



# 8508

## J Trust

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# Key financial data

Income statement	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21	FY12/22
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	Adjusted	IFRS
Operating revenue	66,453	74,321	74,935	24,728	32,652	39,387	42,325
YoY	-	11.8%	0.8%	-	-	-	7.5%
Operating profit (loss)	606	4,759	-32,600	-5,130	-4,752	-2,403	5,260
YoY	-	684.7%	-	-	-	-	-
Operating profit margin	0.9%	6.4%	-	-	-	-	12.4%
Pre-tax profit (loss)	-433	2,898	-31,135	-5,526	-2,978	-619	5,899
YoY	-	-	-	-	-	-	-
Pre-tax profit margin	-	3.9%	-	-	-	-	13.9%
Profit (loss) attributable to owners of parent	-1,270	-731	-36,107	-3,260	-5,342	-5,342	1,123
YoY	-	-	-	-	-	-	-
Net profit	-	-	-	-	-	-	2.7%
Per-share data (split-adjusted; JPY)							
No. of shares outstanding('000 shares)	112,537	112,597	115,470	115,470	115,470		115,470
EPS	-11.9	-7.1	-349.7	-30.8	-50.5		10.6
EPS (fully diluted)	-11.9	-7.1	-349.7	-30.8	-50.5		10.6
Dividend per share	12.0	12.0	7.0	1.0	-		1.0
Book value per share	1,459.9	1,401.6	984.0	944.3	865.2		903.7
Balance sheet (JPYmn)							
Cash and cash equivalents	80,666	84,723	87,150	81,913	60,593		74,648
Trade and other receivables	78,416	92,723	106,735	113,942	87,599		44,345
Marketable securities in banking business	30,459	37,159	46,599	52,805	14,176		40,471
Loans in the banking business	311,480	343,400	326,234	370,174	118,159		338,593
Operational investment securities	21,494	3,242	2,855	1,895	505		274
Other financial assets	38,066	46,300	33,416	40,893	18,451		28,554
Inventories	6,848	6,937	6,742	7,285	42		1,358
Tangible fixed assets	5,622	3,028	5,119	9,871	6,032		7,708
Goodwill	32,140	29,578	33,508	35,901	28,290		30,260
Total assets	619,865	656,961	668,377	731,384	530,462		610,631
Trade and other payables	8,110	9,811	14,613	16,137	14,888		14,657
Deposits by banking business	364,462	403,509	437,010	483,402	184,239		437,755
Liabilities directly related to assets held for sale	-	-	-	-	141,109		-
Bonds and loans payable	72,139	78,727	86,002	85,105	67,803		26,939
Other financial liabilities	8,182	5,272	13,383	19,911	9,425		11,837
Total liabilities	463,952	506,184	557,650	612,478	428,004		502,685
Equity attributable to owners of the parent	150,284	144,366	104,173	99,977	91,599		95,670
Non-controlling interests	5,628	6,409	6,554	18,928	10,858		12,275
Total equity	155,913	150,776	110,727	118,905	102,458		107,945
Total interest-bearing debt	72,139	78,727	86,002	85,105	67,803		26,939
Cash flow statement (JPYmn)							
Cash flows from operating activities	-12,413	4,581	18,831	-20,829	6,813		15,408
Cash flows from investing activities	-4,468	-7,603	-15,190	15,431	-8,422		-10,002
Cash flows from financing activities	10,612	7,798	-525	18	-8,638		-6,129
Financial ratios							
ROA (pre-tax profit based)	-	0.4%	-	-	-		1.0%
ROE	-	-	-	-	-		1.2%
Equity ratio	24.2%	22.0%	15.6%	13.7%	17.3%		15.7%

Source: Shared Research based on company data

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

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

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

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

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

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

# Executive summary

J Trust is a financial services group operating banking and finance businesses in Asia. Since 2009, the company has expanded its business through acquisitions of domestic consumer finance and credit card companies, and in 2012 it launched a South Korean savings bank business, leveraging the expertise it had developed in Japan. In the years leading up to FY03/15 it used approximately JPY97.6bn raised in a rights offering to acquire a finance company and a savings bank in South Korea, and a commercial bank in Indonesia. In August 2019, it bought a commercial bank in Cambodia.

At its Financial Business in Japan (FY12/21: 23.1% of operating revenue), the company concentrated on growth of the consumer finance, credit card, credit guarantee, and servicer (receivables purchase and collection) businesses through FY03/15. From FY03/16 onward, after effectively exiting the unsecured consumer finance loans business, which had limited medium-term growth potential, the company has been expanding the real estate related credit guarantee business and the servicer business, and logging stable profit.

The company's Financial Business in South Korea and Mongolia (FY12/21: 35.0% of operating revenue) is comprised of a savings bank business in Korea and a servicer business. J Trust launched a consumer finance business in South Korea in 2009. In 2012 it acquired a savings bank license in South Korea and entered the industry with the launch of JT Chinae Savings Bank (mainly providing loans to individuals and business owners and business loans to companies) and from FY03/13 to FY03/15 it grew loan balances in the savings bank business primarily through M&A. JT Savings Bank was joined by JT Chinae Savings Bank in April 2022, returning to a two-savings bank structure (it sold JT Chinae Savings Bank in FY12/20 for business restructuring and JT Capital in FY12/21, but made JT Chinae Savings Bank a consolidated subsidiary in April 2022 through a share exchange with Nexus Bank Co., Ltd.)

The company's Financial Business in Southeast Asia (FY12/21: 39.5% of operating revenue) includes banks in Indonesia and Cambodia. In Indonesia, the company acquired Bank Mutiara in November 2014, renaming it PT Bank JTrust Indonesia Tbk. J Trust moved to bolster the bank's reserves in FY03/19 in preparation for the write-off of all non-performing loans and also began implementing new lending and credit screening procedures so as to put the bank's loan portfolio on a firmer financial footing. Despite the impact of the COVID-19 pandemic starting in February 2020, the company expects J Trust Bank Indonesia is expected to return to the black during FY12/21. Elsewhere in Southeast Asia, the company acquired a majority stake in ANZ Royal Bank (Cambodia) Ltd. in August 2019, making the Cambodian commercial bank a consolidated subsidiary and changing its name to JTrust Royal Bank, thereby expanding its business in deposits and loans.

The company has been working to reorder its business portfolio since Q3 FY12/20. Due to this concerted restructuring, the company's core businesses are now credit guarantee and receivables collection operations in Financial Business in Japan, savings bank operations in South Korea, and banking in Southeast Asia. In February 2022, the company announced it would acquire all outstanding shares of H.S. Securities Co., Ltd. from HS Holdings Co., Ltd. (TSE JASDAQ: 8699) to make it a subsidiary, focusing on creating synergies with the general securities company that has an investment banking division.

## Trends and outlook

FY12/21 results: For FY12/21, the company reported full-year consolidated operating revenue of JPY42.3bn (+7.5% YoY), operating profit of JPY5.3bn (versus loss of JPY2.4bn in FY12/20), pre-tax profit of JPY5.9bn (versus loss of JPY619mn in FY12/20), and profit attributable to owners of parent of JPY1.1bn (versus a loss of JPY5.3bn in FY12/20). Pre-tax profit fell short of the revised company forecast of JPY8.3bn. While the company booked a gain of about JPY1.7bn on valuation of the shares of the current HS Holdings, the gain on sales of Nexus Bank shares fell short of the forecast by about JPY1.9bn, and the company booked a loss on valuation of Nexus Bank shares of about JPY2.4bn.

FY12/22 full-year company forecast (out August 12, 2022): The company forecasts consolidated operating revenue of JPY79.0bn (+86.7% YoY), operating profit of JPY13.0bn (+147.1% YoY), pre-tax profit of JPY16.0bn (+171.2% YoY), and profit attributable to owners of parent of JPY12.0bn (+968.4% YoY). Reasons for the revision are as follows: 1) the Financial Business in South East Asia turned a profit earlier than initially assumed due to earnings improving at J Trust Bank Indonesia, 2) earnings grew in the Financial Business in South Korea and Mongolia and the Financial Business in Japan, and 3) the company expects full-year earnings to exceed its original forecasts due to booking profit on negative goodwill from the share exchange with Nexus Bank.

## Strengths and weaknesses

Shared Research views J Trust's strengths as its ability to proactively develop finance businesses in Asia based on its expertise accumulated in Japan, its purchasing ability, and the management's business execution skills. Its weaknesses are that it is easily affected by regulations, and its rapid growth entails the risk of personnel shortages. (See "Strengths and weaknesses" section for further details.)

# Recent updates

## Upward revisions to full-year FY12/22 earnings forecast

2022-08-15

On August 12, 2022, J Trust Co., Ltd. announced that it has revised its full-year FY12/22 earnings forecasts upward.

The company revised up its full-year FY12/22 earnings forecast on August 12, 2022 to reflect 1H results. Revised forecasts are operating revenue of JPY79.0bn (+86.7% YoY), operating profit of JPY13.0bn (+147.1% YoY), pre-tax profit of JPY16.0bn (+171.2% YoY), and profit attributable to owners of parent of JPY12.0bn (+968.4% YoY). Reasons for the revision are as follows: 1) the Financial Business in South East Asia turned a profit earlier than initially assumed due to earnings improving at J Trust Bank Indonesia, 2) earnings grew in the Financial Business in South Korea and Mongolia and the Financial Business in Japan, and 3) the company expects full-year earnings to exceed its original forecasts due to booking profit on negative goodwill from the share exchange with Nexus Bank.

## Company announces planned name change of consolidated subsidiary

2022-06-17

On June 16, 2022, J Trust Co., Ltd. announced plans to change the name of consolidated subsidiary H.S. Securities, Co., Ltd., as detailed below.

Acquired on March 31, 2022, H.S. Securities is a wholly owned subsidiary of J Trust. The decision to change the name of H.S. Securities is part of an overall effort aimed at more closely integrating its operations into the J Trust group, improving its financial performance, and extending the group's brand.

The official name change is scheduled to go into effect October 1, 2022, at which time H.S. Securities Co., Ltd. will become J Trust Global Securities Co., Ltd.

# Trends and outlook

## Quarterly trends and results

Cumulative (JPYmn)	FY12/21				FY12/21		FY12/22		FY12/22	
	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1	Q1-Q2	% of Est.	Revised Est.
					Retroactive adjustments	Retroactive adjustments				
Operating revenue	10,867	22,340	30,624	42,325	9,865	20,409	12,351	33,431	42.3%	79,000
YoY	-1.3%	3.3%	5.5%	7.5%	-	-	25.2%	63.8%		86.7%
Operating expenses	5,340	11,403	15,298	23,017	4,859	10,341	5,342	17,265		
YoY	3.3%	-3.8%	0.1%	10.7%	-	-	9.9%	67.0%		
SG&A expenses	5,599	11,083	15,935	21,560	5,214	10,313	5,146	12,940		
YoY	-0.6%	-0.1%	3.3%	3.2%	-	-	-1.3%	25.5%		
SG&A, % of operating revenue	51.5%	49.6%	52.0%	50.9%	52.9%	-	41.7%	38.7%		
Other revenues	4,508	7,342	8,635	8,731	4,507	7,341	174	7,900		
YoY	-	-	-	-	-	-	-96.1%	7.6%		
Other expenses	34	35	197	1,218	33	34	93	198		
YoY	183.3%	-62.4%	89.4%	68.5%	-	-	181.8%	482.4%		
Operating profit	4,400	7,160	7,827	5,260	4,266	7,060	1,942	10,927	84.1%	13,000
YoY	-	-	-	-	-	-	-54.5%	54.8%		147.1%
Operating profit margin	40.5%	32.1%	25.6%	12.4%	43.2%	-	15.7%	32.7%		16.5%
Financial revenue	1,579	1,160	1,635	3,020	1,579	1,160	2,304	2,926		
YoY	-	653.2%	-	47.2%	-	-	45.9%	152.2%		
Financial expense	80	869	1,095	2,728	77	862	470	516		
YoY	-57.9%	446.5%	205.9%	917.9%	-	-	510.4%	-40.1%		
Equity in earnings of affiliates	314	113	-7	347	314	113	218	370		
YoY	-	-	-	-	-	-	-30.6%	227.4%		
Pre-tax profit	6,213	7,565	8,360	5,899	6,082	7,472	3,995	13,707	85.7%	16,000
YoY	-	-	-	-	-	-	-34.3%	83.4%		171.2%
Pre-tax profit margin	57.2%	33.9%	27.3%	13.9%	61.7%	-	32.3%	41.0%		20.3%
Quarterly net income from ongoing business	2,808	3,782	4,877	3,587	2,707	3,709	3,690	11,211		
YoY	350.0%	-	-	-	-	-	36.3%	202.3%		
Quarterly net income from discontinued operations	-	-	-2,646	-2,646	100	73	-	-18		
YoY	-	-	-	-	-	-	-	-		
Profit attributable to owners of parent	2,829	3,894	2,405	1,123	2,829	3,894	3,628	10,827	90.2%	12,000
YoY	83.6%	781.0%	-0.4%	-	-	-	28.2%	178.0%		968.4%
Profit margin	26.0%	17.4%	7.9%	2.7%	28.7%	-	29.4%	32.4%		15.2%
Quarterly (JPYmn)	FY12/21				FY12/21		FY12/22			
	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2		
					Retroactive adjustments	Retroactive adjustments				
Operating revenue	10,867	11,473	8,284	11,701	9,865	10,544	12,351	21,080		
YoY	-1.3%	8.1%	11.8%	13.0%	-	-	25.2%	99.9%		
Operating expenses	5,340	6,063	3,895	7,719	4,859	5,482	5,342	11,923		
YoY	3.3%	-9.3%	13.6%	40.2%	-	-	9.9%	117.5%		
SG&A expenses	5,599	5,484	4,852	5,625	5,214	5,099	5,146	7,794		
YoY	-0.6%	0.5%	11.8%	2.9%	-	-	-1.3%	52.9%		
SG&A, % of operating revenue	51.5%	47.8%	58.6%	48.1%	52.9%	-	41.7%	37.0%		
Other revenues	4,508	2,834	1,293	96	4,507	2,834	174	7,726		
YoY	-	-	-	-32.4%	-	-	-96.1%	172.6%		
Other expenses	34	1	162	1,021	33	1	93	105		
YoY	183.3%	-98.8%	1,372.7%	64.9%	-	-	181.8%	-		
Operating profit	4,400	2,760	667	-2,567	4,266	2,794	1,942	8,985		
YoY	-	-	-	-	-	-	-54.5%	221.6%		
Operating profit margin	40.5%	24.1%	8.1%	-	43.2%	-	15.7%	42.6%		
Financial revenue	1,579	-419	475	1,385	1,579	-419	2,304	622		
YoY	-	-	-	-28.6%	-	-	45.9%	-		
Financial expense	80	789	226	1,633	77	785	470	46		
YoY	-57.9%	-	13.6%	-	-	-	510.4%	-94.1%		
Equity in earnings of affiliates	314	-201	-120	354	314	-201	218	152		
YoY	-	-	-	-	-	-	-30.6%	-		
Pre-tax profit	6,213	1,352	795	-2,461	6,082	1,390	3,995	9,712		
YoY	-	-	-	-	-	-	-34.3%	598.7%		
Pre-tax profit margin	57.2%	11.8%	9.6%	-	61.7%	-	32.3%	46.1%		
Quarterly net income from ongoing business	2,808	974	1,095	-1,290	2,707	1,002	3,690	7,521		
YoY	350.0%	-	-	-	-	-	36.3%	650.6%		
Quarterly net income from discontinued operations	-	-	-2,646	-	100	-27	-	-18		
YoY	-	-	-	-	-	-	-	-		
Profit attributable to owners of parent	2,829	1,065	-1,489	-1,282	2,829	1,065	3,628	7,199		
YoY	83.6%	-	-	-	-	-	28.2%	576.0%		
Profit margin	26.0%	9.3%	-	-	28.7%	-	29.4%	34.2%		

