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

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

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

Consolidated Statement of Changes in Equity

Notes to Consolidated Financial Statements

Non-Consolidated Statement of Changes in Equity

Notes to Non-Consolidated Financial Statements

(from April 1, 2018 to March 31, 2019)

J Trust Co., Ltd.

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

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

Overview of decisions regarding the Company's system and policy to implement appropriate and efficient operations and the implementation status thereof is as shown below (most recently revised on December 13, 2018).

1. System to ensure proper operation as a corporate group constituted by the Company and its subsidiaries (hereinafter, "the Group")

(1) While taking the basic approach that each Group company autonomously has in place a system to implement appropriate and efficient operations, the Group's implementation of appropriate and efficient operations shall be ensured under the adequate management and support provided by the Company.
(2) The Company shall establish "Document Management Rules for Affiliates" and require each Group company to obtain prior approval of the Company or report to the Company in regard to certain important matters.
(3) To ensure a system that enables the oversight of whether operations at subsidiaries are properly carried out, directors and employees of the Company or any person who is considered capable of overseeing if operations are properly carried out, equivalently to directors and employees of the Company, may assume the offices of Directors or Audit & Supervisory Board Members of subsidiaries. In addition, the Company's Internal Audit Team may conduct a direct audit on subsidiaries, and Audit & Supervisory Board Members and the Audit & Supervisory Board may conduct a direct examination on subsidiaries. The results are reported directly to President & CEO of the Company.
(4) General Accounting Department is in charge of management of accounting figures of subsidiaries and supervises the preparation of the consolidated financial statements of the Company.
(5) Management Meeting is held, attended by executives of each Group company, to track the performance and progress of each department, to examine the execution of duties and to implement appropriate measures.
(6) In principle, "The Company with Board of Directors" shall be established at each corporation within the Group.

[Overview of implementation status]

(1) (3) In principle, directors and employees of the Company or any person who is considered capable of overseeing if operations are properly carried out, equivalently to directors and employees of the Company, assume the offices of directors or Audit & Supervisory Board Members of subsidiaries to oversee if operations at subsidiaries are properly carried out. In addition, the Company's Internal Control and Audit Office conduct a direct audit on subsidiaries, and Audit & Supervisory Board Members and the Audit & Supervisory Board conduct a direct examination on subsidiaries. The results are reported directly to President & CEO of the Company.
(1) (5) The Company holds a monthly Management Meeting attended by executives of each Group company to discuss the operation and performance of the subsidiaries.
(2) The Company has established "Document Management Rules for Affiliates" and disseminated these rules by posting "Document Management Rules for Affiliates" on the internal groupware and other means, and requires each Group company to obtain prior approval of the Company or report to the Company in regard to certain important matters.
(4) General Accounting Department is in charge of management of accounting figures of the subsidiaries and supervises the preparation of the consolidated financial statements of the Company.
(6) In principle, "The Company with Board of Directors" is established at each corporation within the Group.

2. System to ensure that execution of duties by directors and employees of each Group company conforms to laws, regulations, and the Articles of Incorporation

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

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

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

(4) The Company shall establish Consultation Desk for Corporate Ethics in the Group and an external reporting and consultation contact to implement appropriate measures with regard to violations of the laws and regulations and other compliance issues.

(5) The name and information, etc. of an informant applicable to (4) above shall be kept secret, and any disadvantageous treatment of the informant for filing report on a violation of the laws and regulations or others shall be prohibited.

[Overview of implementation status]

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

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

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

(4) (5) The Company has established internal report desks in and outside of the Company, ensuring that appropriate measures are taken with regard to violations of the laws and regulations and other compliance issues. “Group Compliance Rule” provides that any employee who reports to or consults with an internal report desk shall not receive any disadvantageous treatment including personnel matters as a result of such report or consultation. The Company has disseminated this requirement thoroughly.

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

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

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

[Overview of implementation status]

(1) The relevant department of the Company has properly stored and managed legal minutes such as minutes of the Board of Directors meetings, minutes of the Management Meetings and other documents for the storage periods prescribed in “Document Management Rules”. When so requested, the relevant department has appropriately made them available to Directors or Audit & Supervisory Board Members of the Company.

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

4. Rules and system pertaining to management of potential loss at the Group
Risk management shall be addressed as below.

(1) The Company shall establish “Risk Management Rules” and prescribe the basic policy and structure concerning operational risk management to build and operate an appropriate risk management system and take proper measures.

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

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

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

[Overview of implementation status]

(1) The Company sets basic policies and systems relating to operational risk management in the “Risk Management Rules”, and strives to disseminate these rules by posting “Risk Management Rules” on the internal groupware and other means and to build and operate an appropriate risk management system and take proper measures.

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

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

5. System to ensure effective execution of duties by directors of each Group company

(1) The Board of Directors of the Company passes resolutions on important management issues and individual projects at regular monthly meetings of the Board of Directors and extraordinary meetings of the Board of Directors that are held as needed. The Board of Directors of subsidiaries also passes resolutions on important management issues and individual projects at regular meetings of the Board of Directors and extraordinary meetings of the Board of Directors that are held as needed.

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

(3) With regard to the execution of duties based on decisions, directors in charge shall give instructions to relevant supervisors according to “Organization Rules”, “Policies of Division of Duties”, and “Policies of Administrative Authority”, etc. If such execution of duties involves

multiple departments, necessary coordination is made between directors in charge of the departments to ensure efficient implementation system.

[Overview of implementation status]

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

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

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

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

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

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

[Overview of implementation status]

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

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

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

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

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

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

(5) The Company shall ensure prompt reporting to Audit & Supervisory Board Members of the Company in cases where an internal report is submitted to the Consultation Desk for Corporate Ethics in the Group or an external consultation contact with regard to violations of the laws and regulations and other compliance issues.
(6) A person who submits reports applicable to (1) and (2) above shall not receive any disadvantageous treatment for filing such reports.

