J TRUST

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Company Research and Analysis Report
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Growing as an integrated financial services group for a new age

J Trust is a holding company engaged primarily in extending financial products, such as loans, credit guarantee and credit cards, to businesses and individual consumers. In the fiscal year through March 2012, i.e., FY3/12, the company expanded rapidly through aggressive, large acquisitions, such as the purchases of KC Card and Takefuji. J Trust made Neoline Holdings (present JT Investment), which had been wholly owned by J Trust President and CEO Nobuyoshi Fujisawa, a wholly owned subsidiary in July 2012. J Trust group thus eliminated potential conflicts of interest with the Neoline group, which had been a source of concern to some investors, and made the operations of J Trust group more transparent. In the future, J Trust group aims to shift its stock listing to markets other than the Second Section of the Osaka Securities Exchange, where they are now listed.

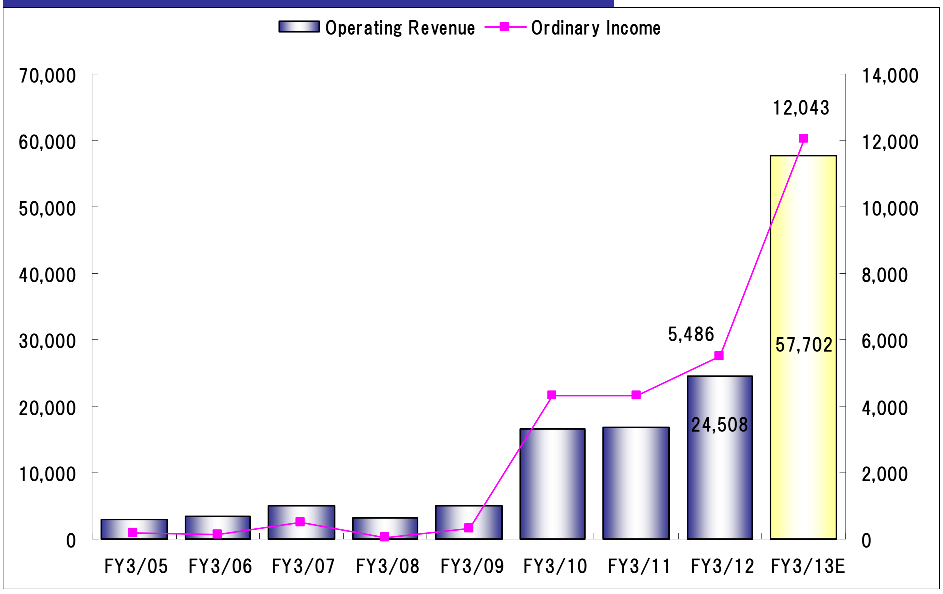
In FY3/12, J Trust's consolidated operating revenue grew by 44.9% year-on-year (below, "yoy") and its operating income increased by 28.1% yoy. Thus, both operating revenue and operating income increased for the fifth straight year, and operating income reached a record high. Much of this growth was contributed by KC Card, which was purchased by J Trust in August 2011. In March 2012, J Trust bought Takefuji, in June 2012, it took a controlling interest in Adores (4712), making it a fully consolidated subsidiary, and in July 2012, it made JT Investment a wholly owned, consolidated subsidiary. With the contributions of these companies, J Trust projects a 135.4% yoy rise in operating revenue and a 97.1% yoy increase in operating income for FY3/13. J Trust has already raised its forecasts for FY3/13 twice, and it may raise them again, depending on the company's negotiations to support Mirae Savings Bank of Korea. In July 2012, it was selected by the Korean Deposit Insurance Corporation (below, "KDIC") for preferential negotiating rights to support this bank.

Over the medium-to-long term, J Trust aims to become a comprehensive financial services company catering to a new age. To reach this goal, the company's strategy is to expand its credit guarantee business, penetrate overseas markets, build up its business-to-consumer (below, "B-to-C") business to increase the number of credit card customers, and increase its assets through the purchase of loan claims. Thus, the company intends to maintain an aggressive management style that includes mergers and acquisitions.

Check Points

- J Trust has already raised its forecasts for FY3/13 twice
- New acquisitions may allow it to exceed its current forecasts for FY3/13
- The company applies its unique knowhow to achieve high growth with little business risk.

Operating Revenue and Ordinary Income (¥mn), FY3/05 - FY3/13E



Company Description

Expansion through aggressive M&A since FY3/08

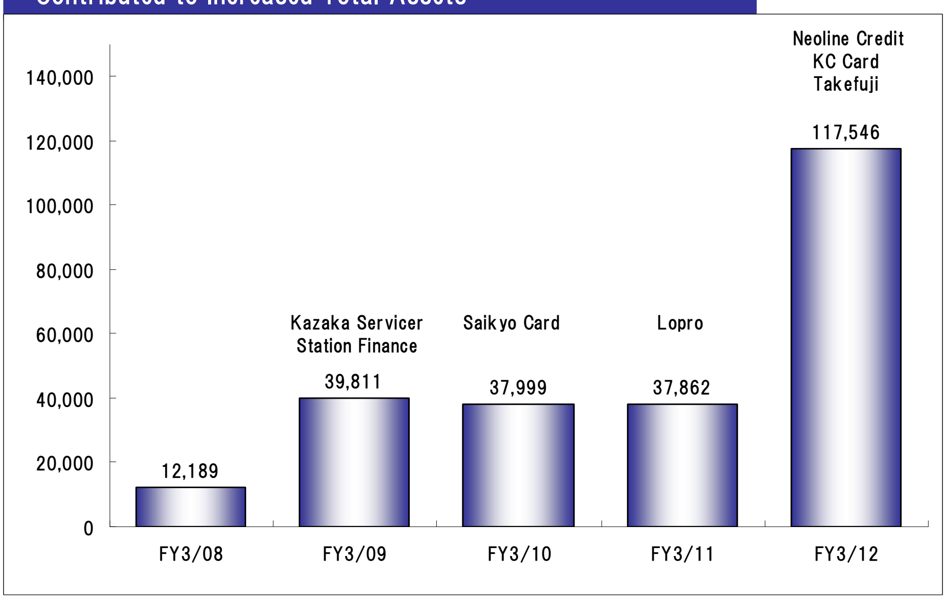
J Trust is a holding company with 18 subsidiaries as of the end of June 2012 engaged primarily in extending financial products, such as loans, credit guarantee and credit cards, to businesses and individual consumers. The company also undertakes amusement business, real estate and IT systems operations.

