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)
	2018	2017	2016	2015	2014	2013	**2018**
CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	**¥ 292,184**	¥ 278,945	¥ 269,918	¥ 259,077	¥ 247,577	¥ 244,405	**$ 2,749,444**
Selling, general and administrative expenses	**241,741**	236,661	221,553	206,193	197,852	187,171	**2,274,778**
Financial costs	**9,672**	11,070	11,771	12,723	13,389	14,922	**91,011**
Operating income	**40,771**	31,214	36,594	40,161	36,336	42,312	**383,655**
Net income attributable to owners of the parent	**38,330**	42,253	26,163	12,629	25,551	32,770	**360,683**
At year-end:							
Total equity	**¥ 480,669**	¥ 446,882	¥ 418,988	¥ 447,083	¥ 422,830	¥ 394,868	**$ 4,523,097**
Total assets	**2,940,028**	2,720,051	2,550,990	2,373,299	2,285,943	2,141,802	**27,665,640**
Interest-bearing debt (Note 2)	**1,957,244**	1,857,477	1,729,066	1,557,836	1,468,740	1,359,856	**18,417,653**
Per share data (in yen and U.S. dollars):							
Net income per share	**¥ 234.67**	¥ 258.70	¥ 147.37	¥ 68.77	¥ 139.15	¥ 178.45	**$ 2.21**
Equity per share	**2,933.46**	2,724.88	2,563.61	2,424.05	2,283.29	2,131.58	**27.60**
Key financial ratios (%):							
Return on equity (ROE)	**8.3**	9.8	6.1	2.9	6.3	8.8	
Return on assets (ROA)	**1.4**	1.6	1.1	0.5	1.2	1.5	
Equity ratio	**16.3**	16.4	16.4	18.8	18.3	18.3	
NON-CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	**¥ 249,865**	¥ 238,637	¥ 228,713	¥ 219,337	¥ 205,873	¥ 204,121	**$ 2,351,231**
Selling, general and administrative expenses	**207,093**	203,038	186,493	169,900	160,927	149,844	**1,948,746**
Financial costs	**9,872**	11,282	12,620	14,067	15,119	16,882	**92,896**
Operating income	**32,900**	24,317	29,600	35,370	29,826	37,394	**309,589**
Net income	**22,191**	21,046	25,571	11,316	18,637	24,147	**208,813**
At year-end:							
Total equity	**¥ 396,831**	¥ 374,478	¥ 359,428	¥ 388,470	¥ 367,808	¥ 349,202	**$ 3,734,181**
Total assets	**2,831,297**	2,623,644	2,468,797	2,287,986	2,200,459	2,051,908	**26,642,483**
Interest-bearing debt (Note 2)	**1,953,740**	1,852,551	1,725,891	1,551,189	1,457,001	1,337,202	**18,384,681**
Key financial ratios (%):							
Return on equity (ROE)	**5.8**	5.7	6.8	3.0	5.2	7.2	
Return on assets (ROA)	**0.8**	0.8	1.1	0.5	0.9	1.2	
Equity ratio	**14.0**	14.3	14.6	17.0	16.7	17.0	
NON-CONSOLIDATED Transaction volume:							
Card shopping	**¥ 4,683,039**	¥ 4,476,608	¥ 4,258,285	¥ 4,089,390	¥ 3,852,980	¥ 3,547,050	**$ 44,067,361**
Cash advances	**248,157**	253,837	267,724	277,026	264,092	260,089	**2,335,155**
Specialty loans	**328,300**	212,218	121,294	74,687	45,506	32,950	**3,089,303**
Agency services (Note 3)	**2,873,184**	2,671,711	2,522,243	2,434,825	2,303,998	2,166,062	**27,036,642**
Leases	**114,569**	108,102	106,000	106,801	114,694	105,356	**1,078,097**
Guarantees	**131,923**	159,915	150,101	137,335	126,281	115,297	**1,241,391**
Others	**30,677**	32,178	33,298	33,732	30,005	23,869	**288,671**
Total transaction volume	**¥ 8,409,849**	¥ 7,914,569	¥ 7,458,945	¥ 7,153,796	¥ 6,737,558	¥ 6,250,675	**$ 79,136,621**

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 ¥106 = U.S.$1, the approximate exchange rate on March 31, 2018, for the convenience of the reader.

