SIX-YEAR SUMMARY OF SELECT FINANCIAL DATA

As of and for the fiscal years ended March 31

	Millions of yen						Thousands of U.S. dollars (Note 4)
	2017	2016	2015	2014	2013	2012	**2017**
CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	**¥ 278,945**	¥ 269,918	¥ 259,077	¥ 247,577	¥ 244,405	¥ 244,009	**$ 2,486,139**
Selling, general and administrative expenses	**236,661**	221,553	206,193	197,852	187,171	192,185	**2,109,281**
Financial costs	**11,070**	11,771	12,723	13,389	14,922	19,958	**98,659**
Operating income	**31,214**	36,594	40,161	36,336	42,312	31,866	**278,199**
Net income attributable to owners of the parent	**42,253**	26,163	12,629	25,551	32,770	9,454	**376,587**
At year-end:							
Total equity	**¥ 446,882**	¥ 418,988	¥ 447,083	¥ 422,830	¥ 394,868	¥ 355,727	**$ 3,982,911**
Total assets	**2,720,051**	2,550,990	2,373,299	2,285,943	2,141,802	2,155,906	**24,242,883**
Interest-bearing debt (Note 2)	**1,857,477**	1,729,066	1,557,836	1,468,740	1,359,856	1,409,802	**16,555,055**
Per share data (in yen and U.S. dollars):							
Net income per share	**¥ 258.70**	¥ 147.37	¥ 68.77	¥ 139.15	¥ 178.45	¥ 51.48	**$ 2.31**
Equity per share	**2,724.88**	2,563.61	2,424.05	2,283.29	2,131.58	1,920.65	**24.29**
Key financial ratios (%):							
Return on equity (ROE)	**9.8**	6.1	2.9	6.3	8.8	2.7	
Return on assets (ROA)	**1.6**	1.1	0.5	1.2	1.5	0.4	
Equity ratio	**16.4**	16.4	18.8	18.3	18.3	16.4	
NON-CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	**¥ 238,637**	¥ 228,713	¥ 219,337	¥ 205,873	¥ 204,121	¥ 210,207	**$ 2,126,893**
Selling, general and administrative expenses	**203,038**	186,493	169,900	160,927	149,844	153,505	**1,809,610**
Financial costs	**11,282**	12,620	14,067	15,119	16,882	18,809	**100,557**
Operating income	**24,317**	29,600	35,370	29,826	37,394	37,893	**216,726**
Net income	**21,046**	25,571	11,316	18,637	24,147	5,613	**187,574**
At year-end:							
Total equity	**¥ 374,478**	¥ 359,428	¥ 388,470	¥ 367,808	¥ 349,202	¥ 322,502	**$ 3,337,590**
Total assets	**2,623,644**	2,468,797	2,287,986	2,200,459	2,051,908	2,059,435	**23,383,640**
Interest-bearing debt (Note 2)	**1,852,551**	1,725,891	1,551,189	1,457,001	1,337,202	1,368,155	**16,511,153**
Key financial ratios (%):							
Return on equity (ROE)	**5.7**	6.8	3.0	5.2	7.2	1.8	
Return on assets (ROA)	**0.8**	1.1	0.5	0.9	1.2	0.3	
Equity ratio	**14.3**	14.6	17.0	16.7	17.0	15.7	
NON-CONSOLIDATED Transaction volume:							
Card shopping	**¥ 4,476,608**	¥ 4,258,285	¥ 4,089,390	¥ 3,852,980	¥ 3,547,050	¥ 3,402,494	**$ 39,898,471**
Cash advances	**253,837**	267,724	277,026	264,092	260,089	266,904	**2,262,362**
Specialty loans	**212,218**	121,294	74,687	45,506	32,950	34,597	**1,891,425**
Agency services (Note 3)	**2,671,711**	2,522,243	2,434,825	2,303,998	2,166,062	2,112,431	**23,812,039**
Leases	**108,102**	106,000	106,801	114,694	105,356	96,852	**963,474**
Guarantees	**159,915**	150,101	137,335	126,281	115,297	92,837	**1,425,267**
Others	**32,178**	33,298	33,732	30,005	23,869	20,482	**286,790**
Total transaction volume	**¥ 7,914,569**	¥ 7,458,945	¥ 7,153,796	¥ 6,737,558	¥ 6,250,675	¥ 6,026,599	**$ 70,539,828**

Notes: 1. Operating revenues do not include consumption taxes.
2. Interest-bearing debt includes asset-backed securities.
3. Agency services show transactions handled on behalf of other companies' cards.
4. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥112 = U.S.$1, the approximate exchange rate on March 31, 2017, for the convenience of the reader.

OVERALL EARNINGS IN FISCAL YEAR 2016

In the fiscal year under review, the domestic economy stayed on a gradual recovery track, despite slow improvements in some areas, as economic measures the government implemented yielded some benefit. In contrast, there are still conditions that warrant monitoring such as the economic outlook in emerging Asian markets, starting with China.

In addition to entry from other sectors into credit cards, prepaid cards, and shared-platform loyalty points programs, the business environment facing the Credit Saison Group in this era is one where financial businesses are under pressure to adapt innovative changes using "Fintech," startup ventures unaffiliated with existing financial institutions that use IT technologies such as the Internet and smartphones to provide new services in fields such as payments, fund-raising and asset management.

Based on such a business environment, we drew up a medium-term management plan that ends in fiscal year 2018 (fiscal year ending March 31, 2019) with "Neo Finance Company in Asia" as its management vision. The challenge we set for ourselves in the plan is to become a "Peerless New Finance Company in Asia." On the basis of our corporate philosophy to compete as a "leading-edge service company," we strive to offer the best solutions to all our individual customers and corporate clients through the development of strategic products and services in diverse business domains centering on financial services. We are also advancing reforms to our business model to achieve even more robust competitiveness in markets than before. In addition, we strive to build a foundation from which we can realize sustainable growth through the know-how we honed in Japan to advance our retail financial businesses in Asia.

OPERATING REVENUES

In the mainstay credit service segment, to further expand our customer base in support of future sustainable growth, we strove to recruit prospective platinum and gold card members, which offer the prospect of high utilization and high spending per transaction, especially in our premium card series "Saison American Express® Card," and prospective members for business cards, which are aimed at individual proprietors, as well as our member base for affiliated cards we issue jointly with affiliated retail merchants. Moreover, we worked to increase recruitment of prospective members for corporate cards that support the reduction of expense settlement workloads and bolster applications for cards using tablets at card recruitment sites. In October 2016, together with Mitsui Fudosan Co., Ltd., Mitsui Fudosan Residential Co., Ltd., and Mitsui Fudosan Retail Management Co., Ltd., we commenced issuance of the Mitsui Shopping Park Card <Saison> Loop for members of Mitsui Sumai Loop, a membership service aimed at residents and condominium owners in Mitsui Fudosan Group buildings. The LOOP card enables cardholders to use their cards to pay condominium management fees and building repair reserve funds.

As a result of the above, new card members came to 2.61 million in fiscal 2016, a dip of 0.2% year on year.

To expand card transaction value, in addition to strengthening measures to promote sales in response to the usage status of our customers, we moved ahead with multiple initiatives. We advanced promotions to stimulate card usage centering on affiliated merchants and stepped-up campaigns for revolving credit and lump-sum repayment plans where salaried workers use seasonal bonuses to repay outstanding debt, and we continued to encourage card use for settling recurring payments such as mobile phone subscriber fees and utility bills. In addition, we encouraged the use of cards to pay taxes such as fixed asset taxes, automobile taxes and the hometown tax scheme, where taxpayers can opt to direct a part of their residential tax to a specified local government. As a result of promoting the adoption of new settlement services such as "Apple Pay," card shopping transaction value grew 5.1% year on year to ¥4,476.6 billion and the card shopping revolving credit balance increased 12.4% from the previous fiscal year-end to ¥380.8 billion. Meanwhile, the balance of cash advances declined 2.7% from the previous fiscal year-end to ¥231.4 billion.

As for initiatives to expand payment domains, we promoted issuance of the COCOKARA CLUB CARD that we issue jointly via a tie-up with leading drugstore chain cocokara fine Inc. We also worked to broaden our product lineup. Through a tie-up with ALPICO HOLDINGS Co., Ltd., a lifestyle-related retailer with operations mainly in the Shinshu region, we commenced issuance of the PICOCA card, which combines a prepaid function with a customer loyalty points program. Together with PARCO Co., Ltd., we began advanced issuance of new PARCO prepaid cards at Chofu PARCO and Fukuoka PARCO in December 2016.

Moreover, we broadened the Saison Eikyufumetsu Points platform to build out a new "economic system." In December 2016, we commenced "Point Investment Services," an investment simulation using Saison Eikyufumetsu Points aimed at our cardholders that enable them to gain experience in long-term investing. In January 2017, we offered for the first time our Saison Eikyufumetsu Points platform linked to a prepaid card, tying up with "mijica," a prepaid VISA card issued in Sendai and Kumamoto by JAPAN POST Co., Ltd. and JAPAN POST BANK Co., Ltd.

Furthermore, we are adding more net members, which are the foundation of our Internet businesses, to bolster our earnings power using the Internet. The total number of net members grew 10.8% from the previous fiscal year-end to 13.86 million. We worked to promote use of our net services such as smartphone apps "Saison Portal" and "UC Portal" via marketing at our website and Saison Counters, leading to growth in the number of downloads of these apps. In May 2016, together with Digital Garage, Inc., we built the big data system Data Management Platform (DMP) to use the data we own to start sending optimal information to cardholders and distributing ads to internet-based members. Moreover, in July 2016, along with Digital Garage, Inc. and Kakaku.com, Inc., Credit Saison established DG Lab, an open innovation R&D organization, with the aim of working together with companies from a wide array of sectors to create businesses.

OPERATING EXPENSES AND OPERATING INCOME

Costs linked to growth in card transaction value increased, so despite the decline in financial expenses due to the impact of lower market interest rates, operating expenses climbed 6.2% year on year to ¥247.730 billion due to factors such as the impact of an increase in loan-loss expenses.

As a result of the above, operating income declined 14.7% year on year to ¥31.213 billion.

NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT

As a result of recording a ¥11.475 billion settlement paid to SAISON INFORMATION SYSTEMS CO., LTD. relating to development delays in joint core system development projects as extraordinary profit, net income attributable to owners of the parent surged 61.5% year on year to ¥42.253 billion. Net income per share came to ¥258.70.

POLICY FOR RETURNING PROFITS TO SHAREHOLDERS

To increase shareholder value, Credit Saison attaches great importance to initiatives aimed at reinforcing its corporate structure and achieving ongoing expansion in its businesses. On returning profits to shareholders, we strive to enlarge internal reserves to realize the initiatives articulated above, while we also seek to deliver appropriate, stable, and continuing dividend payments to our shareholders.

As a matter of basic policy, a fiscal year-end dividend is paid once a year from retained earnings. The annual general meeting of shareholders is the decision-making body that authorizes fiscal year-end dividends.

Regarding dividends from retained earnings for the fiscal year under review, based on the above, the amount has been set at ¥35 per share.

Also, the Company plans to invest internal reserves efficiently in order to achieve low-cost operations and promote expansion of its businesses.

We have stipulated in our articles of incorporation to name the Board of Directors as the body in charge of authorizing interim dividends, with September 30 of every year as the record date.

SEGMENT CONDITIONS

1. Credit Service Segment

The credit service segment is composed of the credit card business and servicer (loan collection agency) business. In the credit card sector, the domains where people use credit cards are expanding year after year, and the shift away from cash in favor of credit card payment is continuing. We expect business conditions to remain challenging due to stiffer competition on the rise of new settlement services stemming from the application of FinTech and the entry of companies from other sectors into credit cards, prepaid cards, and shared-platform loyalty points programs.

Amid this situation, the credit service segment has worked to bolster its earnings foundation by providing various payment services centering on credit cards, expanding fee businesses via the use of big data and its net member base, and scaling up its entry into retail finance businesses in Asia. In addition, the segment has sought to improve operational efficiency by such means as strengthening initiatives to deal with credit risk and revising its cost structure based on cost-effectiveness.

In fiscal 2016, operating revenue rose 3.6% year on year to ¥211.633 billion and operating income declined 3.6% year on year to ¥7.971 billion.

1) Credit Card Shopping Business

In fiscal 2016, we added 2.61 million new card members, a decrease of 0.2% year on year. The total number of card members at the end of fiscal 2016 rose 3.3% from the previous fiscal yearend to 26.46 million, and the number of active card members for the year rose 0.1% year on year to 14.78 million.

Card shopping transaction value came to ¥4,476.6 billion (up 5.1% year on year) in fiscal 2016, while the card shopping revolving credit balance at the fiscal year-end stood at ¥380.8 billion (up 12.4% from the previous fiscal year-end). Meanwhile, the balance of cash advances declined 2.7% from the previous fiscal year-end to ¥231.4 billion.

■ Key Initiatives in the Credit Card Shopping Business in Fiscal 2016

a. Providing Various Payment Services Centering on Credit Cards

Credit Saison seeks to realize a cashless society through initiatives to break the dominance of the cash market, the dominant transaction payment method for consumer spending in Japan. To this end, the Company is working to develop and provide a variety of payment methods such as credit cards and prepaid cards.

At the credit card business, we continued to strengthen member recruitment using online channels and tablet terminals, in addition to recruiting for our premium card series Saison American Express® Card, with an ongoing focus on prospective platinum and gold card members as they offer the prospect of high utilization and high spending per transaction. We strove with alliance partners to enroll new card members and promote card use. We also promoted Mitsui Shopping Park Card Saison, a credit card we issue together with Mitsui Fudosan Co., Ltd. and Mitsui Fudosan Retail Management Co., Ltd. In October 2016, together with Mitsui Fudosan Co., Ltd., Mitsui Fudosan Residential Co., Ltd., and Mitsui Fudosan Retail Management Co., Ltd., we commenced issuance of the Mitsui Shopping Park Card Saison LOOP card for members of Mitsui Sumai Loop, a membership service aimed at residents and condominium owners in Mitsui Fudosan Group buildings. The LOOP card enables cardholders to use their cards to pay condominium management fees and levies for building repair reserve funds. We also strove to promote card use and recruit new card members together with alliance partners such as for the Walmart Card Saison American Express® Card, which is issued together with Walmart Japan Holdings K.K. and Seiyu G.K, and the PARCO card, which is issued together with Parco Co., Ltd.

In terms of services, we sought to promote a variety of payment methods such as revolving credit for shopping and lump-sum repayment plans for salaried employees who receive seasonal bonuses, in addition to bolstering promotion measures in response to the status of customer card usage. We also strove to adopt new payment services such as "ApplePay." Moreover, we worked to increase card shopping transaction value by promoting card payments for settling recurring payments such as utility bills and mobile phone fees and the use of cards to pay taxes such as the hometown tax scheme, fixed asset taxes, and automobile taxes.

As for initiatives to lock in paymentsin the corporate market, we strove to offer card members of our corporate cards and cards for SMEs support that sharply reduces their expense settlement workloads via an operating tie-up with Concur Japan, Ltd. We also worked to expand the domain of cashless payments in the corporate transaction space and improve back-office operational efficiency by providing optimal solutions matched to the size and needs of companies. Such efforts include stepped-up marketing for the Saison Platinum Business American Express® Card, a business card responsive to the needs of individual proprietors for business expense settlement needs, as well as launching "Saison Smart Money Transfer Service," which realizes lower cash transfer fees with the aim of streamlining the indirect operations of companies, especially small and mid-sized enterprises (SMEs) and individual proprietorships.

As for initiatives to expand payment domains, we advanced the COCOKARA CLUB CARD, which we issue via a tie-up with leading drugstore chain cocokara fine Inc. We also worked to broaden our product lineup. Through a tie-up with ALPICO HOLDINGS Co., Ltd., a lifestyle-related retailer with operations mainly in the Shinshu region, we commenced issuance of the PICOCA card, which combines a prepaid function with a customer loyalty points program. Together with PARCO Co., Ltd., we began advanced issuance of new PARCO prepaid cards at Chofu PARCO and Fukuoka PARCO in December 2016.