In March 2008, J Trust President and CEO Nobuyoshi Fujisawa became the top shareholder of J Trust. He then shifted the company’s strategy to expanding through aggressive M&A amid a severe operating environment for non-bank financial services. In the four fiscal years through FY3/12, J Trust made seven major acquisitions. The pace of expansion accelerated in FY3/12, with the purchases of Neoline Credit, which offers consumer finance services in South Korea, KC Card and Takefuji. Thus, the total assets of J Trust grew from ¥12.1bn at the end of March 2008 to ¥117.5bn at the end of March 2012, and J Trust’s operating revenue increased to ¥24.5bn in FY3/12, nearly eight times larger than its operating revenue of ¥3.2bn in FY3/08.

■Company Description

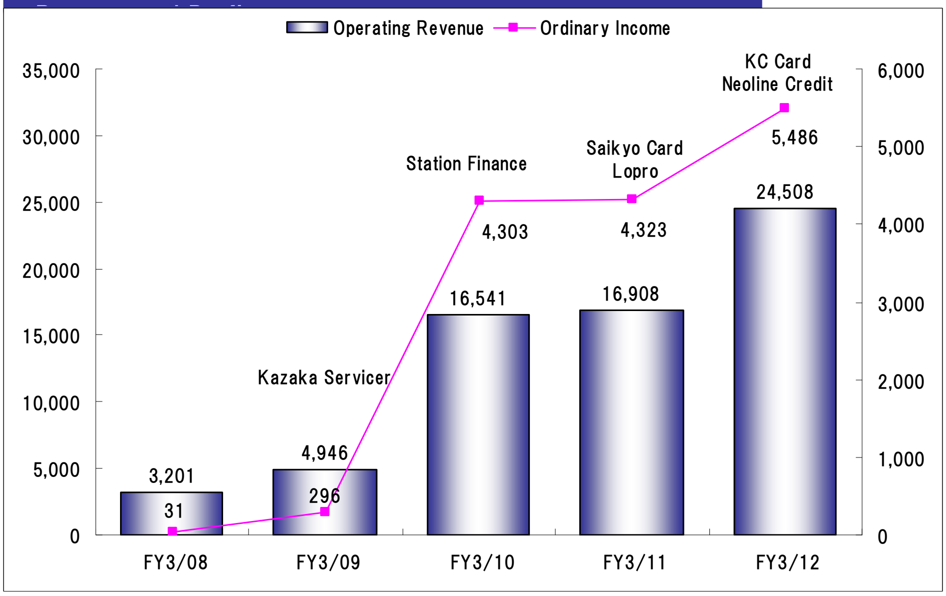
Year	Content
August-08	Bought Kazaka Servicer Co., Ltd. (now Partir Service Co., Ltd) from Kazaka Finance Co. Ltd (now CROSS CEED Co. Ltd) for ¥500mn.
March-09	Purchased Station Finance Co. Ltd. (now Nihon Hoshou Co. Ltd.) from Hankyu Corporation for ¥865,000.
March-10	Bought 50% of Saikyo Card Co. Ltd. from Saikyo Bank, having bought 30% in May 2009. The 80% stake cost ¥1bn. After taking an 80% stake, J Trust made Saikyo Card Co. Ltd a consolidated subsidiary.
September-10	Bought all of Lopro Corporation (now Nihon Hoshou Co. Ltd.) Japan for ¥300mn.
December-10	Lopro Corporation (now Nihon Hoshou Co. Ltd.) absorbed through merger J Trust Financial Service Co., Ltd, previously called Station Finance Co. Ltd.
April-11	Bought Neoline Credit Co. Ltd. from Neoline Holdings Co. Ltd. for ¥700mn. Neoline Credit Co. Ltd. is engaged in consumer financial services in South Korea. This was the first overseas operation for J Trust.
August-11	Bought KC Card Co. Ltd. from Rakuten KC Co., Ltd. for ¥4.4bn.
March-12	Bought the consumer loan business of Takefuji Corporation for ¥25.2bn and transferred it to Lopro Corporation
April-12	Absorbed Next Japan Holdings through a share transfer and converted it to Break Co., Ltd., a consolidated subsidiary. Break Co. Ltd. was merged into J Trust in July 2012.
April-12	Bought Takasen Co. Ltd. from the Nissenren Takamatsu City Association for ¥475mn. Takasen Co. Ltd was merged into J Trust in July 2012.
June-12	Took a 34.16% stake in Adores Inc. (4712), giving it control of the company, and made it a consolidated subsidiary.
July-12	Bought all of the shares of Neoline Holdings (now JT Investment Co. Ltd) from NLHD for ¥11bn. Neoline Holdings' subsidiaries CREDIA Co. Ltd, AAD Co., Ltd., and NL Value Capital K.K. became subsidiaries of J Trust.
September-12	Lopro Corporation merged with Nihon Hoshou Co. Ltd and change its name to Nihon Hoshou Co. Ltd

Consolidated Total Assets of J Trust (¥mn) and Fiscal Years in which Seven Main Acquisitions since FY3/08 Contributed to Increased Total Assets



■Three-year Management Plan

Consolidated Operating Revenue and Ordinary Income (¥mn) of J Trust and Fiscal Years in which Six Main Acquisitions since FY3/08 Contributed to Increased



Since April 2012, J Trust has continued to acquire and merge other companies, including Next Japan Holdings (merged with J Trust in July 1, 2012), Adores, and JT Investment (former Neoline Holdings). JT Investment had been totally owned and managed by J Trust President and CEO Fujisawa, which was the cause of concern about the management transparency of J Trust as a listed company. By formally merging JT Investment, however, JT Trust increased the transparency of its management and strengthened its ability to earn higher profits.