[Overview of implementation status]
(1)(3) The Company's "Audit Standards for Audit & Supervisory Board Members" provides that the Audit & Supervisory Board Members may request clarification directly from Directors and Employees of the Company and Subsidiaries regarding the status of the execution of duties. Directors and Employees of the Company and Subsidiaries have appropriately responded on the request of the Audit & Supervisory Board Members.
(2) The Company's "Audit Standards for Audit & Supervisory Members" provides that Directors and Employees of the Company and Subsidiaries shall report to Audit & Supervisory Board Members of the Company for any matters that may cause material harm to the Group and when they find serious violations by Directors and Employees of each Group company. The Company has appropriately implemented the standards.
(4) The Company's "Audit Standards for Audit & Supervisory Board Members" provides that Audit & Supervisory Board Members may attend the Board of Directors' meeting and Management Meeting of each Group company to express their opinions and views. The Company has implemented the standards. President & CEO and Audit & Supervisory Board Members exchange opinions once every quarter and share information on management policies and issues that the Company is required to address. Moreover, the Company has been holding a monthly liaison meeting with the Audit & Supervisory Board Members of domestic subsidiaries to exchange and share the views and opinions among the Audit & Supervisory Board Members of the Group. In addition to these meetings, the Company had liaison meetings with the Audit & Supervisory Board Members with overseas subsidiaries again in the fiscal year under review, which were started in the previous fiscal year.
(5)(6) The Company's "Group Compliance Rule" provides that the Company shall have in place a system that a person who makes a report to any Audit & Supervisory Board Member shall not receive any disadvantageous treatment for filing such report. The system has been properly implemented. The Company has also established internal report desks in and outside of the Company, ensuring that any information to the desk is promptly escalated to the Audit & Supervisory Board Members.

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

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

[Overview of implementation status]

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

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

(1) The Group shall steer away from all anti-social forces and stand resolutely against any unreasonable demand by them.
(2) The Company has established "Rules on Exclusion of Anti-Social Forces", and if it receives unreasonable demand from anti-social forces, General Affairs Department shall address the

issue, and closely work with department heads and external specialist organizations such as the police to handle the issue systematically.

[Overview of implementation status]

(1)(2) The Group has established basic policies and measures for eliminating anti-social forces in its “Rules on Exclusion of Anti-Social Forces” and its “Manual to Deal with Unreasonable Demand and Violence”. The Company requires all employees to abide by the policies and measures thoroughly. The Company designated the General Affairs Department of the Company as the department to handle unreasonable demand, etc. by appointing an officer in charge of preventing unreasonable demand and has established a system to closely work with the police or Center for Elimination of Organized Crime Groups as appropriate.

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

1. Basic policy on corporate governance

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

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

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

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

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

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

With Our Corporate Philosophy, "For our customers, shareholders and ourselves, we make continuous effort to respond quickly to changing environments and challenge ourselves diligently to create a better future for the world", the Company focuses on the followings:

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

(2) Handle various issues swiftly while pursuing ingenuity and improvements without being satisfied with the status quo,

(3) Ensure accurate and timely information disclosure and uphold high ethical standards for business execution, and

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

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

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

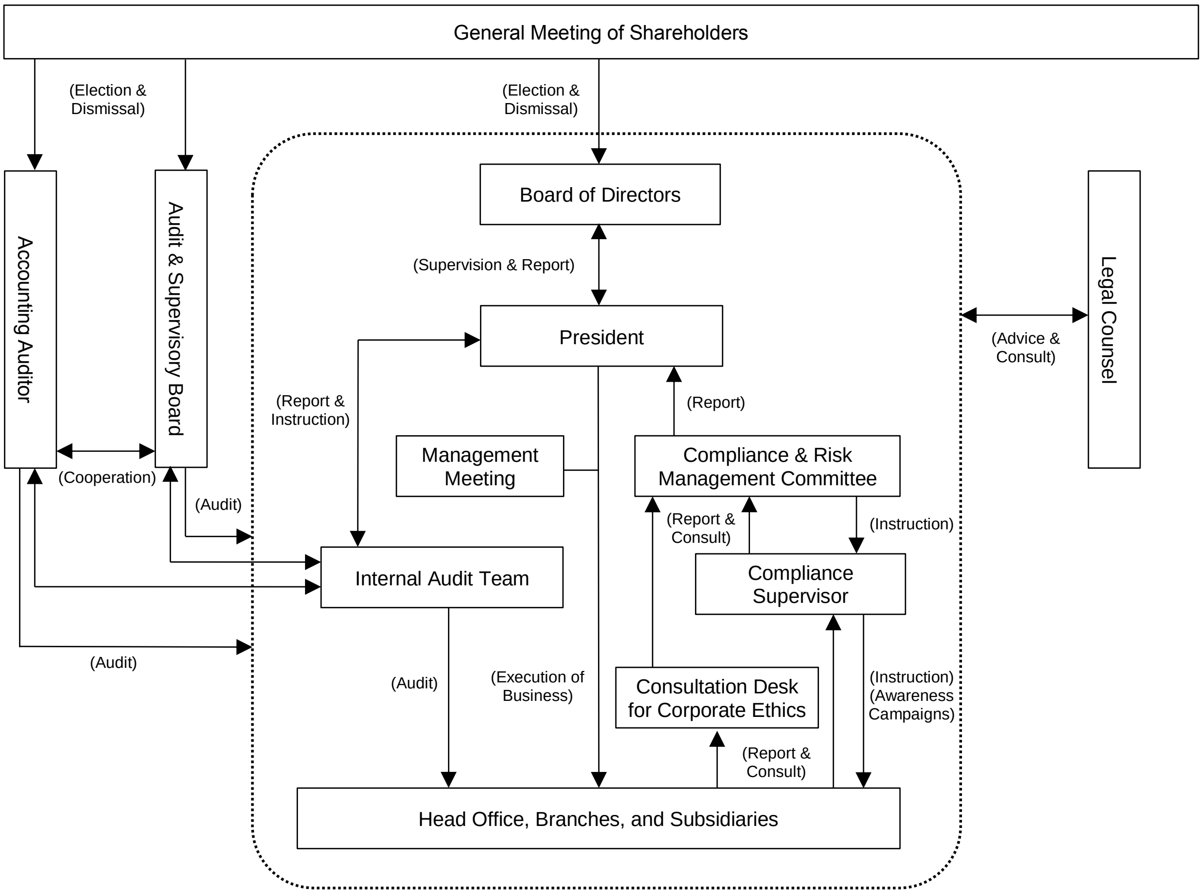
The Company adopts the Audit & Supervisory Board system. Of four Audit & Supervisory Board Members, two are outside Audit & Supervisory Board Members. The outside Audit & Supervisory Board Members come from the Ministry of Foreign Affairs and financial institutions, respectively. We believe this helps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