Source: Shared Research based on company data

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

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

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

## Results by segment (cumulative)

Cumulative	FY12/21	FY12/21	FY12/22	FY12/22
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(JPYmn)	Q1	Q1-Q2	Q1-Q3	Q1-Q4	Q1	Q1-Q2	Q1	Q1-Q2	% of Est.	Revised Est.
					Retroactive adjustments	Retroactive adjustments				
<b>Operating revenue</b>	<b>10,867</b>	<b>22,340</b>	<b>30,624</b>	<b>42,325</b>	<b>9,865</b>	<b>20,409</b>	<b>12,351</b>	<b>33,431</b>	<b>42.3%</b>	<b>79,000</b>
YoY	-1.3%	3.3%	5.5%	7.5%	-	-	25.2%	63.8%		86.7%
Financial Business in Japan	2,195	4,640	6,854	9,781	2,195	4,640	2,158	5,211	55.1%	9,453
YoY	-2.8%	1.7%	-0.4%	-2.6%	-	-	-1.7%	12.3%		-3.4%
Financial Business in South Korea and Mongolia	4,636	9,424	11,051	14,806	3,633	7,492	4,220	15,195	40.0%	37,951
YoY	6.2%	10.0%	18.0%	19.5%	-	-	16.2%	102.8%		156.3%
Financial Business in Southeast Asia	3,820	7,752	12,074	16,797	3,820	7,752	5,777	12,507	45.3%	27,600
YoY	-6.9%	-2.4%	0.5%	5.3%	-	-	51.2%	61.3%		64.3%
Investment Business	188	427	568	642	188	427	75	162	75.3%	215
YoY	-33.1%	-15.1%	-22.3%	-32.6%	-	-	-60.1%	-62.1%		-66.5%
Other	144	361	496	878	145	361	296	721	18.8%	3,843
YoY	-4.6%	10.7%	6.4%	44.4%	-	-	104.1%	99.7%		337.7%
Adjustments	-116	-265	-420	-581	-117	-265	-176	-365		
<b>Operating profit</b>	<b>4,400</b>	<b>7,160</b>	<b>7,827</b>	<b>5,260</b>	<b>4,266</b>	<b>7,060</b>	<b>1,942</b>	<b>10,927</b>	<b>84.1%</b>	<b>13,000</b>
YoY	-	-	-	-	-	-	-54.5%	54.8%		147.1%
Operating profit margin	40.5%	32.1%	25.6%	12.4%	43.2%	-	15.7%	32.7%		16.5%
Financial Business in Japan	1,182	2,430	3,629	4,588	1,188	2,430	1,128	2,045	54.7%	3,739
YoY	0.9%	8.6%	5.9%	-5.6%	-	-	-5.1%	-15.8%		-18.5%
Segment profit margin	53.8%	52.4%	52.9%	46.9%	54.1%	52.4%	52.3%	39.2%		39.6%
Financial Business in South Korea and Mongolia	1,179	2,189	2,804	3,208	1,044	2,089	1,175	10,271	78.8%	13,039
YoY	55.3%	61.4%	41.7%	59.0%	-	-	12.5%	391.7%		306.5%
Segment profit margin	25.4%	23.2%	25.4%	21.7%	28.7%	27.9%	27.8%	67.6%		34.4%
Financial Business in Southeast Asia	-521	-2,084	-2,981	-6,372	-521	-2,084	508	238	-88.8%	-268
YoY	-	-	-	-	-	-	-	-		-
Segment profit margin	-	-	-	-	-	-	8.8%	1.9%		-
Investment Business	3,038	5,390	6,028	5,445	3,038	5,390	-422	-655	-	-1,541
YoY	-	-	-	-	-	-	-	-		-
Segment profit margin	-	-	-	-	1,616.0%	1,262.3%	-	-		-
Other	-30	-41	-22	430	-138	-40	-27	-42	-	37
YoY	-	-	-	-	-	-	-	-		-91.4%
Segment profit margin	-	-	-	49.0%	-	-	-	-		1.0%
Adjustments	42	273	255	60	161	272	70	159		
Company-wide expenses	-490	-997	-1,886	-2,101	-506	-997	-490	-1,088		
<b>Quarterly</b>	<b>FY12/21</b>				<b>FY12/21</b>		<b>FY12/22</b>			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q1	Q2		
					Retroactive adjustments	Retroactive adjustments				
<b>Operating revenue</b>	<b>10,867</b>	<b>11,473</b>	<b>8,284</b>	<b>11,701</b>	<b>9,865</b>	<b>10,544</b>	<b>12,351</b>	<b>21,080</b>		
YoY	-1.3%	8.1%	11.8%	13.0%	-	-	25.2%	99.9%		
Financial Business in Japan	2,195	2,445	2,214	2,927	2,195	2,445	2,158	3,053		
YoY	-4.7%	5.5%	-30.0%	-70.8%	-	-	-1.7%	24.9%		
Financial Business in South Korea and Mongolia	4,636	4,788	1,627	3,755	3,633	3,859	4,220	10,975		
YoY	10.3%	499.2%	-46.2%	-33.6%	-21.6%	-19.4%	16.2%	184.4%		
Financial Business in Southeast Asia	3,820	3,932	4,322	4,723	3,820	3,932	5,777	6,730		
YoY	-0.5%	-3.5%	9.7%	-70.3%	-	-	51.2%	71.2%		
Investment Business	188	239	141	74	188	239	75	87		
YoY	-15.3%	4.8%	-36.5%	-90.2%	-	-	-60.1%	-63.6%		
Other	144	217	135	382	145	216	296	425		
YoY	-17.7%	55.0%	-4.9%	19.7%	0.7%	-0.5%	104.1%	96.8%		
Adjustments	-116	-149	-155	-161	-117	-148	-176	-189		
<b>Operating profit</b>	<b>4,400</b>	<b>2,760</b>	<b>667</b>	<b>-2,567</b>	<b>4,266</b>	<b>2,794</b>	<b>1,942</b>	<b>8,985</b>		
YoY	-	-	-	-	-	-	-54.5%	221.6%		
Operating profit margin	40.5%	24.1%	8.1%	-	43.2%	26.5%	15.7%	42.6%		
Financial Business in Japan	1,182	1,248	1,199	959	1,188	1,242	1,128	917		
YoY	0.9%	17.1%	0.8%	-33.1%	-	-	-5.1%	-26.2%		
Segment profit margin	53.8%	51.0%	54.2%	32.8%	54.1%	50.8%	52.3%	30.0%		
Financial Business in South Korea and Mongolia	1,179	1,010	615	404	1,044	1,045	1,175	9,096		
YoY	55.3%	69.2%	-1.3%	935.9%	-	-	12.5%	770.4%		
Segment profit margin	25.4%	21.1%	37.8%	10.8%	28.7%	27.1%	27.8%	82.9%		
Financial Business in Southeast Asia	-521	-1,563	-897	-3,391	-521	-1,563	508	-270		
YoY	-	-	-	-	-	-	-	-		
Segment profit margin	-	-	-	-	-	-	8.8%	-		
Investment Business	3,038	2,352	638	-583	3,038	2,352	-422	-233		
YoY	-	-	-	-	-	-	-	-		
Segment profit margin	-	-	-	-	1,616.0%	984.1%	-	-		
Other	-30	-11	19	452	-138	98	-27	-15		
YoY	-	-	-82.7%	-	-	-	-	-		
Segment profit margin	-	-	14.1%	118.3%	-	45.4%	-	-		
Adjustments	42	231	-18	-195	161	111	70	89		
Company-wide expenses	-490	-507	-889	-215	-506	-491	-490	-598		

Source: Shared Research based on company data

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

## 1H FY12/22 results

### Overview

- Operating revenue: JPY33.4bn (+63.8% YoY; 42.3% of revised company forecast)
- Operating profit: JPY10.9bn (+54.8% YoY; 84.1%)
- Profit attributable to owners of parent: JPY10.8bn (+178.0% YoY; 90.2%)



For 1H FY12/22, the company reported operating revenue of JPY33.4bn (+63.8% YoY, where results for Q1 FY12/21 have been retrospectively adjusted), operating profit of JPY10.9bn (+54.8% YoY), pre-tax profit of JPY13.7bn (+83.4% YoY), and profit attributable to owners of parent of JPY10.8bn (+178.0% YoY).

Consolidated operating revenue was up JPY13.0bn YoY to JPY33.4bn. The increase was due to a JPY571mn uptick in its Financial Business in Japan, a JPY4.8bn increase in Southeast Asia, JPY7.7bn YoY increase in its Financial Business in South Korea and Mongolia, and JPY360mn jump in its Other business segment. On the other hand, operating revenue was down JPY265mn YoY at its Investment Business and adjustments (segment deductions) were up JPY100mn YoY. In the Financial Business in Southeast Asia, interest income increased due to an increase in lending and securities holdings in the banking business. At its Financial Business in South Korea and Mongolia, interest income increased due to the consolidation of JT Chinae Savings Bank Co., Ltd. (JT Chinae Savings Bank) and greater lending in the banking business.

In the Financial Business in Japan, consolidation of HS Securities Co., Ltd. (scheduled to change trade name to "J Trust Global Securities Co., Ltd." on October 1, 2022; hereinafter, HS Securities) and Nexus Card Co., Ltd. (hereinafter, Nexus Card) led to commission income increases in the securities and credit/credit sales businesses.

Other revenue and deferred tax expenses: The company booked JPY7.6bn in profit on negative goodwill from the share exchange with Nexus Bank as other revenue. It also recorded JPY553mn in deferred tax liabilities against retained earnings at JT Chinae Savings Bank under income tax adjustments.

Operating profit increased by JPY3.9bn YoY to JPY10.9bn. Factors contributing to operating profit growth were increases of JPY8.2bn in the Financial Business in South Korea and Mongolia and JPY2.3bn in the Financial Business in Southeast Asia, offset against declines of JPY385mn in the Financial Business in Japan, JPY6.0bn in Investment Business, JPY2mn in Other Business, and JPY113mn in adjustments, as well as a JPY91mn increase in company-wide expenses.

In the Financial Business in Japan, operating expenses and SG&A expenses increased due to the consolidation of H.S. Securities and Nexus Card. The Financial Business in Southeast Asia turned profitable by reducing cost of funds, and other expenses. In the Financial Business in South Korea, profit grew YoY due to operating revenue increasing with the consolidation of JT Chinae Savings Bank and the company booking profit on negative goodwill.

Operating income for the three Financial Businesses (Financial Businesses in Japan, South Korea and Mongolia, and Southeast Asia) totaled JPY4.9bn (excluding gains on negative goodwill of JPY7.6bn for Financial Business in South Korea and Mongolia and of JPY93mn for Financial Business in Japan), an increase of 100.6% YoY compared to JPY2.4bn of the same period last year. The company is preparing a system to accelerate profit growth through measures to build up the balance of guarantees in the Financial Business in Japan, a stable foundation in the Financial Business in South Korea and Mongolia, and a return to profitability in the Financial Business in Southeast Asia.

Pre-tax profit increased JPY6.2bn YoY (or 83.4%) to JPY13.7bn. The decrease was JPY2.4bn less than the JPY3.9bn increase in operating profit (= JPY6.2bn - JPY3.9bn). This difference was owing to a JPY1.8bn increase in financial income, a JPY346mn decrease in financial expenses, and a JPY257mn increase in equity-method investment gains. Profit attributable to owners of parent was up JPY6.9mn YoY to JPY10.8bn.

The company revised up its full-year FY12/22 earnings forecast to reflect 1H results. Revised forecasts are operating revenue of JPY79.0bn, operating profit of JPY13.0bn, pre-tax profit of JPY16.0bn, and profit attributable to owners of parent of JPY12.0bn.

## Results by segment

### Financial Business in Japan

- Operating revenue: JPY5.2bn (+12.3% YoY; 55.1% of revised full-year company forecast)
- Operating profit: JPY2.0bn (-15.8% YoY; 54.7%)

J Trust's Financial Business in Japan is engaged mainly in the credit guarantee business and receivables collections (including Partir Servicer). The company has diversified its credit guarantee products, offering credit guarantees for condominium loans, real estate secured loans, and crowdfunding loans. HS Securities and Nexus Card results will be added beginning in Q2.

Commission income from credit guarantees decreased owing to a decline in the outstanding balance of individual installment loan guarantees. Although collections on purchased receivables at Partir Servicer proceeded steadily, interest income on purchased receivables decreased because gains on effective interest method-based book value adjustments

decreased. On the profit front, while operating revenue increased due to the consolidation of HS Securities and Nexus Card, operating expenses and SG&A expenses increased, resulting in a YoY decline in profit. The business' operating profit includes a JPY93mn gain on negative goodwill associated with the acquisition of HS Securities.

As of end-March 2022, the company's balance of apartment loan guarantees increased to JPY157.4bn and then to JPY159.0bn at end-June 2022. Combined with the balance of Other guarantees, the total guarantee balance came to JPY206.4bn. Moreover, the balance of guarantees for second-hand apartment loans started in November 2020 was JPY12.0bn (as of end-June 2022), which outpaced the company's forecast of JPY9.2bn. In July 2022, it started a guarantee tie-up with Towa Bank, Ltd. (TSE Prime: 8558), bringing the number of partner financial institutions to 11.

In order to build up its balance of apartment loan guarantees, the company started a business to provide guarantees for loan credits provided by affiliated financial institutions to investors (buyers) of luxury condominiums (the Kichijoji, Sangenjaya and other "J-ARC Series" properties, exclusively in Tokyo Jonan and Josai areas, at JPY400-800mn/property) sold by Nippon Funding, a wholly owned subsidiary of Nihon Hoshou (beginning August 26, 2022). The company provides start-to-finish support for projects, including the purchase of land, construction, recruiting investors, condominium sales, and guarantees on mortgage loans. In order to provide investors with attractive yields, the company is focused on creating a mechanism for expanding cash flow in cooperation with financial institutions. As part of this effort, the company is working with financial institutions to establish a structure that increases cash flow and provides more attractive returns to investors. As of the end of July 2022, total sales of properties scheduled for completion between 2022 and 2023 are expected to reach approximately JPY9.6bn. The company says it is building a system to increase the guarantee balance at a rate of JPY10.0bn annually.

## Financial Business in South Korea and Mongolia

- Operating revenue: JPY15.2bn (+102.8% YoY; 40.0% of revised full-year company forecast)
- Operating profit: JPY10.3bn (+391.7% YoY; 78.8%)

In South Korea, the savings bank business is operated by JT Savings Bank, and the non-performing receivables purchasing/collections business is operated by TA Asset Management. Moreover, JT Chinae Savings Bank, which was acquired in April 2022 through an exchange of stock with Nexus Bank, is also engaged in the savings bank business (consolidated beginning in Q2). In Mongolia, the financing business is operated by J Trust Credit NBFIL.

In April 2022, the company conducted an exchange of shares of stock with Nexus Bank Co., Ltd. and Nexus Bank's consolidated subsidiaries SAMURAI TECHNOLOGY Co., Ltd., Nexus Card Co., Ltd., and JT Chinae Savings Bank Co., Ltd. become consolidated subsidiaries of the company. As a result, the Financial Business in South Korea and Mongolia came to include two savings banks. The combined total assets of the two banks rank seventh among the 79 savings banks in South Korea.

Operating revenue increased by JPY7.7bn YoY to JPY15.2bn, and segment profit increased by JPY8.2bn to JPY10.3bn. In addition to JT Chinae Savings Bank falling within the scope of consolidation, interest income in the savings bank business increased as the loan balance grew. The loan balance in the banking business increased 218.4% YoY to JPY437.7bn. In Q3 of the previous fiscal year, JT Capital shares were transferred and excluded from the scope of consolidation, resulting in a 96.2% YoY drop in outstanding operating loans to JPY1.7bn. Gains on bond sales were also up. Operating income increased JPY8.2bn YoY to JPY10.3bn, thanks to the recording of JPY7.6bn in gains on negative goodwill from the share exchange with Nexus Bank and the effect of reduced SG&A expenses.

## Financial Business in Southeast Asia

- Operating revenue: JPY12.5bn (+61.3% YoY; 45.3% of revised full-year company forecast)
- Operating profit: JPY238mn (versus loss of JPY2.1bn in 1H FY12/21) (full-year forecast for operating loss of JPY268mn)

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

The segment reported operating revenue of JPY12.5bn (+61.3% YoY). Interest income increased in accordance with an increase in loans at BJI, and there was also an increase in the number of securities held. Operating losses of JPY2.1bn in 1H

FY12/21 swung to a profit of JPY238mn in 1H FY12/22. This was due to increased operating revenue, a reduction in bad debt risks following a review of screening procedures, a decrease in financing costs resulting from the lower deposit interest rate, and cuts to expenses.

### **BJI (Indonesia)**

BJI posted an operating loss in January–February 2022, but turned profitable on a monthly basis in March and continued to operate in the black on a monthly basis throughout Q2 (April–June). At the beginning of the period, the company said it was aiming to be profitable over the full year, and it has now begun to pursue higher profits.