We also broadened the Saison Eikyufumetsu Points platform to build out a new "economic system." In December 2016, we commenced "Point Investment Services," an investment simulation using Saison Eikyufumetsu Points aimed at our cardholders that enable them to gain experience in long-term investing. In January 2017, we offered for the first time a prepaid card linked to our Saison Eikyufumetsu Points platform, tying up with "mijica," a prepaid VISA card issued in Sendai and Kumamoto by JAPAN POST Co., Ltd. and JAPAN POST BANK Co., Ltd. that we administer.

We are working to establish sources of income in cashless payment markets beyond credit cards we have worked on so far by providing safe, simple and convenient payment services such as next-generation payment platforms for an era of smartphones and prepaid services.

b. Expand Fee Businesses Harnessing Big Data and Our Customer Base

To promote the development of new businesses using the Internet, we strive to add more net members, which are the basis of net businesses, and our net membership increased 10.8% from the previous fiscal year-end to 13.86 million as of March 31, 2017.

We promote Saison Portal and UC Portal, smartphone apps we offer as new communication tools for our net members, at Saison Counters and our website to increase downloads of these apps, contributing to greater use of our net services as a whole.

At our online advertising businesses that target our growing net membership, ad business revenues grew 30.9% year on year due to greater efficiency achieved in proposal marketing. This reflects marketing of ad space on owned media such as customer loyalty points site Eikyufumetsu.com, Net Answer, and e-mail. In addition, sales of pay-per-click ads on Eikyufumetsu.com, where games for accumulating points are embedded into our ad operations (an advertising method that automatically optimizes ad display location and ad content based the attributes and web behavior of the ad viewer), are firm, as are sales at eMark+, an internet behavior log analysis service we operate as a joint venture with VALUES, Inc.

In May 2016, together with Digital Garage, Inc., we built the big data system Data Management Platform (DMP) to use the data we own to start sending optimal information to card members and distributing ads to internet-based members. From November 2016, within Eikyufumetsu.com, our system for rewarding points was reset to a per-product basis rather than on a per-web storefront basis, and we commenced "Add from ¥0 to ¥1,000" pay-per-click advertising where card members can accumulate points on purchases such as low-cost trial products.

In the rapidly changing internet business field, we promote open innovation with venture companies and develop new businesses with leading net firms with attractive customer bases and new technologies. In July 2016, along with Digital Garage, Inc. and Kakaku.com, Inc., Credit Saison established DG Lab, an open innovation R&D organization, with the aim of working together with companies from a wide array of sectors to create businesses. Through dexterous alliances with venture companies with new technologies and leading net companies with top-notch content platforms, we will build new business models that generate income from providing various online services.

c. Initiatives to Manage Receivables Risk

For initial and intermediate credit checks, we are working to reduce damage from improper use via stronger monitoring and implement appropriate credit checks in response to customer conditions and internal and external environments. In debt collection, we take steps to prevent delinquencies by sending reminders to send payments before a payment deadline. Meanwhile, to preserve the soundness of our receivables portfolio, we have stepped up contact and counseling for customers who have become delinquent.

We will work to ensure thoroughness in our receivables management via a balanced approach to cost and income by curtailing risky receivables and further expanding healthy receivables.

d. Scaled-up Entry into Retail Finance Businesses in Asia

To accelerate our overseas expansion in rapidly growing Asia, where we expect our businesses to become a future earnings pillar, we are advancing finance businesses in multiple countries.

In Vietnam, HD SAISON Financial Company Ltd., a joint venture with a local bank, strove to capture burgeoning local consumer demand and steadily expanded its credit transaction value, especially in loans for two-wheel vehicles and home appliances. Both the number of sales bases and the credit balance of the joint venture have grown substantially since we formed a comprehensive capital alliance in May 2015 with our local partner. Its success in raising the Group's presence in Vietnam reflects its progress in expanding the range of financial products it offers and developing local alliances such as the finance sales counters it set up in Ho Chi Minh Takashimaya, which opened in central Ho Chi Minh in July 2016.

To advance our entry into non-bank fields in Asia, we are working to expand our businesses in the region and build a foundation for a medium- and long-term overseas strategy with an eye on opportunities for strategic partnerships with local companies and Japanese companies that have entered those markets.

e. New Developments and Future Initiatives

We invested in P5, Inc.- a venture that offers genomic information for health management with the aim of providing a "health" platform for card members. Partnering with medical institutions, P5 is the first genomic testing organization in Japan. Beyond genomic testing, it is a comprehensive platform for health management against the risk of a test revealing a patient may have contracted a disease, and can when necessary provide follow-up guidance from doctors that extends to treatment options. In pursuit of convenience for members, especially for active seniors, P5 is advancing the services it provides for designing a comfortable lifestyle.

In January 2017, Credit Saison reached an agreement with Mizuho Bank, Ltd., UC Card Co., Ltd., and Qubitous Co., Ltd. to finalize contract revisions to the comprehensive business alliance it consummated on December 24, 2004 in the credit card business where we run card member operations and UC Card runs affiliated merchant operations. As a result of this contract revision, we are moving to a business model where we can integrate card member and affiliated merchant operations in a comprehensive approach.

2) Servicer (Loan Collection Agency) Business

The servicer business mainly performs servicing of small unsecured loans as an agent on a consignment basis. Its revenues grew as the number of companies outsourcing receivable collections to its mainstay agent business increased. In addition, income at the overall business also grew on lower costs achieved via business restructuring.

Breakdown of selling, general and administrative (SG&A) expenses

	Millions of yen		
	2017	2016	% change
Cost of uncollectible receivables	**43,346**	37,831	14.6
Included in the above:			
Allowance for losses on accounts receivable	**21,162**	17,084	23.9
Provision for losses on interest repayment	**15,961**	15,862	0.6
Allowance for losses on guarantees	**6,221**	4,884	27.4
SG&A expenses excluding cost of uncollectible receivables	**193,315**	183,722	5.2
Included in the above:			
Advertising expenses	**25,231**	23,395	7.5
Provision for point program	**14,717**	13,409	10.4
Personnel expenses	**46,547**	44,565	4.4
Fees paid	**63,661**	61,775	3.0
Total SG&A expenses	**236,661**	221,553	6.8

(Year ended March 31)

2. Lease Segment

In the lease segment, we strove to strengthen bonds of trust by implementing a joint campaign with existing mainstay lease dealers while also working to strengthen our marketing to new priority dealers. As a result, lease transaction value came to ¥108.3 billion (up 2.2% year on year), operating revenue to ¥13.278 billion (down 1.9% year on year), and operating income to ¥4.313 billion (down 15.6% year on year).

3. Finance Segment

The finance segment is composed of the credit guarantee side and the finance-related side. At the credit guarantee business, the value of guarantees executed and the guarantee balance increased as a result of positive terms obtained through close collaboration with partner financial institutions in terms of both marketing and controls. At the finance-related business, we worked to build up good-quality loans in our portfolio by responding to the needs of our sales partners, namely with the "Flat 35" JHFA-conforming home loans and "Saison Asset Formation Loans."

As a result of the above, operating revenue in the fiscal year under review increased 13.7% year on year to ¥31.074 billion and operating income rose 18.9% year on year to ¥12.817 billion.

1) Credit Guarantee Business

The credit guarantee business is focused on securing high-quality transactions through close collaboration with partner financial institutions in terms of both marketing and controls, particularly in guarantees for personal, multi-purpose loans on deeds.

The business works to build a finely-tuned partnership framework with regional financial institutions through personal multi-purpose-loan guarantee products where the allowable uses of loan proceeds were expanded to include business finance. In fiscal 2016, Credit Saison formed new partnerships with 15 regional financial institutions, bringing the total number of partner institutions to 403 (a net increase of 11 from the total at the previous fiscal year-end). The guarantee balance (before allowance for losses on guarantees) increased 12.2% from the previous fiscal year-end to ¥334.1 billion.

2) Other Finance-related Business

For "Flat 35" loans, the special perks for card members and the sense of trust and reassurance we built up in the credit card business contributed to a favorable evaluation by our customer base. Along with a full-year boost from Saison "Home Assist Loans," a loan to cover miscellaneous expenses associated with the purchase of a residence we launched that broadens our product lineup, the number of loans in this category we executed increased 60.4% year on year to 5,332 for an executed loan value of ¥152.7 billion (up 56.4% year on year), and the total loan balance (balance after the transfer of receivables to the Japan Housing Finance Agency) grew 26.6% from the previous fiscal year-end to ¥450.2 billion.

The number of "Saison Asset Formation Loans" executed increased 72.7% year on year to 3,766 due to cooperation with partners for these loans that support purchases of property for investment purposes. The executed loan value for these loans climbed 61.7% year on year to ¥99.6 billion and the loan balance expanded 71.8% to ¥216.9 billion.

The balance of receivables held at the other finance-related business came to ¥332.3 billion as of March 31, 2017, up 57.5% from the previous fiscal year-end.

4. Real Estate-related Business Segment

This segment is composed of the real estate and real estate leasing businesses. In fiscal 2016, operating revenue declined 11.8% year on year to ¥13.648 billion, and operating income decreased 23.7% year on year to ¥4.904 billion. This reflected a fallback from a one-off revenue boost recorded in the previous fiscal year on the sale of a large real estate holding attendant with the redevelopment plan of consolidated subsidiary Atrium Co., Ltd.

5. Entertainment Business Segment

This segment consists of the amusement business. We strive to create sound, safe and comfortable amusement facilities that have the backing of their communities. In fiscal 2016, operating revenues edged up 0.1% year on year to ¥10.396 billion and operating income increased 22.2% to ¥1.199 billion.

LIQUIDITY AND FINANCIAL POSITION

1. Fund Procurement and Liquidity Management

• Fund Procurement

The Credit Saison Group emphasizes stability and low cost in fund procurement, and is endeavoring to diversify its procurement methods. Key procurement methods include counterparty transactions with banks, related financial institutions, life insurance companies, and non-life insurance companies, along with indirect fund procurement such as syndicated loans and establishing commitment lines with financial institutions. We also endeavor to procure funds directly, issuing corporate bonds and commercial paper. As of March 31, 2017, our consolidated interest-bearing debt stood at ¥1,857.4 billion, including off-balance sheet securitization totaling ¥20.0 billion. Of this, loans accounted for 62.1%, corporate bonds for 16.4%, commercial paper for 19.3%, and securitization of receivables, etc. for 2.2%.

With regard to indirect procurement, Credit Saison is striving to mitigate refinancing risk and reduce costs by strengthening relationships with existing lenders. In addition, the Company aims to diversify sources of procurement by cultivating new lenders, focusing on financial institutions that offer the prospect of stable transactions over the long term. In the case of direct procurement, apart from corporate bonds and commercial paper, Credit Saison is aiming to mitigate liquidity risk and reduce costs by diversifying its financing methods to include the securitization of receivables, which are immune to the Company's creditworthiness.

To ensure smooth procurement of funds from capital markets, the Company has obtained credit ratings from Rating and Investment Information, Inc. (R&I) for the bonds that Credit Saison issues. The Company has received an A+ rating for its domestic unsecured corporate bonds and an a-1 rating for its domestic commercial paper.

• Liquidity Management

Of the Credit Saison Group's assets, 65.1% are installment receivables, mainly at the credit service segment. Their annual average turnover rate is in excess of four times, helping Credit Saison to maintain a high level of liquidity.

2. Cash Flows

• Cash Flows from Operating Activities

Net cash used in operating activities in fiscal 2016 was ¥103.280 billion, compared to ¥102.444 billion used in the previous fiscal year.

The outflow was mainly due to the booking of ¥62.207 billion in income before income taxes and non-controlling interests and revenue of ¥9.883 billion on tax refunds on the one hand, and a net increase in trade receivables, including installment receivables of ¥172.227 billion, on the other.

• Cash Flows from Investing Activities

Net cash used in investing activities in fiscal 2016 reached ¥19.462 billion, compared to ¥23.898 billion used in the previous fiscal year.

This outflow was mainly due to payments for purchases of intangible assets as well as property and equipment related to the development of a joint core system of ¥43.862 billion, despite proceeds from real estate liquidation of ¥21.098 billion.

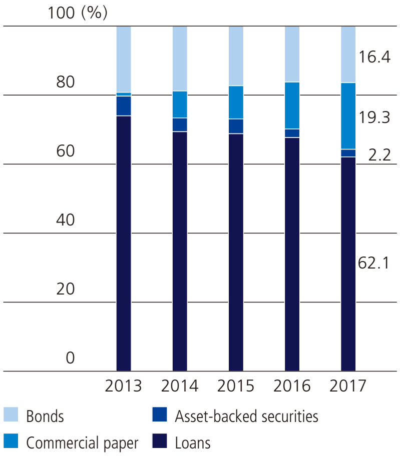
• Cash Flows from Financing Activities

Net cash provided by financing activities in fiscal 2016 reached ¥121.208 billion, compared to ¥139.394 billion provided in the previous fiscal year.

While the repayment of long-term debt of ¥122.960 billion resulted in an outflow but there was an overall inflow due to a net increase in commercial paper of ¥122.0 billion and proceeds from long-term loans of ¥88.8 billion.

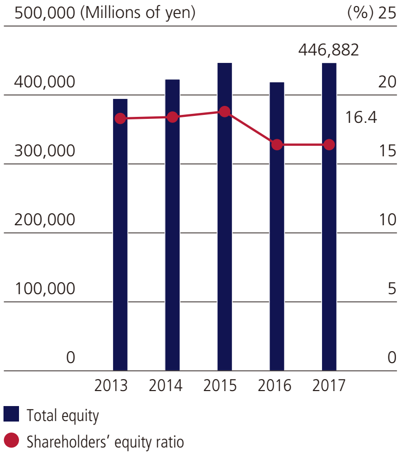
As a result of the above, cash and cash equivalents as of March 31, 2017 decreased by ¥1.598 billion from the previous fiscal year-end to ¥63.215 billion.

Composition of interest-bearing debt



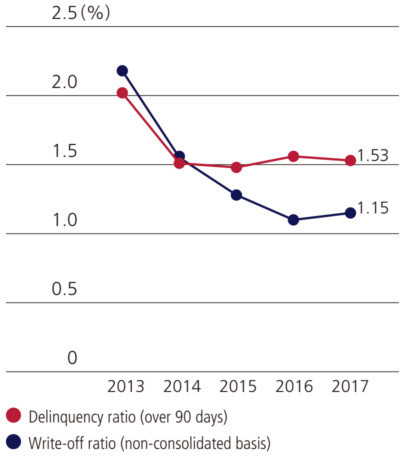
(Years ended March 31)

Total equity and shareholders' equity ratio



(Years ended March 31)

Delinquency ratio (over 90 days) and write-off ratio (non-consolidated basis)



(Years ended March 31)

CREDIT RISKS

Total receivables for credit risk purposes is the balance obtained by adding contingent liabilities to the balance of lease investment assets and the balance of installment receivables on a managed basis. The balance of receivables overdue by more than 90 days totaled ¥36.596 billion (down 5.5% year on year). The allowance for doubtful accounts in current assets as of March 31, 2017 fell 6.1% year on year to ¥46.020 billion. Consequently, the sufficiency ratio in relation to the balance of receivables overdue by more than 90 days fell to 127.7% from 130.0% at the end of the previous fiscal year.

Comparison of delinquent receivables and the allowance for receivables

	Millions of yen		
	2017	2016	% change
(1) Receivables	**2,351,341**	2,142,234	9.8
(2) Receivables overdue by more than 90 days	**36,596**	34,703	5.5
(3) Collateralized portion included in (2)	**567**	1,338	(57.6)
(4) Allowance for doubtful accounts (current assets)	**46,020**	43,373	6.1
Receivables overdue by more than 90 days as a percentage of receivables [(2) ÷ (1)]	**1.6%**	1.6%	—
Ratio of allowance for uncollectible receivables to receivables overdue by more than 90 days [(4) ÷ ((2) – (3))] (sufficiency ratio)	**127.7%**	130.0%	—
(Reference) Receivables overdue by more than 90 days excluding collateralized portion as a percentage of receivables [((2) – (3)) ÷ (1)]	**1.5%**	1.6%	—

(Years ended March 31)

Changes in the allowance for uncollectible receivables

	Millions of yen		
	2017	2016	% change
Allowance for doubtful accounts at the beginning of the year	**46,654**	52,563	(11.2)
Increase	**25,980**	21,509	20.8
Decrease	**23,635**	27,418	(13.8)
Allowance for doubtful accounts at the end of the year	**48,998**	46,654	5.0
(Reference) Losses on bad debt	**—**	—	—

(Years ended March 31)

BUSINESS-RELATED RISKS

The following presents an overview of matters that could exert a significant influence on investor decisions. Forward-looking statements are in the following are based on the Credit Saison Group's judgments as of the date when we presented securities filings to the proper authorities.