2. Basic Policy on Corporate Governance

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

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

3. Corporate Governance Structure



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total
	Share capital	Capital surplus	Treasury shares	Retained earnings	Other components of equity	Total		
Balance as of April 1, 2018	53,638	52,713	(7,685)	47,555	(1,854)	144,366	6,409	150,776
Cumulative effect of accounting change	–	–	–	(3,784)	(123)	(3,908)	(42)	(3,950)
Restated balance as of April 1, 2018	53,638	52,713	(7,685)	43,770	(1,978)	140,458	6,367	146,825
Loss	–	–	–	(36,107)	–	(36,107)	(568)	(36,676)
Other comprehensive income	–	–	–	–	(1,194)	(1,194)	11	(1,183)
Total	–	–	–	(36,107)	(1,194)	(37,302)	(557)	(37,859)
Issuance of new shares	1,121	1,118	–	–	–	2,240	–	2,240
Dividends of surplus	–	–	–	(1,236)	–	(1,236)	–	(1,236)
Purchase of treasury shares	–	–	(0)	–	–	(0)	–	(0)
Transfer from other components of equity to retained earnings	–	–	–	(5)	5	–	–	–
Other	–	20	–	3	–	23	–	23
Total contributions by and distributions to owners	1,121	1,139	(0)	(1,238)	5	1,027	–	1,027
Changes in ownership interest in subsidiaries	–	(8)	–	–	(0)	(8)	20	11
Dividends to non-controlling interests	–	–	–	–	–	–	(79)	(79)
Other	–	–	–	–	(2)	(2)	803	801
Total changes in ownership interest in subsidiaries	–	(8)	–	–	(2)	(10)	744	733
Total transactions with owners	1,121	1,130	(0)	(1,238)	2	1,016	744	1,761
Balance as of March 31, 2019	54,760	53,844	(7,685)	6,424	(3,170)	104,173	6,554	110,727

Notes to Consolidated Financial Statements

1. Significant Matters Regarding the Preparation of Consolidated Financial Statements

(1) Accounting Principles for Preparing Consolidated Financial Statements

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

(2) Scope of consolidation

Number of consolidated subsidiaries: 30 - all subsidiaries are included in the scope of consolidation.

Names of major consolidated subsidiaries:

Nihon Hoshou Co., Ltd.
Partir Servicer Co., Ltd.
J TRUST Card Co., Ltd.
KeyHolder, Inc.
Keynote Co., Ltd.
KeyStudio, Inc.
KeyProduction, Inc.
FA Project, Inc.
SKE, Inc.
J Trust System Co., Ltd.
JT Chinae Savings Bank Co., Ltd.
TA Asset Management Co., Ltd.
JT Savings Bank Co., Ltd.
JT Capital Co., Ltd.
JTRUST ASIA PTE. LTD.
PT Bank JTrust Indonesia Tbk.
PT JTRUST INVESTMENTS INDONESIA
PT JTRUST OLYMPINDO MULTI FINANCE
J Trust Credit NBFI

KeyStudio, Inc., KeyProduction, Inc. and SKE, Inc. have been included in the scope of consolidation because the Group established these subsidiaries during the current fiscal year.
In addition, since the Group acquired 60% of the shares in PT OLYMPINDO MULTI FINANCE (currently PT JTRUST OLYMPINDO MULTI FINANCE) and all the shares in Capital Continent Investment NBFI (currently J Trust Credit NBFI), these subsidiaries have been included in the scope of consolidation.
Our former consolidated subsidiary Highlights Entertainment Co., Ltd. was excluded from the scope of consolidation because we transferred all the shares during the current fiscal year.

(3) Application of equity method

Number of affiliates subject to equity method accounting: one

PT Group Lease Finance Indonesia

(4) Accounting period of consolidated subsidiaries

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

Company name	Closing date
JT Chinae Savings Bank Co., Ltd.	End of December
JT Savings Bank Co., Ltd.	End of December
JT Capital Co., Ltd.	End of December
PT Bank JTrust Indonesia Tbk.	End of December
PT JTRUST INVESTMENTS INDONESIA	End of December
PT JTRUST OLYMPINDO MULTI FINANCE	End of December
J Trust Credit NBFI	End of December

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

(5) Matters regarding accounting standards

(i) Valuation standards and methods for significant assets

1) Valuation standards and methods for financial assets

A. Non-derivative financial assets

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

i) Financial assets measured at amortized cost

Financial assets are subsequently measured at amortized cost if they meet the following conditions.

- The objective of the Group's business model is to hold financial assets to collect the contractual cash flow.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost are initially recognized at fair value plus transaction costs directly attributable to the acquisition. After the initial recognition, the carrying amounts of financial assets measured at amortized cost are subsequently measured using the effective interest method and accumulated impairment losses are deducted if necessary.

ii) Financial assets measured at fair value through other comprehensive income

Financial assets held by the Group are classified as debt instruments measured at fair value through other comprehensive income if they meet the following conditions.

- The financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After the initial recognition, financial assets are measured at fair value and subsequent changes are recognized in other comprehensive income. Upon disposal of the investment, the cumulative gain or loss that were recognized in other comprehensive income is reclassified from other components of equity to profit or loss as reclassification adjustments.

The Group may make an irrevocable election at its initial recognition to present in other comprehensive income changes in the fair value of an investment in equity instruments. Equity instruments measured at fair value through other comprehensive income are initially recognized at fair value plus transaction costs directly attributable to the acquisition and subsequent changes are recognized in other comprehensive income.

Upon disposal of the investment, the aggregate amount of any gain or loss recognized through other comprehensive income is transferred from other components of equity to retained earnings.
Dividends derived from financial assets measured at fair value through other comprehensive income are recognized in profit or loss as operating revenue or finance income.

iii) Financial assets measured at fair value through profit or loss
Other than the above “financial assets measured at amortized cost” or “financial assets measured at fair value through other comprehensive income”, financial assets are classified as “financial assets measured at fair value through profit or loss”. The assets include financial assets held for sale.
Investment in the equity instruments is measured at fair value and the changes in fair value are recognized in profit or loss. This does not apply; however, if the Group makes an irrevocable election at its initial recognition to present changes in the fair value of an investment in equity instruments in other comprehensive income.
Financial assets measured at fair value through profit or loss are recognized at fair value at the initial recognition and the changes are recognized in profit or loss. Its transaction cost at initial recognition is recognized in profit or loss when incurred.

iv) Impairment losses on financial assets
The Group recognizes provision for expected credit losses on (a) financial assets measured at amortized cost; (b) debt instruments measured at other comprehensive income; and (c) financial guarantees contracts.
Expected credit losses are measured as the difference between the current value of cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive. The Group measures expected credit losses collectively by grouping part of receivables in accordance with the delinquency status and nature of transactions from which receivables were recognized. If the Group is adversely affected by material economic fluctuations, past loan loss ratios are adjusted to reflect the current economic circumstance and future economic prospects.
The Group, at each reporting date, assesses whether credit risks significantly increased after the initial recognition. In assessing whether the credit risk materially increased, or whether the subject financial asset is credit impaired or not, the Group mainly considers the past due information and external credit ratings.
If credit risks associated with the financial assets did not increase materially after the initial recognition, the Group measures provision for expected credit losses on the subject financial assets at the amount equal to 12 months expected credit losses. Conversely, if credit risks associated with the financial assets have significantly increased, the Group measures provision for expected credit losses on the financial assets equal to the amount of estimated credit losses over the entire period. However, provision for expected credit losses for trade receivables, contract assets, and lease receivables are measured at amounts equal to the expected credit losses over the entire period regardless of whether credit risks have materially increased or not after the initial recognition.
The Group directly reduces the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof due mainly to bankruptcy discharges, debt forgiveness, or long-term delinquencies.
The Group recognizes the expected credit losses in profit or loss as impairment losses. If any event causing the reduction in the impairment losses has occurred after its recognition, it is recorded in profit or loss as a reversal of impairment losses. For purchased or originated credit-impaired financial assets, if the estimated credit losses for the entire period are less than the initial estimates included in the estimated future cash flows on initial recognition, any changes are recognized as impairment gain in profit.