	Loans to businesses	Consumer loans	Consumer credit	Credit guarantee	Debt Factoring	Credit cards	Other businesses	Remarks
Lopro Corporation (now Nihon Hoshou Co. Ltd.)	O	O	O	O	O			Renamed Nihon Hoshou in Sept. 2012
Partir Servicer One					O			A limited liability company that factors debt for Lopro
KC Card Co., Ltd			O	O		O		
Partir KC					O			A limited liability company that factors debt for KC Card
Partir Servicer Co., Ltd					O		O	Purchases, manages and collects debt for J Trust and other companies
Partir					O			A limited liability company
Saikyo Card Co., Ltd		O	O					
Nihon Hoshou Co., Ltd				O				Absorbed by Lopro in Sept. 2012
Neoline Credit Co., Ltd		O						Conducts consumer finance business in South Korea
Keynote Co., Ltd							O	Conducts real estate business
J Trust System Co., Ltd							O	Develops computer systems, operates and maintains computers for the J Trust group
Since April 2012								
Break Co., Ltd.							O	Sells amusement equipment
Adores Inc							O	Operates amusement facilities
JT Investment Co., Ltd							O	Formerly called Neoline Holdings, engages in investment
CREDIA Co., Ltd	O	O		O				
AAD Co., Ltd							O	Engages in printing
NL Value Capital K.K.							O	Engages in investment

■FY3/12 Results

Fifth straight year of higher operating revenue and profits

In FY3/12, J Trust increased its consolidated operating revenue by 44.9% yoy to ¥24.5bn, raised its operating income by 28.1% yoy to ¥5.5bn, lifted its ordinary income by 26.9% yoy to ¥5.4bn, and upped its net income by 967% yoy to ¥34.5bn. Thus, FY3/12 was the fifth consecutive fiscal year of increased operating revenue and profits for the company, and both operating revenue and operating income reached record highs. Net income included ¥29.4bn of negative goodwill gains from the purchase of KC Card, but even without these gains, net income would have reached a record high, for the first time in two years.

The largest contributor to higher operating revenue in FY3/12 was an ¥8.6bn yoy increase in installment payment paying for commission after J Trust bought KC Card on August 1, 2011. Interest on loans grew by ¥600mn yoy, reflecting the contribution of Neoline Credit (Korea), which J Trust bought in April 2011. Annual membership fees for KC Card contributed to higher operating revenue, as did guarantee commissions received and gains on the amortization of debt collection. On the other hand, other financial revenue declined by ¥2.4bn yoy accompanying an increase in the collection from purchased receivables. Sales on real estate business fell by ¥500mn yoy because Japan' s real estate market was adversely impacted by the Great East Japan Earthquake of March 2011 in the first half of FY3/12. However, in the final quarter of FY3/12, the company generated record-high quarterly revenue from real estate operations.

Breakdown of Operating Revenue , and Growth Rates in FY3/12			Unit: (¥mn)
	FY3/11	FY3/12	Growth Rates
Interest on loans	2,960	3,639	22.9%
Discount revenue	141	204	44.6%
Collection from purchased receivables	2,669	2,740	2.6%
Installment payment paying for commission	616	9,236	1399.3%
Guarantee commission received	513	801	56.1%
Sales on real estate business	3,167	2,645	-16.4%
Other financial revenue	5,823	3,358	-42.3%
Other	1,015	1,882	85.4%
Operating revenue	16,908	24,508	44.9%

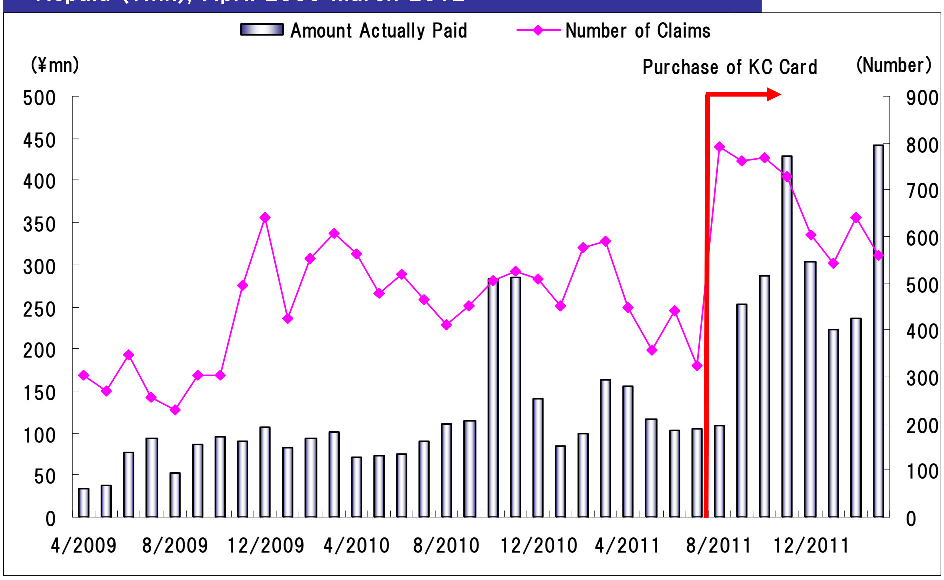
Breakdown of Quarterly Operating Revenue (¥mn) in FY3/11 and FY3/12								
	6/10	9/10	12/10	3/11	6/11	9/11	12/11	3/12
Interest on loans	866	805	667	620	949	948	906	835
Discount revenue	23	34	37	46	50	52	50	50
Collection from purchased receivables	176	557	1,029	907	903	511	698	627
Installment payment paying for commission	209	169	132	104	88	2,514	3,539	3,094
Guarantee commission received	128	125	113	146	145	167	196	291
Sales on real estate business	773	577	972	843	379	765	410	1,089
Other financial revenue	2,081	1,538	1,086	1,116	1,000	928	774	654
Other	209	244	219	342	255	442	563	619
Operating revenue	4,469	4,052	4,258	4,128	3,774	6,331	7,140	7,262

■FY3/12 Results

Breakdown of Quarterly Product Balances (¥mn) in FY3/11 and FY3/12								(As of End of Month, ¥mn)
	6/10	9/10	12/10	3/11	6/11	9/11	12/11	3/12
Commercial bills	1,458	1,507	1,750	1,900	2,158	2,060	2,084	2,119
Operating loans receivable	16,130	15,247	13,768	11,725	15,076	14,160	12,712	27,713
Advances paid-installment	3,191	2,502	1,952	1,443	1,295	80,831	74,440	65,024
Purchased receivables	5,063	4,688	4,816	4,008	3,355	3,000	2,510	2,310
Subrogation receivable	436	460	531	518	525	505	509	506
Long-term loans receivable	3,312	2,843	2,834	2,286	2,160	10,437	9,779	8,487
Credit guarantee balance	8,079	8,321	8,862	9,699	11,114	12,930	16,174	22,072

From September 2011, i.e. from a month after J Trust group bought KC Card, claims for refunds of excessive interest charged in the past by KC Card and other group members by the payers of the interest, or the amount actually repaid, increased temporarily. The amount of cash paid out increased yoy as of the end of FY3/12, but this was mainly due to a settlement with a lawyer. The amount claimed to be returned or actually returned seems to have peaked out, so there appears to be little probability that this amount will seriously erode group profits hereafter.