1. Economic Conditions

The results and financial position in the Credit Saison Group's primary credit service, lease, finance, real estate-related and entertainment segments are subject to the influence of domestic economic conditions. Factors contingent upon economic conditions, including worsening of the employment environment, disposable household income or consumer spending accompanying an economic recession, may affect transaction volume and repayment in Group businesses including credit cards, loans, credit guarantees, and real estate mortgage loans, and therefore have the potential to negatively impact Group operating revenues and credit cost.

Small- and medium-sized companies are the principal customer group of the lease segment. Factors contingent upon economic conditions, including contraction in capital expenditures and deteriorating corporate performance accompanying an economic recession, have the potential to negatively impact operating revenues, losses on uncollectible receivables and other results, as well as our financial position.

2. Change in Cost of Funds

The Group utilizes interest rate swaps and other means as a hedge against rises in interest rates, in addition to issuing corporate bonds and borrowing from financial institutions to secure stable and fixed funding. Nevertheless, unforeseen changes in financial conditions and a reduction in the Credit Saison Group's credit rating may increase interest rates on funds the Group procures and have the potential to negatively impact operating revenues and other results as well as our financial position. Changes in interest rates on loans and other instruments are impacted by a wide array of considerations. These include changes in the terms of customer contracts and interest rates applicable to other companies in the consumer credit business. The Credit Saison Group may be unable to price its products and services to reflect higher interest rates on the capital it procures, which would have the potential to reduce the Group's interest margin.

3. Competitive Environment

Japan's financial system has undergone deregulation, which has resulted in energetic restructuring of the retail financial services industry in Japan. Industry realignment in the credit card sector, the entry of competitors from other industries and other events have caused competition to intensify. In this changing market, the results and financial position of the Credit Saison Group may be negatively impacted by the occurrence of events such as reduced profitability due to a decrease in fee rates from member stores or changes in the terms of transactions with business partners.

4. Unfavorable Performances among Primary Alliance Partners

In the credit service segment, the Credit Saison Group has agreements, including affinity card issuance and member store contracts, with numerous companies and organizations. Unfavorable performances among these alliance partners have the potential to negatively impact the Credit Saison Group's performance and financial position. For example, the Credit Saison Group acquires many of its new cardmembers through the outlets of alliance partners in the retailing industry. Reduced ability to attract customers or lower sales among these companies may lead to weak cardmember acquisition and sluggish transaction volume, and therefore has the potential to negatively impact the Credit Saison Group's operating revenues.

In addition, the Credit Saison Group has capital relationships with some of its alliance partners. Unfavorable performances among such alliance partners have the potential to incur impairment losses on investment securities in the Credit Saison Group's portfolio.

5. System Operation Problems

The Credit Saison Group relies heavily on computer systems and communication networks in numerous aspects of its main businesses, including the credit service segment. A number of situations could compromise the Credit Saison Group's sales capabilities, damage its credibility and cause other problems that would have the potential to negatively impact the Credit Saison Group's performance and financial position. These situations include Group and counterparty system inoperability resulting from temporary system overloads due to factors such as system errors or spikes in access caused by Group or counterparty hardware or software problems; breakdowns in communication networks resulting from factors including natural disasters and accidents; and illegal or inappropriate system operation.

6. Leakage of Personal Information and Other Issues

The Credit Saison Group maintains a large volume of personal information concerning its cardmembers and others, and implements appropriate controls throughout the Group. However, if an incident such as leakage or illegal use of this information were to occur, the Group might be subject to administrative guidance, orders, or fines for violation of business process regulations under the Private Information Protection Law. This would damage the Credit Saison Group's credibility and cause other problems that would have the potential to negatively impact the Credit Saison Group's performance and financial position.

7. Regulatory Changes

The Credit Saison Group operates in accordance with current regulations and the risks that result from these regulations. The Group's businesses are subject to the Installment Sales Act, the Money Lending Business Act and other laws. Circumstances arising from future amendments to these laws, or changes or tightening of their interpretation, or new legal restrictions, would have the potential to negatively impact the Credit Saison Group's operations, performance and financial position.

Moreover, a portion of interest that was higher than the interest rate ceiling set by the Interest Rate Restriction Act has been deemed invalid and may be subject to claims for reimbursement. Credit Saison is booking an allowance for losses on interest repayments in preparation for future claims for reimbursements of this type, but future regulatory revisions or regulatory trends that unexpectedly expanded such reimbursement claims would have the potential to negatively impact the Credit Saison Group's performance and financial position.

The type, content and degree of potential regulatory revisions are difficult to predict, and the Credit Saison Group has no control over their potential impact on its operations.

8. Inventories and Impairment Loss of Property and Equipment and Valuation Losses

A material decline in the fair value of the Credit Saison Group's land and buildings, or a projected decline in operating income in businesses employing such assets that is not deemed to be temporary, will result in impairment losses that have the potential to negatively impact the Credit Saison Group's results and financial position. Moreover, a material decline in the fair value of investment securities and investments and loans to affiliates, or unfavorable performance among investees, has the potential to result in valuation losses.

9. Natural Disasters etc.

Major natural disasters such as earthquakes could cause physical damage to shops and facilities owned by the Credit Saison Group, and personal injury to employees. Such events have the potential to negatively impact the Group's performance and financial position.

MANAGEMENT PRINCIPLES, BUSINESS ENVIRONMENTS, ISSUES TO ADDRESS

1. Our Basic Management Principles

We fulfill our corporate social responsibility by striving to meet the expectations of all of our customers, shareholders, and business partners and suppliers. We, as a leading-edge service company, will compete successfully in the market by promoting our three shared values: practical implementation of the principles of customer satisfaction; mutual respect for our interests and those of our business partners and suppliers; and developing a corporate culture of creative innovation.

In our various businesses, from our core card businesses to our net businesses, lease businesses, and finance businesses, we are reinforcing synergies with Group companies. At the same time, we are working to improve and strengthen our network of alliances with a broad array of companies to provide high value-added services to our customers. Expansion of our customer base, including net members, fosters sales growth at alliance partners and increases customer loyalty, enabling us to maximize the mutual interests of the Credit Saison Group and our alliance partners.

2. Medium-to-Long-Term Business Strategy and Issues to Address

In addition to entry from other sectors into credit cards, prepaid cards, and shared-platform loyalty points programs, the business environment facing the Credit Saison Group in this era is one where financial businesses are under pressure to adapt innovative changes using "Fintech," startup ventures unaffiliated with existing financial institutions that use IT technologies such as the Internet and smartphones to provide new services in fields such as settlements, fund-raising and asset management.

Against this backdrop, in May 2016, we drew up a medium-term management plan that ends in fiscal year 2018 with "Neo Finance Company in Asia" as its management vision. As we move into year two of the medium-term management plan, we harness the know-how we have honed from over thirty years in the card business—our core competence—as well as our corporate assets—our customer base, path-breaking products and services, diverse collection of partners and affiliates—to continue to offer the best solutions to all our individual customers and corporate clients through the development of strategic products and services in diverse business domains centering on financial services on the basis of our corporate philosophy to compete as a "leading-edge service company." Moreover, rather than merely furthering approaches we have used so far, we strive to transform existing business models via innovation so we can secure even more robust competitiveness in markets. We seek to harness the know-how we honed in Japan to advance our retail financial businesses in Asia. The challenge we set for ourselves is to become a "Peerless New Finance Company in Asia."

Through such medium-term growth strategies, we will pursue a collaborative approach to management that enhances customer convenience and promotes sales growth at partners and affiliates. We will also seek to maximize our corporate value by working to expand our business domains in ways that lead to sustainable growth.

As of the end of fiscal year 2016, the followings are the business issues our Group must address and the steps we are taking to do so.

1. Expand Payment Services Delivering Convenience for Customers

We are expanding our customer base by harnessing the respective strengths of our Group companies and card joint ventures in areas such as membership recruitment, processing functions, and credit screening and loan recovery systems. Through our business alliances with various companies that transcend capital ties, corporate group affiliation, or size, we are working to expand our market share and advance the development and delivery of payment services that satisfy our customers.

In addition to credit cards, payment services are diversifying into areas such as prepaid cards, paymentservices for smartphones, and payment agency functions. Amid such trends, we are promoting measures to help break the dominance of the cash market, and we are extending the Saison Eikyufumetsu Points platform to build out a new "economic system" with the aim of becoming the No. 1 company in the cashless paymentmarket.

Beyond consumer initiatives, we are working to expand the domain of cashless payments in the corporate transaction space and improve back-office operational efficiency by providing optimal solutions matched to the size and needs of companies through initiatives aimed at the corporate payments market.

2. Expand Fee Businesses Harnessing Big Data and Our Customer Base

We are working to further expand net members and members who use our smartphone apps in an effort to capture opportunities in still expanding online markets. Through adroit collaborations with venture companies with new technologies and major net companies with top-notch content platforms, we are creating new online businesses such as customer loyalty points site Eikyufumetsu.com and will build new business models that generate income from providing various services online.

We are developing original media and content businesses based on the preferences and interests of our Internet members, which now number over 13 million. Through partnerships that enable us to mine data we own on factors such as customer attributes, card usage history and web behavior history along with the data of third parties, we are working to create marketing and ad businesses using big data that can deliver marketing solutions to corporate clients and enable us to send optimal information to card members.

3. Harness Diverse Alliances with Financial Businesses such as Leasing and Finance at the Core

Beyond our credit card businesses, we are working to build our business foundation as a non-bank resilient to changes in the environment and achieve diversified revenue sources from stronger relations with corporate partners by providing finance functions that match market needs. These include the provision of leases and rentals for office automation (OA) equipment, kitchen equipment, and other hardware that align with the capital investment plans of businesses, credit guarantees we underwrite on unsecured personal loans that can be used as working capital or for business funds extended by regional financial institutions with whom we are partnered, "Flat 35" loans that come with special perks for card members, and "Saison Asset Formation Loans" that support the purchase of property for investment purposes.

4. Promote Retail Financial Businesses in Asia

Credit Saison is making headway in China, Vietnam, Indonesia and Singapore by reinforcing our alliances with local companies with whom we have capital or operational tie-ups, and through these, we provide products and services that match the needs of consumers in each of these countries. We seek to accelerate the advance of our retail financial businesses in the region.

In areas where we do not yet have a presence, we seek strategic partnerships with local companies or major Japanese firms that have already established themselves there. Through such partnerships, we seek to expand our networks in such markets and broaden our business domains as we move forward in building a foundation for a medium-and-long-term overseas strategy and business expansion.

5. Bolster Credit Risk Management System and Business Mix

While preventative measures to ensure borrowers do not become indebted to multiple creditors are a focus, we are also working to reinforce our effective and efficient credit provision system so we are always improving operational systems from credit screening through to collection, and we continuously strive to ensure the soundness of our receivables through adroit calibration to our screening criteria in response changes in the internal and external environments.

Through measures that reflect operational efficiency gains via IT application and greater precision in credit screening, we are working to add even more muscle to our business structure.

6. Improve and Reinforce Corporate Governance

Recognizing it is highly important that corporate governance be improved and strengthened in tandem with business goal attainment to secure the consent and understanding of all our stakeholders from shareholders to customers, business partners and suppliers, and Group company employees, we are working to improve compliance and internal control systems to bolster management supervision functions and improve management transparency.

We work on an ongoing basis to streamline and ensure the safety and reliability of our systems so customers can feel safe in using their cards, advancing initiatives across the entire Group on proper management of personal information and ensuring operations are run in compliance with all relevant laws, regulations and rules, starting with laws directly relating to the Group's operations.

We will continue to reinforce our governance systems to increase our consolidated corporate value by working to further improve and strengthen information coordination among Group companies and Group management control systems.

CONSOLIDATED BALANCE SHEET

Credit Saison Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	2017	2016	2017
Current Assets:			
Cash and deposits (Note 11)	**¥ 63,266**	¥ 64,870	**$ 563,871**
Receivables and lease investment assets:			
Accounts receivable—installment (Notes 4, 11, and 29)	**1,769,929**	1,597,339	**15,774,765**
Lease investment assets (Notes 5, 10, and 11)	**227,761**	227,452	**2,029,952**
Short-term loans receivable (Note 11)	**3,997**	9,457	**35,624**
Less: Allowance for doubtful accounts	**(46,021)**	(43,374)	**(410,167)**
	1,955,666	1,790,874	**17,430,174**
Operational investment securities (Notes 11 and 12)	**33,099**	29,310	**295,004**
Inventories (Note 6)	**115,282**	112,999	**1,027,473**
Deferred tax assets (Note 14)	**18,408**	15,725	**164,065**
Prepaid expenses and other current assets (Note 29)	**21,691**	33,565	**193,318**
Total current assets	**2,207,412**	2,047,343	**19,673,905**
Property and Equipment, at Cost:			
Lease assets (Note 10)	**10,516**	10,219	**93,722**
Buildings and improvements (Note 7)	**46,822**	41,626	**417,311**
Fixtures and equipment (Note 7)	**21,228**	21,607	**189,196**
Total	**78,566**	73,452	**700,229**
Less: Accumulated depreciation	**(48,285)**	(45,974)	**(430,347)**
Net property and equipment	**30,281**	27,478	**269,882**
Land (Note 7)	**39,774**	33,139	**354,496**
Construction in progress	**1,095**	1,333	**9,758**
Total property and equipment	**71,150**	61,950	**634,136**
Investments and Other Assets:			
Investment securities (Notes 11 and 12)	**85,638**	88,642	**763,259**
Investments in unconsolidated subsidiaries and affiliated companies (Note 11)	**82,702**	74,423	**737,094**
Long-term loans receivable (Note 11)	**11,258**	11,240	**100,340**
Intangible assets	**200,622**	175,749	**1,788,075**
Guarantee deposits (Note 5)	**5,440**	4,014	**48,482**
Liquidation business assets (Notes 7 and 21)	**32,456**	53,105	**289,272**
Deferred tax assets (Note 14)	**21,397**	33,171	**190,707**
Other	**4,954**	4,633	**44,151**
Less: Allowance for doubtful accounts	**(2,978)**	(3,280)	**(26,538)**
Total investments and other assets	**441,489**	441,697	**3,934,842**
Total assets	**¥ 2,720,051**	¥ 2,550,990	**$ 24,242,883**

The accompanying notes are an integral part of these consolidated financial statements.

