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, 2019 to December 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 Audit Office conducts 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 Corporate Ethics Consultation Desk 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 three times during the business period 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 Department 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 period 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 nine regular meetings of the Board of Directors and four extraordinary meetings of the Board of Directors during the business period 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 in principle, 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 Corporate Ethics Consultation Desk 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 standards provide that Audit & Supervisory Board Members of the Company 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 holds liaison meetings with the Audit & Supervisory Board Members of domestic and overseas subsidiaries to exchange and share the views and opinions among the Audit & Supervisory Board Members of the Group.
(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 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.

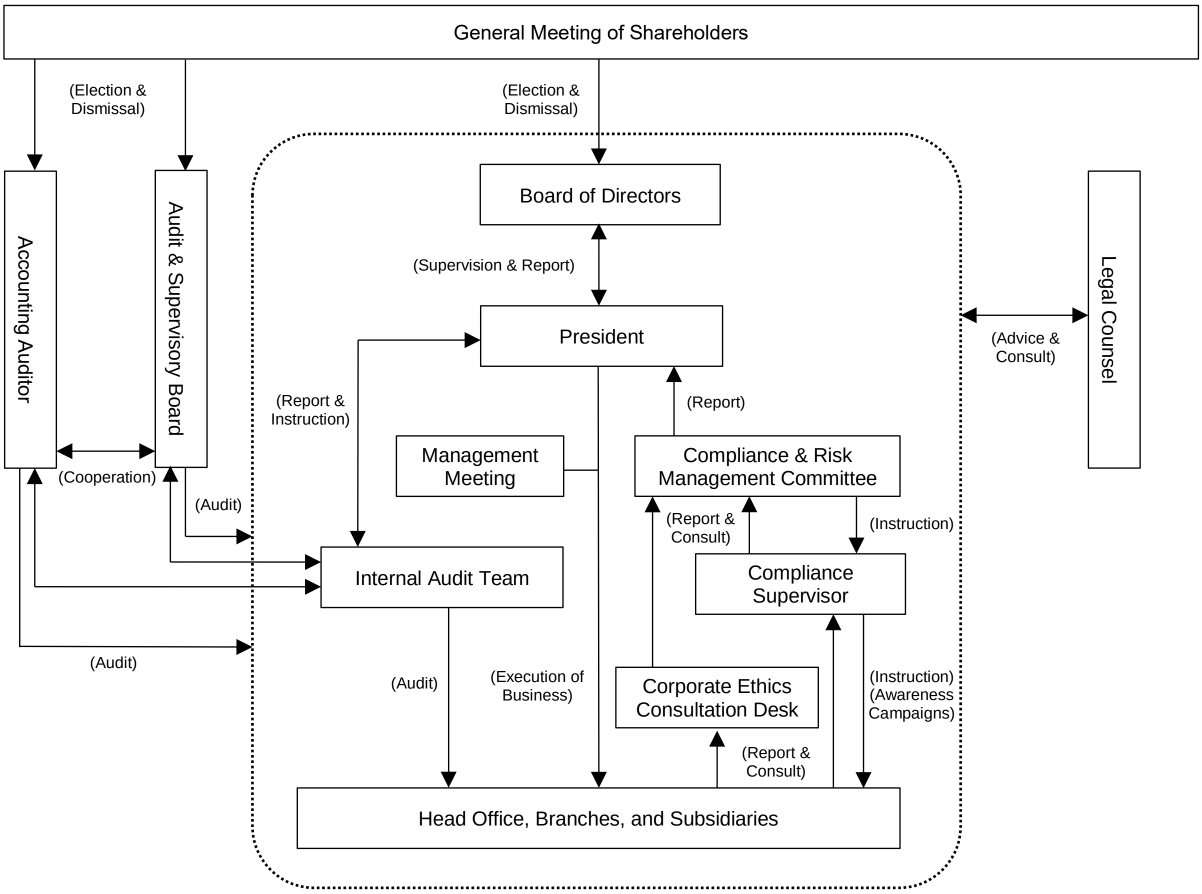
The Company adopts the Audit & Supervisory Board system. Of three Audit & Supervisory Board Members, two are outside Audit & Supervisory Board Members. The outside Audit & Supervisory Board Members come from the Ministry of Foreign Affairs and financial institutions, respectively. We believe this helps 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 Idea 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, 2019 to December 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, 2019	54,760	53,844	(7,685)	6,424	(3,170)	104,173	6,554	110,727
Cumulative effect of accounting change	–	–	–	(51)	–	(51)	(81)	(132)
Restated balance as of April 1, 2019	54,760	53,844	(7,685)	6,373	(3,170)	104,121	6,473	110,595
Loss	–	–	–	(3,249)	–	(3,249)	(476)	(3,725)
Other comprehensive income	–	–	–	–	(1,050)	(1,050)	377	(672)
Total	–	–	–	(3,249)	(1,050)	(4,299)	(99)	(4,398)
Dividends of surplus	–	–	–	(105)	–	(105)	–	(105)
Purchase of treasury shares	–	–	(0)	–	–	(0)	–	(0)
Transfer from other components of equity to retained earnings	–	–	–	0	(0)	–	–	–
Other	–	17	–	50	–	67	–	67
Total contributions by and distributions to owners	–	17	(0)	(54)	(0)	(38)	–	(38)
Changes in ownership interest in subsidiaries	–	220	–	–	1	222	1,532	1,754
Dividends to non-controlling interests	–	–	–	–	–	–	(561)	(561)
Change in scope of consolidation	–	–	–	–	–	–	11,441	11,441
Other	–	–	–	–	–	–	160	160
Total changes in ownership interest in subsidiaries	–	220	–	–	1	222	12,572	12,794
Total transactions with owners	–	237	(0)	(54)	0	184	12,572	12,756
Balance as of December 31, 2019	54,760	54,082	(7,685)	3,069	(4,219)	100,006	18,946	118,953