As of end-June 2022, BJI reported total loans outstanding of JPY138.3bn, an increase of 135.2% YoY, which is ahead of the company's plan. Since January 2020, BJI has been reforming its overall management structure, strengthening its risk management procedures, and reshuffling its loan portfolio. In addition to reducing the amount of non-performing loans through collection of receivables, BJI has managed to maintain the NPL ratio (gross) at 2.53% due to growth in the total loan balance, and, after taking into account the allowance for bad debts, the net NPL ratio has been kept to a mere 1.75%.

On the deposit side of the business, BJI has been seeing deposit balances continue to rise off the bottom logged in June 2020. By bringing in more small savers and new accounts, the company has continued to bring down its overall cost of funding from deposits and improve its interest income. Evincing the success of these efforts, the company said that its cost of funding from deposits in June 2022 was down to a record-low 4.11%, or roughly half of what it was (9.30%) when BJI first entered the Indonesia banking business in January 2015. By depending less on large depositors and focusing its marketing efforts on small savers, BJI was able to bring its new savings account opening numbers up from around 500 per month between 2015 and 2017 to over 1,500 new accounts a month in 2021, and the number increased further to 2,000 in 2022 (2,218 new accounts a month recorded in June 2022).

In other areas, in February 2022, BJI signed a business alliance agreement for housing sales with PT.HAJIME INDONESIA JAYA, a local subsidiary of Iida Group Holdings (TSE Prime: 3291), which has the top domestic market share of detached house sales. In March of the same year, the company entered into a business alliance agreement on housing sales with PT.DAX JAYA INDONESIA, an Indonesian subsidiary of DAX Corporation (headquartered in Fukuoka City). In June of the same year, BJI concluded a business alliance agreement for a residential development project near the capital Jakarta with PT Springhill Mizumi Serpong, a joint venture between Hankyu Hanshin Real Estate Co., Ltd. (headquartered in Osaka) and PT NHL (headquartered in Jakarta) of the Springhill Group, a real estate developer in Indonesia.

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

### **JTO • JTII**

As for JTO, the business environment has deteriorated due to the COVID-19 pandemic, with the company planning to implement restructuring measures such as branch consolidation and real estate sales. It is concentrating its efforts on retaining/managing agricultural equipment-related loan receivables, and is transferring some receivables to JTII.

Owing to the transfer of some receivables from JTO, JTII's balance of purchased receivables at end-June 2022 was JPY27.9bn, up JPY1.9bn YoY. JTII will try to maximize the amount of money collected, including the receivables transferred from JTO. In addition, as the market is expected to grow due to an increase in non-performing loans, the company is looking to expand earnings opportunities by purchasing other companies' loans.

### **JTRB (Cambodia)**

Deposit balances at JTRB continued to rise, hitting JPY131.5bn at end-June 2022 for a YoY increase of 60.8%. Aided by the rapid growth in the Cambodian banking industry, which is currently growing at the rate of 15–20% per annum, JTRB has grown its loan book by focusing on business loans. Over Q2 FY12/22, the ratio of loans behind on payments rose to 1.5% due to some large clients falling behind on payments, but the company expects to recover the outstanding amount in full from Q3 (receivables have been fully recovered through collateral). The company is focusing on growing business with new customers, particularly large companies, and enhancing products and online banking services for the wealthy. Its aim is for earnings to recover back to the level prior to the COVID-19 pandemic (before it acquired JTRB) by FY12/24.

## Investment

- Operating revenue: JPY162mn (-62.1% YoY)
- Operating loss: JPY655mn (versus profit of JPY5.4bn in Q2 FY12/21)

J Trust's investment business consists mainly of the investment business and investee management support business operated by J Trust Asia. However, much of J Trust Asia's recent focus has been on collecting the amounts owed to it by Group Lease Holdings Pte. Ltd. (GLH) and its former CEO Mitsuji Konoshita. The decline in revenue and profit was due to the partial payments of damages awarded to J Trust Asia in a Singapore lawsuit in the same period last year.

## Other businesses

In other businesses, Robot Systems mainly handles system development, computer operation and management for the company group, while Nippon Funding Co., Ltd. handles real estate operations. Operating revenue was JPY721mn (+99.4% YoY) and operating losses were JPY42mn (operating losses were JPY40mn in 1H FY12/21). Nippon Funding's real estate business contributed to the increase in operating revenue.

# Company forecast for FY12/22 and medium-term outlook

## Quantitative targets

### Company FY12/22 forecast

(JPYmn)	FY12/21	FY12/22		FY12/23	FY12/24	CAGR
		2022/8/12	2022/5/13			
	Act.	Revised Est.	Revised Est.	Est.	Est.	
Operating revenue	42,325	79,000	71,300	95,200	115,200	39.6%
YoY	-	86.7%	68.5%	20.5%	21.0%	
Financial Business in Japan	9,780	9,453	8,612			
Financial Business in South Korea and Mongolia	14,798	37,951	34,999			
Financial Business in Southeast Asia	16,718	27,600	23,953			
Investment Business	410	215	288			
Other Business	616	3,843	3,999			
SG&A expenses	21,560					
SG&A, % of operating revenue	50.9%					
Operating profit	5,260	13,000	5,500	12,300	17,700	49.9%
YoY	-	147.1%	4.6%	-5.4%	43.9%	
Operating profit margin	12.4%	16.5%	7.7%	12.9%	15.4%	
Financial Business in Japan	4,588	3,739	3,663	3,800	4,300	
Financial Business in South Korea and Mongolia	3,208	13,039	6,352	9,000	10,700	
Financial Business in Southeast Asia	-6,372	-268	-1,674	1,500	3,800	
Investment Business	5,445	-1,541	-1,438	-600	-200	
Other Business	430	37	58			
Pre-tax profit	5,899	16,000	7,000			
YoY	-	171.2%	18.7%			
Pre-tax profit margin	13.9%	20.3%	9.8%			
profit attributable to owners of parent	1,123	12,000	4,600	8,000	11,700	118.4%
YoY	-	968.4%	309.6%	-33.3%	46.3%	
Profit margin	2.7%	15.2%	6.5%	8.4%	10.2%	

Source: Shared Research based on company data and interviews

On May 13, 2022, the company revised up its full-year FY12/22 earnings forecast to reflect Q1 results. Revised forecasts are operating revenue of JPY71.3bn (+68.5% YoY), operating profit of JPY5.5bn (+4.6% YoY), pre-tax profit of JPY7.0bn (+18.7% YoY), and profit attributable to owners of parent of JPY4.6bn (+309.6% YoY).

Reasons for the revision are lower credit costs and cost of funds in the Financial Business in Southeast Asia, increased interest income from the savings bank business in the Financial Business in South Korea and Mongolia, profit from negative goodwill arising from the acquisition of HS Securities shares, and recording a gain on sales of investment securities following the delisting of Nexus Bank shares. The company upgraded its forecast for operating profit by JPY677mn after raising its forecast for the Financial Business in Southeast Asia by JPY499mn and its forecast for the Financial Business in Japan by JPY93mn.

The swing to operating profit in the Financial Business in South East Asia in Q1 (original guidance was for an operating loss of JPY2.2bn over the full-year) and stable performance in the Financial Business in Japan and the Financial Business in South Korea and Mongolia shows the earnings environment is improving for the company. Given this, Shared Research feels the company's revised forecasts are conservative, but the company remains cautious with regard to the improvement in earnings at its Financial Business in South East Asia (it revised forecast is for an operating loss of JPY1.7bn over the full-year). In Q2, the amount of negative goodwill from the share exchange with Nexus Bank is expected to be determined.

The company revised up its full-year FY12/22 earnings forecast on August 12, 2022 to reflect 1H results. Revised forecasts are operating revenue of JPY79.0bn (+86.7% YoY), operating profit of JPY13.0bn (+147.1% YoY), pre-tax profit of JPY16.0bn (+171.2% YoY), and profit attributable to owners of parent of JPY12.0bn (+968.4% YoY). Reasons for the revision are as follows: 1) the Financial Business in South East Asia turned a profit earlier than initially assumed due to earnings improving at J Trust Bank Indonesia, 2) earnings grew in the Financial Business in South Korea and Mongolia and the Financial Business in Japan, and 3) the company expects full-year earnings to exceed its original forecasts due to booking profit on negative goodwill from the share exchange with Nexus Bank.

Operating profit of the three Financial Businesses (Financial Business in Japan, South Korea and Mongolia, and Southeast Asia) for 1H was JPY4.9bn (excludes JPY7.6bn gain on negative goodwill in Financial Business in South Korea and Mongolia and JPY93mn in gains on negative goodwill for the Financial Business in Japan), 100.6% of the JPY2.4bn recorded in the same period last year. With operating profit of about JPY5.0bn in 1H, the company believes that it will be able to consistently generate base profit of JPY10.0bn annually.

## Important points

- The acquisition of H.S. Securities as a subsidiary is not included in the forecast as it is extremely difficult to accurately forecast earnings due to performance of the financial instruments business being heavily influenced by changes in the economy and market environment.

## Financial Business in Japan

- In the credit guarantee business, the company will promote the development of new products (diversification) to shift from a profit structure centered on condominium loan guarantees to one centered on guarantees for real estate-secured loans and reverse mortgage-type products and a guarantee business utilizing crowdfunding. The company is developing luxury single-family condominiums for wealthy individuals for investment purposes through its Japan Funding subsidiary, with the company aiming for sales of over JPY10.0bn in FY12/23. This is to lead to a more substantial credit guarantee balance.
- In the receivables collection business, while other servicers have been reluctant to bid for the purchase of loans due to the impact of the COVID-19 pandemic, the company will actively participate in the bidding process to purchase loans. In particular, it plans to focus on the purchase of large credit card receivables.
- The company plans to develop a new financial instruments business based on the Financial Instruments and Exchange Act. It plans to expand its customer base and service lineup by combining H.S. Securities' sales platform and strengths with the company's financial and other services.
- The installment business will be promoted through Nexus Card and Clear Co., Ltd. (operator of Men's Clear, a men's beauty & hair removal salon with more than 110 stores nationwide), in which Mr. Fujisawa, president of the company, personally invested.
- The company will promote the factoring business.

## Financial Business in South Korea and Mongolia

- Continue to pursue improvement in asset quality instead of focusing on growth in quantity.
- JT Chinae Savings Bank, which the company expects to post stable earnings, was consolidated (from Q2) following the share exchange with Nexus Bank. The company believes this will create synergies with its group in Korea that will lead to earnings growth.
- Implement effective sales activities, including the introduction of a screening system that utilizes Fintech, marketing activities, brand strategies, etc.

## Financial Business in Southeast Asia

- The company expects the impact of the COVID-19 pandemic to continue, which will reduce interest income as new loans are curtailed, increase bad debt expenses due to NPLs, and cause a dip in loan collections. The company plans

to continue to promote restructuring, but its basic understanding is that time is still needed for the effects of the pandemic to subside.

- Began to generate profits on a monthly basis beginning March 2022. Strengthened marketing activities such as accumulation of receivables, expansion of equity capital, and business tie-ups involving home loans. Going forward, the company plans to further grow profits. JTII will strive to maximize collections, including receivables transferred from JTO, and expand earnings opportunities by purchasing other companies' receivables.
- JTO will concentrate on holding and managing loan receivables related to agricultural machinery, and transfer other receivables to JTII.
- JTRB plans to focus on strengthening the development of new customer segments and expanding transactions with large corporations under its policy of expanding deposits and loans.

## Investment

- The company plans to continue to collect receivables from Group Lease PCL.
- Since the full amount has already been provided for, the company expects to recognize revenue each time a collection is made.

## Medium-term outlook

- The company returned to the black in FY12/21. The company believes that it is entering a new growth phase in 2022.
- The company targets operating revenue of JPY115.2bn in FY12/24 (a CAGR of 39.6% from FY12/21 to FY12/24). It aims for operating profit of JPY17.7bn in FY12/24 (a CAGR of 49.9%). The company expects its OPM to improve starting in 2023 as business restructuring progresses and the Financial Business in Southeast Asia turns into the black.
- Positive factors from M&A, such as H.S. Securities becoming a subsidiary, have not yet been reflected in the forecast.



# Business description

## Company Overview

J Trust got its start in business finance and is now the holding company for a group of companies involved in banking and finance businesses in Asia. It has four segments: Financial Business in Japan (credit guarantees and receivables collection); Financial Business in South Korea and Mongolia (savings banking, installment loans, and receivables collection), Financial Business in Southeast Asia (banking, finance, and receivables collection), and Investment (mainly through J Trust Asia).

J Trust grew its business from 2009 onward with acquisitions of consumer finance and credit card companies in Japan. In 2012 it launched a savings bank business in South Korea using expertise acquired in Japan. In the years leading up to 2015 it used approximately JPY97.6bn raised in a rights offering, to buy finance and savings bank companies in South Korea and a commercial bank in Indonesia through 2015. In 2019, the company acquired a commercial bank in Cambodia, and in March 2022, it acquired H.S. Securities, which has investment banking operations.

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

### Business structure and operating companies

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

Source: Shared Research based on company data

## Performance by segment

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Operating revenue	66,453	74,321	74,935	24,728	39,387	42,325
YoY	-	11.8%	0.8%	-	59.3%	7.5%
Financial Business in Japan	9,761	9,027	10,554	7,364	10,038	9,780
YoY	-	-7.5%	16.9%	-	36.3%	-2.6%
% of total operating revenue	14.7%	12.1%	14.1%	29.8%	25.5%	23.1%
Financial Business in South Korea and Mongolia	29,178	35,855	39,515	6,755	12,388	14,798
YoY	-	22.9%	10.2%	-	83.4%	19.5%
% of total operating revenue	43.9%	48.2%	52.7%	27.3%	31.5%	35.0%
Financial Business in Southeast Asia	14,325	13,578	13,025	9,673	15,885	16,718
YoY	-	-5.2%	-4.1%	-	64.2%	5.2%
% of total operating revenue	21.6%	18.3%	17.4%	39.1%	40.3%	39.5%
General Entertainment Business	2,072	-	1,520	-	-	-
YoY	-	-	-	-	-	-
% of total operating revenue	3.1%	0.0%	2.0%	-	-	-
Real Estate Business	6,266	6,907	6,440	-	-	-
YoY	-	10.2%	-6.8%	-	-	-
% of total operating revenue	9.4%	9.3%	8.6%	-	-	-
Investment Business	2,462	7,290	1,036	734	754	410
YoY	-	196.1%	-85.8%	-	2.7%	-45.6%
% of total operating revenue	3.7%	9.8%	1.4%	3.0%	1.9%	1.0%
Other	2,384	1,662	2,843	201	320	616
YoY	-	-30.3%	71.1%	-	59.2%	92.5%
% of total operating revenue	3.6%	2.2%	3.8%	0.8%	0.8%	1.5%
Operating profit and loss	606	4,759	-32,600	-5,130	-2,403	5,260
YoY	-	685.3%	-785.0%	-	-	-
Financial Business in Japan	5,582	4,167	4,251	3,082	4,860	4,588
YoY	-	-25.3%	2.0%	-	57.7%	-5.6%
% of total operating revenue	921.1%	87.6%	-	-	-	87.2%
Financial Business in South Korea and Mongolia	3,197	3,555	4,880	2,160	2,018	3,208
YoY	-	11.2%	37.3%	-	-6.6%	59.0%
% of total operating revenue	527.6%	74.7%	-	-	-	61.0%
Financial Business in Southeast Asia	-3,980	1,545	-17,712	-4,667	-5,541	-6,372
YoY	-	-	-	-	-	-
% of total operating revenue	-	32.5%	-	-	-	-
General Entertainment Business	-856	-	-15	-	-	-
YoY	-	-	-	-	-	-
% of total operating revenue	-	0.0%	-	-	-	-
Real Estate Business	480	659	91	-	-	-
YoY	-	37.3%	-86.2%	-	-	-
% of total operating revenue	79.2%	13.8%	-	-	-	-
Investment Business	-198	-2,852	-20,568	-1,768	-1,651	5,445
YoY	-	-	-	-	-	-
% of total operating revenue	-	-	-	-	-	103.5%
Other	-82	57	39	-407	-310	430
YoY	-	-	-31.6%	-	-	-
% of total operating revenue	-	1.2%	-	-	-	8.2%
Adjustments	32	-6	-235	614	496	60
Company-wide expenses	-3,566	-2,366	-3,331	-4,143	-2,275	-2,101

Source: Shared Research based on company data

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

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

## Financial Business in Japan (share of operating revenue: 23.1%)

The Financial Business in Japan is comprised mainly of the credit guarantee and servicer businesses, and its key subsidiaries are Nihon Hoshou and Partir Servicer. The former provides credit guarantee services and receivables collection services, while the latter engages in receivables collection.