LIABILITIES AND EQUITY	Millions of yen 2017	2016	Thousands of U.S. dollars (Note 2) 2017
Current Liabilities:			
Notes and accounts payable (Notes 11 and 29)	**¥ 238,191**	¥ 239,720	**$ 2,122,912**
Short-term loans payable (Notes 9, 11, and 29)	**229,960**	214,160	**2,049,554**
Current portion of long-term debt (Notes 9 and 11)	**119,885**	156,760	**1,068,494**
Commercial paper (Notes 9 and 11)	**358,000**	236,000	**3,190,731**
Current portion of long-term lease obligations (Notes 9, 10, and 11)	**524**	625	**4,671**
Accrued income taxes	**9,589**	2,382	**85,467**
Unearned income	**9,028**	8,242	**80,465**
Accrued employees' bonuses	**2,316**	2,207	**20,642**
Accrued directors' bonuses	**157**	124	**1,400**
Provision for losses on interest repayments	**9,446**	9,749	**84,186**
Provision for losses on collecting gift tickets	**144**	152	**1,287**
Accrued expenses and other current liabilities (Note 5)	**39,389**	44,755	**351,058**
Total current liabilities	**1,016,629**	914,876	**9,060,867**
Long-Term Liabilities:			
Long-term debt (Notes 5, 9, 11, and 29)	**1,127,899**	1,100,184	**10,052,576**
Long-term lease obligations (Notes 9, 10, and 11)	**1,209**	1,336	**10,776**
Retirement Provision for Directors and Audit & Supervisory Board Members	**133**	113	**1,187**
Provision for losses on guarantees (Note 11)	**6,418**	5,014	**57,203**
Provision for losses on defect warranties	**14**	8	**125**
Provision for losses on point program	**94,033**	88,576	**838,086**
Provision for losses on interest repayments	**21,149**	15,373	**188,494**
Asset retirement obligations	**446**	440	**3,971**
Other (Note 14)	**5,239**	6,082	**46,687**
Total long-term liabilities	**1,256,540**	1,217,126	**11,199,105**
Commitments and Contingent Liabilities (Notes 8 and 23)			
Equity (Note 25)**:**			
Common stock	**75,929**	75,929	**676,732**
Capital surplus	**85,635**	85,635	**763,234**
Stock acquisition rights	**0**	0	**0**
Retained earnings	**302,088**	265,554	**2,692,406**
Less: Treasury stock, at cost (Note 29)	**(52,879)**	(52,886)	**(471,293)**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	**35,315**	46,301	**314,751**
Deferred losses on derivatives under hedge accounting	**(650)**	(1,666)	**(5,793)**
Foreign currency translation adjustments	**(374)**	(151)	**(3,336)**
Total	**445,064**	418,716	**3,966,701**
Noncontrolling interests	**1,818**	272	**16,210**
Total equity	**446,882**	418,988	**3,982,911**
Total liabilities and equity	**¥ 2,720,051**	¥ 2,550,990	**$ 24,242,883**

CONSOLIDATED STATEMENT OF INCOME

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2016	2017
Operating Revenues (Note 15)**:**			
Income from the credit service business	**¥ 210,337**	¥ 202,953	**$ 1,874,659**
Income from the lease business	**13,241**	13,482	**118,014**
Income from the finance business	**31,072**	27,320	**276,935**
Income from the real estate-related business	**13,619**	15,444	**121,384**
Income from the entertainment business	**10,397**	10,388	**92,660**
Financial income	**279**	331	**2,487**
Total operating revenues	**278,945**	269,918	**2,486,139**
Operating Expenses:			
Selling, general and administrative expenses (Notes 12, 13, and 16)	**236,661**	221,553	**2,109,281**
Financial costs	**11,070**	11,771	**98,659**
Total operating expenses	**247,731**	233,324	**2,207,940**
Operating Income	**31,214**	36,594	**278,199**
Nonoperating Revenues:			
Gain on sales of property and equipment (Note 17)	**–**	1,057	**–**
Gain on sales of investment securities (Note 12)	**1,905**	114	**16,983**
Gain on sales of investments in subsidiaries and affiliated companies	**–**	184	**–**
Settlement received (Notes 18 and 29)	**11,475**	3,500	**102,275**
Dividend income	**1,434**	1,240	**12,780**
Equity in earnings of equity method affiliated companies	**18,447**	1,657	**164,407**
Gain on the liquidation business (Note 21)	**413**	2,783	**3,685**
Other	**1,763**	1,723	**15,711**
Total nonoperating revenues	**35,437**	12,258	**315,841**
Nonoperating Expenses:			
Loss on disposals of property and equipment and intangible assets (Note 19)	**299**	110	**2,665**
Loss on devaluation of investment securities (Note 12)	**2,729**	–	**24,321**
Loss on devaluation of investments in unconsolidated subsidiaries and affiliated companies (Note 12)	**909**	–	**8,106**
Impairment losses (Note 20)	**159**	26	**1,417**
Other	**348**	207	**3,099**
Total nonoperating expenses	**4,444**	343	**39,608**
Nonoperating Revenues, net	**30,993**	11,915	**276,233**
Income before Income Taxes	**62,207**	48,509	**554,432**
Income Taxes (Note 14)**:**			
Current	**9,371**	1,997	**83,517**
Deferred	**9,034**	20,002	**80,520**
Net Income	**43,802**	26,510	**390,395**
Net Income Attributable to Noncontrolling Interests	**1,549**	347	**13,808**
Net Income Attributable to Owners of the Parent	**¥ 42,253**	¥ 26,163	**$ 376,587**

	Yen		U.S. dollars (Note 2)
Per Share Data (Notes 3(T) and 27)	2017	2016	2017
Equity	**¥ 2,724.88**	¥ 2,563.61	**$ 24.286**
Net income, basic	**258.70**	147.37	**2.306**
Net income, diluted	**255.28**	–	**2.275**
Cash dividends	**35.00**	35.00	**0.312**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2016	2017
Net Income	**¥ 43,802**	¥ 26,510	**$ 390,395**
Other Comprehensive Loss (Note 24)			
Unrealized losses on available-for-sale securities	**(1,263)**	(1,341)	**(11,258)**
Deferred gains (losses) on derivatives under hedge accounting	**1,016**	(731)	**9,054**
Foreign currency translation adjustments	**(10)**	(40)	**(87)**
Share of other comprehensive income of equity method affiliated companies	**(9,939)**	1,000	**(88,582)**
Total other comprehensive loss	**(10,196)**	(1,112)	**(90,873)**
Comprehensive Income	**¥ 33,606**	¥ 25,398	**$ 299,522**
Comprehensive Income Attributable to:			
Owners of the parent	**¥ 32,060**	¥ 25,063	**$ 285,741**
Noncontrolling interests	**1,546**	335	**13,781**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2017

	Millions of yen											
							Accumulated other comprehensive income					
	Issued number of shares of common stock (thousands)	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Foreign currency translation adjustments	Total	Noncontrolling interests	Total Equity
Balance at March 31, 2015	185,445	¥ 75,929	¥ 84,838	¥ 0	¥ 244,902	¥ (6,126)	¥ 46,519	¥ (935)		¥ 445,127	¥ 1,956	¥ 447,083
Cash dividends					(5,511)					(5,511)		(5,511)
Net income attributable to owners of the parent					26,163					26,163		26,163
Purchase of treasury stock						(47,835)				(47,835)		(47,835)
Disposal of treasury stock			(287)			1,075				788		788
Change in capital surplus arising from transactions with noncontrolling stockholders			1,084							1,084		1,084
Net changes in the year							(218)	(731)	(151)	(1,100)	(1,684)	(2,784)
Balance at March 31, 2016	185,445	¥ 75,929	¥ 85,635	¥ 0	¥ 265,554	¥ (52,886)	¥ 46,301	¥ (1,666)	¥ (151)	¥ 418,716	¥ 272	¥ 418,988
Cash dividends					**(5,719)**					**(5,719)**		**(5,719)**
Net income attributable to owners of the parent					**42,253**					**42,253**		**42,253**
Purchase of treasury stock						**(2)**				**(2)**		**(2)**
Disposal of treasury stock			**0**			**9**				**9**		**9**
Net changes in the year							**(10,986)**	**1,016**	**(223)**	**(10,193)**	**1,546**	**(8,647)**
Balance at March 31, 2017	**185,445**	**¥ 75,929**	**¥ 85,635**	**¥ 0**	**¥ 302,088**	**¥ (52,879)**	**¥ 35,315**	**¥ (650)**	**¥ (374)**	**¥ 445,064**	**¥ 1,818**	**¥ 446,882**

	Thousands of U.S. dollars (Note 2)											
							Accumulated other comprehensive income					
	Issued number of shares of common stock (thousands)	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Foreign currency translation adjustments	Total	Noncontrolling interests	Total Equity
Balance at March 31, 2016	185,445	$ 676,732	$ 763,232	$ 0	$ 2,366,794	$ (471,353)	$ 412,669	$ (14,847)	$ (1,355)	$ 3,731,872	$ 2,428	$ 3,734,300
Cash dividends					**(50,975)**					**(50,975)**		**(50,975)**
Net income attributable to owners of the parent					**376,587**					**376,587**		**376,587**
Purchase of treasury stock						**(16)**				**(16)**		**(16)**
Disposal of treasury stock			**2**			**76**				**78**		**78**
Net changes in the year							**(97,918)**	**9,054**	**(1,981)**	**(90,845)**	**13,782**	**(77,063)**
Balance at March 31, 2017	**185,445**	**$ 676,732**	**$ 763,234**	**$ 0**	**$ 2,692,406**	**$ (471,293)**	**$ 314,751**	**$ (5,793)**	**$ (3,336)**	**$ 3,966,701**	**$ 16,210**	**$ 3,982,911**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2016	2017
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 62,207**	¥ 48,509	**$ 554,432**
Adjustments to reconcile income before income taxes to net cash used in operating activities:			
Depreciation and amortization	**7,615**	8,368	**67,870**
Gain on the liquidation business	**(413)**	(2,783)	**(3,685)**
Increase (decrease) in allowance for doubtful accounts	**2,308**	(1,625)	**20,568**
Increase in provision for losses on point program	**5,457**	5,651	**48,639**
Increase in provision for losses on interest repayments	**5,473**	6,117	**48,777**
Increase in provision for other reserves	**1,564**	516	**13,947**
Interest and dividend income	**(1,668)**	(1,539)	**(14,867)**
Interest expenses	**9,579**	10,820	**85,374**
Equity in earnings of equity method affiliated companies	**(18,447)**	(1,657)	**(164,407)**
Foreign exchange (gains) losses	**(23)**	72	**(212)**
Gain on sales of investment securities	**(1,905)**	(114)	**(16,983)**
Gain on sales of investments in subsidiaries and affiliated companies	**–**	(184)	**–**
Loss on devaluation of investment securities	**2,729**	–	**24,321**
Loss on devaluation of investments in unconsolidated subsidiaries and affiliated companies	**909**	–	**8,106**
Impairment losses	**159**	26	**1,417**
Loss (gain) on sales and disposals of property and equipment and intangible assets	**767**	(406)	**6,837**
Settlement received	**(11,475)**	(3,500)	**(102,275)**
Increase in trade receivables	**(172,228)**	(143,973)	**(1,535,006)**
Increase in lease investment assets	**(309)**	(1,427)	**(2,752)**
Increase in operational investment securities	**(4,313)**	(3,981)	**(38,437)**
Increase in inventories	**(2,283)**	(6,884)	**(20,349)**
Decrease in other assets	**3,500**	5,249	**31,190**
(Decrease) increase in operating debt	**(1,529)**	4,563	**(13,629)**
(Decrease) increase in other liabilities	**(1,860)**	3,048	**(16,582)**
Other, net	**329**	168	**2,936**
Interest and dividends received	**2,778**	1,946	**24,763**
Interest paid	**(9,997)**	(11,265)	**(89,106)**
Settlement package received	**11,475**	3,500	**102,275**
Income taxes refund	**9,883**	–	**88,088**
Income taxes paid	**(3,563)**	(21,659)	**(31,753)**
Net Cash Used in Operating Activities	**(103,281)**	(102,444)	**(920,503)**
Cash Flows from Investing Activities:			
Payments for the purchases of investment securities	**(3,760)**	(7,890)	**(33,513)**
Proceeds from sales or redemptions of investment securities (Note 26(C))	**3,187**	1,979	**28,406**
Proceeds from sales of investment in subsidiaries and affiliated companies	**–**	117	**–**
Proceeds from the purchases of investments in subsidiaries resulting in change in the scope of consolidation	**–**	276	**–**
Proceeds from sales of investments in subsidiaries resulting in change in the scope of consolidation	**–**	155	**–**
Proceeds from the liquidation business	**21,098**	17,840	**188,040**
Payments for the purchases of property and equipment and other assets	**(43,862)**	(37,639)	**(390,931)**
Proceeds from sales of property and equipment and other assets	**64**	4,547	**574**
Payments of short- and long-term loans receivable	**(37)**	(2,759)	**(332)**
Collection of short- and long-term loans receivable	**5,479**	18	**48,837**
Other, net	**(1,632)**	(542)	**(14,547)**
Net Cash Used in Investing Activities	**(19,463)**	(23,898)	**(173,466)**
Cash Flows from Financing Activities:			
Increase (decrease) in short-term debt	**15,800**	(3,000)	**140,820**
Increase in commercial paper	**122,000**	86,000	**1,087,344**
Proceeds from long-term debt	**88,800**	245,520	**791,444**
Repayments of long-term debt	**(122,960)**	(143,960)	**(1,095,900)**
Proceeds from issuance of bonds	**59,173**	74,611	**527,393**
Repayments of bonds	**(35,000)**	(65,213)	**(311,943)**
Repayments of lease obligations	**(884)**	(910)	**(7,880)**
Proceeds from sales of treasury stock	**0**	0	**0**
Purchases of treasury stock	**(2)**	(47,835)	**(16)**
Purchases of treasury stock of subsidiaries	**–**	(8)	**–**
Cash dividends paid	**(5,719)**	(5,511)	**(50,975)**
Cash dividends paid to noncontrolling shareholders	**–**	(300)	**–**
Net Cash Provided by Financing Activities	**121,208**	139,394	**1,080,287**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(62)**	(19)	**(560)**
Net (Decrease) increase in Cash and Cash Equivalents	**(1,598)**	13,033	**(14,242)**
Cash and Cash Equivalents at the Beginning of Year	**64,814**	51,781	**577,663**
Cash and Cash Equivalents at the End of Year (Note 26(A))	**¥ 63,216**	¥ 64,814	**$ 563,421**

The accompanying notes are an integral part of these consolidated financial statements.

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2017

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared based on the accounts maintained by Credit Saison Co., Ltd. (the "Company") and its consolidated subsidiaries (together, the "Companies,") in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan.

2. U.S. DOLLAR AMOUNTS

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥112=U.S.$1, the approximate exchange rate on March 31, 2017, for the convenience of the reader. These translations should not be construed as representations that Japanese yen amounts have been or could be converted into U.S. dollars at that or any other rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF CONSOLIDATION AND ACCOUNTING FOR INVESTMENTS IN AFFILIATED COMPANIES

As of March 31, 2017, the consolidated financial statements include the accounts of the Company and its 11 (11 for 2016) significant subsidiaries.

All significant intercompany balances and transactions and unrealized profit among the Companies, if any, have been eliminated in consolidation. Unconsolidated subsidiaries would have no material effect on the consolidated financial statements of the Companies and have therefore been excluded from consolidation.

Investments in 10 (10 for 2016) significant affiliated companies are accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliated companies not accounted for by the equity method are stated at cost, due to their immaterial effects on the consolidated financial statements of the Companies.

In the current fiscal year, CONCERTO Inc. changed its fiscal year-end date to the same date as the consolidated fiscal year-end date. The fiscal year-end date of CONCERTO Inc. was previously February 28, and its financial statements as of February 28 had been used for the preparation of consolidated financial statements after reflecting adjustments regarding significant transactions that took place between February 28 and the consolidated fiscal year-end date. However, in order to further improve the quality of financial reporting, CONCERTO Inc. changed its fiscal year-end date to March 31, which is the same date as the fiscal year-end date of the Company.

Accordingly, the accounting period of CONCERTO Inc. for the current fiscal year was for 13 months (from March 1, 2016 to March 31, 2017) for consolidation purposes. Operating revenue, operating income, and income before income taxes for the period from March 1, 2016, to March 31, 2017, of CONCERTO Inc. which changed its fiscal year-end date were ¥917 million (US$8,170 thousand), ¥160 million (US$1,423 thousand), and ¥213 million (US$1,900 thousand), respectively.

(B) INVENTORIES

Inventories are stated at the lower of cost, determined principally by the specific identification method, or net selling value.

Supplies, however, are stated at cost determined by the latest purchase cost method.

(C) FINANCIAL INSTRUMENTS

i. Derivatives

All derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statements of income, except for derivatives that are designated as "hedging instruments" (see iii. Hedge accounting).

ii. Securities (including Operational investment securities)

Securities held by the Companies are classified into four categories:

Trading securities, which are held for the purpose of generating profits on short-term differences in prices, are measured at fair value, with changes in fair value included in profit or loss for the period in which they arise.

Held-to-maturity debt securities, which the Companies intend and are able to hold to maturity, are reported at amortized cost.

