities worth the lowest possible amount depending on the policy requirement and manages them by grasping the financial conditions of issuers.

3) Market risk
Of financial instruments subject to market risk, the Group regularly grasps the fair values of marketable securities and financial positions of issuers and continuously reviews its holding situations by taking the relations with partner companies into account.
With regard to financial assets held by the subsidiaries engaging in banking, under the leadership of the committee for the comprehensive management of assets and liabilities, they manage financial assets and liabilities in accordance with relevant regulations, monitor market interest rates and foreign exchange market trends continuously. The results of the monitoring are reported to the risk management committee.

(2) Matters regarding the fair value of financial instruments and others
(i) Fair value and carrying amounts of financial instruments
The fair value and carrying amounts of financial instruments are as follows:

(Millions of yen)

Category	Carrying amount	Fair value
(Financial assets)		
Trade and other receivables	92,723	93,133
Loans by banking business	343,400	343,010
Total	436,124	436,144
(Financial liabilities)		
Trade and other payables	9,811	9,304
Deposits by banking business	403,509	407,474
Bonds and borrowings	78,727	79,059
Total	492,049	495,838

Financial instruments measured at fair value and financial instruments of which the fair value extremely equivalent to the carrying amount are not included in the above table.

(ii) Calculation method of the fair value
<u>Financial assets</u>
- Trade and other receivables
The fair values of trade and other receivables are measured by discounting the future cash flow by interest rates, with such appropriate indices as the yield on government bonds and, as necessary, with the credit spread added.

- Marketable securities for banking business, Operational investment securities, Marketable securities
The fair values of shares with publicly quoted prices are measured at prices on the concerned exchange. Unlisted shares are measured mainly by an evaluation method based on the discounted future cash flow, a method based on market share prices of comparable companies and the likes. The fair values of bonds are measured at their prices quoted on the concerned exchange, prices presented by the underwriting financial institutions and by evaluation methods provided by credit rating organizations.

- Loans by banking business
  The fair values are measured by discounting the future cash flow with interest rates, such as the yield on government bonds corresponding to the remaining periods of the loans, with the credit spread added.

- Other financial assets
  Of other financial assets, the fair values of derivatives are measured at the final prices on the concerned exchange as of the end of the period and prices calculated by evaluation methods presented by credit rating organizations. Investments in capital are measured primarily by an evaluation method based on the discounted future cash flow and an evaluation method based on market prices of comparable companies.
  The fair values of other financial assets are generally equivalent to their carrying amount.

<u>Financial liabilities</u>

- Trade and other payables
  Since these are mainly settled within one (1) year, the fair value is almost equivalent to the carrying amount. Therefore, the carrying amount is used as fair value.
  The fair value for financial guarantee contracts is measured by the present value of the cash flow required to settle liabilities stemming from the contracts.

- Deposits by banking business
  Of deposits by banking business, the amount of demand deposits payable at the end of the reporting period (carrying amount) is used as its fair value. In addition, the fair value of time deposits, etc. is measured for each specified period at their present value by discounting future cash flows using the interest rate for new deposits. For those settled within one (1) year, their fair value is almost equivalent to the carrying amount. Therefore, the carrying amount is used as fair value.

- Bonds and borrowings
  For those settled within one (1) year, their fair value is almost equivalent to the carrying amount. Therefore, the carrying amount is used as fair value. Of bonds and borrowings with long-term maturities remaining periods, those with variable interest rates reflect market interest rates for a short period and the credit situations of the Company and subsidiaries have not changed substantially since those borrowings were made. As the fair value is deemed to be equivalent to the carrying amount, the carrying amount is used as fair value. Of bonds and borrowings with long-term maturities, the fair value of those with fixed interest rates is calculated by discounting the present value using interest rates based on appropriate indices, such as the interest rates presumed in the case of similar new borrowings on the sum of principal and interest in the remaining periods.