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: 37

Names of major consolidated subsidiaries:

Nihon Hoshou Co., Ltd.
Partir Servicer Co., Ltd.
J TRUST Card Co., Ltd.
KeyHolder, Inc.
Keynote Co., Ltd.
allfuz, Inc.
UNITED PRODUCTIONS, INC.
FA Project, Inc.
Zest, 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
J Trust Royal Bank Ltd.

J Trust Royal Bank Ltd. and Foolenlarge, Inc. have been included in the scope of consolidation because the Company acquired 55% of outstanding shares of ANZ Royal Bank (Cambodia) Ltd., currently known as J Trust Royal Bank Ltd., and the Company’s consolidated subsidiary KeyHolder, Inc. acquired all outstanding shares of Foolenlarge, Inc. during the current fiscal period.

Moreover, allfuz, Inc. has been included in the scope of consolidation because a share exchange in which KeyHolder, Inc., a wholly owned subsidiary of the Company, becomes a wholly owning parent company and allfuz, Inc. becomes a wholly owned subsidiary took place.

As for Foolenlarge, Inc., an absorption-type merger was conducted with the said company as the surviving company and KeyProduction, Inc. as the absorbed company, and the name of Foolenlarge, Inc. was changed to UNITED PRODUCTIONS, INC. Furthermore, as for allfuz, Inc., an absorption-type merger was conducted with the said company as the surviving company and KeyStudio, Inc. as the absorbed company.

SKE, Inc. changed its name to Zest, Inc.

(3) Application of equity method

Number of affiliates subject to equity method accounting: one

PT Group Lease Finance Indonesia

(4) Change in consolidated closing date

The Company's business year was a year from April 1 to March 31 of the following year. However, half or more of the Group's operating revenue is generated from overseas subsidiaries, and given such circumstances and our proactive overseas business expansion strategies going forward, the Company has changed its business year to a year from January 1 to December 31 by resolution at the 43rd Ordinary General Meeting of Shareholders held on June 26, 2019. The shift aims to further promote the globally integrated business operations and transparency of management through timely and appropriate disclosure of management information by having a uniform accounting period to coincide the parent's fiscal period with that of major overseas subsidiaries.

Accordingly, this fiscal period is a transitional period of a 9-month from April 1, 2019 to December 31, 2019. In addition, consolidated subsidiaries, except for some subsidiaries, also made the same change.

(5) Accounting period, etc. of consolidated subsidiaries

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

(6) 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 right-of-use 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 right-of-use 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:

Customer-related assets	Mostly 5 years
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. Leases

i) Lessee

The Group receives leases of certain property, plant and equipment and intangible assets. We determine whether the contract in question includes any lease or not at the inception of the lease. The Group measures the unsettled portions of the total lease liability in lease transactions at the present value, discounted using the lessee's incremental borrowing rate of interest at the lease commencement date. Right-of-use assets are initially measured as the initially measured amount of the lease liability adjusted by initial direct costs, lease incentives, prepaid lease payments, lease payables and others.