Number of claims Upon J Trust for Repayment of Excessive Interest Paid in the Past and Amounts Actually Repaid (¥mn), April 2009-March 2012



The balance of operating loans receivable increased quarter-on-quarter (below, “qoq”) in Q4 FY3/12 because of loans acquired with the purchase of Takefuji. The balances of advances paid-installment and long-term loans receivable increased qoq in Q2 FY3/11 because of the purchase of KC Card, which resulted in an increase of ¥88.4bn in the two balances combined. The balance of credit guarantees has risen steadily each quarter over the past two fiscal years, due to increased guarantees of loans extended by Saikyo Bank and Tokyo Star Bank. This rise reflects J Trust ’ s intention to make credit guarantee its main business. J Trust plans to expand this business utilizing the customer base of KC Card and Takefuji.

■FY3/12 Results

As J Trust group grew dramatically in FY3/12, its work force increased to 1,150 employees at the end of the fiscal year, from 540 employees at the end of FY3/11. Consequently, personnel cost rose by ¥2.3bn yoy in FY3/12. The company's bad debt expense grew by ¥1.2bn yoy and other overhead costs rose by ¥3.3bn yoy. However, other operating expenses declined by ¥600mn yoy, centered on the cost of purchased receivables and the cost of real estate sold, and Neoline Credit and KC Card contributed to higher operating profit.

As summarized in the table below, the financial services segment led the growth of operating revenue and income in FY3/12. In its first seven months as a member of the J Trust group, KC Card contributed ¥9.7bn of operating revenue and ¥4.2bn of operating income, the large majority of operating income, to the group's consolidated results. KC Card achieved high profitability for several reasons. For one, its assets were critically appraised before it was bought by J Trust, so KC Card did not have to increase its allowance for doubtful accounts. This appraisal also permitted KC card to lower its personnel cost and the cost of its computer system. Part of KC Card's computer system cost is fixed according to a contract signed by J Trust and Rakuten applicable to J Trust's acquisitions of businesses from Rakuten. Thus, it appears that KC Card will enjoy lower computer system costs than other card companies over the near term.

Segment Operating Income (¥mn), and yoy Rate of Change in FY3/12

	FY3/09	FY3/10	FY3/11	FY3/12	Growth Rate
Financial business	3,772	14,634	13,326	19,927	49.5%
Operating income	-159	3,888	4,017	5,571	38.7%
Operating income margin	-4.2%	26.5%	30.1%	27.9%	-
Real estate business	1,182	1,561	3,171	2,670	-15.8%
Operating income	488	340	407	131	-67.8%
Operating income margin	41.2%	21.7%	12.8%	4.9%	-
Overseas business	-	-	-	1,916	-
Operating income	-	-	-	303	-
Operating income margin	-	-	-	15.8%	-
Other businesses	-	570	865	859	-0.7%
Operating income	-	64	40	44	8.8%
Operating income margin	-	11.2%	4.6%	5.1%	-
Eliminations or corporate	-8	-225	-453	-864	-
Operating income	-88	-126	-141	-511	-
Consolidated operating revenue	4,946	16,541	16,908	24,508	45.0%
Consolidated operating income	240	4,165	4,324	5,539	28.1%
Consolidated operating income margin	4.9%	25.2%	25.6%	22.6%	-

■Q1 FY3/13 Results

KC Card and Takefuji contribute to large rise in operating income

On August 9, 2012, the company announced strong consolidated results for Q1 FY3/13. Operating revenue grew by 161.4% yoy to ¥9.8bn, operating income surged by 597.2% yoy to ¥4.0bn, ordinary income advanced by 559.7% yoy to ¥3.8bn, and net income jumped by 956.6% yoy to ¥3.9bn. Most of the ¥6bnincrease in operating revenue and ¥3.4bn rise in operating income was attributable to the contributions of KC Card and Takefuji. In Q1 FY3/12, KC Card, which is strong in installment payment paying for commission, was not yet a subsidiary. In Q1 FY3/13, it was a fully consolidated subsidiary and generated operating revenue of ¥3.3bn and operating income of ¥1.8bn. As shown in the table below, J Trust’ s installment payment paying for commission has been declining since Q3 FY3/12, but this decline reflects seasonal factors and an exodus of cardholders from the Rakuten group. However, the number of cardholders at KC Card has recently leveled off.

The former business of Takefuji was assumed by J Trust subsidiary Lopro (now Nihon Hoshou), so it is difficult to assess the contribution of Takefuji. However, in Q1 FY3/13, Lopro recorded operating revenue of ¥4.1bn, up ¥2.4bn yoy, and operating income of ¥1.7bn, up ¥1.6bn yoy. Most of this revenue and income was attributable to interest on loans extended by Takefuji in the past, Takefuji’ s gains on amortization of debt collection, and other financial revenue from Takefuji’ s previous operations.

Breakdown of Quarterly Operating Revenue (¥mn) in FY3/12 and Q1 FY3/13

	6/11	9/11	12/11	3/12	6/12
Interest on loans	949	948	906	835	1,444
Discount revenue	50	52	50	50	52
Collection from purchased receivables	903	511	698	627	530
Installment payment paying for commission	88	2,514	3,539	3,094	2,800
Guarantee commission received	145	167	196	291	359
Sales on real estate business	379	765	410	1,089	1,090
Gain on amortization of debt collection	86	122	133	193	1,359
Other financial revenue	1,000	928	774	654	1,707
Other	169	320	430	425	521
Operating revenue	3,774	6,331	7,140	7,262	9,867

■Q1 FY3/13 Results

Revenue and Operating Income (¥mn) Generated
by Main Subsidiaries of J Trust in Q1 FY3/12 and Q1 FY3/13

Lopro Corporation (now Nihon Hoshou Co., Ltd.)	6/11	6/12
Operating revenue	1,664	4,156
Operating income	177	1,797

KC Card Co., Ltd.	6/11	6/12
Operating revenue	-	3,321
Operating income	-	1,899

Partir Servicer Co., Ltd	6/11	6/12
Operating revenue	473	323
Operating income	108	31

Keynote Co., Ltd	6/11	6/12
Operating revenue	378	1,090
Operating income	-31	35

Saikyo Card Co., Ltd.	6/11	6/12
Operating revenue	71	83
Operating income	7	1

J Trust System Co., Ltd	6/11	6/12
Operating revenue	226	205
Operating income	15	1

Nihon Hoshou Co., Ltd.	6/11	6/12
Operating revenue	2	87
Operating income	-5	13
Credit guarantee balance	266	8,452

Neoline Credit Co., Ltd.	6/11	6/12
Operating revenue	413	420
Operating income	51	60
Exchange rate (won/yen)	0.075	0.068

■Company Forecasts for FY3/13

Forecasts have already been raised twice

When J Trust announced its Q1 FY3/13 results on August 9, 2012, it also raised its forecasts for FY3/13 for the second time, as detailed in the table below, having first raised them on May 29, 2012. These revisions were mainly due to two factors: 1) KC Card and Lopro (now Nihon Hoshou) had grown faster than forecasted earlier, and 2) the consolidation of JT Investment (previously Neoline Holdings) in July 2012, is expected to contribute to the results.