- Other financial liabilities
  The fair value is almost equivalent to the carrying amount.

6. Note to Investment Property
(1) Matters concerning conditions of investment property
Investment property is property held for rental revenues or capital gains or both and does not include real estate sold in the ordinary sales process or used for other management purposes.

(2) Matters concerning fair value of investment property

(Millions of yen)

Carrying amount	Fair value
610	646

The carrying amount of investment property is stated at cost, net of accumulated depreciation and accumulated impairment losses.
The fair value is measured by an amount based on a real estate appraisal by an outside real estate appraiser and by the Group based on its standards for real estate appraisal. The measurements are based on open market prices, comparison of transaction cases and the discounted cash flow method. When there is no material change in certain appraised prices (market or estimated prices) or indices deemed to reflect market prices properly from the time of acquisition from third parties or latest appraisals, the fair value is measured by making adjustments with those appraised prices or indices.

7. Notes to Per Share Information
(1) Equity per share attributable to owners of parent 1,401.64 yen

(2) Basic loss per share 7.11 yen

8. Significant subsequent events

(1) Acquisition of PT.OLYMPINDO MULTI FINANCE

The Company and its consolidated subsidiary JTRUST ASIA PTE. LTD. (hereinafter, “JTA”) resolved at the Board of Directors’ meeting held on April 19, 2018, that JTA will acquire shares of PT. OLYMPINDO MULTI FINANCE (hereinafter, “OMF”) from the owner Mr. Ang Andi Bintoro and his relatives, and subscribe for the new shares issued via third party allotment (hereinafter, “the Acquisition”). The share transfer and subscription agreements were concluded dated April 20, 2018. The details are summarized below.

(i) Purpose of share acquisition

The Company has decided the acquisition taking into account the following: (i) making OMF a subsidiary of the Group will enable us to firmly build a structure that consists of three kinds of businesses: banking, purchase & collection of receivables and financing in Indonesia following the successful example of South Korea; and (ii) establishing a structure that can respond to diverse requirements will contribute to building foundation of the Group’s financial business in Indonesia.

(ii) Name of acquiree

Ang Andi Bintoro, and his relatives

(iii) Overview of OMF

1.	Company name	PT.OLYMPINDO MULTI FINANCE
2.	Location	Special Capital Region of Jakarta, Indonesia
3.	Representative	Yudi Gustiawan
4.	Capital	IDR 50,363 million (about 394 million yen, 1 IDR=0.007815 yen)
5.	Line of business	Multi finance business focusing on used car loans

(iv) Date of share transfer and third party allocation of new shares

July 31, 2018 or such other date as agreed by both parties (TBC)

(v) Number of shares to be acquired, acquisition price and ratio of shareholdings after acquisition

1.	Number of shares to be acquired	124,403 shares
2.	Acquisition price	Not disclosed by request
3.	Ratio of shareholdings after acquisition	60.0%

Note: Figures in (v) above include subscription for newly issued shares

(vi) Other significant matter

The Acquisition will be executed subject to approval obtained by the Financial Services Authority and/or other governmental authorities in Indonesia.

(2) Acquisition of ANZ Royal Bank (Cambodia) Ltd.

The Company resolved at the Board of Directors' meeting held on May 17, 2018 that it will acquire 55.0% of outstanding common shares of ANZ Royal Bank (Cambodia) Ltd. (hereinafter, "ANZR") from ANZ Funds Pty Ltd. The share transfer agreement was concluded on the same day. The details are summarized below.

(i) Purpose of share acquisition

The acquisition of shares is aimed to make significant contribution to further growth of ANZR, using expertise of the financial business especially in the retail area, which was fostered by the Group in Japan, South Korea and Indonesia. The Company also believes that the use of the Group's resources will be able to contribute to not only the financial market in Cambodia, but also the economic development of the country.

(ii) Name of acquiree

ANZ Funds Pty Ltd.