B. Derivatives

The Group utilizes derivatives to hedge interest rate and foreign currency risks. Derivatives used by the Group are mainly currency swaps and forward exchange contracts. Changes in the fair value of derivatives are recognized in profit or loss immediately.

None of the above derivatives is subject to hedging accounting.

As for derivatives embedded in non-derivative financial products that are host contracts (embedded derivatives), if host contracts are financial liabilities, the Group separates these embedded derivatives from the host contracts and treats them as independent derivatives in accounting when their economic characters and risks are not closely related to the host contracts, independent financial products with the same conditions as those for the embedded derivatives match the definition of derivatives, and the whole financial products including the embedded derivatives are measured at fair value and their changes are not recognized in profit or loss.

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

A. Inventories

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

B. Property, plant and equipment (excluding leased assets)

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes cost directly relating to the acquisition of assets, the costs of dismantling and removing the assets, and restoration costs.

Depreciation expense for assets except for land and construction in progress is recognized mainly by the straight-line method over the respective estimated useful lives. The estimated useful lives of major asset items are as follows:

Buildings and structures	3 to 50 years

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

C. Goodwill and intangible assets (excluding leased assets)

i) Goodwill

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

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

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

ii) Intangible assets

Intangible assets that are acquired separately are measured at cost at the initial recognition and are amortized using the straight-line method over their estimated useful lives, excluding tangible assets with indefinite useful lives, and their values are stated by subtracting accumulated amortization and impairment losses from the acquisition costs. Intangible assets with indefinite useful lives are not amortized, but

are tested for impairment each period, or whenever there is any indication of impairment.
The estimated useful lives of major intangible assets are as follows:

Software	Mostly 5 years

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

D. Investment property
Investment property is property held for the purpose of obtaining rental income or capital gains, or both. Property, which is sold as ordinary course of operation or used for other administrative purposes is not included in investment property.
Investment property is stated at cost, net of accumulated depreciation and accumulated impairment losses.
Depreciation expense for assets except for land is recognized mainly by the straight-line method over the respective estimated useful lives. The range of estimated useful lives is 8 to 50 years. The estimated useful lives, residual values, and depreciation methods of assets are reviewed at the end of each fiscal year, and any changes are applied prospectively as a change in an accounting estimate.

E. Leased assets
Lease transactions in which substantially all the risks and rewards incidental to contractual ownership are transferred to the Group are classified as finance leases. All other lease transactions are classified as operating leases.
With regards to finance lease transactions, the Group initially recognizes lease assets at the fair value of the leased property or, if lower, the present value of the total amount of the minimum lease payments, each determined at the inception of the lease. After the initial recognition, the Group depreciates the assets using the straight-line method over the estimated useful lives or the lease term, whichever are shorter, or, in case that the ownership is transferred to lessees by the end of lease periods, over the estimated useful lives, according to the accounting policy applied to the assets.
Lease payments are apportioned between finance costs and repayment of lease obligations so as to produce a constant interest rate in proportion to the remaining balance of lease obligations. Finance costs are recognized in the consolidated statement of profit or loss.
Lease payments under operating leases transactions are recognized as expenses using the straight-line method over the lease term in the consolidated statement of profit or loss.

F. Impairment losses on non-financial assets
The Group assesses whether there is any indication of impairment for carrying amounts of non-financial assets, excluding inventories and deferred tax assets, on a quarterly basis. If any such indication exists, the recoverable amount of the asset is estimated. For goodwill and intangible assets with indefinite useful lives, or those not yet available for use, the recoverable amounts are estimated at the same time each year, regardless of whether there is any indication of impairment.
The recoverable amount of an individual asset or a cash-generating unit is measured at the higher of its value in use or fair value less its cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects the time value of money and the risks specific to the asset. Assets that are not tested separately in an impairment test are integrated into the smallest cash-generating unit that generates, by constant use, cash inflows that are generally independent from cash inflows in other assets or asset groups. In an impairment test for goodwill, the cash-generating unit to which the goodwill is allocated is so made that the goodwill is managed to be reported internally and the size of the unit

does not exceed that of a business segment. Goodwill acquired through business combinations is allocated to a cash-generating unit that is expected to benefit from synergies of the business combination.
The Group's corporate assets do not generate independent cash inflows. When there is an indication of impairment of corporate assets, the recoverable amount of the cash-generating unit to which the corporate assets belong is determined.
Impairment loss is recognized in profit or loss when the carrying amount of the asset or cash-generating unit exceeds the estimated recoverable amount. With regard to allocation of impairment losses recognized in association with cash-generating units, first, the carrying amount of goodwill that has been allocated to the unit is reduced, and then the carrying amount of other assets within the cash-generating unit is reduced proportionally.
For impairment losses recognized on goodwill, no reversal is made. For other assets, the Group assesses whether there is any indication that an impairment loss recognized in the past has decreased or no longer exists on a quarterly basis. If there is any indication of reversal of impairment loss and the recoverable amount of the asset or cash-generating unit exceeds its carrying amount, impairment losses are reversed. The impairment loss is reversed up to the carrying amount less any depreciation and amortization costs had no impairment loss been recognized.

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

(iii) Accounting standards for important revenues and expenses
1) Revenues
Except for interest and dividend income that IFRS 9 Financial Instruments specifies, the Group recognizes revenue in an amount that reflects the consideration to which the Group expects to be entitled in exchange for the transfer of promised goods or services to customers based on the below five-step model.
Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation
The revenue recognition standard under IFRS 15 "Revenue from Contracts with Customers" by major segment is described below.

A. Commission revenue
Major revenue includes exchange commission arising from financial business transactions.
For foreign exchange commissions, commission revenue is recognized at the time of each transaction when performance obligations are satisfied.

B. Sales revenue
For the sale of real estate (land, building) or goods, the Group recognizes sales revenue at the time of its delivery to a customer when performance obligations are satisfied and the customer acquires control of the real estate, etc. Revenue from real estate sales is measured at fair value of the consideration received, less discounts, rebates and revenue-related taxes. Considerations for real estate sales contracts are received

mainly within one year after the property was delivered to a customer. It does not include a significant financing component.