Revised Company Forecasts (¥mn, ¥) for FY3/13

(Unit:¥mn,%)

	Operating revenue	Operating income	Ordinary income	Net income	EPS(yen)
May 10 forecast	42,467	10,000	10,329	10,041	161.8
May 29 forecast	56,449	10,705	10,822	10,041	161.8
Aug. 9 forecast	57,702	10,919	12,043	11,437	184.4
Amount of latest change yoy	1,253	214	1,221	1,396	-
Rate of latest change yoy	2.2	1.9	11.2	13.9	-
FY3/12 results	24,508	5,539	5,486	34,500	575.9

The company foresees strong growth of operating revenue and income in FY3/13, as it expects to benefit again from its aggressive M&A. The projected operating income exceeds ¥10bn for the first time, and net income is forecast to more than double yoy, excluding the gain on acquisition (negative goodwill) recorded in FY3/12. As some of the group's consolidated subsidiaries still have cumulative losses, the group should pay almost no income taxes in FY3/13.

■Company Forecasts for FY3/13

Results in FY3/13 will depend mainly on the following four factors:

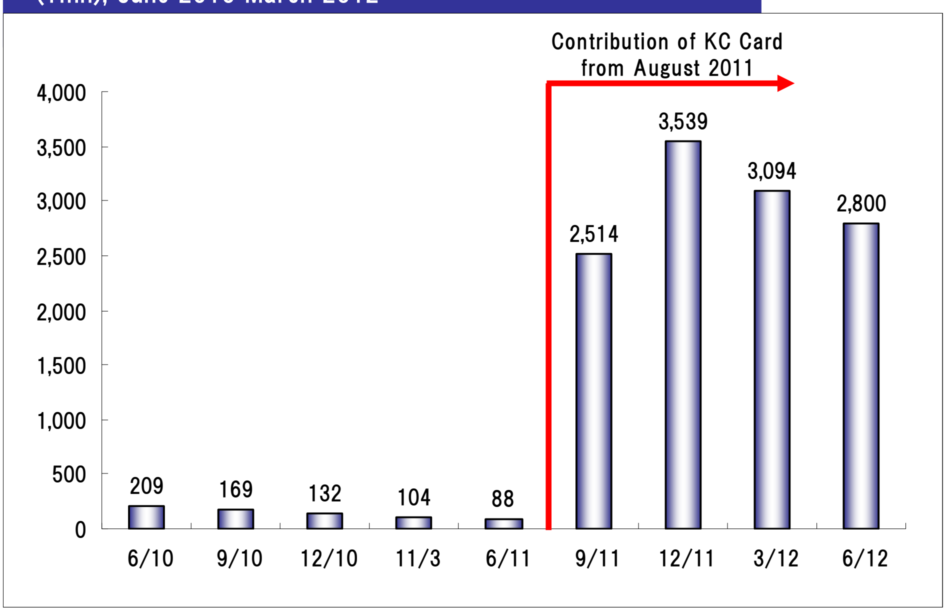
· a full-year contribution from KC Card
· a full-year contribution from Takefuji (interest on loans, gains on amortization of debt collection , and other financial income)
· an expansion of the group's credit guarantee business utilizing the customer base of KC Card and Takefuji
· the contributions of subsidiaries consolidated in FY3/13.

Expanding credit business and increasing the number of credit card holders through new B-to-C business

Full-year contribution from KC Card

As KC Card was purchased on August 1, 2011, it contributed to the consolidated results of the J Trust group for eight months in FY3/12. In FY3/13, it will contribute for 12 months. KC Card has not announced forecasts for FY3/13, but it foresees a 10% increase in its installment payment paying for commission, to ¥10.1bn in FY3/13, from ¥9.2bn in FY3/12. This forecast appears conservative, considering that KC Card earned more than ¥2.8bn of installment payment paying for commission in Q1 FY3/13. However, KC Card expects the number of its active cardholders to decline again in FY3/13, now that cardholders can no longer earn Rakuten points on their card purchases. In fact, this number fell from 800,000 in December 2011 to 700,000 in July 2012, so KC Card's projection of its installment payment paying for commission, in FY3/13 seems realistic. The number of KC Card's active cardholders seems to have bottomed out recently, and the company aims to raise this number by promoting new B-to-C businesses, such as the Rental! Adores business it started in FY3/12.

J Trust's Installment Payment Paying for Commission (¥mn), June 2010-March 2012



■Company Forecasts for FY3/13

Rental! Adores is the name of shops that rent DVDs and CDs. These shops are a B-to-C business undertaken jointly by KC Card and Adores. KC Card provides the capital and management for the business, and Adores is entrusted with business operations. As compensation for operating the business, Adores is reimbursed for the costs incurred. The profits from the business are split between the partners based on an agreed ratio. This venture combines KC Card's knowhow in marketing and customer service, centered on the e-commerce area cultivated while KC Card was a member of the Rakuten group, with the brand strength of Adores and its ability to develop and operate stores. The Rental! Adores business is part of a strategy being pursued by both companies to increase the number of stores, mainly in Greater Tokyo, and to raise the number of KC Card cardholders.