(iii) Overview of ANZR

1.	Company name	ANZ Royal Bank (Cambodia) Ltd.
2.	Location	Phnom Penh, Kingdom of Cambodia
3.	Representative	Alisdair Creanor
4.	Capital	USD 75 million (about 8,201 million yen, 1USD=109.35 yen)
5.	Line of business	Commercial banking

(iv) Date of share transfer

Completed by May 2019 (Scheduled)

(v) Number of shares to be acquired, acquisition price and ratio of shareholdings after acquisition

1.	Number of shares to be acquired	412,500 shares
2.	Acquisition price	USD 82.4 million (about 9,010 million yen, 1 USD=109.35 yen)
3.	Ratio of shareholdings after acquisition	55.0%

(vi) Other significant matter

The Acquisition will be executed subject to approval obtained by the authorities in Cambodia.

NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

(from April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity						
		Capital surplus		Retained earnings			
				Other retained earnings			
	Capital stock	Legal capital surplus	Total capital surpluses	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	53,630	52,971	52,971	33,274	33,274	(7,685)	132,191
Changes of items during period							
Issuance of new shares	8	8	8				16
Dividends of surplus				(1,235)	(1,235)		(1,235)
Loss				(3,375)	(3,375)		(3,375)
Purchase of treasury shares						(0)	(0)
Net changes of items other than shareholders' equity							
Total changes of items during period	8	8	8	(4,611)	(4,611)	(0)	(4,595)
Balance at end of current period	53,638	52,979	52,979	28,663	28,663	(7,685)	127,595

	Valuation and translation adjustments			
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
Balance at beginning of current period	–	–	156	132,347
Changes of items during period				
Issuance of new shares				16
Dividends of surplus				(1,235)
Loss				(3,375)
Purchase of treasury shares				(0)
Net changes of items other than shareholders' equity	0	0	(24)	(24)
Total changes of items during period	0	0	(24)	(4,619)
Balance at end of current period	0	0	132	127,728

Notes to Non-Consolidated Financial Statements

1. Matters regarding significant accounting policies

(1) Valuation standards and methods for assets

Securities

- Subsidiaries' shares — Cost method by moving average method
- Other securities
  - Securities without market price — Cost method by moving average method

(2) Depreciation and amortization methods for non-current assets

(i) Property, plant and equipment: Declining balance method. However, straight line-method is used for the following:
The equipment attached to buildings and accompanying facilities and structures acquired on or after April 1, 2016.

(ii) Intangible assets: Straight-line method
Software for internal use is amortized over a useful life of five years.

(iii) Long-term prepaid expenses: Straight-line method

(3) Accounting standards for provisions

Allowance for doubtful accounts

To prepare for loss on doubtful accounts, allowance for doubtful accounts is recorded taking following factors into consideration; the historical loan loss ratio for general receivable; and collectability of each receivable for specific receivable potentially falling into doubtful accounts.

(4) Other significant matters which constitute the basis for preparing the non-consolidated financial statements

(i) Amortization method and period for goodwill
Goodwill is amortized equally over the period of five years during which investment is effective, using the straight-line method.

(ii) Accounting for consumption taxes
Consumption taxes are accounted for using the tax exclusion method. However, non-deductible consumption taxes related to non-current assets are recorded as "other" under investments and other assets are amortized over five years using the straight-line method.

(5) Changes in presentation

"Software," which had been included in "other" under "Intangible assets" of Non-Consolidated Balance Sheet up until the previous fiscal year, was separately presented from the current fiscal year because its monetary significance increased.
"Software" for the previous fiscal year is 41 million yen.

2. Notes to Non-Consolidated Balance Sheet

(1) The amount less than 1 million yen is rounded down.