Investments in equity securities issued by unconsolidated subsidiaries and affiliated companies are accounted for by the equity method. Investments in certain unconsolidated subsidiaries and affiliated companies are stated at cost.

Securities not included in the above categories are defined as "available-for-sale securities." Available-for-sale securities that have quoted market prices are measured at fair value, and unrealized gains or losses on these securities are reported as accumulated other comprehensive income in equity at a net-of-tax amount.

Available-for-sale securities that do not have quoted market prices are stated at cost using the moving-average method. Limited liability partnerships for the investment business and of other similar partnerships (defined as "securities" by Article 2, Section 2 of the Financial Instruments and Exchange Act) are valued at the net equity equivalents based on the most recently available financial statements of the partnership corresponding to the reporting dates of the financial statements defined by the partnership agreements.

In cases where the fair value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, or available-for-sale securities have declined significantly and such decline in the value is not deemed temporary, those securities are written down to fair value and the resulting loss is included in profit or loss for the period.

iii. Hedge accounting

The derivatives used as hedging instruments by the Companies are interest rate swaps and forward delivery bonds. The related hedged items are bank loans, bonds issued by the Companies, and investment trusts.

The Companies use interest rate swaps to manage their exposure to fluctuations in interest rates. The Companies do not enter into derivatives for trading or speculative purposes.

As per the accounting standard for derivative financial instruments, a) all derivatives except those that qualify for hedge accounting are recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the consolidated statements of income, and b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

(D) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost.

Depreciation of property and equipment is computed principally by the straight-line method over the estimated useful lives of the assets.

Lease assets are depreciated by the straight-line method over their lease term with zero residual value.

(E) INTANGIBLE ASSETS

Intangible assets are amortized by the straight-line method over their useful lives.

(F) LONG-LIVED ASSETS

The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(G) BOND ISSUE COSTS

Bond issue costs are amortized by the straight-line method over the bond term.

(H) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Receivables and lease investment assets are classified into four risk categories: bankrupt, doubtful, substandard, and normal.

The Companies individually provide a specific reserve for bankrupt and doubtful receivables taking into account the fair value of any underlying collateral.

The Companies collectively provide a general reserve for substandard and normal receivables applying a ratio determined based on the Companies' past credit loss experience.

(I) ACCRUED EMPLOYEES' BONUSES

Accrued employees' bonuses are provided at the estimated amounts that are to be paid for services rendered through the year.

(J) ACCRUED DIRECTORS' BONUSES

Accrued directors' bonuses are maintained at the amount accrued at the end of the fiscal year based on estimated future payments and service period.

(K) PROVISION FOR LOSSES ON COLLECTING GIFT TICKETS

Provision for losses on collecting gift tickets, etc., issued by the Company takes into account its registration of collected tickets in order to prepare for the possible future use of those tickets.

(L) PROVISION FOR LOSSES ON INTEREST REPAYMENTS

Provision for losses on interest repayments is provided based on payment experience at the estimated amount required to be refunded upon customers' legal claims.

(M) ACCRUED RETIREMENT BENEFITS TO DIRECTORS AND AUDIT AND SUPERVISORY BOARD MEMBERS

Directors and Audit and Supervisory Board members customarily receive lump-sum payments upon termination of services, subject to shareholders' approval.

Consolidated subsidiaries with such plans accrue retirement benefits at an amount based on the unfunded retirement plan for the Directors and Audit and Supervisory Board members.

(N) PROVISION FOR LOSSES ON GUARANTEES

Provision for losses on guarantees is provided for potential losses arising from the Companies' guarantee obligations of customers' liabilities (personal loans to individuals from the banks with which the Companies have guarantee service arrangements).

The provision is provided at an amount determined by applying the ratio of the Companies' loss experience to the balance of guarantees outstanding at year-end.

(O) PROVISION FOR LOSSES ON DEFECT WARRANTIES

Provision for losses on defect warranties is provided for the potential repair costs on sold real estate due to the Companies' warranty. The provision is provided at the amount estimated based on the past experience of repair costs.

(P) PROVISION FOR LOSSES ON POINT PROGRAM

To stimulate card usage, the Company provides cardholders with credit card points that can be exchanged for various commodities and services. Provision for losses on point program is provided based on estimated usage of card points outstanding at year-end and exchange experience.

(Q) RECOGNITION OF OPERATING REVENUE

The operations of the Companies are mainly composed of the following business areas and the recognition of operating revenues differs for each business.

i. Credit card contracts and personal credit contracts for shopping (the credit service business)

Fees for collection and administrative services to be received from affiliated stores are recognized when payments are received.

Fees from customers are recognized by the interest method or the sum-of-the-digits method.

ii. Loan contracts and guarantee contracts (the finance business)

Fees from customers under loan contracts or guarantee contracts are recognized by the interest method.

iii. Lease contracts (the lease business)

The aggregate amount equivalent to interest is allocated to each period.

(R) FOREIGN CURRENCY TRANSACTIONS AND FINANCIAL STATEMENTS

The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date, except for equity, which is translated at the historical rate.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into Japanese yen at the average exchange rate.

Differences arising from such translation are included in "Foreign currency translation adjustments" and "Noncontrolling interests" in a separate component of equity.

(S) INCOME TAXES

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

The Companies applied Accounting Standards Board of Japan ("ASBJ") Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets," effective April 1, 2016. There was no impact from the adoption of this guidance for the year ended March 31, 2017.

(T) PER SHARE INFORMATION

Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of the stock options at the beginning of the year (or at the time of issuance).

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

(U) AMORTIZATION OF GOODWILL

The excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition is amortized over a period of 20 years. However, if the amount is not material, it is charged to income when incurred.

(V) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand; demand deposits in banks; and highly liquid, short-term investments with a low risk of fluctuation in value that are scheduled to mature within three months of acquisition.

(W) CONSUMPTION TAXES

Transactions subject to national and local consumption taxes are recorded at amounts exclusive of consumption taxes. Nondeductible consumption taxes levied on the purchase of property and equipment are recorded in others under investments and other assets, and they are amortized on a straight-line basis.

4. ACCOUNTS RECEIVABLE—INSTALLMENT

As of March 31, 2017 and 2016, liquidated receivables are as noted below.

The following amounts of accounts receivable generated from the liquidation or operational transactions are included in accounts receivable—installment:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Liquidating receivables:			
Single-payment card shopping, etc.	**¥ 20,000**	¥ 20,000	**$ 178,253**
Accounts receivable include:			
Single-payment card shopping, etc.	**2,727**	2,727	**24,307**

5. PLEDGED ASSETS

As of March 31, 2017 and 2016, pledged assets and liabilities related to pledged assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Pledged assets:			
Lease investment assets	**¥ 20,000**	¥ 20,000	**$ 178,253**
Guarantee deposits*1	**1,510**	–	**13,458**
Liabilities related to pledged assets:			
Long-term debt*2	**20,000**	20,000	**178,253**
Accrued expenses and other current liabilities*3	**1,387**	–	**12,358**

*1 Security Deposit for Issuance based on Article 14, paragraph (1) of the Act on Financial Settlements (Act No. 59 of 2009).
*2 Payables under fluidity lease investment assets.
*3 Gift certificates.

6. INVENTORIES

Inventories at March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Receivables by purchase	**¥ 12,438**	¥ 13,232	**$ 110,851**
Real estate for sale	**101,675**	98,487	**906,192**
Other	**1,169**	1,280	**10,430**
Total	**¥ 115,282**	¥ 112,999	**$ 1,027,473**

7. INVESTMENT PROPERTY

In November 2008, the ASBJ issued ASBJ Statement No. 20, "Accounting Standard for Investment Property and Related Disclosures", and issued ASBJ Guidance No. 23, "Guidance on Accounting Standard for Investment Property and Related Disclosures."

The Companies own certain rental properties (including the liquidation business assets), such as office buildings and land in Tokyo and other areas. The net of rental income and operating expenses for those rental properties was ¥3,112 million (US$27,734 thousand) and ¥2,619 million for the fiscal years ended March 31, 2017 and 2016, respectively. Impairment losses in nonoperating expenses were ¥108 million (US$959 thousand) for the fiscal year ended March 31, 2017.

The carrying amounts, changes in such balances and fair values of such properties are as follows:

Millions of yen			
Carrying Amount			Fair Value
April 1, 2016	Increase (Decrease)	March 31, 2017	March 31, 2017
¥ 80,731	¥ (13,060)	¥ 67,671	¥ 79,978

Millions of yen			
Carrying Amount			Fair Value
April 1, 2015	Increase (Decrease)	March 31, 2016	March 31, 2016
¥ 87,582	¥ (6,851)	¥ 80,731	¥ 92,145

Thousands of U.S. dollars			
Carrying Amount			Fair Value
April 1, 2016	Increase (Decrease)	March 31, 2017	March 31, 2017
$ 719,529	$ (116,401)	$ 603,128	$ 712,820

Notes: 1. Carrying amount recognized in the consolidated balance sheet is net of accumulated depreciation and accumulated impairment losses, if any.
2. Increase during the fiscal year ended March 31, 2017, primarily represents the acquisition of real estate of ¥11,278 million (US$100,513 thousand) and the decrease primarily represents the costs of sale of real estate of ¥23,152 million (US$206,349 thousand). The increase during the fiscal year ended March 31, 2016, primarily represents the acquisition of real estate of ¥4,981 million and the decrease primarily represents the costs of sale of real estate of ¥15,513 million.
3. Fair value of properties as of March 31, 2017 and 2016, was measured by the Companies in accordance with the Real-Estate Appraisal Standard of Japan.

8. LOAN COMMITMENTS

(A) LENDER

The Companies provide cashing and card loan services that supplement their credit card operations.

The unexercised loans contingent with the loan commitments in these businesses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Total loan limits	**¥ 4,163,382**	¥ 4,162,110	**$ 37,106,792**
Loan executions	**231,775**	243,405	**2,065,735**
Balance	**¥ 3,931,607**	¥ 3,918,705	**$ 35,041,057**

Most of the contracts for the above loan commitments were for cashing services supplementary to credit card services furnished to the Companies' cardholders, such that not all unexecuted loans will be exercised.

(B) BORROWER

The Companies have concluded loan commitment contracts with five banks for efficient procurement of working capital.

The portion of the credit line that had not been exercised under these contracts as of March 31, 2017 and 2016, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Total loan limits	**¥ 225,000**	¥ 225,000	**$ 2,005,348**
Loan executions	**–**	–	**–**
Balance	**¥ 225,000**	¥ 225,000	**$ 2,005,348**

9. SHORT-TERM LOANS AND LONG-TERM DEBT

Short-term loans are represented principally by 30- to 365-day notes to banks with an average interest rate of 0.38% and 0.42% as of March 31, 2017 and 2016, respectively.

Commercial paper is issued by the Companies with an average interest rate of 0.00% and 0.05% as of March 31, 2017 and 2016, respectively.

Long-term debt and lease obligations as of March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Average 0.70% (2017) and 0.78% (2016) unsecured loans from banks, insurance companies, and other financial institutions, due in installments through 2029	**¥ 922,784**	¥ 956,944	**$ 8,224,456**
0.08% to 2.41% (2017) and 0.18% to 2.41% (2016) bonds, due in installments through 2032	**305,000**	280,000	**2,718,361**
Lease obligations*1	**1,733**	1,961	**15,447**
Average 0.50% (2017 and 2016) payables under fluidity loans*2	**20,000**	20,000	**178,253**
Subtotal	**1,249,517**	1,258,905	**11,136,517**
Less: Current portion	**(120,409)**	(157,385)	**(1,073,165)**
Long-term debt	**¥ 1,129,108**	¥ 1,101,520	**$ 10,063,352**

*1 Because interest is included in lease obligations, presentation of the average interest rate is omitted.
*2 Payables under fluidity lease investment assets.

The aggregate annual maturities of long-term debt subsequent to March 31, 2017, are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥ 75,701	$ 674,697
Due after two years through three years	113,661	1,013,020
Due after three years through four years	152,875	1,362,523
Due after four years through five years	127,262	1,134,245
Due after five years	659,609	5,878,867

As is customary in Japan, short- and long-term bank loans are made under general agreements that provide that additional security and guarantees for present and future indebtedness will be provided upon request of banks under certain circumstances and that any collateral so furnished will be applicable to all indebtedness to the bank. To date, the Companies have not received any such requests from their banks.

10. LEASE TRANSACTIONS

(A) FINANCE LEASES THAT DO NOT TRANSFER OWNERSHIP (LESSEE)

i. Lease assets

Property and equipment—mainly servers and other equipment
Intangible assets—mainly software used in the credit service business

ii. Depreciation

Depreciation equivalent is computed by the straight-line method under the assumption that the lease term equals the useful life and that there is no residual value.

(B) FINANCE LEASES THAT DO NOT TRANSFER OWNERSHIP (LESSOR)

i. Lease investment assets

Lease investment assets at March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gross lease receivables	**¥252,555**	¥253,482	**$2,250,938**
Residual value	**–**	–	**–**
Unearned interest income	**(24,794)**	(26,030)	**(220,986)**
Lease investment assets	**¥227,761**	¥227,452	**$2,029,952**

ii. Collection schedule for the amount of lease payments related to lease investment assets after March 31, 2017 and 2016

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
	Lease investment assets	Gross lease receivables	Lease investment assets	Gross lease receivables	Lease investment assets	Gross lease receivables
Due in one year or less	**¥ 58,252**	**¥ 67,829**	¥ 57,924	¥ 67,927	**$ 519,182**	**$ 604,536**
Due after one year through two years	**53,078**	**59,940**	53,088	60,249	**473,068**	**534,225**
Due after two years through three years	**45,637**	**50,095**	45,320	50,001	**406,743**	**446,479**
Due after three years through four years	**35,698**	**38,171**	35,024	37,673	**318,163**	**340,205**
Due after four years through five years	**22,317**	**23,395**	22,913	24,080	**198,904**	**208,517**
Due after five years	**12,779**	**13,125**	13,183	13,552	**113,892**	**116,976**
Total	**¥ 227,761**	**¥ 252,555**	¥ 227,452	¥ 253,482	**$ 2,029,952**	**$ 2,250,938**

(C) OPERATING LEASES

i. Lessee

Future minimum lease payments under noncancelable operating leases at March 31, 2017 and 2016, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	**¥ 74**	¥ 17	**$ 661**
Due after one year	**470**	36	**4,192**
Total	**¥ 544**	¥ 53	**$ 4,853**

ii. Lessor

Future minimum lease payments under noncancelable operating leases at March 31, 2017 and 2016, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	**¥ 1,239**	¥ 9	**$ 11,041**
Due after one year	**5,208**	68	**46,416**
Total	**¥ 6,447**	¥ 77	**$ 57,457**

11. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

THE CONDITIONS OF FINANCIAL INSTRUMENTS

(A) POLICY FOR FINANCIAL INSTRUMENTS

The Companies engage in the credit service business; lease business; finance business, including guarantees and loans businesses; real estate-related business; and entertainment business. To conduct such businesses, the Companies, by observing the market circumstances and adjusting the balance of short- and long-term debt, seek financing through indirect financing, such as bank loans and through direct financing, such as issuance of corporate bonds, commercial paper, and securitized receivables. Through such activities, the Companies hold financial assets and financial liabilities that are mostly accompanied by interest rate risks and the Company conducts asset and liability management (ALM) to prevent disadvantageous effects from such interest rate risks. As part of ALM, the Company also conducts derivative transactions that leverage interest rate swaps, etc.

(B) NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The financial assets held by the Companies are mainly accounts receivable—installments from credit card members. The Companies are exposed to credit risk, such as the potential deterioration of the member's repayment situation. As of the end of the current fiscal year, accounts receivable—installment included a large component of receivables related to the credit service business and credit card members' repayments according to their contracts depend on changes in business circumstances, including the economic environment surrounding the said business (employment environment in the fallout of the economic recession, household disposable income, and personal consumption).

Securities are mainly stocks, bonds, investment trusts, and partnership investments. Such securities are held for the purpose of either trading or business promotion. Each of these securities is exposed to the issuer's credit risks, interest rate fluctuation risks, and qouted market price fluctuation risks.