In FY12/22, HS Securities and Nexus Card joined the group; HS Securities in the securities business and Nexus Card in the credit and consumer credit business.

## Credit guarantee

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

The company carries on this business through its consolidated subsidiary Nihon Hoshou. As of end-FY12/21, Nihon Hoshou had tie-ups with the following financial institutions in the credit guarantee business: Ehime Bank, Kagawa Bank, Tokushima Taisho Bank, Kawasaki Shinkin Bank, Kinki Sangyo Credit Union, Seikyo Shinkumi, Saikyo Bank, Shonan Shinkin Bank, Tokyo Star Bank, and SBJ Bank.



In real estate-secured loans, the company began new guarantees with Mitsui Fudosan Realty Co., Ltd. in April 2021 and with Keihan Real Estate Co., Ltd. in December 2021.

A financial guarantee contract is initially recognized at fair value and booked under trade and other liabilities in the consolidated statement of financial position.

## Credit guarantee balance

	FY03/15	FY03/16	FY03/17	FY03/18	FY03/19	FY12/19 (9mths)	FY12/20	FY12/21
(JPYmn)								
Total credit guarantee balance	36,712	53,354	85,975	141,881	202,810	210,824	209,819	204,278
YoY	-10.1%	45.3%	61.1%	65.0%	42.9%	-	-	-2.6%
Unsecured	13,890	15,376	14,829	16,168	18,019	15,808	12,325	8,562
YoY	-33.9%	10.7%	-3.6%	9.0%	11.4%	-	-	-30.5%
% of total	37.8%	28.8%	17.2%	11.4%	8.9%	7.5%	5.9%	4.2%
Secured	22,821	37,978	71,146	125,712	184,791	195,015	197,493	195,716
YoY	15.1%	66.4%	87.3%	76.7%	47.0%	-	-	-0.9%
% of total	62.2%	71.2%	82.8%	88.6%	91.1%	92.5%	94.1%	95.8%

Source: Shared Research based on company data

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

Through FY03/14 Nihon Hoshou's guarantees outstanding rose as the number of alliance banks increased and guarantee commissions received also grew. In FY03/15, the credit guarantee balance fell temporarily, because the transfer of the KC Card brand (in January 2015) included the credit guarantee business, which reduced the number of local financial institutions that were partners in the credit guarantee business by six. However, Nihon Hoshou has since gotten the portfolio of loans on which it has provided credit guarantees back on a stable footing with the aid of addition of new types of credit guarantee products.

## Background to loan guarantee business

Nihon Hoshou intends to partner with more banks and build up its credit guarantee balance, the bulk of which is for condominium loans. The interest rate on condominium loans tends to be lower than on consumer loans, and Nihon Hoshou's income is only around 1% of loan amounts. But this business has potential for medium term growth because contracts are large at around JPY95–100mn per contract—compared with JPY500,000 for consumer loans—meaning the loan balance is easy to grow. Furthermore, they are secured and write-off risks are limited. Note that Nihon Hoshou has managed to maintain its occupancy rate above 98% due to careful selection of property areas (98% occupancy in Tokyo, Nagoya, Osaka, and Fukuoka), choosing buildings that are only a 10-minute walk from the nearest station, and strict selection of housing manufacturers that provide adequate property management and repair services. Currently, the company is building a system to increase the balance of condominium loan guarantees by providing one-stop services covering land procurement, building construction, investor development, sales, and loan guarantees. It is also focusing on guarantees for loans for pre-owned condominiums. The company is also diversifying its credit guarantee products to include guarantees for overseas real estate-backed loans and reverse mortgages targeting high-net-worth borrowers.

## New initiatives in the credit guarantee business

The company is focusing on jointly conducting product structuring, promotions, and credit guarantee services in the crowdfunding market. Through the offering by partner companies of funds that incorporate Nihon Hoshou's debt guarantees, the company handles guarantees in loan crowdfunding and real estate purchase guarantees in real estate investment crowdfunding. As of December 2021, the company's transaction volume had reached JPY5.0bn.

In the loan crowdfunding business, the company has begun providing guarantees through "cool," which is operated by the ZUU Group's Cool and Cool Services. In real estate investment crowdfunding, the company has begun providing guarantees through Ooya.com and other crowdfunding sites operated by Gro-Bels Co., Ltd. (formerly Keynote Co., Ltd.), a member of the Mirainovate (formerly Prospect Co., Ltd.) group.

## Servicer business

The servicer business came into being in 1999 to deal with bad debts held by financial institutions under the Act on Special Measures Concerning Claim Management and Collection Businesses. Within Financial Business in Japan, Partir Servicer is the main company involved in receivables collection.

The servicer (receivables collection) business involves managing and recovering "specific monetary debts" either on behalf of a financial institution or transferred from one. Specified monetary debts are those based on guarantee contracts or loan

receivables, leasing and credit card receivables owed to a financial institution and those belonging to an entity in the midst of legal bankruptcy proceedings. Servicers buy non-performing loans (NPLs) from financial institutions at a discount to fully claimable amounts. The purchased debts are accounted for at book value as purchased receivables under current assets.

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

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

## Gains from recovering written-off NPLs

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

As of end-FY12/21, the off-balance sheet loan balance (claimable loans) assumed from the former Takefuji Corp amounted to approximately JPY126.6bn. The average amount recovered on a monthly basis appears to exceed JPY200mn.

## Financial Business in South Korea and Mongolia (share of operating revenue: 35.0%)

The company entered the savings bank market by taking over some assets and liabilities of Mirae Savings Bank, which ceased operations in 2012. During this period, more and more Japanese companies were expanding into Korean savings banks.

## Providers of consumer loans in South Korea

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

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

Source: Shared Research based on company data

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

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

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

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

## Mutual savings banks

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

### Mutual savings banks' business operations

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

Source: Shared Research based on company data

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

## JT Savings Bank

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

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

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

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Operating revenue	29,178	35,855	39,515	6,755	12,388	14,798
Savings banks	24,043	28,840	31,851	22,932	11,803	14,293
JT Chinae Savings Bank	18,928	21,064	21,695	14,932	-	-
JT Savings Bank	5,115	7,776	10,156	8,000	11,803	14,293
TA Asset Management	1,879	1,519	1,993	2,385	1,144	391
Segment profit	3,197	3,555	4,880	2,160	2,018	3,208
Savings banks	3,468	3,158	4,112	5,511	2,921	3,704
JT Chinae Savings Bank	2,846	1,592	2,459	3,577	-	-
JT Savings Bank	622	1,566	1,653	1,934	2,921	3,704
TA Asset Management	1,349	482	887	1,770	242	-664
Loans in the banking business	236,873	266,996	277,940	284,258	131,723	166,315

Source: Shared Research based on company materials

## TA Asset Management

### Establishment of loan servicing business

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

## TA Asset Management earnings

TA Asset Management's claimable loan balance was JPY29.0bn at end-FY03/19, and declined to JPY3.3bn by end-December 2019, because the company sold JPY26.4bn worth of claimable loans on market. We understand that purchase prices on South Korea's secondary market for NPLs rose strongly and the company booked gains of JPY1.8bn on the sale. As of end-December 2020, the balance of purchased receivables was JPY2.1bn.

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

## TA Asset Management earnings

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

Source: Shared research based on company data

## Financial Business in Southeast Asia (share of operating revenue: 39.5%)

In Indonesia, J Trust operates PT Bank JTrust Indonesia Tbk. (the former PT Bank Mutiara Tbk.; BJI), a commercial bank; PT JTrust Investments Indonesia (JTII), which is involved in collections of NPLs; PT Turnaround Asset Indonesia (TAID); and PT JTrust Olympindo Multi Finance (JTO), which conducts financing services. The company is following its South Korean structure in Indonesia with a three-pronged business structure of banking, receivables collections, and financing. In August 2019, the company purchased 55% of the shares of ANZ Royal Bank (Cambodia) Ltd. and made it a consolidated subsidiary from August 2019. The company changed its name to JTrust Royal Bank Plc. (JTRB).

## PT Bank JTrust Indonesia (BJI)

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

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

PT Bank JTrust Indonesia is an Indonesian commercial bank with a branch network of 62 branches spread across Indonesia and with total assets of about IDR13tn as of the end of March 2014 (JPY120bn; based on an exchange rate of IDR/JPY0.009 as of November 19, 2014). In November 2008, Bank Mutiara came under the control of the Indonesia Deposit Insurance

Corporation (Lembaga Penjamin Simpanan [LPS]). Bank Mutiara restructured its operations under LPS' supervision, and LPS began the public bidding process for the sale of all shares in Bank Mutiara in March 2014.

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

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

## PT Bank JTrust Indonesia earnings

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Loans in the banking business	89,630	90,791	63,577	47,520	51,504	80,500
YoY	-	1.3%	-30.0%	-25.3%	8.4%	56.3%
Deposits by banking business	114,081	119,588	123,677	115,752	105,669	149,614
YoY	-	4.8%	3.4%	-6.4%	-8.7%	41.6%
Operating revenue	13,573	13,818	11,779	6,710	8,593	8,007
YoY	-	1.8%	-14.8%	-43.0%	28.1%	-6.8%
Operating revenue / Loan balance	-	11.4%	11.7%	7.9%	11.4%	9.8%
Operating expenses	11,871	8,685	11,472	3,897	10,028	8,374
Deposit interests	8,080	8,053	7,893	5,613	7,321	6,670
Deposit interests / Deposit balance	-	6.9%	6.5%	4.7%	6.6%	5.2%
Credit costs	2,286	-686	1,530	-3,559	486	1,076
Reserve ratio	-	-	2.0%	-	1.0%	1.6%
Other operating expenses	1,505	1,318	2,049	1,843	2,221	628
SG&A expenses	4,244	4,905	5,332	4,685	3,826	4,156
YoY	-	15.6%	8.7%	-12.1%	-18.3%	8.6%
SG & A ratio	31.3%	35.5%	45.3%	69.8%	44.5%	51.9%
Personnel expenses	1,906	2,158	2,288	1,451	1,922	2,076
Other expenses	2,338	2,747	3,044	3,234	1,904	2,080
Operating profit (loss)	-4,149	1,106	-5,901	-276	-5,030	-3,852
YoY	-	-	-	-	-	-
Operating profit margin	-	8.0%	-	-	-	-

Source: Shared Research based on company materials

## Indonesian business environment

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

## PT JTrust Investments Indonesia (JTII)

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

The company has significantly increased the number of debt management and collection staff from 39 at end-March 2019 to 75 at end-December 2019 in an effort to capture profit opportunities by combining its expertise in debt management and collection cultivated in Japan and Korea. The company is also currently purchasing NPLs from companies other than BJI.

## PT JTrust Olympindo Multi Finance (JTO)

The company acquired a 60% stake in PT Olympindo Multi Finance (OMF, now JTO) in October 2018. Established in 1993, Olympindo Multi Finance is a veteran of the automobile loan industry specializing in multi-finance business for used car loans.

In addition to its mainstay business of used vehicle financing, since July 2018 the company has entered business partnerships with dealers that sell agricultural equipment brands such as Kubota, Yanmar and Kioti (Korean agricultural machinery). In January 2019, the company entered a new business alliance with PT Rutan and added the Iseki brand to its lineup. In 2020, however, new lending was temporarily suspended, except for agricultural equipment financing and microfinance, in response to the COVID-19 pandemic. In April 2022, the company transferred its used car loan receivables to JTII to establish a structure for focusing on agricultural equipment financing.

## PT Turnaround Asset Indonesia (TAID)

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

## JTrust Royal Bank (JTRB)

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

At end-December 2018 the Cambodian banking market comprised 42 commercial banks and 14 specialist banks for a total of 56. It is a growth market with total assets of KHR1,397tn (KHR4,018/USD, or roughly JPY3.8tn), which saw a 20.9% increase YoY. Total assets for ANZ Royal Bank Cambodia at that time were JPY102.5bn (2.7% of total assets), ranking it No. 10 out of 56. Pre-tax profit was JPY2.9bn. It had 10 locations in the capital Phnom Penh, four in the regions, and 409 employees. JTRB has two segments: retail and corporate. Its business strategy targets the top 1% of companies in Cambodia and wealthiest 5% of the population.

Following its consolidation, J Trust plans to expand JTRB's business strategy to encompass the middle class market, which has a larger market size and higher growth potential.

As of end-December 2021, JTRB's loans outstanding totaled JPY102.1bn and the company maintained its policy of expanding JTRB's operations and was focusing on securing stable earnings. Further, the company is working to strengthen its acquisition of low interest rate deposits with funding costs in mind. In January 2022, the company held grand openings for branches in the Sen Sok and Chbar Ampov districts in northern Phnom Penh.

### Reference: JTrust Royal Bank earnings

	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20	FY12/21
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Loans in the banking business	-	-	-	52,646	69,041	102,116
YoY	-	-	-	-	31.1%	47.9%
Deposits by banking business	-	-	-	64,386	84,085	122,904
YoY	-	-	-	-	30.6%	46.2%
Operating revenue	-	-	-	1,733	5,259	7,693
YoY	-	-	-	-	203.5%	46.3%
Operating revenue/loans	-	-	-	-	8.6%	9.0%
Operating expenses	-	-	-	262	1,462	2,707
Deposit interests	-	-	-	129	1,051	2,530
Deposit interests / Deposit balance	-	-	-	-	1.4%	2.4%
Credit costs	-	-	-	82	261	-9
Reserve ratio	-	-	-	-	0.4%	0.0%
Other operating expenses	-	-	-	50	148	186
SG&A expenses	-	-	-	1,165	3,034	3,562
YoY	-	-	-	-	160.4%	17.4%
SG & A ratio	-	-	-	67.2%	57.7%	46.3%
Personnel expenses	-	-	-	644	1,506	1,762
Other expenses	-	-	-	521	1,528	1,800
Operating profit (loss)	-	-	-	299	759	1,365
YoY	-	-	-	-	153.8%	79.8%
Operating profit margin	-	-	-	17.3%	14.4%	17.7%

Source: Shared Research based on company data

The above data are before consolidation adjustments.



# Strengths and weaknesses

## Strengths

### **Ability to proactively develop business in Asia by leveraging expertise gained in Japan and South Korea:**

J Trust has accumulated expertise in various aspects of the consumer finance business in Japan, including acquisitions, operations, and dealing with regulations. It also has a strong reputation in recovering receivables in South Korea. The ability to leverage such expertise in Asia is one of the company's strengths. J Trust believes that the changes observed in the business environment for consumer lending in Japan in the 2000s will also play out in South Korea. It believes that South Korea will lower maximum interest rates, that interest rates on consumer loans will fall, and that banks will account for an increasing share of loans to consumers. In response to such changes in business conditions, the company notes that it has been able to employ a proactive business strategy offering low-interest products to quality customers ahead of its competitors based on its experience in consumer lending in Japan. Servicer business TA Asset Management in South Korea has established expertise in managing and recovering receivables, and the company has already launched a similar business in Indonesia (TAID). J Trust said it would focus on purchasing receivables from South Korean financial institutions there. Shared Research thinks that it will be able to establish a frontrunner position in the developing servicer market in Indonesia.

### **Purchasing ability:**

The company excels in buying undervalued businesses and receivables. The company uses its proprietary knowledge and business models to collect efficiently. These qualities bear fruit in how the company recovers written-off receivables of Takefuji Corp (defunct) and credit guarantee services where the company strategically partners with banks, introducing customers and dispatching specialists. In addition, the company voluntarily adopted IFRS from Q1 FY03/18. This means it will no longer have to apply straight-line amortization of goodwill required under Japanese accounting standards for future large-scale M&A deals, although under IFRS goodwill will require review by an audit firm based on an impairment test. With the move to IFRS, the company believes there is little chance for existing goodwill particularly in the Indonesian business to negatively impact consolidated earnings for the group, provided the present management stance is maintained.

### **Management can execute:**

Shared Research believes J Trust excels at developing businesses in new areas ahead of its rivals. Senior management led by President Fujisawa has been instrumental in this respect, exerting its market analysis and execution capabilities. Senior management led all the activities to date: launch of South Korean savings bank services (2012), rights offering (2013), the acquisition of Indonesian commercial bank PT Bank Mutiara Tbk in 2014, and the acquisition of a commercial bank in Cambodia in 2019. In February 2022, the company acquired H.S. Securities from HS Holdings and made it a subsidiary.