Right-of-use assets are depreciated using the straight-line method over the lease term. In the measurement of lease liabilities, the Group has chosen to recognize a lease component and a related non-lease component as a single lease component without separating them. For lease payments made, the amount less the interest rate on the lease liability is accounted for as a reduction in the lease liability.

However, for short-term leases with a lease term of 12 months or less and leases for which the underlying asset is of low value, right-of-use assets and lease liabilities are not recognized, and total lease payments are recognized as expenses over the lease term using the straight-line method or any other systematic basis.

In the consolidated statement of financial positon, right-of-use assets are included in “Property, plant and equipment”, “Investment property” and “Intangible assets”, and lease liabilities are included in “Other financial liabilities”.

ii) Lessor

In finance lease transactions, net investment in the lease is recorded as receivables at the inception of the lease.

In operating lease transactions, assets subject to operating leases are recorded in the consolidated statement of financial position and lease payments receivable is recognized as revenue 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.

C. Revenue from construction contracts
The Group engages in commercial facility construction business including design and building work. With regard to construction contracts, if certain conditions are met, revenue and cost are recognized as performance obligations are satisfied over a certain period. The progress in which performance obligations are satisfied is calculated based on the ratio of construction cost consumed to date to the estimated total construction cost necessary for construction contracts, etc. If there is a possibility that initial estimate of revenue or progress up to completion may change, the estimate is reviewed.

(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

The Company and certain domestic consolidated subsidiaries have adopted 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 started applying the following accounting standards from the current fiscal period.

IFRS		Overview of the new standard or revision
IFRS 16	Leases	Revisions concerning accounting treatments for leases

The recognition and measurement at the commencement of the application are as described in "E. Leases" of "2) Valuation standards and methods for non-financial assets, and depreciation methods of significant depreciable assets, (i) Valuation standards and methods for significant assets, (6) Matters regarding accounting standards, 1. Significant Matters Regarding the Preparation of Consolidated Financial Statements".

As a result, retained earnings at the beginning of the current fiscal period declined by 51 million yen compared to the case where previous accounting standards were used.

For leases that the Group classified previously as operating leases applying IAS 17, the Group has recognized right-of-use assets and lease liabilities at the date of the initial application of IFRS 16, and recorded right-of-use assets of 5,431 million yen and lease liabilities of 4,448 million yen as of the beginning of the current fiscal period.

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	41,075
Other financial assets	6,547
Inventories	6,707
Assets held for sale	75
Property, plant and equipment	1,165
Investment property	1,389
Total	56,960

Liabilities corresponding to the above

Bonds and borrowings	44,586
Total	44,586

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 6,547 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 23,792 million yen and investment securities for banking business worth 713 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	27,808
Loans for banking business	14,323
Other financial assets	20,313
Total	62,445

(4) Accumulated depreciation of property, plant and equipment 5,435 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 period is as follows.
Size of guarantees: 222,859 million yen

Note: The amount above includes 14,724 million yen in financial guarantee contracts, which are reported in the consolidated statement of financial position, as of the end of the current fiscal period.

3. Notes to Consolidated Statement of Changes in Equity
(1) The class and total number of issued shares at the end of the current fiscal period
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 13, 2019)	Common share	105	1	March 31, 2019	June 27, 2019

(ii) Of dividends whose reference date belongs to the current fiscal period, 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 (February 13, 2020)	Common share	105	Retained earnings	1	December 31, 2019	March 27, 2020

(3) The class and number of shares underlying share acquisition rights at the end of the current fiscal period (excluding share acquisition rights of whose exercise period has not commenced):
Common share 150,200 shares

4. 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, Indonesia and Cambodia 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, Indonesia and Cambodia. 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	100,391	101,104
Loans for banking business	370,174	362,010
Total	470,565	463,114
(Financial liabilities)		
Guarantee obligations	14,724	14,370
Deposits for banking business	483,402	488,538
Bonds and borrowings	85,105	85,099
Total	583,232	588,009

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.

• 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.

Financial liabilities
• Guarantee obligations
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.

5. Notes 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
2,309	2,236

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.