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

1) Foreign currency transactions

Foreign currency transactions are translated into the respective functional currencies of the group companies at exchange rates on the transaction dates.

Foreign currency monetary assets and liabilities are translated into the functional currency at the rates prevailing at the end of the period. Foreign currency non-monetary assets and liabilities that are measured at fair value are translated into the functional currency using the exchange rate at the date of measurement.

Translation differences arising from translations or settlements are recognized as profit or loss; provided, however, that translation differences arising from re-translation of financial assets measured at fair value and its changes recognized as other comprehensive income are recognized as other comprehensive income.

2) Financial statements of foreign operations

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

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

1) Post-employment benefits

A. Defined benefit plans

Defined benefit plans are retirement benefit plans other than defined contribution plans. The benefit plan obligation is calculated using the projected unit credit method. The present value of the defined benefit plan obligation is determined by a discount rate based on the market yields on high-quality bonds whose terms to maturity approximate to the terms when benefits are expected to be paid. The fair value of plan assets is discounted from the present value of defined benefit plan obligation.

Past service costs are recognized in profit or loss immediately.

An increase or decrease in liabilities (assets) due to re-measurement of the net amount of all defined benefit liabilities (assets) generated from the defined benefit plans is immediately recognized in other comprehensive income.

B. Defined contribution plans

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

2) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer of the contract to compensate for the contract holder's loss which is generated as a specific debtor fails to repay his/her debt even when the maturity date comes according to the initial or modified conditions for a debt instrument.

Financial guarantee contracts are measured at fair value at the time of initial contracts, and subsequently measured at the higher of: (i) the amount of provision for expected credit losses determined in accordance with the impairment requirements of IFRS 9 "Financial Instruments"; or (ii) the amount of initial recognition less the amount of cumulative revenue recognized in accordance with the principles of IFRS 15 "Revenue from Contracts with Customers".

3) Income taxes
   In the current fiscal year, the Company and certain domestic subsidiaries applied for approval of the adoption of the consolidated taxation system and it is to be adopted from the following fiscal year. Therefore, from the current fiscal year, deferred tax assets and liabilities are accounted for assuming the adoption of the consolidated taxation system.
4) Accounting method for consumption taxes
   Consumption taxes are excluded from revenues and expenses. However, amounts of nondeductible consumption taxes related to fixed assets are reported in “other assets” and depreciated equally over five years.

(vi) Changes in accounting policies
The Group has adopted IFRS 9 and IFRS 15 from the current fiscal year.

IFRS		Overview of the new standard or revision
IFRS 9	Financial Instruments	Revisions concerning the classification, measurement and impairment of financial instruments, and hedge accounting
IFRS 15	Revenue from Contracts with Customers	Revisions concerning accounting treatments for revenue recognition

In accordance with transitional arrangements to apply IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers”, the Group does not restate consolidated statement of financial position as of the beginning of the current fiscal year.

1) Adoption of IFRS 9 “Financial Instruments”
   A. Classification and measurement of financial assets
      Classification and measurement of financial assets at the commencement of the application are as described in “i) Financial assets measured at amortized cost” to “iii) Financial assets measured at fair value through profit or loss” of “1. Significant Matters Regarding the Preparation of Consolidated Financial Statements, (5) Matters regarding accounting standards, (i) Valuation standards and methods for significant assets, 1) Valuation standards and methods for financial assets”.
      Due to this, compared with the case where we would apply the previously adopted accounting standards, investment securities for banking business and retained earnings increased by 5,556 million yen and 130 million yen, respectively and loans for banking business and other components of equity dropped by 5,585 million yen and 127 million yen, respectively at the beginning of the current fiscal year. The decrease in loans for banking business is before deducting allowance for doubtful accounts.
   B. Impairment losses on financial assets
      Impairment losses on financial assets at the commencement of the application are as described in “iv) Impairment losses on financial assets” of “1. Significant Matters Regarding the Preparation of Consolidated Financial Statements, (5) Matters regarding accounting standards, (i) Valuation standards and methods for significant assets, 1) Valuation standards and methods for financial assets”.
      As a result, compared to the calculation in accordance with previous accounting standards, allowance for doubtful accounts and other components of equity rose by 4,165 million yen and by 3 million yen, respectively, and retained earnings declined by 3,914 million yen as at the beginning of the current fiscal year.
2) Application of IFRS 15 “Revenue from Contracts with Customers”
   Revenue recognition at the commencement of the application is as described in “1. Significant Matters Regarding the Preparation of Consolidated Financial Statements, (5) Matters regarding accounting standards, (iii) Accounting standards for important revenues and expenses, 1) Revenues”. This application has no significant impact on consolidated financial statements in comparison with the case that the previous accounting standard was applied.

2. Notes to Consolidated Statement of Financial Position
(1) The amount less than 1 million yen is rounded down.

(2) Pledged assets
Pledged as collateral

	(Millions of yen)
Trade and other receivables	29,534
Other financial assets	5,160
Inventories	6,241
Property, plant and equipment	23
Investment property	605
Total	41,565

Liabilities corresponding to the above

Bonds and borrowings	40,501
Total	40,501

Assets pledged as collateral are also used as collateral for financial guarantee contracts in relation to credit guarantee services other than the liabilities above.
In addition, shares of subsidiaries of 3,338 million yen that have been eliminated on consolidation are pledged as collateral for the borrowings above.
Other financial assets of 5,160 million yen are all deposits that are pledged as collateral as derivative deposits. Other than the above, based on regulations in countries where overseas subsidiaries operate their businesses, the Group holds deposits worth 21,632 million yen and investment securities for banking business worth 740 million yen with the central bank, etc. as payment reserves. These deposits are included in other financial assets in the consolidated statement of financial position.
There is no asset pledged as collateral by the Group to which the transferee has the right to sell the collateral or pledge it again as collateral.

(3) Allowance for doubtful accounts directly deducted from assets

	(Millions of yen)
Trade and other receivables	20,053
Loans for banking business	18,675
Other financial assets	24,821
Total	63,551

(4) Accumulated depreciation of property, plant and equipment 2,868 million yen

(5) Financial guarantee contracts
As part of the credit guarantee operation, the Group guarantees debts mainly owed by business operators and consumers to financial institutions.
The size of guarantees based on these contracts at the end of the current fiscal year is as follows.
Size of guarantees: 206,504 million yen

Note: The amount above includes 13,796 million yen in financial guarantee contracts, which are reported in the consolidated statement of financial position, as of the end of the current fiscal year.

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

(2) Impairment losses on fixed assets
The Group classifies its assets group into business assets, assets for lease, and idle assets.

Business assets are grouped by company and business segment, while assets for lease and idle assets are grouped by property.
Impairment losses are recorded in "loss from discontinued operations" in the consolidated statement of profit or loss.