(2) Pledged assets

Assets pledged as collateral

Deposits	1,240 million yen
Shares of subsidiaries and associates	3,338 million yen
Total	4,578 million yen

Debts corresponding to the above

Current portion of long-term loans payable	2,829 million yen
Long-term loans payable	5,469 million yen
Total	8,298 million yen

(3) Accumulated depreciation on property, plant and equipment 41 million yen

(4) Guarantee obligations

(i) Guarantee obligations related to operating activities

Subject of guarantee	Guaranteed amount	Type of guarantee
62,060 cases (business entities and consumers)	141,736 million yen	Borrowings from financial institutions and others

Notes: The Company acts as a joint guarantor for guarantee obligations of subsidiaries. The above includes joint and several guarantees due to concomitant assumption of obligations.

(ii) Guarantees related to subsidiaries and associates

Subject of guarantee	Guaranteed amount	Type of guarantee
Nihon Hoshou Co., Ltd.	3,377 million yen	Borrowings from financial institutions and others
J TRUST Card Co., Ltd.	1,249 million yen	Borrowings from financial institutions
Highlights Entertainment Co., Ltd.	594 million yen	Borrowings from financial institutions
JT Capital Co., Ltd.	665 million yen	Borrowings from financial institutions

(5) Monetary claims receivable from and payable to subsidiaries and associates (excluding those stated separately in financial statements)

Short-term monetary claims receivable from subsidiaries and associates	81 million yen
Long-term monetary claims receivable from subsidiaries and associates	1 million yen
Short-term monetary claims payable to subsidiaries and associates	17 million yen
Long-term monetary claims payable to subsidiaries and associates	117 million yen

3. Notes to Non-Consolidated Statement of Income

(1) The amount less than 1 million yen is rounded down.

(2) Volume of transactions with subsidiaries and associates

Volume of operating transactions with subsidiaries and associates	
Operating revenue	3,029 million yen
Operating expenses	125 million yen
Volume of non-operating transactions	29 million yen

(3) Extraordinary losses

As a subsidiary turned into excess of debts in the current business year, the Company reduced the evaluation of shares of subsidiaries and affiliates held by it and reported allowance for doubtful accounts on loans to the subsidiary in question.

Loss on valuation of shares of subsidiaries and associates	2,180 million yen
Provision of allowance for doubtful accounts	1,190 million yen

4. Notes to Non-Consolidated Statement of Changes in Net Assets

Class and number of treasury shares at the end of the current fiscal year

Common share 9,598,396 shares

Note: Common treasury shares increased by 212 shares because the Company repurchased fractional unit shares during the period.

5. Notes to Tax Effect Accounting

Breakdown of major factors that caused deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Shares of subsidiaries	2,642
Loss brought forward	4,711
Other	481
Subtotal - deferred tax assets	7,834
Valuation allowance	(7,834)
Total deferred tax assets	–
Deferred tax liabilities	
Valuation difference on assets acquired by merger	(36)
Dividends adjustments from capital surplus	(706)
Other	(17)
Total deferred tax liabilities	(760)
Net deferred tax liabilities	(760)

6. Notes to Non-current Assets Used under Lease Contracts

In addition to non-current assets recognized on the non-consolidated balance sheet, certain business equipment is used under a finance lease contract that does not involve a transfer of ownership.