6. Notes to Matters Relating to Business Combinations

(1) Acquisition of allfuz, Inc. through a simplified share exchange

(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
KeyHolder, Inc. (“KeyHolder”) expects this share exchange (the “Share Exchange”) to maximize synergies and increase corporate value of both parties as it can facilitate the decision-making of the KeyHolder and allfuz, Inc. (“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 rights acquired
100%
7) Major grounds for determining the acquiring company
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 issued
14,998,740 shares

(iii) Consideration in exchange for the acquisition

	(Millions of yen)
The fair value of common shares of KeyHolder delivered for the Share Exchange	1,754
Acquisition cost	1,754

(iv) Assets acquired and liabilities assumed

Assets	(Millions of yen)
Trade and other receivables	723
Property, plant and equipment	579
Other	709
Total assets	2,012
Liabilities	
Trade and other payables	808
Bonds and borrowings	516
Other	250
Total liabilities	1,576

At this time, the above shows provisional amounts, since allocation of consideration for the assets acquired and liabilities assumed has not been completed.

(v) Goodwill arising from the acquisition

	(Millions of yen)
Consideration in exchange for the acquisition	1,754
Fair value of identifiable net assets acquired by the Group	436
Goodwill arising from the acquisition	1,318

Goodwill arising from the Share Exchange was recorded in the General Entertainment Business segment. Principal components of the goodwill are synergies with existing businesses and excess earnings power expected to arise from the acquisition, which do not individually satisfy the recognition criteria.
At this time, the above shows a provisional treatment because allocation of consideration in exchange for the assets acquired and liabilities assumed has not been completed.
The amounts of assets acquired and liabilities assumed have been adjusted due to the allocation of consideration for the acquisition in the period from October 1 to December 31, 2019.
Details of major adjustments are an increase in goodwill of 26 million yen and an increase in current liabilities of 18 million yen.

(vi) Trading related expenses
Trading related expenses for the Share Exchange were 9 million yen, and fully recorded as “selling, general and administrative expenses” in the consolidated statement of profit or loss.

(vii) Cash flows from the acquisition

	(Millions of yen)
Cash and cash equivalents paid for acquisition	–
Cash and cash equivalents held by the acquiree at the time of acquisition	474
Proceeds from acquisition of shares of subsidiary in the share exchange	474

(viii) Impact on business results
The Group’s consolidated statement of profit or loss includes operating revenue of 1,076 million yen and profit of 80 million yen that arose from allfuz on and after the date of acquisition.

(2) Acquisition of shares of ANZ Royal Bank (Cambodia) Ltd.
(i) Overview of business combination
1) Name and business of an acquiree
Name: ANZ Royal Bank (Cambodia) Ltd. (“J Trust Royal Bank”)
Business: commercial bank
2) Reasons for the business combination
As part of our growth strategies, the Company proactively pursues M&A activities centering on banking and financial business with a main focus on the business expansion in Southeast Asia.
The Company aims to further grow its business, innovate its retail strategy, and expand its target markets to segments with large growth potential. The share acquisition was conducted in an effort to expand business by taking advantage of the Group’s high receivables collection know-how, new product development capabilities, and a network of Japanese-affiliated companies in addition to J Trust Royal Bank’s diverse multinational customer base, as well as to build businesses in Myanmar and Laos with J Trust Royal Bank as the platform going forward.
3) Effective date of business combination
August 19, 2019
4) Legal form of business combination
Share acquisition in exchange for cash
5) Changes in corporate names after the business combination
J Trust Royal Bank Ltd.

6) Percentage of voting rights acquired
55.0%
7) Major grounds for determining the acquiring company
Because this is a business combination through a share acquisition in exchange for cash, it has been determined that the entity which delivered cash (the Company) is the acquiring company.

(ii) Consideration in exchange for the acquisition

	(Millions of yen)
Cash	10,803
Total	10,803

(iii) Assets acquired and liabilities assumed

Assets	(Millions of yen)
Cash and cash equivalents	34,711
Loans for banking business	44,463
Other	15,890
Total assets	95,064
Liabilities	
Deposits for banking business	67,692
Other	1,628
Total liabilities	69,321
Non-controlling interests	11,584

As a result of completion of the allocation of acquisition cost, gain on bargain purchase increased by 1,077 million yen from the provisionally determined amount.
Major changes in assets acquired and liabilities assumed from the initial provisional amounts are an increase in intangible assets of 2,022 million yen and an increase in deferred tax liabilities of 404 million yen.
Fair value of loans and other receivables for banking business acquired is 45,108 million yen and the gross contractual amount receivable is 45,564 million yen. The amount not expected to be collected is 455 million yen.
Non-controlling interests were measured at non-controlling shareholders' proportional share of fair value of the acquiree's identifiable net assets.