The distinctive feature of Rental! Adores shops is their membership system: a new member who makes a KC Card, which functions as both a credit card and a rental card, can rent newly released DVDs or CDs for only ¥10 for two days as soon as the credit card account is opened. Upon becoming a member, a user pays ¥2,500 for a six-month membership. After six months, an annual membership fee of ¥5,000 is automatically deducted from the member's KC Card account. In March 2012, the first Rental! Adores shop was opened in Tokyo's Itabashi Ward in a facility that used to be a Tsutaya rental shop. This shop has been attracting about 500 credit card members per month. In June 2012, new Rental! Adores shops were opened in Machida City, Tokyo, and in Fujisawa City, Kanagawa Prefecture. All three of these initial shops had been profitable before Rental! Adores bought them. Although they are falling short of the venture's goal of 700 new members per month, Adores is pursuing a strategy of increasing the number of its cash-paying members first, then encouraging those customers to change to a KC Card membership by stressing the benefit of low rental price. KC Card and Adores plan to open 50 Rental! Adores shops in FY3/13. If each of these shops enrolls 5,000 active KC Card cardholders per year, the number of such cardholders should increase by 250,000 per year, benefitting the J Trust group substantially.

Because of the costs of opening new Rental! Adores rental shops and of paying Adores to operate these shops, KC Card projects to operating income margin is likely to fall to 25% in FY3/13, from 43% in FY3/12. These costs are the up-front costs of acquiring new cardholders. KC Card plans to aggressively pursue other avenues to increase the number of its cardholders. For example, it is considering tie-up B-to-C businesses with fitness clubs and real estate leasing companies.

■Company Forecasts for FY3/13

Rental! Adores

Source: Company website

Changing Takefuji's business model to make it profitable

Full-year contribution from Takefuji

Lopro (now Nihon Hoshou) took over Takefuji's consumer finance business in March 2012. As summarized in the table below, Lopro acquired ¥24.3bn of assets from Takefuji, of which, ¥15.8bn was the balance of operating loans receivable.

Assets and Liabilities (¥mn) Acquired from Takefuji			
Assets		Liabitities	
Current assets	22,535	Current liabilities	-
Fixed assets	1,809	Fixed liabilities	292
Total assets	24,344	Total liabilities	292

(Note: Note: As of the end of October 2011, Unit: ¥mn)

■Company Forecasts for FY3/13

J Trust forecasts that Takefuji's former consumer finance operations will contribute about ¥10.9bn of operating revenue in FY3/13. It projects that these operations will generate ¥1.8bn of interest on loans, a ¥6.0bn gain on amortization of debt collection, and ¥3.1bn of other financial income. J Trust estimates that it can recover about ¥100bn of bad debt over the long term. Other financial income includes collections from Takefuji's non-performing loans which had not been recorded on its balance sheet when it was purchased.

In Japan's consumer finance industry, the Takefuji brand remains highly influential, so J Trust plans to maintain the brand. From the autumn of 2012, J Trust intends to resume television advertisements for Takefuji products, primarily to expand its credit guarantee business, not to aggressively increase its balance of consumer loans.

Breakdown of Operating Revenue (¥mn) in FY3/11 and FY3/12, Company Forecasts for FY3/13 and Growth Rates in FY3/12 and FY3/13

	3/11	3/12	Growth Rate	3/13E	Growth Rate
Interest on loans	2,960	3,639	22.9%	5,390	48.1%
Discount revenue	141	204	44.6%	-	-
Collections from purchased receivables	2,669	2,740	2.6%	-	-
Installment payment paying for commission	616	9,236	1399.3%	10,174	10.1%
Guarantee commission received	513	801	56.1%	2,060	157.1%
Sales on real estate business	3,167	2,645	-16.4%	3,487	31.8%
Gain on amortization of debt collection	-	-	-	16,273	-
Sales on goods	-	-	-	7,040	-
Other financial income	5,823	3,358	-42.3%	6,548	94.9%
Other income	1,015	1,882	85.4%	-	-
Total	16,908	24,508	44.9%	57,702	135.4%

Top priority is to expand the credit guarantee business

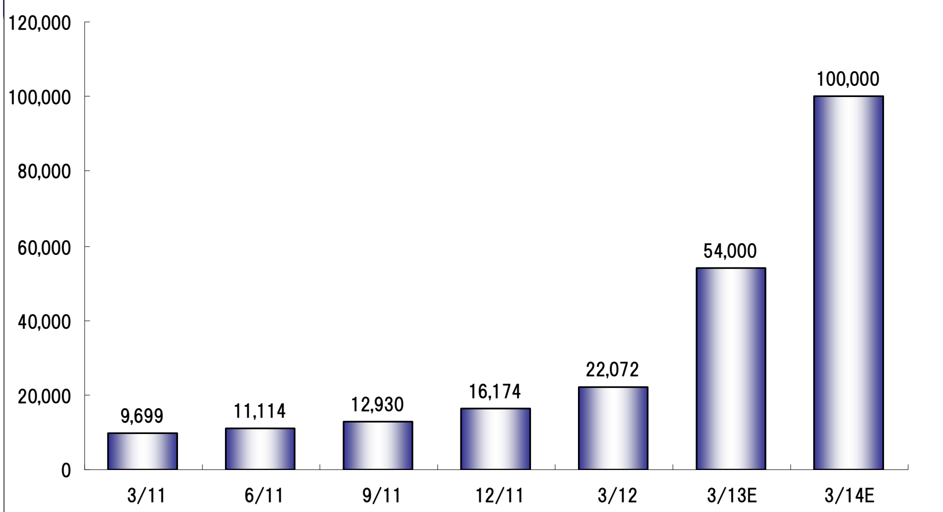
An expansion of the group's credit guarantee business utilizing the customer base of KC Card and Takefuji

An important goal of J Trust's medium-to-long-term strategy is to expand the credit guarantee business. For this business, the group establishes business ties with financial institutions, performs credit analyses for loans by these institutions to individuals and companies, and guarantees the loans extended by these institutions. At the end of Q1 FY3/13, the J Trust group held ¥24.5bn of credit guarantees, and it aims to increase this balance to ¥54bn by the end of FY3/13 and to ¥100bn by the end of FY3/14.

Commissions earned on credit guarantees generally amount to 5% of the annual credit guarantee balance. Accompanying the increase in the credit guarantee balance that J Trust foresees for FY3/13, commissions are expected to rise by about 150% yoy to ¥2.0bn. When the annual credit guarantee balance reaches ¥100bn, J Trust should earn annual commissions of ¥5.0bn.