The Companies are exposed to liquidity risks relating to interest-bearing debt, such as loans, corporate bonds, and commercial paper, whereby they may be unable to execute payments of such liabilities on the payment dates in cases, for example, where the Companies are prevented from engaging in financial market activities by certain conditions, such as a greater-than-expected fluctuations in financial conditions or a downgrading of the Companies' credit rating. Furthermore, the Companies also borrow funds through variable interest rate loans, although they are exposed to interest fluctuation risks. Those risks are partly mitigated by conducting interest swap transactions.

Among the derivative transactions conducted by the Companies are interest swap transactions conducted as part of ALM. Using interest swap transactions as the hedge instruments, the Companies apply hedge accounting to interest fluctuation risk related to borrowings that are the hedged item. The hedge effectiveness is assessed based on the cumulative total of cash flow fluctuations of the hedged item and hedging instrument whether the hedge has been highly effective throughout the financial reporting periods for which the hedge is designated.

In addition, interest rate swaps that qualify for hedge accounting of long-term loans and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. The Companies apply hedge accounting to market value fluctuation risk related to investment trusts.

(C) RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

(i) Credit risk management

The Companies manage their credit risk in accordance with the Companies' credit risk management rules by ensuring the ongoing soundness of receivables and maintaining a system for credit risk management, including credit limits, management of creditworthiness information, and internal ratings. The Company holds regular Board of Directors' meetings in order to discuss and report matters relating to credit risk management. Securities are managed by periodically ascertaining creditworthiness information and fair values at ALM committee meetings.

Also, with regard to long-term loans receivable, the relevant departments periodically monitor the credit risk of the obligors. With regard to counterparty risk of derivative transactions, in order to avoid credit risk arising from defaults on contractual obligations, the Company chooses Japanese and overseas banks and securities firms with high creditworthiness as the counterparties to contracts.

(ii) Market risk management

Management of fluctuation risk of interest rates

The Companies manage interest rate fluctuation risks by applying ALM. The rules related to ALM state the details of risk management methods, procedures, and so forth. Based on policies determined at ALM committee meetings, the Board of Directors ascertains the status of implementation and discusses matters concerning future responses at the meetings. As part of its regular routine, the Treasury Department maintains an overall grasp of the interest rates and terms of financial assets and liabilities and conducts monitoring by performing an interest rate gap analysis, etc. When conducting interest rate swap derivative transactions for the purpose of hedging interest rate variable risk, the Companies apply ALM to this also.

Management of fair value fluctuation risk

With regard to financial investment products, including securities, pursuant to ALM policy, in addition to examining each investment project before investment and establishing limit amounts for the investment, continuous monitoring is also conducted for the purpose of mitigating the price fluctuation risk. Moreover, with regard to stock held for the purpose of business promotion, including business and capital tie-ups, the market environment and the financial condition of the transaction counterparty are also monitored through relevant departments.

This information is periodically reported through the relevant departments to ALM committee meetings and other meetings.

Derivatives

The related department executes derivative transactions in accordance with internal management regulations set by the Board of Directors, keeping within the scope of the overall transaction framework and hedge ratio approved beforehand by the Board of Directors. The status of main derivative transactions is reported to the Board of Directors on a quarterly basis.

The derivative transactions of consolidated subsidiaries are conducted in accordance with the internal management regulations that have been set by the respective company. During the term of the transactions, the subsidiary reports to the Company on a quarterly basis the status of hedges between the derivative transactions and corresponding assets or liabilities, the counterparty to contracts, the transaction amounts, the period remaining in the terms, and the transaction fair values.

Quantitative information regarding market risk

The main financial instruments of the Companies whose main risk is exposure to changes in interest rates are accounts receivable—installment, short-term loans, long-term debt, corporate bonds, securitized receivables, and interest rate swap transactions.

The Companies estimate the impact of a reasonable fluctuation in interest rates on profit and loss a year or so from the end of an accounting period for the purpose of quantitative analysis in managing their variable risk on interest rates. In estimating this impact, the financial assets and financial liabilities subject to the analysis are grouped into subsets of fixed rate interest assets and liabilities and variable rate interest assets and liabilities. The Companies then calculate the net estimated impact of interest rate fluctuations on variable rate interest assets and variable rate interest liabilities as the interest rate gap.

As of March 31, 2017 and 2016, the Companies calculated that their income before income taxes and noncontrolling interests would decrease by ¥39 million (US$352 thousand) in 2017 and ¥40 million in 2016 if the benchmark interest rate rises by 1 basis point (0.01 percentage point), and increase by ¥39 million (US$352 thousand) in 2017 and ¥40 million in 2016 if this interest rate falls by 1 basis point. The impact was calculated holding risk variables other than interest rate constant and in the absence of correlations between the other risk variables and interest rates. Fluctuations in interest rates greater than those reasonably estimated may result in an impact larger than the aforementioned calculations.

(iii) Liquidity risk management

The Companies manage their liquidity risk by applying ALM. In addition to ensuring funds management is conducted with appropriate timeliness, they ensure a multiplicity of funds procurement methods, secure commitment lines from multiple financial institutions, and maintain a balance of short- and long-term procurement that is adjusted to reflect the current market environment.

(D) SUPPLEMENTARY EXPLANATION RELATING TO FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHERS

The fair value of financial instruments is either an amount based on qouted market prices or, in the case of no market value, the value calculated based on rational grounds. In the case of the latter, established assumptions and conditions are adopted. Accordingly, if different assumptions and preconditions are adopted, the calculated amount may also be different. Moreover, with regard to contractual value or notional principal amount that related to derivative transactions in Note 22, the amount itself does not reflect market risk related to the derivative transaction.

FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHERS

The following presents the amount included in the consolidated balance sheets as of March 31, 2017 and 2016; the fair value; and the difference between the carrying amount and fair value. Immaterial amounts in the consolidated balance sheet have been omitted from the disclosure.

ASSETS

	Millions of yen				
	2017				
	Carrying amount	Allowance for doubtful accounts	Total	Fair value	Difference
Cash and deposits	**¥ 63,266**	**¥ –**	**¥ 63,266**	**¥ 63,266**	**¥ –**
Accounts receivable—installment	**1,769,929**	**(39,320)**	**1,730,609**	**1,784,975**	**54,366**
Lease investment assets	**227,761**	**(6,259)**	**221,502**	**230,050**	**8,548**
Short-term loans receivable	**3,997**	**(1)**	**3,996**	**3,996**	**–**
Operational investment securities	**–**	**–**	**–**	**–**	**–**
Investment securities	**75,828**	**–**	**75,828**	**75,828**	**–**
Investments in unconsolidated subsidiaries and affiliated companies	**2,410**	**–**	**2,410**	**11,784**	**9,374**
Long-term loans receivable	**11,258**	**(1)**	**11,257**	**11,257**	**–**

	Millions of yen				
	2016				
	Carrying amount	Allowance for doubtful accounts	Total	Fair value	Difference
Cash and deposits	¥ 64,870	¥ –	¥ 64,870	¥ 64,870	¥ –
Accounts receivable—installment	1,597,339	(37,026)	1,560,313	1,613,214	52,901
Lease investment assets	227,452	(6,001)	221,451	231,979	10,528
Short-term loans receivable	9,457	(0)	9,457	9,457	–
Operational investment securities	2,400	–	2,400	2,400	–
Investment securities	77,571	–	77,571	77,571	–
Investments in unconsolidated subsidiaries and affiliated companies	890	–	890	7,428	6,538
Long-term loans receivable	11,240	(0)	11,240	11,240	–

	Thousands of U.S. dollars				
	2017				
	Carrying amount	Allowance for doubtful accounts	Total	Fair value	Difference
Cash and deposits	**$ 563,871**	**$ –**	**$ 563,871**	**$ 563,871**	**$ –**
Accounts receivable—installment	**15,774,765**	**(350,442)**	**15,424,323**	**15,908,868**	**484,545**
Lease investment assets	**2,029,952**	**(55,780)**	**1,974,172**	**2,050,356**	**76,184**
Short-term loans receivable	**35,624**	**(13)**	**35,611**	**35,611**	**–**
Operational investment securities	**–**	**–**	**–**	**–**	**–**
Investment securities	**675,830**	**–**	**675,830**	**675,830**	**–**
Investments in unconsolidated subsidiaries and affiliated companies	**21,480**	**–**	**21,480**	**105,028**	**83,548**
Long-term loans receivable	**100,340**	**(9)**	**100,331**	**100,331**	**–**

(A) CASH AND DEPOSITS
For deposits with no maturity, the carrying amount approximates the fair value.

(B) ACCOUNTS RECEIVABLE—INSTALLMENT
The carrying amount of accounts receivable—installment item with variable interest rates approximates the fair value, as such interest rates reflect the market interest rate in the short term, provided that the creditworthiness of the obligor does not significantly change. The fair value of accounts receivable—installment with fixed interest rates is determined by discounting future cash flows arising from the financial assets by the market interest rate reflecting credit risk at the risk-free rate. With respect to doubtful claims, the fair value is determined as the amount obtained by deducting the estimated nonrecoverable balance at the balance sheet date from the amount stated in the consolidated balance sheet as of the end of the current year. The carrying amount of accounts receivable—installment without repayment due dates, e.g, receivables for which the credit is limited to the amount of the collateralized asset, approximates fair value due to their estimated repayment periods and the interest rates. Note that the fair value calculations stated above do not reflect future interest repayments.

(C) LEASE INVESTMENT ASSETS
The fair value of lease investment assets is determined by discounting the cash flows reflecting credit risk at the risk-free rate.

(D) OPERATIONAL INVESTMENT SECURITIES, INVESTMENT SECURITIES AND INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATED COMPANIES
The fair value of listed stock depends on the listed price on the stock exchange and the fair value of debentures depends on the price disclosed by the listed price on the stock exchange or the price made available by the transacting financial institutions or, in the case of no market value, the value calculated based on rational grounds. The fair

value of investment trusts is based on a reference price that has been publicly released. Concerning the investments in investment limited partnerships or similar associations, the fair value of the association's assets shall be the fair value appraisal in cases where a fair value appraisal of the association's assets is possible and the corresponding equity share of the aforesaid fair value shall be deemed to be the fair value of the investment in the association.

Financial instruments with no quoted market price, such as unlisted stocks, whose fair values cannot be reliably determined, are indicated in the table below and are not included in the fair value disclosure.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
	Carrying amount	Carrying amount	Carrying amount
Unlisted stocks	**¥ 6,337**	¥ 8,578	**$ 56,482**
Investments in unconsolidated subsidiaries and affiliated companies	**80,292**	73,533	**715,614**
Other	**36,572**	29,403	**325,951**

For more information concerning available-for-sale securities for each holding purpose, refer to Note 12, "MARKETABLE AND INVESTMENT SECURITIES."

(E) SHORT-TERM LOANS RECEIVABLE

Because short-term loans receivable are settled within the short term, the carrying amount approximates the fair value.

(F) LONG-TERM LOANS RECEIVABLE

Long-term loans receivable with variable interest rates have interest rates that reflect the market interest rate in the short-term and because the fair value approximates the carrying account provided that the creditworthiness of the obligor does not significantly change after a loan is executed, the carrying account is deemed to be the fair value.

LIABILITIES

	Millions of yen						Thousands of U.S. dollars		
	2017			2016			2017		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Notes and accounts payable	**¥ 238,191**	**¥ 238,191**	**¥ –**	¥ 239,720	¥ 239,720	¥ –	**$ 2,122,912**	**$ 2,122,912**	**$ –**
Short-term loans payable	**229,960**	**229,960**	**–**	214,160	214,160	–	**2,049,554**	**2,049,554**	**–**
Commercial paper	**358,000**	**358,000**	**–**	236,000	236,000	–	**3,190,731**	**3,190,731**	**–**
Long-term debt:									
Long-term loans payable	**922,784**	**933,736**	**(10,952)**	956,944	971,069	(14,125)	**8,224,456**	**8,322,070**	**(97,614)**
Bonds	**305,000**	**307,142**	**(2,142)**	280,000	283,508	(3,508)	**2,718,361**	**2,737,453**	**(19,092)**
Long-term loans payable under fluidity loans	**20,000**	**20,274**	**(274)**	20,000	20,413	(413)	**178,253**	**180,696**	**(2,443)**
Lease obligations	**1,733**	**1,733**	**–**	1,961	1,961	–	**15,447**	**15,447**	**–**
Guarantee contracts	**–**	**21,969**	**21,969**	–	22,753	22,753	**–**	**195,804**	**195,804**

(A) NOTES AND ACCOUNTS PAYABLE, SHORT-TERM LOANS PAYABLE, AND COMMERCIAL PAPER

Because these items will be settled within the short term, the carrying amount approximates the fair value.

(B) LONG-TERM LOANS PAYABLE

Because the rate of long-term loans payable at a variable interest rate reflects the market interest rate, long-term loans payable at a variable interest rate are valued considering only the fluctuation of credit spreads. The fair value of long-term loans payable with fixed interest rates is determined by discounting the cash flows related to the debt at rates assumed for the same borrowing.

(C) BONDS

For corporate bonds issued by the Company as public-offering bonds, the fair value is based on the quoted market price using over-the-counter selling and buying reference statistics for public and corporate bonds decided by the Japan Securities Dealers Association. Private placement bonds issued by the Company are underwritten by the Company's major banks based on negotiated transactions and the fair value of such items is calculated using the same method as for (B) LONG-TERM LOANS PAYABLE.

(D) LONG-TERM LOANS PAYABLE UNDER FLUIDITY LOANS

Because the rate of long-term loans payable under fluidity loans with a variable interest rate is not affected by changes in the Companies' creditworthiness, the items are valued at changes in the market interest rate. The fair value of long-term loans payable under fluidity loans with a fixed interest rate is determined by discounting the cash flows related to the debt at the rate assumed for the same borrowing.

(E) LEASE OBLIGATIONS

Since the fair value of lease obligations is measured at the present value of the total of principal and interest discounted by the interest rate that would be used for similar lease transactions, the carrying amount apporoximates the fair value.

(F) GUARANTEE CONTRACTS

The fair value of guarantee contracts is determined by discounting the cash flows related to the contracts reflecting credit risk at the risk-free rate.

As of March 31, 2017 and 2016, the guarantee contract amounts of contingent liabilities were ¥334,142 million (US$2,978,098 thousand) in 2017 and ¥297,917 million in 2016 and the amounts that were recorded as the provision for losses on guarantees in the consolidated balance sheet were ¥6,418 million (US$57,203 thousand) in 2017 and ¥5,014 million in 2016.

Note: Maturity analyses of financial assets and securities with contractual maturities subsequent to March 31, 2017 and 2016, were as follows:

	Millions of yen					
	2017					
Years ending March 31	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and deposits	**¥ 63,266**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Accounts receivable—installment	**1,148,297**	**224,549**	**80,419**	**20,344**	**15,560**	**224,205**
Lease investment assets	**57,329**	**52,324**	**45,089**	**35,365**	**22,173**	**12,743**
Short-term loans receivable	**3,997**	**–**	**–**	**–**	**–**	**–**
Investment securities						
Available-for-sale securities with contractual maturities	**–**	**–**	**–**	**–**	**–**	**–**
Long-term loans receivable	**1,148**	**18**	**18**	**18**	**18**	**38**

	Millions of yen					
	2016					
Years ending March 31	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and deposits	¥ 64,870	¥ –	¥ –	¥ –	¥ –	¥ –
Accounts receivable—installment	1,102,465	207,592	71,313	15,997	12,161	135,047
Lease investment assets	57,584	52,223	44,695	34,629	22,695	13,081
Short-term loans receivable	9,457	–	–	–	–	–
Investment securities						
Available-for-sale securities with contractual maturities	2,400	–	–	–	–	–
Long-term loans receivable	1,111	18	18	18	18	57

	Thousands of U.S.dollars					
	2017					
Years ending March 31	Due in 1 Year or Less	Due after 1 Year through 2 Years	Due after 2 Years through 3 Years	Due after 3 Years through 4 Years	Due after 4 Years through 5 Years	Due after 5 Years
Cash and deposits	**$ 563,871**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Accounts receivable—installment	**10,234,381**	**2,001,330**	**716,744**	**181,316**	**138,679**	**1,998,259**
Lease investment assets	**510,953**	**466,345**	**401,859**	**315,201**	**197,619**	**113,571**
Short-term loans receivable	**35,624**	**–**	**–**	**–**	**–**	**–**
Investment securities						
Available-for-sale securities with contractual maturities	**–**	**–**	**–**	**–**	**–**	**–**
Long-term loans receivable	**10,238**	**160**	**160**	**160**	**160**	**335**

Estimated uncollectible amounts of ¥69,293 million (US$617,587 thousand) in 2017 and ¥65,309 million in 2016 are not included. Please see Note 9, "SHORT-TERM LOANS AND LONG-TERM DEBT" for annual maturities of long-term debt.