## Weaknesses

### **Susceptible to regulation:**

The company's main businesses, its Financial Business in Japan, its Financial Business in South Korea and Mongolia, and its Financial Business in Southeast Asia, are all regulated businesses. Specifically, its Financial Business in Japan is regulated under the Moneylending Business Act and the Servicer Act, its Financial Business in South Korea and Mongolia is regulated under the Mutual Savings Bank Act, and its Southeast Asia business is regulated by capital adequacy requirements as well as other various regulations. As a result, changes in the regulatory environment can lead to fluctuations in the company's earnings. Until FY03/14, the domestic unsecured loan business was impacted by an amendment to the Moneylending Business Act, etc., and as of September 2016 the company said it was difficult to expect growth in this business, and had effectively exited it.

### **Rapid growth entails risk of personnel shortages:**

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

## Key group companies

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

Company name	Ownership	Main business
Nihon Hoshou	100.00%	Credit guarantee business, Finance business
Partir Servicer Co., Ltd.	100.00% Indirect holdings	Receivables collections business
Robot System	100.00% Indirect holdings	Systems business
Nihon Funding Co., Ltd.	100.00%	Real Estate Business
JT Savings Bank Co., Ltd.	100.00%	Savings bank business
TA Asset Management	100.00%	Receivables collections business
J Trust Credit NBFI	100.00% Indirect holdings	Finance business
PT Bank Jtrust Indonesia Tbk.	74.23% Indirect holdings 20.35%	Bank business
PT JTUST INVESTMENTS INDONESIA	73.79% Indirect holdings 26.01%	Receivables collections business
PT JTrust Olympindo Multi Finance	67.90% Indirect holdings	Finance
PT TURNAROUND ASSET INDONESIA	100.00% Indirect holdings	Receivables collections business
J Trust Royal Bank Plc.	55.00%	Bank business
JTRUST ASIA PTE. LTD.	90.68% Indirect holdings 9.32%	Investment business
Nexus Card Co., Ltd.	99.96%	Credit/credit sales
H.S. Securities Co., Ltd.	100.00%	Securities

As of end-December 2021

## Historical performance

### Q1 FY12/22 results

#### Overview

- Operating revenue: JPY12.4bn (+25.2% YoY; 17.3% of revised company forecast)
- Operating profit: JPY1.9bn (-54.5% YoY; 35.3%)
- Profit attributable to owners of parent: JPY3.6bn (+28.2% YoY; 78.9%)

JT Capital was classified as a discontinued operation in Q3 FY12/21, so relevant figures for Q1 FY12/21 have been retrospectively adjusted.

In Q1 FY12/22, the company reported operating revenue of JPY12.4bn (+25.2% YoY, where results for Q1 FY12/21 have been retrospectively adjusted), operating income of JPY1.9bn (-54.5% YoY), pre-tax profit of JPY4.0bn (-34.3% YoY), and profit attributable to owners of parent of JPY3.6bn (+28.2% YoY).

Consolidated operating revenue was up JPY2.5bn YoY. By individual segment, operating revenue was up JPY1.9bn at its Financial Business in Southeast Asia, up JPY589mn YoY at its Financial Business in South Korea and Mongolia, and up JPY157mn at its Other business segment. On the other hand, operating revenue was down JPY36mn YoY at its Financial Business in Japan and down JPY171mn YoY at its Investment Business. At its Financial Business in South Korea and Mongolia and its Financial Business in Southeast Asia, interest income increased in accordance with greater lending in the banking business.

Consolidated operating profit was down JPY2.3bn YoY reflecting a JPY1.0bn YoY increase at its Financial Business in Southeast Asia, a JPY131mn YoY increase at its Financial Business in South Korea and Mongolia, a JPY111mn YoY increase at its Other business segment, a JPY60mn YoY decrease at its Financial Business in Japan, and a JPY3.5bn YoY decrease at its Investment Business, as well as a JPY16mn YoY decrease in companywide expenses and a JPY91mn YoY decrease for adjustments. While earnings recovered steadily at the Financial Business in Southeast Asia, operating profit decreased 54.5% YoY on the non-recurrence of payments of damages awarded in a Singapore lawsuit that were received in Q1 FY12/21.

Pre-tax profit decreased JPY2.1bn YoY (or 34.3%) to JPY4.0bn. The decrease was JPY237mn less than the JPY2.3bn decrease in operating profit (= JPY2.3bn - JPY2.1bn). This difference was owing to a JPY725mn increase in financial income, a JPY393mn increase in financial expenses, and a JPY96mn decrease in equity-method investment gains. Profit attributable to owners of parent was up JPY799mn YoY to JPY3.6bn. This increase was primarily owing to the recording of gains on the valuation of



investment securities due to its shares in Nexus Bank being reclassified as nonmarketable securities after the shares were delisted from the stock market.

The company revised up its full-year FY12/22 earnings forecast to reflect Q1 results. Revised forecasts are operating revenue of JPY71.3bn (+68.5% YoY), operating profit of JPY5.5bn (+4.6% YoY), pre-tax profit of JPY7.0bn (+18.7% YoY), and profit attributable to owners of parent of JPY4.6bn (+309.6% YoY).

Shared Research views the company's revised forecasts as conservative, but the company remains cautious with regard to the improvement in earnings at its Financial Business in South East Asia.

## Results by segment

### Financial Business in Japan

- Operating revenue: JPY2.2bn (-1.6% YoY; 25.1% of revised full-year company forecast)
- Operating profit: JPY1.1bn (-5.1% YoY; 30.8%)

J Trust's Financial Business in Japan is engaged mainly in the credit guarantee business and receivables collections (including Partir Servicer). The company has diversified its credit guarantee products, offering credit guarantees for condominium loans, real estate secured loans, and crowdfunding loans. In March 2022, the company made H.S. Securities Co., Ltd. a consolidated subsidiary after acquiring all outstanding shares of H.S. Securities from HS Holdings Co., Ltd., and launched a financial instruments business based on the Financial Instruments and Exchange Act. In Q1 FY12/22, the segment reported operating revenue of JPY2.2bn (-1.6% YoY) and a segment profit of JPY1.1bn (-5.1% YoY).

Commission income from credit guarantees decreased owing to a decline in the outstanding balance of condominium and individual installment loan guarantees. Although collections on purchased receivables at Partir Servicer proceeded steadily, interest income on purchased receivables decreased because gains on effective interest method-based book value adjustments decreased. On the profit front, at Partir Servicer, provision for doubtful accounts increased as a result of a review of future cash flows of purchased receivables, resulting in an YoY decline in segment profit. This includes JPY93mn in profit on negative goodwill from the acquisition of H.S. Securities. As of the end of March 2022, the balance of loans for which the company has provided guarantees totaled some JPY205.1bn (-1.5% YoY), with JPY197.2bn of this being secured loans and JPY8.0bn being unsecured. Reflecting active buying of receivables, its portfolio of purchased receivables grew by 2.2% YoY, to JPY16.5bn.

As of end-March 2022, the company had guarantees outstanding on a total of JPY157.4bn condominium loans. Included in this was JPY8.0bn in guarantees outstanding on loans made for pre-owned condominiums—a new business line the company started in November 2020. This was ahead of the company's forecast. As part of its overall effort to grow its condominium loan guarantee business, the company has expanded its sales team so as to provide the support needed to carry out new condominium development projects from start to finish (including the purchase of land, building construction, recruiting investors, condominium sales, and guarantees on the mortgage loans). As part of this effort, the company is working together with financial institutions to establish a structure that increases cash flow and provides more attractive returns to the investors. It aims to grow the amount in guarantees outstanding by JPY10.0bn on an annual basis.

J Trust had completed the transfer of shares in J Trust Card in FY12/20 and in JT Capital in FY12/21. However, in March 2022, the company conducted a share exchange with Nexus Bank Co., Ltd., and the former J Trust Card (now Nexus Card) was made a consolidated subsidiary again.

### Financial Business in South Korea and Mongolia

- Operating revenue: JPY4.2bn (+16.2% YoY; 12.1% of revised full-year company forecast)
- Operating profit: JPY1.2bn (+12.5% YoY; 18.5%)

In South Korea, the savings bank business is operated by JT Savings Bank, and the non-performing receivables purchasing/collections business is operated by TA Asset Management. In Mongolia, the financing business is operated by J Trust Credit NBFI. In Q1 FY12/22, the Financial Business in South Korea and Mongolia segment reported operating revenue of JPY4.2bn (+JPY589mn YoY) and a segment profit of JPY1.2bn (+JPY131mn YoY). Operating revenue and profit was up YoY due to increases in interest income and gains on the sale of receivables at the mainstay JT Savings Bank business. In South Korea, the maximum legal interest rate was lowered to 20% under the government of former President Moon. As of the end-March 2022, loans outstanding at the banking business totaled JPY183.9bn (+35.0% YoY). Following the completion of the

sales of JT Capital during the course of Q3 FY12/21, the company switched its status to discontinued operations and excluded it from consolidated results. As a result, operating loans outstanding fell 96.2% YoY (on a retrospectively adjusted basis) to JPY1.6bn.

In Q3 FY12/21, the company transferred its shares in JT Capital, which had been engaged in installment payments and leasing operations. As a result, JT Capital was classified as a discontinued operation.

In April 2022, the company conducted a share exchange with Nexus Bank Co., Ltd., and Nexus Bank's consolidated subsidiaries Samurai Technology, Nexus Card, and JT Chinae Savings Bank became consolidated subsidiaries of the company. As a result, the Financial Business in South Korea and Mongolia returned to a two-savings banks structure. The total assets of the two banks make them the seventh-largest of the 79 savings banks in South Korea.

## Financial Business in Southeast Asia

- Operating revenue: JPY5.8bn (+51.2% YoY; 24.0% of revised full-year company forecast)
- Operating profit: JPY508mn (versus loss of JPY521mn in Q1 FY12/21)

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

The segment reported operating revenue of JPY5.7bn (+51.2% YoY). Interest income increased in accordance with an increase in loans at BJI. Operating losses of JPY521mn in Q1 FY12/21 swung to a profit of JPY508mn in Q1 FY12/22. This was due to increased operating revenue, a reduction in bad debt expenses following a review of screening procedures, a decrease in financing costs resulting from the lower deposit interest rate, and cuts to expenses.

### PT Bank JTrust Indonesia (BJI)

As of end-March 2022, BJI reported total loans outstanding of JPY104.7bn, an increase of 84.4% YoY, which is about five months ahead of the company's plan. Since January 2020, BJI has been reforming its overall management structure, strengthening its risk management procedures, and reshuffling its loan portfolio. By reshuffling its loan portfolio, BJI has been able to bring the nonperforming loan ratio on its entire loan portfolio down to 3.19% on a gross basis and down to 2.16% on a net basis (which takes into account loan loss reserves).

On the deposit side of the business, BJI has been seeing deposit balances continue to rise off the bottom logged in June 2020. By bringing in more small savers and new accounts, the company is looking to bring down its overall cost of funding from deposits and improve its interest income. Evincing the success of these efforts, the company said that its cost of funding from deposits in March 2022 was down to a record-low 4.29%, or roughly half of what it was (9.30%) when BJI first entered the Indonesia banking business in January 2015. By depending less on large depositors and focusing its marketing efforts on small savers, BJI was able to bring its new savings account opening numbers up from around 500 per month between 2015 and 2017 to over 1,500 new accounts a month in 2021, and the number has been increasing further over 2022 (1,827 new accounts a month recorded in March 2022).

In other areas, the company announced in November 2021 that it had entered into a partnership agreement with the Iida Group (Japan's largest builder of detached housings) to provide mortgage loans for the homes being built in Iida's REIWA Town housing development project in Indonesia. Further, the company began selling 30-year mortgages, a first in Indonesia. In March 2022, the company also concluded a business alliance agreement with the Indonesian subsidiary of DAX Corporation Japan, which is headquartered in Fukuoka, relating to the sale of homes in Sakura Village.

With regard to BJI, the company is looking for business and capital alliances to form strategic partnerships, while also considering debt purchasing or M&A with financially distressed financial institutions. In fact, the company has concluded a comprehensive business alliance with PT Asuransi Jiwa Sequis Financial (a wholly owned subsidiary of PT Asuransi Jiwa Sequis Life, a joint venture between Indonesian conglomerate GSK Group and Nippon Life Insurance Company). As for JTO, the business environment has deteriorated due to the COVID-19 pandemic, and the company is considering the direction of its business, including a possible change in business format. With regard to JTII and TAID, the market is expected to expand due to the increase in non-performing loans, and the company expects to see profit opportunities.

The capital adequacy ratio as of end-FY12/21 was 15.8%. The company recapitalized BJI in response to the Indonesian Financial Services Agency's requirement to achieve a capital adequacy ratio of 14.0% in accordance with revised financial regulations in Indonesia.

### J Trust Royal Bank Plc (JTRB)

Deposit balances at JTRB continued to rise, hitting JPY111.9bn at end-March 2022 for a YoY increase of 37.4%. Aided by the rapid growth in the Cambodian banking industry, which is currently growing at the rate of 15–20% per annum, JTRB has grown its loan book by focusing on business loans. Over Q1 FY12/22, the ratio of loans behind on payments rose to 1.08% due to some large clients falling behind on payments, but the company expects to recover the outstanding amount in full from Q2. The company is focusing on growing business with new customers, particularly large companies, and enhancing products and online banking services for the wealthy. Its aim is for earnings to recover back to the level prior to the COVID-19 pandemic (before it acquired JTRB) by FY12/24.

### Investment

- Operating revenue: JPY0mn (versus revenue of JPY171mn in Q1 FY12/21)
- Operating loss: JPY422mn (versus profit of JPY3.0bn in Q1 FY12/21)

J Trust's investment business consists mainly of the investment business and investee management support business operated by J Trust Asia. However, much of J Trust Asia's recent focus has been on collecting the amounts owed to it by Group Lease Holdings Pte. Ltd. (GLH) and its former CEO Mitsuji Konoshita. Operating profit increased in Q1 FY12/21 due to the partial payments of damages awarded to J Trust Asia in a Singapore lawsuit against GLH and Mr. Konoshita.

### Other businesses

The Other businesses reported operating revenue of JPY223mn and an operating loss of JPY27mn.

## Full-year FY12/21 results

### Overview

- Operating revenue: JPY42.3bn (+7.5% YoY; 100.5% of revised company forecast)
- Operating profit: JPY5.3bn (loss of JPY2.4bn in FY12/20; 95.6%)
- Pre-tax profit: JPY5.9bn (loss of JPY619mn in FY12/20; 71.5%)
- Profit attributable to owners of parent: JPY1.1bn (loss of JPY5.3bn in FY12/20; 56.2%)

JT Capital was removed from the scope of consolidation in Q3 FY12/21 and classified as a discontinued operation, so relevant figures for FY12/20 have been retrospectively adjusted. JT Savings Bank was classified as a discontinued operation in FY12/20, but reclassified as a continuing operation in Q1 FY12/21, so relevant figures for FY12/20 have been retrospectively adjusted.

For full-year FY12/21, the company reported operating revenue of JPY42.3bn (+7.5% YoY), operating income of JPY5.3bn (versus a loss of JPY2.4bn in FY12/20), pre-tax profit of JPY5.9bn (versus a loss of JPY619mn), and profit attributable to owners of parent of JPY1.1bn (versus loss of JPY5.3bn). The company returned to the black after posting an operating loss in FY12/20.

Operating revenue and operating profit came in largely in line with the revised company forecast. However, pre-tax profit and profit attributable to owners of the parent were lower than forecast. Pre-tax profit of JPY5.9bn fell JPY2.4bn short of the revised company forecast of JPY8.3bn. While the company booked a gain of about JPY1.7bn on valuation of the shares of the current HS Holdings, the gain on sales of Nexus Bank shares fell short of the forecast by about JPY1.9bn, and the company booked a loss on valuation of Nexus Bank shares of about JPY2.4bn. This represented a temporary loss.