OVERALL EARNINGS IN FISCAL YEAR 2017

In the fiscal year under review, the domestic economy remained on a gradual recovery track with some improvements in corporate earnings and employment and income conditions largely thanks to the government's economic measures and the Bank of Japan's monetary easing policy. In contrast, there are still conditions that warrant monitoring such as the economic outlook in emerging Asian markets, notably China, uncertainty surrounding policies, the future course of policies in the US, and volatility in financial capital markets. Innovation that transcends industry boundaries, such as automation of operations or customer services using cutting-edge technology like artificial intelligence (AI), is accelerating and giving rise to more intense competition in the business environment that envelops our Group. In such circumstances, we kicked off our medium-term business plan in fiscal 2016 with a medium-term management vision of becoming a "Neo Finance Company in Asia" under our "leading-edge service company" management philosophy. In fiscal 2017, the second year of the plan, we endeavored to reform our business models across the entire Group in order to further accelerate the pace of growth. As well as striving to offer products and services in pursuit of customer needs and convenience by, for example, pioneering mobile payment platforms and other cardless payment schemes and delivering added-value to our "Saison Eikyufumetsu Points" program with the creation of sophisticated point services, we worked to expand our retail finance business in Asia by harnessing the know-how we honed in Japan. In addition, the "Higashi-Ikebukuro 52" performance group made up of Group employees took part in a number of public events and contributed to enhancing our brand by generating a sense of affinity with mostly younger customers. Moreover, we laid the groundwork for sustaining our goal of being a growth company over the longer term by launching a new associated core system for processing online transactions 24 hours a day, 365 days a year and abolishing multiple employee classifications to roll out a new common personnel system for all employees, which unified all of our existing systems, including wages, and placed all workers on indefinite-term contracts.

OPERATING REVENUES

We endeavored to expand our customer base to underpin sustained growth in operating revenues by not only combining our Group's products and services and pulling company-wide resources together to step up sales of solutions that address the needs of individuals and corporations, but also by strengthening initiatives aimed at creating new revenue sources in collaboration with venture firms that leverage cutting-edge technologies. In the mainstay credit service segment, in addition to our premium card series "Saison American Express® Card," we stepped up membership recruitment for affiliate cards such as "Mitsui Shopping Park Card Saison." While we strove to increase membership in corporate and individual proprietor cards that support the streamlining of company back-office operations, we also utilized the internet and other methods to make card member recruitment drives more efficient. To expand card transaction value, in addition to promotions to stimulate card usage centering on affiliated merchants, we continued to encourage card use for settling recurring payments such as utility bills, mobile phone subscriber fees, and taxes, as well as business expense payments at companies. As a result, revenue in this segment increased across-the-board mainly thanks to card shopping transaction value rising 4.6% year on year to ¥4,683.0 billion, the card shopping revolving credit balance increasing 8.8% to ¥414.2 billion from the previous fiscal year-end, and the balance of cash advances growing 0.1% to ¥231.7 billion. Revenue declined in the lease segment even though we made efforts to strengthen relationships of trust by implementing a joint campaign with existing mainstay lease dealers and worked to strengthen our marketing to new priority dealers.

Revenue in the finance segment increased as we commenced offering a rent guarantee service and the guarantee balance in the credit guarantee business rose 3.3% from the previous fiscal year-end to ¥345.2 billion owing to close collaboration with partner financial institutions in terms of both marketing and controls. Revenue contributions also came from "Flat 35" loans and "Saison Asset Formation Loans" by tapping demand at our sales partners. In the real estate-related business segment, revenue increased chiefly due to sustained demand for mainly non-investment real estate as market prices held firm. In the entertainment business segment, revenue declined mainly on the impact of tougher competition in the amusement business. As a result of the above, operating revenue increased 4.7% year on year to ¥292.183 billion.