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

For business assets (General Entertainment Business), the carrying amount was reduced to the recoverable amount as a result of an estimate of the recoverable amount made at the time of the change to assets held for sale.
Property, plant and equipment subject to impairment loss are "buildings and structures", "tools, furniture and fixtures", "land", and "other", and accounted for 284 million yen of impairment losses. The recoverable amount in assets subject to impairment loss is determined based on fair value less its cost of disposal.
Intangible assets subject to impairment loss is "software" and "other", and accounted for 83 million yen of impairment losses. Its recoverable amount is determined based on fair value less its cost of disposal.
The recoverable amount in business assets is 4 million yen.

(3) Discontinued operations
The Group transferred all shares in Highlights Entertainment Co., Ltd., a consolidated subsidiary, to SAI PARTNERS, Inc. in October 2018. As a result, profit and loss of Highlights Entertainment Co., Ltd. are categorized to be included as discontinued operations, and continued operations and discontinued operations are separately presented.
The profit and loss of discontinued operations are as follows:
Profit and loss of discontinued operations

	(Millions of yen)
Revenues (Note)	4,697
Expenses (Note)	7,484
Loss before tax from discontinued operations	(2,786)
Income tax expense	1
Loss from discontinued operations	(2,787)

(Note) The above includes 3,954 million yen in gain on sale of all shares in Highlights Entertainment Co., Ltd. in the current fiscal year and 3,954 million yen in loss on the transfer of loans receivable from Highlights Entertainment Co., Ltd. and 2,062 million yen in loss on valuation of inventories upon the Company's resolution to transfer its shares and receivables.

4. Notes to Consolidated Statement of Changes in Equity
(1) The class and total number of issued shares at the end of the current fiscal year
Common share 115,469,910 shares

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

Resolution	Class	Total dividends (millions of yen)	Dividend per share (yen)	Reference date	Effective date
The Board of Directors' meeting (May 14, 2018)	Common share	617	6	March 31, 2018	June 28, 2018
The Board of Directors' meeting (November 13, 2018)	Common share	618	6	September 30, 2018	December 5, 2018

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

Resolution	Class	Total dividends (millions of yen)	Source of funds	Dividend per share (yen)	Reference date	Effective date
The Board of Directors' meeting (May 13, 2019)	Common share	105	Retained earnings	1	March 31, 2019	June 27, 2019

(3) The class and number of shares underlying share acquisition rights at the end of the current fiscal year (excluding share acquisition rights of whose exercise period has not commenced):
Common share 151,800 shares

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

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

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

1) Credit risk
A credit risk is the risk of financial losses arising in the Group when a counterparty of a financial asset held by the Group defaults on contractual obligations.
Financial assets held by the Group are primarily trade receivables and banking-related assets held by the subsidiaries engaging in banking.
Trade receivables include accounts receivable - operating loans held by subsidiaries engaging in lending to consumers and business operators, purchased receivables held by subsidiaries engaging in purchases of accounts receivable, and advances paid – installment held by subsidiaries engaging in credit and consumer credit business. They are set forth as “trade and other receivables” and are exposed to credit risks of debtors.
Banking-related assets include “investment securities for banking business” and “loans for banking business”. “Investment securities for banking business” include primarily government and corporate bonds. They are exposed to credit risks depending on financial positions of issuers. “Loans for banking business” include unsecured loans to small and medium-size enterprises, business owners, and individuals. They are exposed to credit risks of those small and medium-size enterprises, business owners, and individual customers.

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

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

(iii) Risk management systems for financial instruments

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

reporting committee. Moreover, the audit department randomly examines the situation of credit management. The credit department manages credit risks of issuers by regularly obtaining their credit information.

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

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

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

(Millions of yen)

Category	Carrying amount	Fair value
(Financial assets)		
Trade and other receivables	106,735	108,332
Loans for banking business	326,234	329,524
Total	432,969	437,857
(Financial liabilities)		
Trade and other payables	14,613	14,262
Deposits for banking business	437,010	442,737
Bonds and borrowings	86,002	85,771
Total	537,627	542,771

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

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

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

quoted on the concerned exchange, prices presented by the underwriting financial institutions and by evaluation methods provided by credit rating organizations.

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

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

<u>Financial liabilities</u>

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

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

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

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

6. Note to Investment Property

(1) Matters concerning conditions of investment property

Investment property is property held for rental revenues or capital gains, or both and does not include real estate sold in the ordinary sales process or used for other management purposes.

(2) Matters concerning fair value of investment property

(Millions of yen)

Carrying amount	Fair value
916	1,025

The carrying amount of investment property is stated at cost, net of accumulated depreciation and accumulated impairment losses.

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

7. Notes to Per Share Information

(1) Equity per share attributable to owners of parent 983.96 yen

(2) Basic loss per share 349.70 yen

8. Notes to Significant Subsequent Events

(1) Acquisition of allfuz, inc. thorough a simplified share exchange

KeyHolder, Inc. ("KeyHolder" and its subsidiaries are collectively the "KeyHolder Group"), a consolidated subsidiary of the Company, resolved at its Board of Directors' meeting held on February 13, 2019, to implement a simplified share exchange (the "Share Exchange") in which KeyHolder becomes a wholly owning parent company and allfuz, inc. ("allfuz") becomes a wholly owned subsidiary. The Share Exchange took place on April 1, 2019. The overview is as follows:

(i) Overview of business combination

1) Name and business of an acquiree
Name: allfuz, inc.
Business: advertising planning, talent casting, digital content

2) Reasons for the business combination
The KeyHolder Group expects the Share Exchange to maximize synergies and increase corporate value of both parties as it can facilitate the decision-making of the KeyHolder Group and allfuz, utilizing the -knowledge and resources allfuz possesses in the areas of planning, marketing, promotion and management of events, advertising, talent/artist casting services as well as content-related products and services.

3) Effective date of business combination
April 1, 2019

4) Legal form of business combination
A share exchange in which KeyHolder becomes an owning parent company and allfuz becomes a wholly owned subsidiary.

5) Changes in corporate names after the business combination
No change

6) Percentage of voting rates acquired
100%

7) Major grounds for determining the acquiree
The decision is made on the grounds that it is a share exchange in which KeyHolder becomes a wholly owning parent company.

(ii) Exchange ratios by type of shares, calculation methods, and number of shares delivered

1) Share exchange ratio by type of shares
Common shares of KeyHolder 1 share
Common shares of allfuz 6,564 shares

2) Method of calculating the share exchange ratio
KeyHolder asked Cerisier & Co. ("Cerisier"), a third-party appraiser independent of KeyHolder and allfuz, to calculate the share exchange ratio (the "Share Exchange Ratio") to ensure the fair and appropriate Share Exchange Ratio.
Based on the evaluation made by Cerisier, KeyHolder and allfuz continued extensive discussions taking into consideration the financial conditions, status of assets and future projections on allfuz. The two companies agreed that the Share Exchange Ratio calculated by Cerisier is reasonable and contributes to the benefits of their shareholders.