(iv) Goodwill arising from the acquisition

	(Millions of yen)
Consideration in exchange for the acquisition	10,803
Fair value of identifiable net assets acquired by the Group	14,158
Goodwill arising from the acquisition	(3,355)

Gain on bargain purchase arose due to net assets measured at fair value in excess of the consideration paid, and was recorded as "other income" in the consolidated statement of profit or loss.

(v) Trading related expenses
Trading related expenses for the share acquisition were 2,193 million yen, and fully recorded as "selling, general and administrative expenses" in the consolidated statement of profit or loss.

(vi) Cash flows from the acquisition

	(Millions of yen)
Cash and cash equivalents paid for the acquisition	(10,803)
Of which the amount paid up to the previous fiscal year	459
Net	(10,344)
Cash and cash equivalents held by the acquiree at the time of acquisition	34,711
Proceeds from acquisition of shares of subsidiary	24,366

(vii) Impact on business results

The Group's consolidated statement of profit or loss includes operating revenue of 1,733 million yen and profit of 89 million yen that arose from J Trust Royal Bank on and after the date of acquisition.

On the assumption that the business combination had been implemented on April 1, 2019, the beginning of the current fiscal period, the Group's total operating revenue would be 60,110 million yen and loss would be 2,990 million yen (unaudited information).

7. Notes to Per Share Information

(1) Equity per share attributable to owners of parent 944.61 yen

(2) Basic earnings (loss) per share (30.69) yen

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(from April 1, 2019 to December 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	54,760	54,098	54,098	8,040	8,040	(7,685)	109,213
Changes in items during period							
Dividends of surplus				(105)	(105)		(105)
Profit				2,832	2,832		2,832
Purchase of treasury shares						(0)	(0)
Net changes in items other than shareholders' equity							
Total changes in items during period	–	–	–	2,726	2,726	(0)	2,726
Balance at end of period	54,760	54,098	54,098	10,767	10,767	(7,685)	111,940

	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)	120	109,333
Changes in items during period				
Dividends of surplus				(105)
Profit				2,832
Purchase of treasury shares				(0)
Net changes in items other than shareholders' equity	(4)	(4)	(0)	(5)
Total changes in items during period	(4)	(4)	(0)	2,721
Balance at end of period	(5)	(5)	119	112,054

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

(i) 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.

(ii) Provision for loss on guarantees
To prepare for loss on credit guarantee, etc., the estimated amount of loss is recorded.

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

(i) 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.

(ii) Adoption of consolidated taxation system
The consolidated taxation system is adopted.

(iii) Change in accounting period
It was resolved, at the 43rd Ordinary General Meeting of Shareholders held on June 26, 2019, to make partial amendments to the Articles of Incorporation, and the fiscal year was changed to a year from January 1 to December 31. As the transition measure, the current fiscal period consists of nine months from April 1, 2019 to December 31, 2019.

2. Notes to Non-Consolidated Balance Sheet

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

(2) Pledged assets

Assets pledged as collateral

Deposits	1,840 million yen
Shares of subsidiaries and associates	3,338 million yen
Total	5,178 million yen

Debts corresponding to the above

Short-term borrowings	400 million yen
Current portion of long-term borrowings	4,422 million yen
Long-term borrowings	8,381 million yen
Total	13,203 million yen

(3) Accumulated depreciation on property, plant and equipment 33 million yen

(4) Guarantee obligations

(i) Guarantee obligations related to operating activities

Subject of guarantee	Guaranteed amount	Type of guarantee
66,907 cases (business entities and consumers)	207,648 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.	2,386 million yen	Borrowings from financial institutions
J TRUST Card Co., Ltd.	1,717 million yen	Borrowings from financial institutions
Partir Servicer Co., Ltd.	27 million yen	Borrowings from financial institutions
J Trust System Co., Ltd.	1,643 million yen	Borrowings from financial institutions
JT Capital Co., Ltd.	1,953 million yen	Borrowings from financial institutions
JTRUST ASIA PTE. LTD.	200 million yen	Borrowings from financial institutions and others
PT JTRUST INVESTMENTS INDONESIA	276 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	304 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	3,356 million yen
Long-term monetary claims receivable from subsidiaries and associates	1 million yen
Short-term monetary claims payable to subsidiaries and associates	154 million yen
Long-term monetary claims payable to subsidiaries and associates	151 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	4,529 million yen
Operating expenses	126 million yen
Volume of non-operating transactions	1,471 million yen