Consolidated operating revenue was up JPY2.9bn YoY. By individual segment, on the plus side, operating revenue was up JPY2.4bn YoY at its Financial Business in South Korea and Mongolia, up JPY833mn YoY at its Financial Business in Southeast Asia, and up JPY296mn at its Other business segment. On the minus side, operating revenue was down JPY258mn YoY at its Financial Business in Japan and down JPY344mn YoY at its Investment Business. Consolidated operating profit was up JPY7.7bn YoY, reflecting a YoY increase of JPY7.1bn at its Investment Business, a YoY decrease of JPY831mn at its Financial

Business in Southeast Asia, a YoY increase of JPY1.2bn at its Financial Business in South Korea and Mongolia, a YoY decrease of JPY272mn at its Financial Business in Japan, a YoY increase of JPY740mn at its Other business segment, a YoY decrease of JPY436mn for adjustments, and a YoY increase in companywide expenses of JPY174mn.

Pre-tax profit was JPY5.9bn, up JPY6.5bn versus FY12/20, JPY1.1bn less than the JPY7.7bn YoY jump in earnings at the operating profit level. The difference largely reflected changes in financial income and expenses, with financial income rising JPY968mn YoY versus a JPY2.5bn rise in financial expenses and a gain of JPY347mn on its holdings in equity-method subsidiaries. Profit attributable to owners of parent was JPY1.1bn, up JPY6.5bn YoY. Under discontinued operations, the company reported a loss of JPY2.5bn on the sale of its stake in JT Capital.

In August 2021, the company completed the transfer of shares in JT Capital in Korea. The share transfer of JT Savings Bank had been decided in April 2021, but the parties were unable to reach an agreement on the details of the transfer by the share purchase deadline, resulting in the cancellation of the transfer in November 2021. In January 2022, the company decided to complete a share exchange with Nexus Bank Co., Ltd., and JT Chinae Savings Bank is scheduled to become a consolidated subsidiary of the company in April 2022.

## Results by segment

### Financial Business in Japan

- Operating revenue: JPY9.8bn (-2.6% YoY; 117% of revised full-year company forecast)
- Operating profit: JPY4.6bn (+5.6% YoY; 124.9%)

J Trust's Financial Business in Japan is engaged mainly in the credit guarantee business and receivables collections (including Partir Servicer). The company has diversified its credit guarantee products, offering credit guarantees for condominium loans, real estate secured loans, and crowdfunding loans. For the full-year FY12/21, the segment reported operating revenue of JPY9.8bn (-2.6% YoY) and a segment profit of JPY4.6bn (-5.6% YoY).

Commission income from credit guarantees decreased owing to a decline in the outstanding balance of condominium and individual installment loan guarantees. However, collections on purchased receivables at Partir Servicer proceeded steadily, and interest income on purchased receivables increased. On the profit front, at Partir Servicer, provision for doubtful accounts increased as a result of a review of future cash flows of purchased receivables, resulting in an YoY decline in segment profit. As of the end of FY12/21, the balance of loans for which the company has provided guarantees totaled some JPY204.3bn (-2.6% YoY), with JPY195.7bn of this being secured loans and JPY8.6bn being unsecured. Reflecting active buying of receivables, its portfolio of purchased receivables grew by 3.3% YoY, to JPY16.8bn.

As of end-FY12/21, the company had guarantees outstanding on a total of JPY154.7bn condominium loans. Included in this was JPY4.4bn in guarantees outstanding on loans made for pre-owned condominiums (FY12/21), a new business line the company started in November 2020. As part of its overall effort to grow its condominium loan guarantee business, the company has expanded its sales team so as to provide the support needed to carry out new condominium development projects from start to finish (including the purchase of land, building construction, recruiting investors, condominium sales, and guarantees on the mortgage loans). As part of this effort, the company is working together with financial institutions to establish a structure that increases cash flow and provides more attractive returns to the investors.

Partir Servicer has been active in bidding for loan receivables even while many of its competitors chose to refrain from bidding amid the pandemic. As a result, the company has been able to steadily expand its loan receivable portfolio (including consumer credit card loans, auto loans, and installment loans), pushing up the balance of its loan receivables portfolio to roughly JPY910bn through strategic sales of receivables, with Partir Servicer accounting for JPY785.2bn of this.

J Trust had completed the transfer of shares in J Trust Card in FY12/20 and in JT Capital in FY12/21. However, in January 2022, the company decided to conduct a share exchange with Nexus Bank Co., Ltd., and the former J Trust Card (now Nexus Card) is scheduled to become a consolidated subsidiary again in April 2022.

### Financial Business in South Korea and Mongolia

- Operating revenue: JPY14.8bn (+19.5% YoY; 108.1% of revised full-year company forecast)
- Operating profit: JPY3.2bn (+59.0% YoY; 119.5%)

For full-year FY12/21, the Financial Business in South Korea and Mongolia segment reported operating revenue of JPY14.8bn (+19.5 YoY) and a segment profit of JPY3.2bn (+59.0% YoY). Operating revenue and profit was up YoY at the mainstay JT Savings Bank business underpinned by increases in interest income, the sale of receivables, and dividend income on securities held. As of the end-FY12/21, loans outstanding at the banking business totaled JPY166.3bn. Following the completion of the sales of JT Capital during the course of Q3, the company switched its status to discontinued operations and excluded it from consolidated results. As a result, operating loans outstanding fell 96.2% YoY to JPY1.6bn.

In South Korea, the company's operations include the savings bank business operated by JT Savings Bank and the non-performing receivables purchasing/collections business operated by TA Asset Management. In Mongolia, the company has a financing business operated by J Trust Credit NBFi.

In Q3 FY12/21, the company classified JT Capital as discontinued operations due to the transfer of its shares. JT Capital had been engaged in installment sales and leasing operations.

The company decided to transfer shares of JT Savings Bank to another company in April 2021, but ended up canceling the sale on November 30, 2021.

In January 2022, the company decided to conduct a share exchange with Nexus Bank Co., Ltd., and in April 2022, Nexus Bank's consolidated subsidiaries Samurai Technology, Nexus Card, and JT Chinae Savings Bank are slated to become consolidated subsidiaries of the company. As a result, the Financial Business in South Korea and Mongolia has returned to a two-savings banks structure. The total assets of the two banks will make them the seventh-largest of the 79 savings banks in Korea.

## Financial Business in Southeast Asia

- Operating revenue: JPY16.7bn (+5.2% YoY; 88.4% of revised full-year company forecast)
- Operating loss: JPY6.4bn (versus year-earlier loss of JPY5.5bn; versus loss of JPY4.4bn under revised full-year forecast)

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

For full-year FY12/21, the segment reported operating revenue of JPY16.7bn (+5.2% YoY). While its banking business saw its interest income rise on the growth of its loan portfolio, overall segment revenue finished down owing to a decline in operating loans outstanding at JTO, a decline in securities holdings at the banking business, and a decline in collections of receivables.

The segment operating loss was JPY6.4bn, much larger than the JPY4.4bn loss projected under the company's revised forecast. While there was a reactionary decrease from the loss on sales of securities recorded in the previous year and a reversal of the provision for litigation losses, interest expenses on deposits and bad debt expenses in the banking business increased. In addition, the company posted an impairment loss on goodwill (approximately JPY700mn) due to the revision of JTO's business plan. Excluding the impairment loss, the operating loss was down approximately JPY900mn, within the company's forecast.

### PT Bank JTrust Indonesia (BJI)

BJI's operating loss was approximately JPY3.8bn, greater than the company's plan of about JPY3.4bn. However, BJI's real asset portfolio is showing improvement. The operating loss was roughly JPY2.7bn when excluding the conservative allowance for loan losses of JPY1.0bn for loans to non-group multi-finance companies that have fallen behind in payments to other banks (BJI is making progress in collecting on these loans).

As of end-FY12/21, BJI reported total loans outstanding of JPY80.5bn, an increase of JPY29.0bn YoY (+56.3% YoY). The gains here reflected concerted efforts by BJI to grow its loan portfolio following the strengthening of risk management procedures that accompanied the reforms in its overall management structure since January 2020. Prior to the changes, 14.98% of BJI's loans were considered nonperforming on a gross basis; of the new loans made since the changes went into effect in January 2020, only 0.02% have been classified as nonperforming. With loans made since the new risk management procedures were put into place now accounting for roughly 74% of all loans outstanding, BJI has made great strides towards improving the quality of its overall loan portfolio. More precisely, by replacing nonperforming loans with higher quality credits, BJI has been able to bring the nonperforming loan ratio on its entire loan portfolio down to 3.90% on a gross basis and down to 2.33% on a net basis (which takes into account loan loss reserves).



On the deposit side of the business, BJI has been seeing deposit balances continue to rise off the bottom logged in June 2020. By bringing in more small savers and new accounts, the company is looking to bring down its overall cost of funding from deposits and improve its interest income. Evincing the success of these efforts, the company said that its cost of funding from deposits in December 2021 was down to a record-low 4.74%, or roughly half of what it was (9.30%) when BJI first entered the Indonesia banking business in 2015. By depending less on large depositors and focusing its marketing efforts on small savers, BJI has been able to bring its new savings account opening numbers up from around 500 per month between 2015 and 2017 to over 1,500 new accounts a month in 2021.

In other areas, the company announced in November 2021 that it had entered into a partnership agreement with the Iida Group (Japan's largest builder of detached housings) to provide mortgage loans for the homes being built in Iida's REIWA Town housing development project in Indonesia. Further, the company began selling 30-year mortgages, a first in Indonesia.

With regard to BJI, the company is looking for business and capital alliances to form strategic partnerships, while also considering debt purchasing or M&A with financially distressed financial institutions. In fact, the company has concluded a comprehensive business alliance with PT Asuransi Jiwa Sequis Financial (a wholly owned subsidiary of PT Asuransi Jiwa Sequis Life, a joint venture between Indonesian conglomerate GSK Group and Nippon Life Insurance Company). As for JTO, the business environment has deteriorated due to the COVID-19 pandemic, and the company is considering the direction of its business, including a possible change in business format. With regard to JTII and TAID, the market is expected to expand due to the increase in non-performing loans, and the company expects to see profit opportunities.

The capital adequacy ratio as of end-FY12/21 was 15.9%. The company recapitalized BJI in response to the Indonesian Financial Services Agency's requirement to achieve a capital adequacy ratio of 14.0% in accordance with revised financial regulations in Indonesia.

#### **PT JTrust Olympindo Multi Finance (JTO)**

JTO's loan balances continued to dwindle as management purposely cut back on extending new loans and focused instead on its receivables management and collections business, and on strengthening ties with BJI and its more stable farm equipment loan business (which has been unaffected by the pandemic). Along with this strategic reorientation of its business, JTO downsized its branch network and reduced its headcount by roughly 1,000 employees. Along with the downsizing of its loan portfolio to JPY5.7bn as of end-FY12/21, JTO reported that its nonperforming loan ratio had risen to 10.19% on a gross basis and 3.46% on a net basis.

#### **PT JTrust Investments Indonesia (JTII) and PT Turnaround Asset Indonesia (TAID)**

As the pandemic expanded, JTII's receivables collections business focused on purchasing real estate-secured loan receivables. The COVID-19 pandemic made it difficult to make timely sales of the properties backing its real estate-secured loans due to the closure of local land agency and registry offices in Indonesia (July–September 2021). Collections during the October–December quarter were up 57% QoQ, due in part to a decline in the number of infections. Meanwhile, TAID, which launched in March 2021, plans to leverage the company's experience in South Korea to develop around the purchase of unsecured loan receivables. It will pursue a receivables collection business for fintech companies, which the company sees as a growth field.

#### **J Trust Royal Bank Plc (JTRB)**

Deposit balances at JTRB continued to rise during FY12/21, hitting JPY102.1bn at end-FY12/21 for a YoY increase of JPY33.1bn or 47.9%. Aided by the rapid growth in the Cambodian banking industry, which is currently growing at the rate of 15–20% per annum, JTRB has grown its loan book by focusing on business loans while at the same time keeping credit quality high (with only 0.45% on loans behind on payments for more than 90 days) and benefiting from a low cost of funding from deposits (2.7%).

JTRB is focusing on expanding business with new customer segments, especially large corporations, and is focusing on expanding its products for high-net-worth individuals and online banking services.

## **Investment**

- Operating revenue: JPY410mn (-45.6% YoY; 63.5% of revised full-year company forecast)
- Operating profit: JPY5.4bn (versus year-earlier loss of JPY1.7bn; 102.7%)

J Trust's investment business consists mainly of the investment business and investee management support business operated by J Trust Asia. However, much of J Trust Asia's recent focus has been on collecting the amounts owed to it by Group Lease Holdings Pte. Ltd. (GLH) and its former CEO Mitsuji Konoshita. The operating profit reported for FY12/21 reflects the partial payments of damages awarded to J Trust Asia in a Singapore lawsuit against GLH and Mr. Konoshita. Pursuant to the Singapore court's ruling, J Trust Asia received a partial payment of JPY7.8bn from the defendants (booked as other revenue). In August 2021, the company filed a lawsuit seeking to recover damages related to USD124mn that were not included in that prevailing judgment.

## Other businesses

The Other businesses reported operating revenue of JPY616mn and operating profit of JPY430mn.

# Cumulative Q3 FY12/21 results

## Overview

- Operating revenue: JPY30.6bn (+5.5% YoY; 72.7% of revised company forecast)
- Operating profit: JPY7.8bn (versus loss of JPY1.3bn in Q3 FY12/20; 142.2%)
- Profit attributable to owners of parent: JPY2.4bn (-0.4% YoY; 120.3%)

For the nine-month period through Q3 FY12/21, J Trust posted operating revenue of JPY30.6bn (+5.5% YoY), operating profit of JPY7.8bn (versus year-earlier loss of JPY1.3bn), and a profit attributable to owners of parent of JPY2.4bn (-0.4% YoY). While earnings at all levels are on track to exceed its full-year estimates, the company decided not to revise its full-year forecast due to the uncertainties stemming from the new variants of the coronavirus and the ongoing restructuring of its business portfolio.

Consolidated operating revenue was up JPY1.6bn versus the same nine-month period the previous year. By individual segment, on the plus side, operating revenue was up JPY1.7bn YoY at its Financial Business in South Korea and Mongolia, up JPY53mn YoY at its Financial Business in Southeast Asia, and up JPY52mn at its Other business segment. On the minus side, operating revenue was down JPY23mn YoY at its Financial Business in Japan and down JPY173mn YoY at its Investment Business. Consolidated operating profit was up JPY9.1bn YoY, reflecting YoY increases of JPY7.3bn at its Investment Business, JPY1.3bn at its Financial Business in Southeast Asia, JPY825mn at its Financial Business in South Korea and Mongolia, JPY202mn at its Financial Business in Japan, and JPY142mn at its Other business segment.

Pre-tax profit was JPY8.4bn up JPY9.9bn versus the same nine-month period last year, JPY780mn more than the JPY9.1bn YoY jump in earnings at the operating profit level. The difference largely reflected changes in financial income and expenses, with financial income rising JPY1.5bn YoY (including JPY452bn in gains on sales of investment securities and JPY912mn in valuation gains of investment securities holdings) versus a JPY737mn rise in financial expenses (including JPY998mn in valuation losses on holdings of Nexus Bank Series A preferred shares) and a loss of JPY7mn on its holdings in equity-method subsidiaries. After-tax profit attributable to parent company shareholders was JPY2.4bn down JPY9mn YoY. Under discontinued operations, the company reported a loss of JPY2.5bn on the sale of its stake in JT Capital.

J Trust completed the sale of its entire interest in South Korean subsidiary JT Capital in August 2021. With respect to JT Savings Bank, the company noted that although it had signed a memorandum of understanding in April 2021 in which it had agreed to sell its entire stake in JT Savings Bank to VI Investment Corporation or to another approved buyer, that it ended up canceling the sale because the two parties had been unable to reach an agreement as to the terms of the sale by the November 30, 2021 deadline set forth in the memorandum of understanding.

## Breakdown of results by segment

### Financial Business in Japan

- Operating revenue: JPY6.9bn (-0.3% YoY; 82% of revised full-year company forecast)
- Operating profit: JPY3.6bn (+5.9% YoY; 98.8%)

J Trust's Financial Business in Japan is engaged mainly in the credit guarantee business and receivables collections (including Partir Servicer). The company has diversified its credit guarantee products, offering credit guarantees for condominium

loans, real estate secured loans, and crowdfunding loans. For the nine-month period through Q3 FY12/21, the segment reported operating revenue of JPY6.9bn (-0.3% YoY) and a segment profit of JPY3.6bn (+5.9% YoY).