3) Number of shares to be delivered
14,998,740 shares

(iii) Consideration in exchange for the acquisition
The fair value of common shares of KeyHolder delivered for the Share Exchange
1,754 million yen

(iv) The amount of goodwill and reasons for generating goodwill
Not yet determined

(2) Acquisition of shares of ANZ Royal Bank (Cambodia) Ltd.
The Company resolved at the Board of Directors' meeting held on May 17, 2018 that it will acquire 55.0% of the outstanding common shares of ANZ Royal Bank (Cambodia) Ltd. (hereinafter, "ANZR") from ANZ Funds Pty Ltd., and the share transfer agreement was concluded on the same day. However, in cooperation with ANZR, the Company is currently building a new IT platform and providing related training for employees as well as implementing various succession and transfer efforts for the business operation under the umbrella of the Company, and accordingly, the Company has decided to aim at acquiring the shares during the second quarter of the fiscal year ending December 31, 2019 (from July 2019 to September 2019), instead of during May 2019, to prepare thoroughly so that customer services will not be disrupted.

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surpluses	Other retained earnings: Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	53,638	52,979	52,979	28,663	28,663	(7,685)	127,595
Cumulative effects of changes in accounting policies				743	743		743
Restated balance	53,638	52,979	52,979	29,406	29,406	(7,685)	128,339
Changes in items during period							
Issuance of new shares	1,121	1,118	1,118				2,240
Dividends of surplus				(1,236)	(1,236)		(1,236)
Loss				(20,129)	(20,129)		(20,129)
Purchase of treasury shares						(0)	(0)
Net changes in items other than shareholders' equity							
Total changes in items during period	1,121	1,118	1,118	(21,365)	(21,365)	(0)	(19,125)
Balance at end of period	54,760	54,098	54,098	8,040	8,040	(7,685)	109,213

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	0	0	132	127,728
Cumulative effects of changes in accounting policies				743
Restated balance	0	0	132	128,471
Changes in items during period				
Issuance of new shares				2,240
Dividends of surplus				(1,236)
Loss				(20,129)
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	(1)	(1)	(11)	(12)
Total changes in items during period	(1)	(1)	(11)	(19,138)
Balance at end of period	(0)	(0)	120	109,333

Notes to Non-Consolidated Financial Statements

1. Matters regarding Significant Accounting Policies

(1) Valuation standards and methods for assets

Securities

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

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

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

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

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

(3) Accounting standards for provisions

Allowance for doubtful accounts

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

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

Accounting for consumption taxes

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

(5) Changes in accounting policies

The Company has applied the "Implementation Guidance on Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) effective from the beginning of the current fiscal year. Accordingly, the treatment for taxable temporary differences on shares of subsidiaries and others has been changed.

This change in accounting policies is applied retrospectively and cumulative effect of the accounting policies has been reflected in the carrying amount of net assets at the beginning of the current fiscal year.

Consequently, in the balance sheet for the previous fiscal year, deferred tax liabilities decreased by 743 million yen and retained earnings increased by 743 million yen compared with those before the retrospective application.

(6) Changes in presentation

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) effective from the current fiscal year. Accordingly, deferred tax assets (if any) were presented under "investments and other assets" and deferred tax liabilities (if any) were presented under "non-current liabilities".

(7) Additional information

In the current fiscal year, the Company applied for approval of the adoption of the consolidated taxation system and it is to be adopted from the following fiscal year. Therefore, from the current fiscal year, deferred tax assets and liabilities are accounted for assuming the adoption of the consolidated taxation system.

2. Notes to Non-Consolidated Balance Sheet

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

(2) Pledged assets

Assets pledged as collateral

Deposits	2,300 million yen
Shares of subsidiaries and associates	3,338 million yen
Total	5,638 million yen

Debts corresponding to the above

Short-term borrowings	180 million yen
Current portion of long-term borrowings	3,208 million yen
Long-term borrowings	7,183 million yen
Total	10,571 million yen

(3) Accumulated depreciation on property, plant and equipment 32 million yen

(4) Guarantee obligations

(i) Guarantee obligations related to operating activities

Subject of guarantee	Guaranteed amount	Type of guarantee
72,142 cases (business entities and consumers)	201,870 million yen	Borrowings from financial institutions and others

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

(ii) Guarantees related to subsidiaries and associates

Subject of guarantee	Guaranteed amount	Type of guarantee
Nihon Hoshou Co., Ltd.	2,810 million yen	Borrowings from financial institutions
J TRUST Card Co., Ltd.	1,699 million yen	Borrowings from financial institutions
JT Capital Co., Ltd.	1,600 million yen	Borrowings from financial institutions

(iii) Guarantees related to others

Subject of guarantee	Guaranteed amount	Type of guarantee
Executives and employees of the Company, and executives and employees of subsidiaries of the Company	319 million yen	Borrowings from financial institutions

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

Short-term monetary claims receivable from subsidiaries and associates	1,501 million yen
Long-term monetary claims receivable from subsidiaries and associates	1 million yen
Short-term monetary claims payable to subsidiaries and associates	1,131 million yen
Long-term monetary claims payable to subsidiaries and associates	142 million yen

3. Notes to Non-Consolidated Statement of Income

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

(2) Volume of transactions with subsidiaries and associates

Volume of operating transactions with subsidiaries and associates	
Operating revenue	5,081 million yen
Operating expenses	155 million yen
Volume of non-operating transactions	3 million yen

(3) Extraordinary losses

(i) Loss on valuation of shares of subsidiaries and associates is loss on valuation recorded for shares of subsidiaries.

(ii) Loss on liquidation of subsidiaries and associates due to transfer of shares was incurred due to the transfer of the full amount of loans receivable to a third party at the time when Highlights Entertainment Co., Ltd. was sold during the current fiscal year.

(iii) Loss on liquidation of subsidiaries and associates is due to the liquidation of Ryuen Co., Ltd.

4. Notes to Non-Consolidated Statement of Changes in Equity

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

Common share 9,598,538 shares

Note: Common treasury shares increased by 142 shares because the Company repurchased fractional unit shares during the period.