■Company Forecasts for FY3/13

J Trust's Balance of Credit Guarantees (¥mn), March 2011-March 2014E

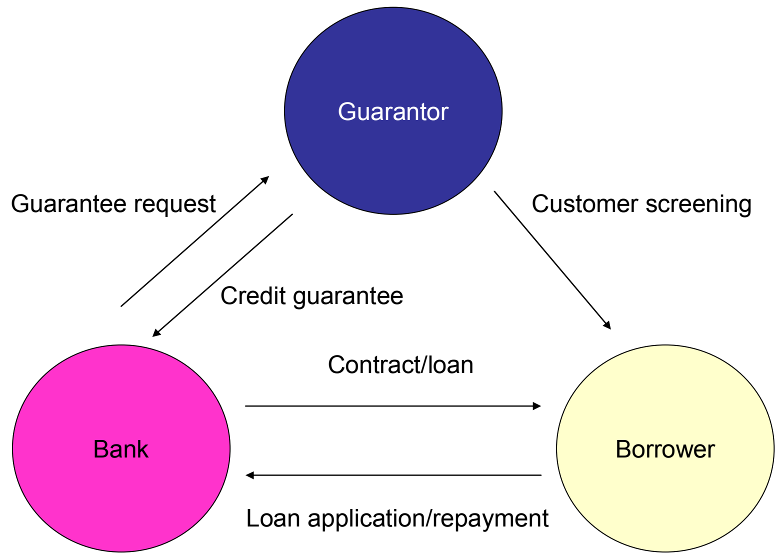


In the common arrangement for credit guarantees, illustrated in the diagram below, the duties of the bank and the guarantor are clearly separated. The bank attracts customers, makes loans and manages credit, and the guarantor screens the customers, guarantees their creditworthiness to the bank and guarantees the debt. However, if a customer becomes delinquent in repaying his or her debt, it is the responsibility of the bank to inform the guarantor of this delinquency. Often, a bank does not inform the guarantor of delinquency until a loan has become irrecoverable. One possible reason why the bank neglects to report delinquent repayments is that it knows that the loan is guaranteed.

J Trust's arrangement of credit guarantees differs from the arrangement commonly used by other providers of credit guarantees. J Trust offers two business models, one in which it introduces customers of KC Card and Takefuji to financial institutions and one in which it dispatches its employees to financial institutions and offers one-stop services of attracting customers, administering credit, managing credit and guaranteeing debt.

With these unique arrangements of credit guarantees by J Trust, financial institutions can increase their balances of credit rapidly, profit quickly, and limit their subrogation rates on guarantees to only 1%, far below the average subrogation rate of 4-5%.

■Company Forecasts for FY3/13



The J Trust employees dispatched to banks for which J Trust provides credit guarantee do not just collect debt. They also encourage additional loans to bank customers and propose financing to guarantee the financial products offered by the banks. There are many benefits of this arrangement to J Trust. For one, the banks pay the costs of the employees dispatched by J Trust. These employees help keep J Trust’s risk of bad debt low. Furthermore, J Trust earns high commissions on this guarantee business. For example, a borrower of an unsecured loan pays a 15% interest. The bank making the loan takes a 5% commission, and J Trust takes 10%.

The banks which receive J Trust’s credit guarantees also benefit from this arrangement. In Japan’s rural areas, there are few borrowers and little demand for bank loans. The banks that serve such areas may be able to rejuvenate their local economies and raise their loan balances by using J Trust’s credit guarantees.

Currently, J Trust holds more than ¥10bn of credit guarantee for Saikyo Bank, and it is extending more guarantees for loans secured by real estate made by Tokyo Star Bank. To expand this business, J Trust is negotiating with other regional banks to provide credit guarantees for them. Ultimately, J Trust would like to provide this service throughout Japan and to amass a credit guarantee balance of ¥10 trillion. J Trust plans to offer its credit guarantee service to customers of KC Card and Takefuji, and to develop its own new customers for this service. Its goal is not to increase the balance of its operating loans outstanding, but to increase its balance of credit guarantees and its commissions on these guarantees. The company’s focus on the credit guarantee business is underscored by changing the name of Lopro, a leading member of the group, to “Nihon Hoshou” in September 2012.

■Company Forecasts for FY3/13

New acquisitions may contribute more to results

Contributions of subsidiaries consolidated in FY3/13

J Trust continues to expand through M&A. On July 1, 2012, it made Adores, an operator of amusement facilities, a consolidated subsidiary, and on July 13, 2012, JT Investment (formerly Neoline Holdings) and its three subsidiaries became consolidated subsidiaries of J Trust.

J Trust subsidiaries that are being consolidated in FY3/13 are described in the table below. The second table summarizes the recent business results of four of these subsidiaries. Credia' s results deteriorated notably in FY3/12 because the company wrote off all of the losses on sales of loans, generating an extraordinary loss of ¥15bn. It also wrote off bad assets in bulk. Now, it is primarily engaged in debt collection and in credit guarantee business, and it expects to return to profitability in FY3/13.

J Trust Subsidiaries being consolidated in FY3/13	
Break Co., Ltd.	This company's main business is the planning, production and sale of prizes for amusement equipment. In FY7/11, it generated sales of ¥3.5bn. For FY3/13, J Trust expects it to contribute ¥2.4bn to its consolidated operating revenue. Break had been a subsidiary of Next Japan Holdings, but it became a wholly owned, consolidated subsidiary of J Trust in April 2012, after J Trust bought Next Japan Holdings.
Adores Inc.	This company operates amusement facilities. J Trust holds a 34% stake in the company, but this is a controlling interest, so Adores was consolidated on July 1, 2012. J Trust estimates that Adores will contribute ¥13.9bn to its consolidated operating revenue and ¥700mn to its consolidated operating income in FY3/14.
JT Investment Co., Ltd.	A holding company previously called Neoline Holdings with subsidiaries Credia, AAD and NL Value Capital. JT Investment was consolidated in July 2012.
Credia Co., Ltd.	A company offering non-bank financial services in Shizuoka Prefecture and consolidated in July 2012.
AAD Co., Ltd.	A printing company also engaged in selling advertisements, planning and executing events, and other businesses and consolidated in July 2012.
NL Value Capital K.K.	An investment company consolidated in July 2012.