7. Notes to Transaction with Related Parties

Subsidiaries, associates and others

<table>
<tr><th rowspan="2">Type</th><th>Company name</th><th rowspan="2">Capital stock or investments in capital (millions of yen)</th><th rowspan="2">Business</th><th rowspan="2">Ratio of voting rights (Owned) (%)</th><th rowspan="2">Relationship with the related parties</th><th rowspan="2">Transaction details</th><th rowspan="2">Transaction amount (millions of yen)</th><th rowspan="2">Item</th><th rowspan="2">Balance at the end of period (millions of yen)</th></tr>
<tr><th>Location</th></tr>
<tr><td rowspan="2">Subsidiary</td><td>Nihon Hoshou Co., Ltd.</td><td rowspan="2">95</td><td rowspan="2">Finance</td><td rowspan="2">Direct 100</td><td rowspan="2">Concurrent holding of positions by executives of the Company Credit guarantee</td><td rowspan="2">Credit guarantee for borrowings (note 1)</td><td rowspan="2">145,114</td><td rowspan="2">–</td><td rowspan="2">–</td></tr>
<tr><td>Minato-ku, Tokyo</td></tr>
<tr><td rowspan="2">Subsidiary</td><td>J TRUST Card Co., Ltd.</td><td rowspan="2">90</td><td rowspan="2">Finance</td><td rowspan="2">Direct 100</td><td rowspan="2">Concurrent holding of positions by executives of the Company; Financing; Credit guarantee</td><td rowspan="2">Credit guarantee for borrowings (note 1)</td><td rowspan="2">1,249</td><td rowspan="2">–</td><td rowspan="2">–</td></tr>
<tr><td>Miyazaki-shi, Miyazaki</td></tr>
<tr><td rowspan="4">Subsidiary</td><td rowspan="2">Highlights Entertainment Co., Ltd.</td><td rowspan="4">10</td><td rowspan="4">Production</td><td rowspan="4">Indirect 100</td><td rowspan="4">Concurrent holding of positions by executives of the Company; Financing; Credit guarantee</td><td>Financing (note 2)</td><td>3,320</td><td>Short-term loans receivable from subsidiaries and associates</td><td>3,260</td></tr>
<tr><td>Receipt of interest</td><td>68</td><td rowspan="2">Accrued Revenue</td><td rowspan="2">0</td></tr>
<tr><td rowspan="2">Chiyoda-ku Tokyo</td><td>Interest income</td><td>66</td></tr>
<tr><td>Credit guarantee for borrowings (note 1)</td><td>594</td><td>–</td><td>–</td></tr>
</table>

Terms and conditions or determination policies, etc. on terms and conditions.

Notes:

1. They act as guarantor for the borrowings from financial institutions and guarantee obligations related to credit guarantee services.
   The guarantee commission rate is reasonably determined in consideration of the situation regarding subrogation receivable etc.
2. The lending interest rate is reasonably determined based on market interest rates.

8. Notes to Per Share Information

(1) Net assets per share 1,238.82 yen

(2) Net loss per share 32.78 yen

9 Notes to Significant Subsequent Events

The Company resolved at the Board of Directors' meeting held on May 17, 2018 that it will acquire 55.0% of outstanding common shares of ANZ Royal Bank (Cambodia) Ltd. (hereinafter, "ANZR") from ANZ Funds Pty Ltd. The share transfer agreement was concluded on the same day.

The details are summarized below.

(1) Purpose of share acquisition

The acquisition of shares is aimed to make significant contribution to further growth of ANZR, using expertise of the financial business especially in the retail area, which was fostered by the Group in Japan, South Korea and Indonesia. The Company also believes that the use of the Group's resources will be able to contribute to not only the financial market in Cambodia, but also the economic development of the country.

(2) Name of acquiree

ANZ Funds Pty Ltd.

(3) Overview of ANZR
  (i) Company name ANZ Royal Bank (Cambodia) Ltd.
  (ii) Location Phnom Penh, Kingdom of Cambodia
  (iii) Representative Alisdair Creanor
  (iv) Capital USD 75 million (about 8,201 million yen, USD=109.35 yen)
  (v) Line of business Commercial banking

(4) Date of share transfer
  Completed by May 2019 (TBC)

(5) Number of shares to be acquired, acquisition price and ratio of shareholdings after acquisition
  (i) Number of shares to be acquired 412,500 shares
  (ii) Acquisition price USD 82.4 million (about 9,010 million yen, USD=109.35 yen)
  (iii) Ratio of shareholdings after acquisition 55.0%

(6) Other significant matter
  The Acquisition will be executed subject to approval obtained by the authorities in Cambodia.