12. MARKETABLE AND INVESTMENT SECURITIES

(A) As of March 31, 2017 and 2016, acquisition costs and carrying amounts of available-for-sale securities that have market values are summarized below:

	Millions of yen						Thousands of U.S. dollars		
	2017			2016			2017		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Balance sheet amount exceeding acquisition cost:									
Equity shares	**¥ 31,203**	**¥ 74,863**	**¥ 43,660**	¥ 28,037	¥ 73,103	¥ 45,066	**$ 278,099**	**$ 667,223**	**$ 389,124**
Other	**160**	**216**	**56**	161	206	45	**1,426**	**1,928**	**502**
Subtotal	**31,363**	**75,079**	**43,716**	28,198	73,309	45,111	**279,525**	**669,151**	**389,626**
Balance sheet amount not exceeding acquisition cost:									
Equity shares	**656**	**574**	**(82)**	4,597	4,262	(335)	**5,853**	**5,123**	**(730)**
Bonds									
Corporate	**–**	**–**	**–**	1,400	1,400	–	**–**	**–**	**–**
Other	**176**	**175**	**(1)**	1,000	1,000	–	**1,569**	**1,556**	**(13)**
Subtotal	**832**	**749**	**(83)**	6,997	6,662	(335)	**7,422**	**6,679**	**(743)**
Total	**¥ 32,195**	**¥ 75,828**	**¥ 43,633**	¥ 35,195	¥ 79,971	¥ 44,776	**$ 286,947**	**$ 675,830**	**$ 388,883**

(B) Proceeds from sales of available-for-sale securities for the years ended March 31, 2017 and 2016, were ¥2,996 million (US$26,704 thousand) and ¥1,765 million, respectively.

Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥1,905 million (US$16,983 thousand) and ¥22 million (US$200 thousand), respectively, for the year ended March 31, 2017. Gross realized gains on these sales, computed on the moving-average cost basis, were ¥114 million for the year ended March 31, 2016.

(C) The impairment losses on securities were ¥5,643 million (US$50,293 thousand) for the year ended March 31, 2017.

13. RETIREMENT BENEFIT PLANS

The Company and some of its consolidated subsidiaries have defined contribution plans or prepaid retirement benefit payment plans at the employee's option.

Retirement benefit expenses

Retirement benefit expenses for the years ended March 31, 2017 and 2016, are stated below:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Payments to the defined contribution pension fund and other items	**¥ 904**	¥ 883	**$ 8,057**

14. DEFERRED TAX ASSETS AND LIABILITIES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 33.06% for the years ended March 31, 2017 and 2016, respectively.

(A) EFFECTIVE TAX RATE

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2016, is as follows:

	2016
Normal effective statutory tax rate	33.06%
Reconciliation:	
Expenses not deductible for tax purposes	0.25
Nontaxable dividend income	(0.24)
Inhabitants' taxes per capita	0.33
Amortization of (negative) goodwill	0.01
Equity in net earnings of affiliated companies	(1.19)
Increase in valuation allowance	1.97
Decrease in deferred tax assets due to tax rate changes	9.40
Retained earnings of affiliated companies	0.22
Other	1.54
Actual effective tax rate	45.35%

A reconciliation for the year ended March 31, 2017, was not provided because the difference between the actual effective tax rate of the Companies and the normal effective statutory tax rate was less than 5% of the normal effective statutory tax rate.

(B) DEFERRED TAX ASSETS

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2017 and 2016, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Deferred tax assets:			
Write-downs of inventories	**¥ 3,602**	¥ 3,419	**$ 32,106**
Intangible assets	**2,819**	2,705	**25,126**
Accumulated impairment losses	**1,262**	1,246	**11,251**
Accumulated depreciation expense	**802**	868	**7,144**
Asset retirement obligations	**245**	243	**2,187**
Investment securities	**5,247**	4,226	**46,761**
Allowance for doubtful accounts	**12,998**	14,428	**115,845**
Provision for losses on interest repayments	**9,392**	7,701	**83,707**
Accrued expenses	**310**	291	**2,762**
Accrued enterprise taxes	**873**	260	**7,778**
Provision for losses on point program	**28,793**	26,757	**256,622**
Provision for losses on guarantees	**1,981**	1,522	**17,653**
Other provision	**828**	838	**7,383**
Long-term unearned revenue	**76**	48	**680**
Tax loss carryforwards	**14,899**	24,659	**132,790**
Deferred losses on derivatives under hedge accounting	**287**	720	**2,557**
Other	**2,892**	1,932	**25,776**
Subtotal	**87,306**	91,863	**778,128**
Less valuation allowance	**(29,175)**	(25,542)	**(260,027)**
Total deferred tax assets	**58,131**	66,321	**518,101**
Deferred tax liabilities:			
Capital gains deferred for tax purposes	**(256)**	(269)	**(2,281)**
Unrealized gains on available-for-sale securities	**(13,760)**	(14,035)	**(122,636)**
Adjustment account of retirement debt	**(235)**	(244)	**(2,098)**
Fair value difference between carrying amount and the tax bases of assets and liability caused by the corporate split	**(1,032)**	(1,056)	**(9,200)**
Other	**(3,387)**	(2,063)	**(30,180)**
Total deferred tax liabilities	**(18,670)**	(17,667)	**(166,395)**
Net deferred tax assets	**¥ 39,461**	¥ 48,654	**$ 351,706**

Net deferred tax assets are presented in the consolidated balance sheet as of March 31, 2017 and 2016, as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current assets	**¥ 18,408**	¥ 15,725	**$ 164,065**
Investment and other assets	**21,397**	33,171	**190,707**
Current liabilities—other	**–**	–	**–**
Long-term liabilities—other	**344**	242	**3,066**

15. OPERATING REVENUES

Operating revenues for the years ended March 31, 2017 and 2016, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Income from the credit service business	**¥ 210,337**	¥ 202,953	**$ 1,874,659**
Income from the lease business	**13,241**	13,482	**118,014**
Income from the finance business	**31,072**	27,320	**276,935**
Real estate-related business:			
Sales	**37,487**	44,142	**334,112**
Costs of sales*	**23,868**	28,698	**212,728**
Income from the real estate-related business	**13,619**	15,444	**121,384**
Entertainment business:			
Sales	**58,687**	57,534	**523,055**
Cost of sales	**48,290**	47,146	**430,395**
Income from the entertainment business	**10,397**	10,388	**92,660**
Financial income	**279**	331	**2,487**
Total operating revenues	**¥ 278,945**	¥ 269,918	**$ 2,486,139**

*Cost of sales included write-downs of inventories amounting to ¥924 million (US$8,234 thousand) for the year ended March 31, 2017, and ¥972 million for the year ended March 31, 2016.

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended March 31, 2017 and 2016, selling, general and administrative expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Advertising expenses	**¥ 25,231**	¥ 23,396	**$ 224,877**
Provision for point program	**14,717**	13,410	**131,168**
Provision for allowance for doubtful accounts	**21,163**	17,084	**188,618**
Provision for losses on interest repayment	**15,962**	15,862	**142,263**
Provision for losses on guarantees	**6,221**	4,884	**55,448**
Directors' compensations	**1,048**	989	**9,338**
Provision for directors' bonuses	**157**	124	**1,400**
Employees' salaries and bonuses	**36,219**	34,853	**322,805**
Provision for bonuses	**2,316**	2,207	**20,642**
Retirement benefit expenses	**904**	883	**8,057**
Commission fee	**63,611**	61,775	**566,946**
Depreciation	**6,695**	7,629	**59,669**
Other	**42,417**	38,457	**378,050**
Total	**¥ 236,661**	¥ 221,553	**$ 2,109,281**

17. GAIN ON SALES OF PROPERTY AND EQUIPMENT

The breakdown of gain on sales of property and equipment for the years ended March 31, 2017 and 2016, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Land	**¥ –**	¥ 208	**$ –**
Buildings	**–**	849	**–**
Other (Fixtures and equipment, and other)	**–**	0	**–**
Total	**¥ –**	¥ 1,057	**$ –**

18. SETTLEMENT RECEIVED

The Company and some of its consolidated subsidiaries have received a settlement payment, pursuant to a settlement agreement, from a related party for the delay of development on a cooperative enterprise system and recorded the amount as settlement received in nonoperating revenues.

19. LOSS ON DISPOSALS OF PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The breakdown of loss on disposals of property and equipment and intangible assets for the years ended March 31, 2017 and 2016, is as follows:

	Millions of yen		Thousands of U.S. dollars
Asset	**2017**	2016	**2017**
Buildings	**¥ 12**	¥ 14	**$ 103**
Intangible assets	**272**	45	**2,427**
Other (Fixtures and equipment, and other)	**15**	51	**135**
Total	**¥ 299**	¥ 110	**$ 2,665**

20. IMPAIRMENT LOSSES

For the year ended March 31, 2017, the Companies wrote down the book value of business assets due to a freeze of use in development systems.

The Companies also wrote down the book value of amusement facilities from which operating income had deteriorated and was not expected to recover in the short term.

The Companies also wrote down the book value of real estate for lease upon the sale of such assets.

The Companies recorded impairment losses for the year on the following assets:

For the year ended March 31, 2017

Asset	Description	Location
Business assets	Intangible assets and other (Long-term prepaid expenses)	Kanto
Certain amusement facilities	Other (Fixtures and equipment)	Koshinetsu
Real estate for lease	Buildings and land	Kanto

For the year ended March 31, 2016, the Companies wrote down the book value of amusement facilities from which operating income had deteriorated and was not expected to recover in the short term.

The Companies recorded impairment losses for the year on the following assets:

For the year ended March 31, 2016

Asset	Description	Location
Certain amusement facilities	Buildings, intangible assets, and other (Fixtures and equipment)	Koshinetsu

Accumulated impairment losses were subtracted directly from individual assets.

Impairment losses recognized for the years ended March 31, 2017 and 2016, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Property and equipment:			
Buildings	**¥ 16**	¥ 6	**$ 143**
Land	**92**	–	**816**
Other (Fixtures and equipment, and other)	**1**	19	**13**
Investments and other assets:			
Intangible assets	**42**	1	**375**
Other (Long-term prepaid expenses)	**8**	–	**70**
Total	**¥ 159**	¥ 26	**$ 1,417**

The measure of the recoverable amount for the year ended March 31, 2017, is as follows:

Regarding business assets and certain amusement facilities, the recoverable amount is measured at value in use, and is estimated to be zero due to no expected future cash flows.

Regarding real estate for lease, the recoverable amount is measured by the sales value of the real estate, as measured by a third-party appraisal.

The measure of the recoverable amount for the year ended March 31, 2016, is as follows:

Regarding certain amusement facilities, the recoverable amount is measured at value in use, and is estimated to be zero due to no expected future cash flows.

The method of classification for the years ended March 31, 2017 and 2016, is as follows:

The Companies grouped their assets for impairment testing by operating units for which operating gains or losses can be reliably determined. However, real estate for lease and idle assets are grouped by the physical unit, and amusement facilities are grouped by site.

21. LIQUIDATION BUSINESS

In connection with the restructuring of the real estate-related business, the Company has classified these operations into the continuing business and the liquidation business.

Accordingly, the Company has recorded the liquidation business assets in investments and other assets, and gain on the liquidation business in nonoperating revenues.

Liquidation business assets at March 31, 2017 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Real estate	**¥ 26,893**	¥ 47,509	**$ 239,690**
Receivables	**5,563**	5,596	**49,582**
Total	**¥ 32,456**	¥ 53,105	**$ 289,272**

For the years ended March 31, 2017 and 2016, gain on the liquidation business consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Income from sales of real estate	**¥ 822**	¥ 4,394	**$ 7,327**
Income from leases of real estate	**694**	733	**6,190**
Other	**(1,103)**	(2,344)	**(9,832)**
Total	**¥ 413**	¥ 2,783	**$ 3,685**

22. DERIVATIVES

(A) Derivative transactions not accounted for as hedges as of March 31, 2017 and 2016, are summarized below:

	Millions of yen					
	2017			2016		
	Contractual value or notional principal amount		Unrealized profit	Contractual value or notional principal amount		Unrealized profit
	Total	More than one year		Total	More than one year	
Over-the-counter interest rate swaps:						
Floating-rate receipt/fixed-rate payment	**¥ –**	**¥ –**	**¥ –**	¥ –	¥ –	¥ 32
Total	**¥ –**	**¥ –**	**¥ –**	¥ –	¥ –	¥ 32

	Thousands of U.S. dollars		
	2017		
	Contractual value or notional principal amount		Unrealized profit
	Total	More than one year	
Over-the-counter interest rate swaps:			
Floating-rate receipt/fixed-rate payment	**$ –**	**$ –**	**$ –**
Total	**$ –**	**$ –**	**$ –**

Note: Fair value is measured at prices and other information presented by financial institutions with which the Companies have concluded derivative agreements.

(B) Hedged derivative transactions as of March 31, 2017 and 2016, are summarized below:

	Mainly hedged objects	Millions of yen					
		2017			2016		
		Contractual value or notional principal amount		Fair value	Contractual value or notional principal amount		Fair value
		Total	More than one year		Total	More than one year	
Interest rate swaps recognized in general rule:							
Floating-rate receipt/fixed-rate payment	Long-term debt	**¥ 55,500**	**¥ 53,500**	**¥ (937)**	¥ 110,000	¥ 67,500	¥ (2,386)
Forward delivery bonds (short)	Investment trusts	**175**	**175**	**(1)**	–	–	–
Interest rate swaps recognized in specific rule:							
Floating-rate receipt/fixed-rate payment	Long-term debt	**366,375**	**340,590**	**(6,838)**	327,985	312,225	(8,551)
Fixed-rate receipt/floating-rate payment	Long-term debt	**5,000**	**5,000**	**46**	5,000	5,000	87
Total		**¥ 427,050**	**¥ 399,265**	**¥ (7,730)**	¥ 442,985	¥ 384,725	¥ (10,850)

	Mainly hedged objects	Thousands of U.S. dollars		
		2017		
		Contractual value or notional principal amount		Fair value
		Total	More than one year	
Interest rate swaps recognized in general rule:				
Floating-rate receipt/fixed-rate payment	Long-term debt	**$ 494,652**	**$ 476,827**	**$ (8,349)**
Forward delivery bonds (short)	Investment trusts	**1,556**	**1,556**	**(13)**
Interest rate swaps recognized in specific rule:				
Floating-rate receipt/fixed-rate payment	Long-term debt	**3,265,375**	**3,035,562**	**(60,949)**
Fixed-rate receipt/floating-rate payment	Long-term debt	**44,563**	**44,563**	**412**
Total		**$ 3,806,146**	**$ 3,558,508**	**$ (68,899)**

Note: Fair value is measured at prices and other information presented by financial institutions with which the Companies have concluded derivative agreements.

23. CONTINGENT LIABILITIES

The Companies' contingent liabilities as credit guarantors for customers borrowing from our alliance banks were ¥327,724 million (US$2,920,895 thousand) and ¥292,903 million as of March 31, 2017 and 2016, respectively.