Recent Non-consolidated Results (¥mn) of Four J Trust Subsidiaries being Consolidated in FY3/13

Adores Inc.	FY3/11	FY3/12
Sales	25,945	21,847
Operating profit	263	1,002
Recurring profit	74	931
Net profit	-4,197	920
Total assets	24,629	19,855
Net assets	7,591	9,316

Credia Co., Ltd.	FY3/11	FY3/12
Sales	10,994	5,398
Operating profit	4,158	-1,286
Recurring profit	7,549	1,649
Net profit	4,640	-15,019
Total assets	29,696	15,623
Net assets	15,306	434

JT Investment Co., Ltd.	FY3/11	FY3/12
Sales	1,067	2,228
Operating profit	93	1,266
Recurring profit	-2,520	905
Net profit	-89	6,121
Total assets	19,374	24,426
Net assets	10,047	16,168

AAD Co., Ltd.	FY9/10	FY9/11
Sales	733	843
Operating profit	-86	34
Recurring profit	-86	37
Net profit	328	30
Total assets	676	570
Net assets	397	428

■Company Forecasts for FY3/13

On July 2012, J Trust bought JT Investment from NLHD for ¥11bn. At the time, the net asset value of JT Investment and its three subsidiaries, Credia, AAD, and NL Value Capital, was ¥17bn, indicating that J Trust generated a gain (negative goodwill) on the purchase. However, based on the evaluation of an independent appraiser of JT Investment's stock price, the purchase price accords well with the market capitalization of JT Investment before the purchase. Therefore, no gain on the sale was recorded.

When J Trust bought KC Card and Lopro (now Nihon Hoshou) bought Takefuji, J Trust president and CEO Fujisawa had lent ¥15bn to KC Card and ¥5bn to Takefuji. These loans had been funded by JT Investment and Credia, respectively. But with J Trust's purchase of JT Investment, the accounts for these loans shifted from Fujisawa. The ¥15bn loan was transferred to JT Investment, and the ¥5bn loan was transferred to Credia, eliminating President and CEO Fujisawa as an intermediary. Since all parties to these loans are now consolidated members of the J Trust group, the loans and borrowings cancel each other. Therefore, J Trust's interest-bearing debt, which totaled ¥43.0bn at the end of FY3/12, should decline somewhat in FY3/13, ignoring the debt from other subsidiaries being consolidated for the first time in FY3/13.

■Strategy for the Medium-to-long Term

Applying unique knowhow to achieve high growth with little business risk

By purchasing Neoline Holdings (now JT Investment), J Trust has allayed the concerns of some investors about possible conflicts of interest between the companies and has increased the transparency of group operations. Hereafter, J Trust intends to follow a strategy to become a comprehensive financial services group. Specifically, the company will expand its credit guarantee business, advance into overseas markets, build up its B-to-C business to acquire more credit customers, and increase its assets by assuming more loans

J Trust's arrangement for credit guarantee business, strengthened by its unique scheme, should enable the company to expand this business significantly. To promote such expansion with J Trust's funds alone would be risky, but if the company combines its ability to collect debt with the large cash holdings of the banks for which it extends credit guarantee, it should be able to expand the business rapidly with little risk.

Currently, J Trust's only operation outside Japan is Neoline Credit, which extends consumer loans in South Korea. Korea is an attractive market for consumer finance because the maximum interest rate allowed on consumer loans is 39%, there is no requirement for consumer finance companies to repay excessive interest income earned in the past, and the corporate income tax rate is lower than Japan's rate. However, the Korean economy has recently worsened, and personal bad debt is on the rise. Thus, J Trust plans to expand its consumer finance operations in Korea cautiously in the near term.

■Company Forecasts for FY3/13

As detailed previously, J Trust is developing its first B-to-C business to increase the number of its credit customers, Rental! Adores, which combines KC Card' s knowhow in marketing, customer service and operating card settlement machines with Adores' s knowhow in operating amusement facilities, and the human resources and customer information of both companies. Now, J Trust is aggressively pursuing ties with other companies to engage in the business of operating fitness clubs. The main goal of these B-to-C businesses is to increase the number of KC Card cardholders and thereby extend the customer base for the group' s financial services.

J Trust plans to increase its assets efficiently through M&A, such as the purchase of Takefuji' s consumer loan business, and through other means, such as purchasing the loans of other companies in bulk.

J Trust estimates that it should have no income tax obligations for the next three to four fiscal years, because many of the consolidated subsidiaries it has acquired recently still carry cumulative losses.

■New M&A opportunity in Korea

Expanding overseas business through M&A in Korea

J Trust has recently discovered another possible avenue for the growth of its operations in Korea. In July 2012, it was selected by KDIC for preferential negotiating rights to support Mirae Savings Bank, which is headquartered in Jeju City, South Korea and operates 15 offices in the country, 8 in the Seoul area, four in the Chungcheong area, and two in the Jeju area. At the end of 2011, Mirae Savings Bank had total assets of W1.5 trillion, or about ¥103.5bn at the yen-won exchange rate of W1.0 = ¥0.069. In recent months, the economy of South Korea has weakened and bad debt held by Korean financial institutions has grown, forcing many into bankruptcy. In May 2012, the Financial Services Commission of South Korea determined that Mirae Savings Bank was a delinquent financial institution and ordered the bank to suspend operations for six months and to improve its business practices. To help the bank to improve its balance sheet, the KDIC sought renderers to absorb some of the bank' s assets and liabilities. J Trust decided to apply the knowhow it had accumulated in Japan in the credit guarantee business and the credit card business to expand its base of operations and its revenue by entering the savings bank industry of South Korea. Thus, J Trust submitted a tender and was selected by KDIC for preferential negotiating rights to some of the bank' s assets and liabilities.

■New M&A opportunity in Korea

On August 13, 2012, J Trust announced the establishment of a new company in Korea, Chinae, to absorb some of the assets and liabilities of Mirae Savings Bank. Chinae is a wholly owned subsidiary of KC Card with an initial capital of W12bn (about ¥828mn). Chinae is now negotiating a basic agreement with KDIC. After this agreement is finalized, it plans to apply for a license as a savings bank and to accept some of the assets and liabilities of Mirae Savings Bank. The near-term impact of these transactions on the business results of the J Trust group is uncertain, but the group expects these transactions to increase the contributions of its overseas operations in the future.

■Shareholder Returns and Change in Market Listing

Aiming to change market listings soon

J Trust intends to maintain stable dividends, raising them as its profits grow. For FY3/12, J Trust paid a dividend of ¥12 per share. For FY3/13, the company plans to pay a dividend of ¥7 per share. However, since the company made a 2-for-1 share split in June 2012, its payment of a ¥7 dividend will be equivalent to a ¥14 dividend on the shares outstanding before the split.

J Trust is now listed on the Second Section of the Osaka Securities Exchange, but since it has improved the transparency of its operations with the acquisition of Neoline Holdings, it aims to shift its stock listing to other markets soon.