Commission income from credit guarantees decreased owing to a decline in the outstanding balance of condominium and individual installment loan guarantees. However, collections on purchased receivables proceeded steadily, and interest income on purchased receivables increased. In addition, provision for doubtful accounts declined as a result of a review of future cash flows, resulting in an YoY rise in segment profit. As of the end of Q3 FY12/21, the balance of loans for which the company has provided guarantees totaled some JPY204.7bn (-2.9% YoY), with JPY195.2bn of this being secured loans and JPY9.4bn being unsecured. The company aims to raise its outstanding balance of loan guarantees to JPY300bn. Reflecting active buying of receivables, its portfolio of purchased receivables grew by 5.9% YoY, to JPY17.0bn.

As of the end of Q3 FY12/21, the company had guarantees outstanding on a total of JPY154.5bn condominium loans. Included in this was guarantees on loans made for pre-owned condominiums, a new business line the company started in November 2020. For the nine-month period through Q3 FY12/21, the company reported that it had provided guarantees on a total JPY2.8bn in loans for pre-owned condominiums (versus its original target of JPY2.4bn). As part of its overall effort to grow its condominium loan guarantee business, the company has expanded its sales team so as to provide the support needed to carry out new condominium development projects from start to finish (including the purchase of land, building construction, recruiting investors, condominium sales, and guarantees on the mortgage loans). As part of this effort, the company is working together with financial institutions to establish a structure that increases cash flow and provides more attractive returns to the investors.

Partir Servicer has been active in bidding for loan receivables even while many of its competitors chose to refrain from bidding amid the pandemic. As a result, the company has been able to steady expand its loan receivable portfolio (including consumer credit card loans, auto loans, and installment loans), pushing up the balance of its loan receivables portfolio to roughly JPY960bn, with Partir Servicer accounting for JPY838bn of this.

## Financial Business in South Korea and Mongolia

- Operating revenue: JPY11.0bn (+18.0% YoY; 80.6% of revised full-year company forecast)
- Operating profit: JPY2.8bn (+41.7% YoY; 104.4%)

For the nine-month period through Q3 FY12/21, the Financial Business in South Korea and Mongolia segment reported operating revenue of JPY11.0bn (+18.0% YoY) and a segment profit of JPY2.8bn (+41.7% YoY). The growth in top-line revenue was underpinned by increases in interest income and unrealized gains on securities in the savings bank business. As of the end of Q3, loans outstanding at the banking business totaled JPY140.3bn (+20.4% YoY). Following the completion of the sales of JT Capital during the course of Q3, its status was switched to discontinued operations and it was excluded from consolidated results. Of the JPY11.1bn in proceeds the company received from the sale of its stake in JT Capital, after setting aside some to repay interest-bearing loans, the company plans to direct much of the remaining amount towards its financial businesses in Japan and Southeast Asia (BJI).

In South Korea, the company's operations include the savings bank business operated by JT Savings Bank and the non-performing receivables purchasing/collections business operated by TA Asset Management. In Mongolia, the company has a financing business operated by J Trust Credit NBFI. With respect to JT Savings Bank, the company announced that although it had signed a memorandum of understanding in April 2021 in which it had agreed to sell its entire stake in JT Savings Bank to VI Investment Corporation or to another approved buyer, that it ended up canceling the sale because the two parties had been unable to reach an agreement as to the terms of the sale by the November 30, 2021 deadline set forth in the original memorandum of understanding.

## Financial Business in Southeast Asia

- Operating revenue: JPY12.0bn (+0.4% YoY; 63.5% of revised full-year company forecast)
- Operating loss: JPY3.0bn (versus year-earlier loss of JPY4.3bn; versus loss of JPY4.4bn under revised full-year forecast)

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



For the nine-month period through Q3 FY12/21, the segment reported operating revenue of JPY12.0bn (-0.4% YoY). While its banking business saw its interest income rise on the growth of its loan portfolio, overall segment revenue finished down owing to a decline in operating loans outstanding at JTO, a decline in securities holdings at the banking business, and smaller gains on collections of receivables.

The segment operating loss of JPY3.0bn reported for the nine-month period was much smaller than the JPY4.4bn loss projected under the company's revised forecast. The company said it expected to make some additional write-offs and write-downs during the course of Q4 but that its financial business in Southeast Asia was still on track to finish in line with its previous projections. At BJI, the company said it is currently looking for strategic partners with which it can form business and capital alliances, and is also looking at troubled financial institutions from which it might acquire receivables or possibly buy one of their businesses. With regard to JTO, the company said its operating environment had markedly deteriorated in the wake of the pandemic and that it is now thinking about taking JTO in a different direction. In contrast, the receivables collection business operated by JTII and TAID sees growing opportunities to expand in the market.

#### **PT Bank JTrust Indonesia (BJI)**

As of the end of Q3 FY12/21, BJI reported total loans outstanding of JPY66.3bn, an increase of JPY18.3bn YoY (+38.2% YoY). The gains here reflected concerted efforts by BJI to grow its loan portfolio following the strengthening of risk management procedures that accompanied the reforms in its overall management structure since January 2020. Prior to the changes, 12.9% of BJI's loans were considered nonperforming on a gross basis; of the new loans made since the changes went into effect in January 2020, only 0.1% have been classified as nonperforming. With loans made since the new risk management procedures were put into place now accounting for roughly 64% of all loans outstanding, BJI has made great strides towards improving the quality of its overall loan portfolio. More precisely, by replacing nonperforming loans with higher quality credits, BJI has been able to bring the nonperforming loan ratio on its entire loan portfolio down to 4.64% on a gross basis and down to 2.87% on a net basis (which takes into account loan loss reserves).

On the deposit side of the business, BJI has been seeing deposit balances continue to rise off the bottom logged in June 2020. By bringing in more small savers and new accounts, the company is looking to bring down its overall cost of funding from deposits and improve its interest income. Evincing the success of these efforts, the company said that its cost of funding from deposits in September 2021 was down to a record-low 4.84%, or roughly half of what it was when BJI first entered the Indonesia banking business in 2015. By depending less on large depositors and focusing its marketing efforts on small savers, BJI has been able to bring its new savings account opening numbers up from around 500 per month between 2015 and 2017 to roughly 1,500 new accounts a month in 2021.

In other areas, the company announced in November 2021 that it had entered into an partnership agreement with the Iida Group (Japan's largest builder of detached housings) to provide mortgage loans for the homes being built in Iida's REIWA Town housing development project in Indonesia.

#### **PT JTrust Olympindo Multi Finance (JTO)**

As of the end of Q3 FY12/21, JTO reported total loans outstanding of JPY6.7bn, as loan balances continued to dwindle as management purposely cut back on extending new loans and focused instead on its receivables management and collections business, and on strengthening ties with BJI and its more stable farm equipment loan business (which has been unaffected by the pandemic). Along with this strategic reorientation of its business, JTO downsized its branch network and reduced its headcount by roughly 1,000 employees. Along with the downsizing of its loan portfolio, JTO reported that its nonperforming loan ratio had risen to 8.52% on a gross basis and 2.65% on a net basis.

#### **PT JTrust Investments Indonesia (JTII) and PT Turnaround Asset Indonesia (TAID)**

As the pandemic expanded, JTII's receivables collections business found it difficult to make timely sales of the properties backing its real estate-secured loans due to the closure of local land agency and registry offices in Indonesia. While collections during the April–June quarter were up 89% YoY, collections during the July–September quarter faced tough YoY comparisons due to a decline in the number of large-scale collections versus the same quarter in 2020. Meanwhile, TAID moved into a new and promising business area as a collector of receivables for the growing fintech companies.

#### **J Trust Royal Bank Plc (JTRB)**

Deposit balances at JTRB continued to rise during the first nine months of FY12/21, hitting JPY95.1bn at the end of Q3 FY12/21 for a YoY increase of JPY37.1bn or 64.0%. Aided by the rapid growth in the Cambodian banking industry, which is currently growing at the rate of 10–15% per annum, JTRB has grown its loan book by focusing on business loans while at the

same time keeping credit quality high (with only 0.5% on loans behind on payments for more than 90 days) and benefiting from a low cost of funding from deposits (2.6%). JTRS was named by Global Business Outlook as the “Most Customer Centric Bank” in Cambodia for 2021.

Global Business Outlook (London, UK): Global Business Outlook Awards is given to companies all over the world in recognition of their strengths once every year. The award is given to companies of all kinds from startups to large enterprises that aspire to create industrial values through performance and innovation.

## Investment

- Operating revenue: JPY409mn (-29.7% YoY; 63.3% of revised full-year company forecast)
- Operating profit: JPY6.0bn (versus year-earlier loss of JPY1.2bn; 113.7%)

J Trust’s investment business consists mainly of the investment business and investee management support business operated by J Trust Asia. However, much of J Trust Asia’s recent focus has been on collecting the amounts owed to it by Group Lease Holdings Pte. Ltd. (GLH) and its former CEO Mitsuji Konoshita. The operating profit reported for the nine-month period through Q3 FY12/21 reflects the partial payments of damages awarded to J Trust Asia in a Singapore lawsuit against GLH and Mr. Konoshita. Pursuant to the Singapore court’s ruling, J Trust Asia received a partial payment of USD37mn from the defendants on January 11, 2021. This was followed by payments from GLH totaling USD25.5mn received during April and May, USD1.2mn received on July 9, 2021, and another USD10mn received on July19, thus completing the payment of the entire amount owed to J Trust Asia as ordered by the court.

## Other businesses

The Other businesses reported Q3 operating revenue of JPY299mn and a segment loss of JPY22mn.

# Consolidated results for 1H FY12/21

## Overview

- Operating revenue: JPY22.3bn (+3.3% YoY; equals 53.1% of revised company forecast for full year)
  - Operating profit: JPY7.2bn (loss of JPY1.0bn in 1H FY12/20; equals 130.1% of revised company forecast for full year)
  - Profit\*: JPY3.9bn (+781.0% YoY) (equals 194.7% of revised company forecast for full year)
- \*Profit/loss attributable to owners of parent

In 1H FY12/21, J Trust posted operating revenue of JPY22.3bn (+3.3% YoY), operating profit of JPY7.2bn (loss of JPY1.0bn in 1H FY12/20), and a profit attributable to owners of parent of JPY3.9bn (+781.0% YoY) . Operating profit and profit attributable to owners of parent both are on pace to exceed the company’s full-year earnings forecast. However, considering the uncertainties presented by the COVID-19 pandemic and the ongoing restructuring of the company’s business portfolio, the company decided not to change its full-year forecast.

1H operating revenue increased JPY715mn YoY, breaking down into Financial Business in South Korea and Mongolia +JPY857mn, Financial Business in Japan +JPY79mn, and Other businesses +JPY35mn, offset against Financial Business in Southeast Asia -JPY189mn, and Investment Business -JPY76mn. On the profit side, 1H operating profit was up JPY8.2bn YoY, breaking down into Investment Business +6.2bn, Financial Business in South Korea and Mongolia +JPY833mn, Financial Business in Southeast Asia +JPY810mn, and Financial Business in Japan +JPY193mn. The JPY6.2bn YoY improvement in the Investment Business profits reflects the receipt of partial payments related the settlement of a lawsuit in Singapore (totaling JPY6.6bn; J Trust received a payment of USD 37mn from Group Lease Holdings Pte. Ltd. and Mitsuji Konoshita on January 11, 2021, and additional payments of USD25.5mn from Group Lease Holdings in April–May 2021).

1H pre-tax profit totaled JPY7.6bn, a YoY improvement of JPY8.6bn, which is JPY410mn more than the JPY8.2bn improvement in operating profit. This reflects the net impact from a JPY1.0bn increase in financial income, accompanied by a JPY710mn increase in financial expenses, and the posting of JPY113mn in equity-method investment gains from KeyHolder. Corporate income tax paid increased JPY3.7bn YoY, resulting in profit attributable to owners of parent of JPY3.9bn, a YoY increase of JPY3.5bn. Financial income, financial expenses, and corporate tax and other adjustments are summarized in the table below.

During 1H, the company transferred a part of its holdings in stock options for Nexus Bank. J Trust acquired the stock options when underwriting an issue by Nexus Bank via a third-party allotment on March 27, 2019. While intending to exercise these options and sell the stock under favorable conditions that contribute to increasing shareholder value, J Trust agreed to transfer part of its holdings upon receiving an offer from Otas Co., Ltd.

Financial revenue	Valuation gains on investment securities	Valuation gain on holdings of Nexus Bank common shares	JPY197mn
	Gain on sale of investment securities	Valuation gain on holdings of Sawada Holdings common shares	JPY423mn
Financial expense	Valuation loss on investment securities	Gain on sale of Nexus Bank common shares	JPY263mn
		Gain on sale of Nexus Bank stock options	JPY189mn
Income tax expenses	Corporate tax and other adjustments	Valuation loss on holdings of Nexus Bank Series A preferred shares	JPY743mn
		Tax effect of valuation gain on Sawada Holdings shares	JPY191mn
		Revision of tax effect of change in transfer of JT Savings Bank shares	JPY146mn
		Revision of tax effect of change in transfer of JT Savings Bank shares	JPY695mn
		Tax effect of retained earnings related to transfer of JT Capital shares	JPY727mn
		Tax effect of retained earnings related to transfer of JT Capital shares	JPY809mn

## Results by segment

### Financial Business in Japan

- Operating revenue: JPY4.6bn (+1.7% YoY; 55% of revised full-year company forecast)
- Operating profit: JPY2.4bn (+8.6% YoY; 66.1%)

J Trust's Financial Business in Japan is engaged primarily in the credit guarantee business and the receivables collection business (including Partir Servicer). The company worked to diversify its credit guarantee products, by providing credit guarantees for condominium loans, real estate secured loans, and crowdfunding loans. In 1H FY12/21, the business posted operating revenue of JPY4.6bn (+1.7% YoY) and segment profit of JPY2.4bn (+8.6% YoY).

Commission income from credit guarantees decreased owing to a decline in the outstanding balance of condominium and individual installment loan guarantees. However, collections on purchased receivables proceeded steadily, and interest income on purchased receivables increased. In addition, provision for doubtful accounts declined as a result of a review of future cash flows, resulting in an YoY rise in segment profit. As of end-1H, the balance of loans for which the company has provided guarantees totaled some JPY206.9bn (-2.0% YoY), with JPY196.5bn being secured loans and JPY10.4bn being unsecured loans. The company aims to raise its outstanding balance of loan guarantees to JPY300bn. Reflecting active buying of receivables, its portfolio of purchased receivables expanded 8.0% YoY to JPY16.5bn.

Partir Servicer has actively participated in bidding for loan receivables while many of its competitors have refrained from bidding amid the COVID-19 crisis. As a result, Partir has evidently increased the number of financial institutions with which it does business.

As for loan guarantees originated from the crowdfunding market, the company worked to bring in new guarantee business via subsidiary Nihon Hoshou, which in February 2021 offered products with credit guarantee services on Cool, a crowdfunding service for peer-to-peer lending (loans) provided by Cool Inc. and Cool Services Inc., and on Ooya.com, a crowdfunding site specialized for real estate investment operated by Gro-Bels Co., Ltd. As of July 2021, Nihon Hoshou has formed loan-type crowdfunding alliances with CAMPFIRE, Inc., and three other companies and real estate investment-type crowdfunding alliances with Gro-Bels and two other companies.

### Financial Business in South Korea and Mongolia

- Operating revenue: JPY9.4bn (+10.0% YoY; 68.8% of revised full-year company forecast)
- Operating profit: JPY2.2bn (+61.4% YoY; 81.5%)

In South Korea, the company's operations include the savings bank business operated by JT Savings Bank, the installment loan and leasing businesses operated by JT Capital, and the non-performing receivables purchasing/collections business operated by TA Asset Management. In Mongolia, the company has a financing business operated by J Trust Credit NBF. When making its initial forecast for FY12/21, the company originally expected to treat JT Capital as a continuing business but, with a deal to sell JT Capital now expected to close by end-August 2021 (previously June 15, 2021), its revised forecast treats JT Capital as a discontinued business. Meanwhile, the revised forecast (May 13, 2021) treats JT Savings Bank as a continuing business (the initial forecast considered JT Savings Bank as a discontinued business because it was scheduled to be sold during Q1 FY12/21). According to the company, the transfer of JT Savings Bank shares is scheduled to be concluded

within three months after the transfer of JT Capital's shares. Shared Research assumes JT Savings Bank will remain as a continuing business for the entirety of FY12/21.