24. COMPREHENSIVE LOSS

The components of other comprehensive loss for the years ended March 31, 2017 and 2016, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrealized losses on available-for-sale securities			
Gains (losses) arising during the year	**¥ 367**	¥ (3,362)	**$ 3,275**
Reclassification adjustments to profit or loss	**(1,905)**	(113)	**(16,983)**
Amount before income tax effect	**(1,538)**	(3,475)	**(13,708)**
Income tax effect	**275**	2,134	**2,450**
Total unrealized losses on available-for-sale securities	**(1,263)**	(1,341)	**(11,258)**
Deferred gains (losses) on derivatives under hedge accounting			
Gains (losses) arising during the year	**746**	(1,679)	**6,647**
Reclassification adjustments to profit or loss	**703**	676	**6,268**
Amount before income tax effect	**1,449**	(1,003)	**12,915**
Income tax effect	**(433)**	272	**(3,861)**
Total deferred gains (losses) on derivatives under hedge accounting	**1,016**	(731)	**9,054**
Foreign currency translation adjustments			
Losses arising during the year	**(10)**	(40)	**(87)**
Total foreign currency translation adjustments	**(10)**	(40)	**(87)**
Share of other comprehensive income of equity method affiliated companies			
Gains arising during the year	**1,502**	1,000	**13,390**
Reclassification adjustments to profit or loss	**(11,441)**	–	**(101,972)**
Total share of other comprehensive income of equity method affiliated companies	**(9,939)**	1,000	**(88,582)**
Total other comprehensive loss	**¥ (10,196)**	¥ (1,112)	**$ (90,873)**

25. EQUITY

(A) EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act").

The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

i. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Company cannot do so because it does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

ii. Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

iii. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors.

The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(B) COMMON STOCK

The Company has 300,000,000 authorized shares of which 185,444,772 shares as of March 31, 2017 and 2016, were issued.

Type and number of shares issued and treasury stock

	Thousands of shares	
	Issued shares (Common stock)	Treasury stock (Common stock)
Balance at April 1, 2015	185,445	1,815
Increase in number of shares	–	20,618*1
Decrease in number of shares	–	319*2
Balance at March 31, 2016	185,445	22,114
Increase in number of shares	**–**	**1*3**
Decrease in number of shares	**–**	**3*4**
Balance at March 31, 2017	**185,445**	**22,112**

*1 Increase in treasury stock
Acquisition of any number of shares less than a full trading unit: 1 thousand shares.
Acquisition of any number of shares based on resolution by the Board of Directors on December 8, 2015: 20,617 thousand shares.
*2 Details of decrease
Sales of any number of shares less than a full trading unit: Less than 1 thousand shares.
Exchanges of any number of shares: 319 thousand shares.
*3 Increase in treasury stock
Acquisition of any number of shares less than a full trading unit: 1 thousand shares.
*4 Details of decrease
Sales of any number of shares less than a full trading unit: 3 thousand shares.

(C) DIVIDEND

i. Dividend payment

Resolution	Type of share	Total amount		Dividend per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
General Meeting of Shareholders on June 21, 2016	Common stock	¥ 5,719	$ 50,975	¥ 35.00	$ 0.312	March 31, 2016	June 22, 2016

ii. Dividend payments whose effective date is in the year ended March 31, 2018 and whose the record date is in the year ended March 31, 2017

Resolution	Type of share	Source of payment	Total amount		Dividend per share		Record date	Effective date
			Millions of yen	Thousands of U.S. dollars	Yen	U.S. dollars		
General Meeting of Shareholders on June 20, 2017	Common stock	Retained earnings	¥ 5,719	$50,975	¥ 35.00	$ 0.312	March 31, 2017	June 21, 2017

26. CASH FLOW INFORMATION

(A) The balance of cash and cash equivalents as of March 31, 2017 and 2016, was reconciled with the respective consolidated balance sheet items as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Consolidated balance sheet:			
Cash and deposits	**¥ 63,266**	¥ 64,870	**$ 563,871**
Segregated trustee deposits	**(50)**	(56)	**(450)**
Cash and cash equivalents at the end of year	**¥ 63,216**	¥ 64,814	**$ 563,421**

(B) Noncash investing and financing activities as of March 31, 2017 and 2016, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Assets and liabilities from finance leases recorded in the current fiscal year	**¥ 607**	¥ 733	**$ 5,410**
Decrease in treasury stocks by share exchanges	**–**	1,074	**–**

(C) The proceeds from sales or redemption of investment securities for the years ended March 31, 2017 and 2016, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Proceeds from sales of investment securities	**¥ 2,969**	¥ 1,765	**$ 26,459**
Proceeds from distribution of limited liability partnerships and other similar partnerships or return of capital	**218**	214	**1,947**
Total proceeds from sales or redemptions of investment securities	**¥ 3,187**	¥ 1,979	**$ 28,406**

27. NET INCOME PER SHARE

Reconciliation of basic net income per share ("EPS") for the years ended March 31, 2017 and 2016, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2017:	Net income	Weighted-average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥ 42,253**	**163,331**	**¥ 258.70**	**$ 2.31**
Effect of dilutive securities				
Securities issued by a consolidated subsidiary	**(558)**			
Diluted EPS				
Net income for computation	**41,695**	**163,331**	**255.28**	**2.28**

	Millions of yen	Thousands of shares	Yen
For the year ended March 31, 2016:	Net income	Weighted-average shares	EPS
Basic EPS			
Net income available to common shareholders	¥ 26,163	177,531	¥ 147.37

Note: Diluted net income per share is not disclosed because it is antidilutive due to the Company's net loss position.

28. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(A) DESCRIPTION OF REPORTABLE SEGMENTS

The Companies' reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors meeting is performed in order to decide how resources are allocated among the Companies.

The Companies conduct business activities directly with customers based on the services by market and target customer.

Accordingly, the Credit Service Business, Lease Business, Finance Business, Real Estate-Related Business, and Entertainment Business comprise the Companies' reporting segments.

The Credit Service Business segment consists of the Companies' core credit card business and various peripheral businesses closely linked with the credit card business.

The Lease Business segment consists mainly of the leasing of office equipment and other assets.

The Finance Business segment consists of the credit guarantee business and other finance-related businesses.

The Real Estate-Related Business segment consists of the real estate business, real estate lease business, and other businesses.

The Entertainment Business segment consists of amusement businesses, mainly indoor recreation facilities.

(B) METHODS OF MEASUREMENT OF THE AMOUNTS OF OPERATING REVENUES, PROFIT, ASSETS, LIABILITIES, AND OTHER ITEMS FOR EACH REPORTABLE SEGMENT

The accounting policies of each reportable segment are consistent with those disclosed in Note 3, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

(C) INFORMATION ABOUT OPERATING REVENUES, PROFIT, ASSETS AND OTHER ITEMS IS AS FOLLOWS:

For the years ended March 31, 2017 and 2016

Year ended March 31	Millions of yen									
	2017									
	Operating revenues									
Reportable segment	Outside customers	Inter-segment	Total	Segment profit	Segment assets	Depreciation	Financial costs	Credit cost	Investment in equity method affiliated companies	Increase in property and equipment and intangible assets
Credit service	**¥ 210,596**	**¥ 1,037**	**¥ 211,633**	**¥ 7,972**	**¥ 1,808,494**	**¥ 3,821**	**¥ 6,543**	**¥ 32,124**	**¥ 74,319**	**¥ 27,969**
Lease	**13,255**	**24**	**13,279**	**4,314**	**291,265**	**196**	**1,754**	**3,275**	**–**	**710**
Finance	**31,074**	**–**	**31,074**	**12,818**	**387,869**	**119**	**1,794**	**7,916**	**–**	**209**
Real estate-related	**13,623**	**25**	**13,648**	**4,905**	**214,079**	**916**	**979**	**31**	**–**	**11,489**
Entertainment	**10,397**	**–**	**10,397**	**1,200**	**18,481**	**2,320**	**–**	**–**	**4,831**	**2,283**
Total	**278,945**	**1,086**	**280,031**	**31,209**	**2,720,188**	**7,372**	**11,070**	**43,346**	**79,150**	**42,660**
Reconciliations	**–**	**(1,086)**	**(1,086)**	**5**	**(137)**	**(3)**	**–**	**0**	**–**	**–**
Consolidated	**¥ 278,945**	**¥ –**	**¥ 278,945**	**¥ 31,214**	**¥ 2,720,051**	**¥ 7,369**	**¥ 11,070**	**¥ 43,346**	**¥ 79,150**	**¥ 42,660**

Year ended March 31	Millions of yen									
	2016									
	Operating revenues									
Reportable segment	Outside customers	Inter-segment	Total	Segment profit	Segment assets	Depreciation	Financial costs	Credit cost	Investment in equity method affiliated companies	Increase in property and equipment and intangible assets
Credit service	¥ 203,246	¥ 1,021	¥ 204,267	¥ 8,267	¥ 1,751,702	¥ 4,682	¥ 7,078	¥ 29,867	¥ 67,017	¥ 30,200
Lease	13,515	27	13,542	5,110	286,403	78	2,055	2,718	–	46
Finance	27,320	–	27,320	15,803	271,049	293	1,451	5,169	–	106
Real estate-related	15,449	21	15,470	6,428	222,122	855	1,187	76	–	7,464
Entertainment	10,388	1	10,389	982	19,872	2,255	–	–	4,093	3,422
Total	269,918	1,070	270,988	36,590	2,551,148	8,163	11,771	37,830	71,110	41,238
Reconciliations	–	(1,070)	(1,070)	4	(158)	(4)	–	0	–	–
Consolidated	¥ 269,918	¥ –	¥ 269,918	¥ 36,594	¥ 2,550,990	¥ 8,159	¥ 11,771	¥ 37,830	¥ 71,110	¥ 41,238

Year ended March 31	Thousands of U.S. dollars									
	2017									
	Operating revenues									
Reportable segment	Outside customers	Inter-segment	Total	Segment profit	Segment assets	Depreciation	Financial costs	Credit cost	Investment in equity method affiliated companies	Increase in property and equipment and intangible assets
Credit service	**$ 1,876,970**	**$ 9,243**	**$ 1,886,213**	**$ 71,051**	**$ 16,118,487**	**$ 34,054**	**$ 58,318**	**$ 286,308**	**$ 662,379**	**$ 249,279**
Lease	**118,134**	**216**	**118,350**	**38,449**	**2,595,944**	**1,749**	**15,636**	**29,187**	**–**	**6,329**
Finance	**276,955**	**–**	**276,955**	**114,241**	**3,456,941**	**1,064**	**15,984**	**70,557**	**–**	**1,859**
Real estate-related	**121,420**	**221**	**121,641**	**43,715**	**1,908,016**	**8,167**	**8,721**	**277**	**–**	**102,397**
Entertainment	**92,660**	**–**	**92,660**	**10,695**	**164,719**	**20,673**	**–**	**–**	**43,061**	**20,350**
Total	**2,486,139**	**9,680**	**2,495,819**	**278,151**	**24,244,107**	**65,707**	**98,659**	**386,329**	**705,440**	**380,214**
Reconciliations	**–**	**(9,680)**	**(9,680)**	**48**	**(1,224)**	**(33)**	**–**	**0**	**–**	**–**
Consolidated	**$ 2,486,139**	**$ –**	**$ 2,486,139**	**$ 278,199**	**$ 24,242,883**	**$ 65,674**	**$ 98,659**	**$ 386,329**	**$ 705,440**	**$ 380,214**

RELATED INFORMATION

(A) INFORMATION BY PRODUCT AND SERVICE

Years ended March 31, 2017 and 2016:

The Company omitted this disclosure because the information is similar to the information disclosed under the segment information.

(B) INFORMATION BY GEOGRAPHIC REGION

(i) Operating Revenues

Years ended March 31, 2017 and 2016:

The Company omitted this disclosure because operating revenues from external customers within Japan account for more than 90% of operating revenues reported in the consolidated statements of income.

(ii) Property and Equipment

The Company omitted this disclosure because property and equipment within Japan account for more than 90% of the property and equipment reported in the consolidated balance sheet.

(C) INFORMATION ABOUT MAJOR CUSTOMERS

Years ended March 31, 2017 and 2016:

The Company omitted this disclosure because no operating revenues from any specific external customer account for 10% or more of operating revenues reported in the consolidated statements of income.

INFORMATION REGARDING IMPAIRMENT LOSSES ON PROPERTY AND EQUIPMENT

Years ended March 31, 2017 and 2016:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
	Loss on impairment	Loss on impairment	Loss on impairment
Credit service	**¥ 50**	¥ –	**$ 446**
Lease	**–**	–	**–**
Finance	**–**	–	**–**
Real estate-related	**108**	–	**958**
Entertainment	**1**	26	**13**
Total	**159**	26	**1,417**
Reconciliations	**–**	–	**–**
Consolidated	**¥ 159**	¥ 26	**$ 1,417**

INFORMATION REGARDING AMORTIZATION OF GOODWILL AND UNAMORTIZED BALANCE OF GOODWILL

Years ended March 31, 2017 and 2016:

There was no significant amortization of goodwill or unamortized balance of goodwill.

INFORMATION REGARDING GAINS ARISING FROM NEGATIVE GOODWILL

Years ended March 31, 2017 and 2016:

There were no significant gains from negative goodwill.

29. RELATED PARTY DISCLOSURES

(A) RELATED PARTY TRANSACTIONS

Transactions and balances of the Company with its major shareholders and associated companies for the years ended March 31, 2017 and 2016, are as follows:

	Millions of yen		Thousands of U.S. dollars
Seven CS Card Service Co., Ltd.	2017	2016	2017
Transactions:			
Volume of new contracts*1*2	**¥ 732,961**	¥ 739,940	**$ 6,532,631**
Balances:			
Accounts receivable—installment	**42,716**	45,610	**380,715**

	Millions of yen		Thousands of U.S. dollars
UC Card Co., Ltd.	2017	2016	2017
Transactions:			
Volume of new contracts*1*2	**¥ 1,186,159**	¥ 1,178,637	**$ 10,571,831**
Balances:			
Accounts payable	**73,101**	71,479	**651,522**
Prepaid expenses and other current assets (other receivable)	**7,520**	7,043	**67,026**

Saison Information Systems Co., Ltd.	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Transactions:			
Settlement received	**¥ 11,475*3**	¥ 3,500*4	**$ 102,275**

Mizuho Bank, Ltd.	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Transactions:			
Acquisition of treasury stocks*5	**¥ –**	¥ 47,831	**$ –**
Loan of finances*6	**–**	10,200	**–**
Balances:			
Short-term loans	**–**	32,400	**–**
Long-term debt	**–**	128,224	**–**

Transaction terms and decision-making policy for the transaction terms:
*1 Transaction amounts exclude consumption taxes.
*2 Commissions in the recovery of accounts receivable—installment and from member store liquidations are determined based on quoted market prices and other factors.
*3 Settlement received from Saison Information Systems Co., Ltd. is based on the delay, etc., of development on the cooperative enterprise system.
*4 Settlement received from Saison Information Systems Co., Ltd. is based on a part of the agreement related to the delay, etc., of development on the cooperative enterprise system.
*5 Based on the resolution by the Board of Directors on December 8, 2015, the Company acquired treasury stock through ToSTNet-3, via offer transactions during off-hours trading, at a price of 2,320 yen per share, the closing stock price on December 8, 2015. As a result, Mizuho Bank, Ltd. was removed from related parties and major shareholders of the Company.
*6 The interest rate on the loan is determined based on market interest rates and other factors. Transaction amounts are described during the term when Mizuho Bank, Ltd. was a related party of the Company. Ownership percentages and terminal balances of voting rights, etc., are described at the moment when it was not a related party of the Company.

(B) SIGNIFICANT AFFILIATED COMPANIES

Summarized financial information as of and for the year ended March 31, 2017 of UC Card Co., Ltd., which was classified as a significant affiliated company, is as follows:

i. Balance sheet

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Total current assets	**¥ 282,764**	¥ –	**$ 2,520,183**
Total non-current assets	**46,791**	–	**417,034**
Total current liabilities	**258,909**	–	**2,307,569**
Total non-current liabilities	**6,091**	–	**54,291**
Total equity	**64,555**	–	**575,357**

ii. Statement of income

	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars 2017
Operating revenue	**¥ 26,929**	¥ –	**$ 240,009**
Income before income taxes	**51,410**	–	**458,196**
Net income	**37,214**	–	**331,677**

30. SUBSEQUENT EVENTS

There are no subsequent events to report.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Credit Saison Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Credit Saison Co., Ltd. and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Credit Saison Co., Ltd. and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 20, 2017

Member of
Deloitte Touche Tohmatsu Limited