(3) Extraordinary losses

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

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

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

Common share 9,598,666 shares

Note: Common treasury shares increased by 128 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	8,494
Loss brought forward	5,988
Others	603
Subtotal - deferred tax assets	15,086
Valuation allowance for tax loss brought forward	(5,988)
Valuation allowance for total deductible temporary differences, etc.	(9,097)
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; Borrowing of business funds; Credit guarantee	Borrowing of short-term business funds (note 1)	4,000	–	–
						Repayment of short-term business funds (note 1)	4,000		
						Credit guarantee for borrowings (note 2)	210,034	–	–
Subsidiary	J Trust System Co., Ltd. / Minato-ku, Tokyo	80	IT system	Direct 100	Concurrent holding of positions by executives of the Company; Financing; Credit guarantee	Advances for capital investment, etc. (note 3)	2,116	Advances paid (note 4)	1,724
						Repayment for advances	1,617		
						Credit guarantee for borrowings (note 2)	1,643	–	–
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 2)	1,717	–	–
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 2)	1,953	–	–
Subsidiary	PT Bank JTrust Indonesia Tbk. / Jakarta, Republic of Indonesia	116,654	Banking	Direct 86.6 Indirect 5.6	Concurrent holding of positions by executives of the Company; Subscription of bonds	–	–	Bonds of subsidiaries and associates (note 5)	3,160
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; Credit guarantee	Collection of funds	3,021	–	–

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	JTRUST ASIA PTE. LTD. / Singapore	33,540	Invest-ment	Direct 90.6 Indirect 9.3	Concurrent holding of positions by executives of the Company; Credit guarantee	Subscription of capital increase (note 6)	5,706	–	–

Terms and conditions or determination policies, etc. on terms and conditions.
Notes:
1. For the borrowing of short-term business funds, the borrowing interest rate is reasonably determined based on market interest rates.
2. 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.
3. For the advances for capital investment, etc., the Company claims for reimbursement for actually incurred expenses as advances based on various contracts for intangible assets built by J Trust System Co., Ltd., a consolidated subsidiary.
4. Allowance for doubtful accounts of 626 million yen was recorded in relation to advances paid to J Trust System Co., Ltd.
5. With regard to the subscription of bonds, interest free terms have been set.
6. With regard to the subscription of capital increase, the full amount of a capital increase conducted by the subsidiary was subscripted.

(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 14.08	Representative Director, President & CEO, J Trust Co., Ltd.	Commitment to guarantee received for borrowings guaranteed by the Company (note 1)	32	–	–
Executive	Nobuiku Chiba	(Owned) Direct 0.44	Representative Senior Managing Director, J Trust Co., Ltd.	Credit guarantee for borrowings (note 2)	110	–	–
Executive	Yoshihide Iimori	(Owned) Direct 0.02	Director, J Trust Co., Ltd.	Credit guarantee for borrowings (note 2)	10	–	–
Executive of a subsidiary	Toru Myochin	(Owned) Direct 0.03	Chief Executive Officer, subsidiary	Credit guarantee for borrowings (note 2)	30	–	–
Executive of a subsidiary	Makoto Kurokawa	(Owned) Direct 0.01	Director, subsidiary	Credit guarantee for borrowings (note 2)	15	–	–
Executive of a subsidiary	Osamu Fujiwara	(Owned) Direct 0.04	Senior managing director, subsidiary	Credit guarantee for borrowings (note 2)	11	–	–
Executive of a subsidiary	Teruhiko Miwa	(Owned) Direct 0.01	Vice President Director, subsidiary	Credit guarantee for borrowings (note 2)	15	–	–

Terms and conditions or determination policies, etc. on terms and conditions.
Notes:
1. 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.
2. 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	1,057.27 yen
(2) Earnings per share	26.76 yen