5. Notes to Tax Effect Accounting

Breakdown of major factors that caused deferred tax assets and liabilities

	(Millions of yen)
Deferred tax assets	
Shares of subsidiaries	8,448
Loss brought forward	6,608
Other	485
Subtotal - deferred tax assets	15,542
Valuation allowance for tax loss brought forward	(6,608)
Valuation allowance for total deductible temporary differences, etc.	(8,933)
Total deferred tax assets	–
Deferred tax liabilities	
Other	(21)
Total deferred tax liabilities	(21)
Net deferred tax liabilities	(21)

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

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

7. Notes to Transaction with Related Parties

(1) Subsidiaries, associates and others

Type	Company name Location	Share capital or investments in capital (millions of yen)	Business	Ratio of voting rights (Owned) (%)	Relationship with the related parties	Transaction details	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
Subsidiary	Nihon Hoshou Co., Ltd. Minato-ku, Tokyo	95	Finance	Direct 100	Concurrent holding of positions by executives of the Company; Credit guarantee	Credit guarantee for borrowings (note 1)	204,680	–	–
Subsidiary	J TRUST Card Co., Ltd. Miyazaki-shi, Miyazaki	90	Finance	Direct 99.9	Concurrent holding of positions by executives of the Company; Financing; Credit guarantee	Credit guarantee for borrowings (note 1)	1,699	–	–
Subsidiary	JT Capital Co., Ltd. Seoul Special City, South Korea	11,739	Finance	Direct 100	Concurrent holding of positions by executives of the Company; Credit guarantee	Credit guarantee for borrowings (note 1)	1,600	–	–
Subsidiary	PT Bank JTrust Indonesia Tbk. Jakarta, Republic of Indonesia	116,654	Banking	Direct 96.1 Indirect 1.0	Concurrent holding of positions by executives of the Company; Financing	Financing (note 2)	3,120	Long-term loans receivable from subsidiaries and associates	3,120
						Interest income	65	–	–
Subsidiary	PT JTRUST INVESTMENTS INDONESIA Jakarta, Republic of Indonesia	573	Collection of accounts receivable	Direct 14.7 Indirect 84.3	Concurrent holding of positions by executives of the Company; Financing	Financing (note 2)	1,840	Long-term loans receivable from subsidiaries and associates	1,840
						Interest income	2	–	–

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

Notes:

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

(2) Executives and major individual shareholders

Type	Name of a company or person	Ratio of voting rights (owned) (%)	Relationship with the related parties	Transaction details	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
Major shareholder (a person) and close relatives	Nobuyoshi Fujisawa	(Owned) Direct 12.91	Representative Director, President & CEO, J Trust Co., Ltd.	Exercise of share acquisition rights (note 1)	1,710	–	–
				Commitment to guarantee received for borrowings guaranteed by the Company (note 2)	32	–	–
Executive	Nobuiku Chiba	(Owned) Direct 0.4	Representative Senior Managing Director, J Trust Co., Ltd.	Exercise of share acquisition rights (note 1)	118	–	–
				Credit guarantee for borrowings (note 3)	110	–	–
Executive	Nobiru Adachi	0.0	Senior Managing Director, J Trust Co., Ltd.	Exercise of share acquisition rights (note 1)	39	–	–
Executive	Toru Myochin	0.0	Managing Director, J Trust Co., Ltd.	Exercise of share acquisition rights (note 1)	31	–	–
				Credit guarantee for borrowings (note 3)	30	–	–
Executive	Takaaki Kojima	0.0	Audit & Supervisory Board Member, J Trust Co., Ltd.	Exercise of share acquisition rights (note 1)	23	–	–
				Credit guarantee for borrowings (note 3)	8	–	–
Executive	Norio Igarashi	0.0	Director, J Trust Co., Ltd.	Exercise of share acquisition rights (note 1)	15	–	–
Executive	Yoshihide Iimori	0.0	Director, J Trust Co., Ltd.	Exercise of share acquisition rights (note 1)	15	–	–
				Credit guarantee for borrowings (note 3)	10	–	–
Executive	Makoto Kurokawa	0.0	Director, J Trust Co., Ltd.	Exercise of share acquisition rights (note 1)	15	–	–
				Credit guarantee for borrowings (note 3)	15	–	–
Executive of a subsidiary	Toshio Yasumatsu	0.0	Director, subsidiary	Exercise of share acquisition rights (note 1)	11	–	–
				Credit guarantee for borrowings (note 3)	10	–	–
Executive of a subsidiary	Osamu Fujiwara	0.0	Director, subsidiary	Exercise of share acquisition rights (note 1)	11	–	–
				Credit guarantee for borrowings (note 3)	11	–	–
Executive of a subsidiary	Nobuyuki Wake	0.0	Director, subsidiary	Exercise of share acquisition rights (note 1)	11	–	–
				Credit guarantee for borrowings (note 3)	5	–	–

Type	Name of a company or person	Ratio of voting rights (owned) (%)	Relationship with the related parties	Transaction details	Transaction amount (millions of yen)	Item	Balance at the end of period (millions of yen)
Executive of a subsidiary	Takeshi Umeki	0.0	Director, subsidiary	Exercise of share acquisition rights (note 1)	10	–	–
				Credit guarantee for borrowings (note 3)	10	–	–
Executive of a subsidiary	Shigeyoshi Asano	0.0	President and representative director, subsidiary	Exercise of share acquisition rights (note 1)	31	–	–
Executive of a subsidiary	Teruhiko Miwa	0.0	Director, subsidiary	Exercise of share acquisition rights (note 1)	15	–	–
				Credit guarantee for borrowings (note 3)	15	–	–

Terms and conditions or determination policies, etc. on terms and conditions.
Notes:
1. These represent the exercise of rights in the current fiscal year for stock options granted based on the resolution at the Board of Directors meeting on August 12, 2016. The "Transaction amount" column shows amounts calculated by multiplying the number of shares granted due to the exercise of rights of the stock options in the current fiscal year by the exercise price.
2. For certain borrowings of directors and employees of the Group guaranteed by the Company, a commitment to guarantee has been received. No guarantee fee is paid for the commitment to guarantee.
3. The Company acts as guarantor for guarantee obligations related to their borrowings from financial institutions.
   The guarantee commission rate is reasonably determined in consideration of the situation regarding subrogation receivable etc.

8. Notes to Per Share Information

(1) Net assets per share 1,031.56 yen
(2) Net loss per share 194.95 yen

9. Significant subsequent events

The Company resolved at the Board of Directors' meeting held on May 17, 2018 that it will acquire 55.0% of outstanding common shares of ANZ Royal Bank (Cambodia) Ltd. (hereinafter, "ANZR") from ANZ Funds Pty Ltd., and the share transfer agreement was concluded on the same day. However, in cooperation with ANZR, the Company is currently building a new IT platform and providing related training for employees as well as implementing various succession and transfer efforts for the business operation under the umbrella of the Company, and accordingly, the Company has decided to aim at acquiring the shares during the second quarter of the fiscal year ending December 31, 2019 (from July 2019 to September 2019), instead of during May 2019, to prepare thoroughly so that customer services will not be disrupted.