The Financial Business in South Korea and Mongolia reported 1H operating revenue of JPY9.4bn and a segment profit of JPY2.2bn. The growth in operating revenue was supported by increases in interest income and unrealized gains on securities in the savings bank business, which offset a decline in interest income on operating loans of JT Capital. Loans outstanding at the banking business totaled JPY137.5bn (-50.9% YoY), the sharp decline reflecting the dropout of the loans made by JT Chinae Savings Bank, which is no longer included in consolidated accounts following its sale in Q3 FY12/20. At JT Capital, operating loans outstanding of JPY43.8bn were down 4.1% YoY, reflecting the collection of receivables and loan sales. Reflecting active buying of receivables by TA Asset Management, holdings of purchased receivables jumped 88.3% YoY to JPY1.5bn.

## Financial Business in Southeast Asia

- Operating revenue: JPY7.8bn (-2.4% YoY; 41.0% of revised full-year company forecast)
- Operating loss: JPY2.1bn (versus loss of JPY2.9bn in 1H FY12/20)

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

The segment reported 1H operating revenue of JPY7.8bn (-2.4% YoY). The banking business saw its interest income rise on the expansion of its loan portfolio. However, overall segment revenue fell owing to a decrease in operating loans at JTO and a decline in securities holdings at the banking business, as well as the absence of revenue booked on sales of securities holdings in 1H FY12/20. As of end-1H, loans outstanding were up 10.6% YoY to JPY58.8bn at BJI in Indonesia and 51.6% to JPY81.8bn at JTRB in Cambodia. BJI aims to improve interest income by expanding its loan portfolio while lowering deposit funding costs by increasing the ratio of small deposit accounts and acquiring new accounts. Since acquiring JTRB, J Trust has sought to shift the Cambodian bank's core base of depositors from wealthy households to middle-income households. JTRB's success in winning new deposit accounts has enabled it to expand its outstanding loan balance. However, the lingering impact from the cutback in issuance of new operating loans and the selloff of securities holdings by the segment's Indonesian units in FY12/20 led to the YoY decline in 1H FY12/21 operating revenue.

JTO saw the outstanding balance of operating loans at its financing businesses contract to JPY1.6bn, a YoY decrease of JPY1.4bn (-46.6%) owing to curbs on new lending during the pandemic. JTO has instead been focusing on strengthening its receivables management and collection business and its tie-up with BJI to increase farm equipment loans, which are not affected by the coronavirus crisis. Meanwhile, JTO has reduced staff numbers by about 1,000 and is downsizing its branch network. Meanwhile, JTII's receivables collection business continues to be affected by delays in the sale of collateralized real estate owing to the closure of land agency and registry offices in Indonesia. Under such difficult conditions, JTII continued its receivables collection efforts and managed to reduce the balance of purchased receivables outstanding as of end-1H to JPY25.9bn, a YoY decrease of JPY1.8bn (-6.5%). Meanwhile, TAID has launched a new business involving the collection of receivables on behalf of fintech companies.

J Trust's Financial Business in Southeast Asia managed to reduce its operating loss in 1H, as it posted a loss of JPY2.1bn, down from JPY2.9bn a year earlier. Interest expenses in the segment's banking business increased during 1H as segment banks implemented various marketing campaigns offering attractive interest rates in an effort to expand their deposit balances and secure liquidity. However, the impact of higher interest expenses was offset by the absence of the previous year's loss on the sale of securities holdings and a reversal of reserves previously set aside for litigation losses in the wake of favorable developments in a lawsuit in Indonesia.

## Investment business

- Operating revenue: JPY427mn (-15.1% YoY; 66.1% of revised full-year company forecast)
- Operating profit: JPY5.4bn (versus loss of JPY822mn in 1H FY12/20; 101.7%)

J Trust's investment business consists mainly of the investment business and investee management support business operated by J Trust Asia. However, J Trust Asia's recent focus has been on collecting debts owed to it by Group Lease Holdings Pte. Ltd. (GLH) and its former CEO Mitsuji Konoshita. The higher 1H operating profit reflects the partial payments of damages awarded to J Trust Asia in a Singapore lawsuit against GLH and Mr. Konoshita. Based on the Singapore court's ruling, J Trust

Asia received a partial payment of USD37mn from the defendants on January 11, 2021, followed by payments from GLH of USD17mn on April 7, USD7.2mn on April 29, and USD1.3mn on May 14. The lawsuit against GLH has been a long and protracted affair but finally appears to be at the place where the company can start collecting the amounts owed.

## Other businesses

- The Other businesses reported 1H operating revenue of JPY361mn and an operating loss of JPY41mn.

## Topics

### Establishment of factoring company:

On August 2, 2021, J Trust established Frontier Capital Co., Ltd., to conduct a factoring business. The new subsidiary will leverage J Trust's expertise in credit screening and receivables collection and contribute to the broadening of the group's business platform.

### Received additional partial payment of settlement awarded in Singapore lawsuit

The company has received two more partial payments related to the settlement of its lawsuit in Singapore—USD1.2mn was received on July 9 and USD10.0mn was received on July 19. The company plans to include these amounts in its 3Q FY12/21 accounts.

## Income statement

Income statement (JPYmn)	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20		FY12/21
	IFRS	IFRS	IFRS	IFRS	IFRS	Adjusted	IFRS
Operating revenue	66,453	74,321	74,935	24,728	32,652	39,387	42,325
YoY	-	11.8%	0.8%	-	-	-	7.5%
Operating expenses	38,116	47,451	78,253	16,054	17,653	20,787	23,017
SG&A expenses	26,431	26,870	28,488	18,926	19,643	20,898	21,560
SG&A, % of operating revenue	39.8%	36.2%	38.0%	76.5%	60.2%	53.1%	50.9%
Other revenues	1,254	2,239	366	5,215	602	619	8,731
Other expenses	2,552	222	1,159	93	709	723	1,218
Operating profit	606	4,759	-32,600	-5,130	-4,752	-2,403	5,260
YoY	-	685.3%	-785.0%	-	-	-	-
Operating profit margin	0.9%	6.4%	-	-	-	-	12.4%
Financial revenue	282	47	1,612	76	2,052	2,052	3,020
Financial expense	1,320	1,895	110	472	278	268	2,728
Equity in earnings of affiliates	-2	-12	-36	-	-	-	-
Pre-tax profit (loss)	-433	2,898	-31,135	-5,526	-2,978	-619	5,899
YoY	-	-	-	-	-	-	-
Pre-tax profit margin	-	3.9%	-	-	-	-	13.9%
Income tax expenses	1,136	1,012	2,753	1,275	7,145	7,765	2,311
Loss on continuing operations	-1,570	1,885	-33,888	-6,802	-10,123	-8,384	3,587
Profit from discontinued operations	504	-	-	3,047	4,108	2,369	-2,646
Net income (loss)	-1,065	-731	-36,676	-3,754	-6,014	-6,014	941
YoY	-	-	-	-	-	-	-
Profit (loss) attributable to owners of parent	-1,270	-731	-36,107	-3,260	-5,342	-5,342	1,123
YoY	-	-	-	-	-	-	-
Net margin	-	-	-	-	-	-	2.7%

Source: Shared Research based on company data

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

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

### FY03/09–FY03/14

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

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

and the consumer financial business of Takefuji Corp. (March 2012), which was undergoing corporate reorganization proceedings, and made these subsidiaries.

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

## **FY03/14–FY12/20**

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

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

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

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

## **FY12/21 onward**

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



# Balance sheet

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

Source: Shared Research based on company data

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

# Statement of cash flows

Cash flow statement	FY03/17	FY03/18	FY03/19	FY12/19	FY12/20		FY12/21
(JPYmn)	IFRS	IFRS	IFRS	IFRS	IFRS	Adjusted	IFRS
Cash flows from operating activities (1)	-12,413	4,581	18,831	-20,829	6,813	6,813	15,408
Pre-tax profit (loss)	-433	2,898	-31,135	-357	2,953	-619	5,899
Pre-tax profit or loss from discontinued operations						3,572	-2,675
Depreciation	2,636	2,456	1,535	2,767	4,013	4,013	2,791
Change in trade and other receivables	-10,805	-11,644	497	840	20,618	20,618	-1,227
Change in deposits in banking business	86,236	49,354	39,554	-13,724	25,583	25,583	89,804
Change in loans in banking business	-87,500	-42,789	-5,395	-17,559	-48,361	-48,361	-77,316
Income taxes paid	-1,922	-2,231	-2,332	-2,574	-2,333	-2,333	-1,685
Cash flows from investing activities (2)	-4,468	-7,603	-15,190	15,431	-8,422	-8,422	-10,002
Purchase of tangible assets and investment property	-1,843	-1,474	-1,941	-1,636	-514	-514	-2,629
Proceeds from sale of tangible assets and investment property	1,162	270	48	737	303	303	588
Purchase of in tangible assets	-1,537	-794	-1,983	-2,312	-634	-634	-301
purchase of marketable securities in banking business	-102,457	-106,170	-105,252	-74,266	-142,954	-142,954	-30,051
Proceeds from sale of marketable securities in banking business	73,739	97,229	95,565	67,529	142,062	142,062	15,140
Proceeds from redemption of marketable securities in banking business	24,984	984	5,869	1,331	10,355	10,355	2,403
FCF (1+2)	-16,881	-3,022	3,641	-5,398	-1,609	-1,609	5,406
Cash flows from financing activities	10,612	7,798	-525	18	-8,638	-8,638	-6,129
Net change in short-term loans payable	-4,635	4,112	-4,929	-770	-2,555	-2,555	-3,502
Net change in current portion of bonds	14,959	5,915	-5,487	-4,251	-5,868	-5,868	7,164
Repayment of long-term loans payable	-10,751	-18,938	-26,946	-20,349	-33,583	-33,583	-30,866
Proceeds from long-term loans payable	26,189	17,850	31,964	23,344	35,678	35,678	23,842
Redemption of bonds	-7,446	-6,577	-5,956	-6,371	-16,012	-16,012	-9,808
Proceeds from issuance of bonds	470	7,060	9,540	10,050	15,024	15,024	7,647
Purchase of treasury shares	-7,279	-	-	-	-	-	-
Dividends paid	-1,401	-1,235	-1,236	-105	-105	-105	-

Source: Shared Research based on company data

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

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

## Cash flows from operating activities

Cash flows from operating activities are primarily influenced by fluctuations in pre-tax profit or loss, operating and other receivables, and changes in the value of deposits and loans in the banking business.

## Cash flows from investing activities

Cash flows from investing activities are heavily influenced by fund flows accompanying acquisitions and business transfers.

## Cash flows from financing activities

There is a tendency for cash flows from financing activities to fluctuate in line with changes in interest-bearing debt, share issuance, and dividend payments.



# Other information

## History

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

## Top management

President and chief executive officer

Nobuyoshi Fujisawa

Date of birth: January 17, 1970

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

J Trust/ 8508

## Major shareholders

Top shareholders	Number of shares held in the company	Shareholding ratio
	('000 shares)	
NLHD Co., Ltd.	32,120	27.52%
Nobuyoshi Fujisawa	10,951	9.38%
KOREA SECURITIES DEPOSITORY-SHINHAN INVESTMENT	9,895	8.48%
Nomura Securities Co., Ltd.(Standing proxy: Sumitomo Mitsui Banking Corporation)	3,131	2.68%
S Finance Co., Ltd.	2,890	2.48%
JAPAN POCKET Co., Ltd.	2,266	1.94%
Ortus Co., Ltd.	2,007	1.72%
Ueda Yagi Tanshi Co., Ltd.	1,910	1.64%
SMBC Nikko Securities Inc.	1,504	1.29%
The Tokyo Tanshi Co., Ltd.	1,500	1.28%
SUM	68,176	58.40%

Source: Shared Research based on company data

Shareholding percentages calculated after excluding treasury shares

As of end-June 2022

## Shareholder return

The company views the appropriate return of profits to shareholders as a matter of importance. It strives to redistribute profits, while also taking into account the future operating environment and industry conditions. In FY12/21, the company declared a year-end dividend of JPY1 per share.

## Dividends

In FY12/22, the company expects to pay a year-end dividend of JPY10 per share to shareholders of record as of December 31, 2022.

## Acquisition of treasury stock

In FY03/16, the company bought back 6,250,000 shares (upper limit) (5.29% of shares outstanding) worth JPY6.3bn. It then retired the 6.3mn shares.

The company purchased 6,000,000 of its own shares (5.35% of shares outstanding) on August 15, 2016 and another 3,188,000 of its shares (3.01%) on August 16, 2016.

# News and topics

## Upward revision of full-year FY12/22

2022-05-16

On May 13, 2022, J Trust Co., Ltd. announced an upward revision of its full-year FY12/22 forecast.

On the same day, the company revised up its full-year FY12/22 earnings forecast to reflect Q1 results. Revised forecasts are operating revenue of JPY71.3bn, operating profit of JPY5.5bn, pre-tax profit of JPY7.0bn, and profit attributable to owners of parent of JPY4.6bn.

Reasons for the revision are lower credit costs and cost of funds in the Financial Business in Southeast Asia, increased interest income from the savings bank business in the Financial Business in South Korea and Mongolia, profit from negative goodwill arising from the acquisition of HS Securities shares, and recording a gain on sales of investment securities following the delisting of Nexus Bank shares. Earnings of JT Chinae Savings Bank, which became a subsidiary in April 2022, will be added to consolidated earnings from Q2 onward. Negative goodwill is expected to arise in association with the share swap with Nexus Bank, but this is not factored into the revised full-year forecast, because the amount is undermined.

## Acquisition of shares in H.S. Securities Co., Ltd.

2022-02-10

On February 9, 2022, J Trust Co., Ltd. announced the acquisition of shares in H.S. Securities Co., Ltd., making it a subsidiary.

At its board of directors meeting held on the same day, the company resolved to acquire all outstanding shares in H.S. Securities Co., Ltd. from HS Holdings Co., Ltd. (JASDAQ: 8699) to make it a subsidiary and launch a new business. By leveraging the strengths of H.S. Securities and creating synergy with its credit guarantee services and overseas financial businesses, J Trust hopes to provide new services and diversify its product lineup.

With the above acquisition of shares, H.S. Securities will become a specified subsidiary of J Trust because the capital of H.S. Securities corresponds to 10% or more of J Trust's capital. J Trust is currently calculating the impact this will have on earnings in FY12/22.

For reference, H.S. Securities is a comprehensive securities company with its own investment banking division. Its strength lies in the sale of foreign currency-denominated bonds and foreign stocks. In FY03/21, it reported operating revenue of JPY3.7bn, operating profit of JPY561mn, recurring profit of JPY583mn, and net income of JPY363mn.

## Transfer of specified subsidiaries

2022-01-13

On January 12, 2022, J Trust Co., Ltd. announced a transfer of specified subsidiaries.

At a Board of Directors' meeting held on the same day, the company resolved to conduct a share exchange that would make the company a wholly owning parent company and Nexus Bank Co., Ltd. ("NB") a wholly owned subsidiary. As a result of the share exchange, NB's three subsidiaries—Samurai Technology, Nexus Card, and JT Chinae Savings Bank—will be the company's specified subsidiaries. The transfer (effective date of share exchange) is scheduled for April 1, 2022, and accordingly, NB's common stock is slated to be delisted on March 30, 2022.

## Cancellation of transfer of specified subsidiary JT Savings Bank Co., Ltd.

2021-12-01

J Trust Co., Ltd. announced the cancellation of the transfer of specified subsidiary JT Savings Bank Co., Ltd.

In a press release dated April 5, 2021, "Notice regarding the transfer of specified subsidiaries JT Capital and JT Savings Bank and extraordinary gains from the transfer," the company announced that it would transfer all shares in consolidated subsidiary

JT Savings Bank to VI Investment Corporation or a transferee to whom the transfer and assignment of positions, rights, and obligations as set out in the memorandum of understanding with VI Investment are approved by the company.

Under the memorandum of understanding and agreement to extend the transaction period, the deadline for the conclusion of the share purchase agreement was set as November 30, 2021. However, because the deadline was reached without agreement on contract terms between the company and the transferee, the company said it would cancel the share transfer.

# Profile

Company Name

**J Trust Co., Ltd.**

Phone

**03-4330-9100**

Established

**1977-03-18**

Website

<https://www.jt-corp.co.jp/>

IR Contact

-

IR Phone

-

Head Office

**Akasaka Enoki-zaka Bldg., 1-7-1 Akasaka, Minato-ku, Tokyo 107-0052**

Listed On

**Tokyo Stock Exchange, Standard Market**

Exchange Listing

**1998-09-08**

Fiscal Year-End

**Dec**

IR Web

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We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

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