OPERATING EXPENSES AND OPERATING INCOME

Despite a decline in financial expenses due to the impact of lower market interest rates, operating expenses climbed 1.5% year on year to ¥251.412 billion due to factors such as an increase in costs linked to growth in card transaction value and the impact of the associated core system coming online. As a result of the above, operating income increased 30.6% year on year to ¥40.771 billion and recurring income rose 6.9% to ¥56.717 billion.

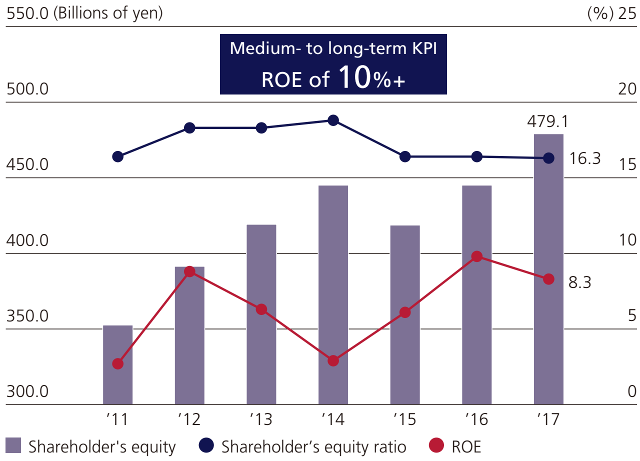
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT

Owing to the booking of an ¥8.536 billion gain on the partial sale of investment securities as extraordinary profit and the booking of an extraordinary loss of ¥12.969 billion as a one-off expense related to migration to the new associated core system, net income attributable to owners of the parent dipped 9.3% year on year to ¥38.329 billion. Net income per share came to ¥234.67.

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.

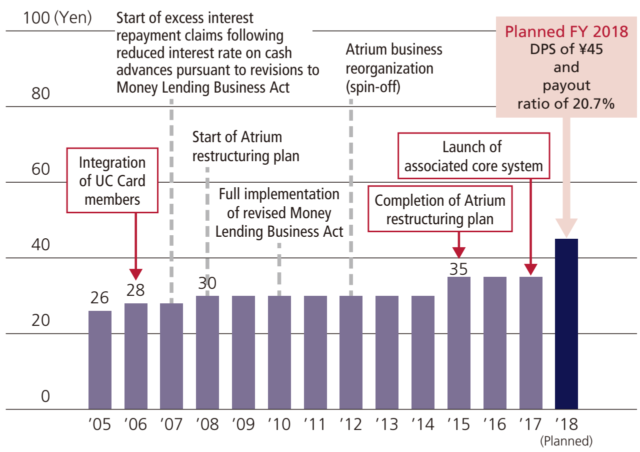
Performance indicators



Shareholder returns (cash dividends per share)

Dividend policy: Stable and continuous dividend payments

- No dividend cuts in the past even during times of management hardship
- DPS of ¥45 (¥10 dividend hike) planned for fiscal 2018 in light of migration to associated core system and easing of excess interest repayment claims



Net income	42.2	14.8	26.7	(55.5)	18.6	12.8	9.4	32.7	25.5	12.6	26.1	42.2	38.3	35.5

(Billions of yen)

SEGMENT CONDITIONS

<Credit Service Segment>

The credit service segment is composed of the credit card business and servicer (loan collection agency) business. The trend towards cashless payments continues in the individual and corporate customer domains due to the use of smartphones and the emergence of new payment services offered by startup firms with considerable technological prowess. Amid this situation, we have worked to bolster the segment's earnings base by expanding payment services in pursuit of customer convenience, expanding fee businesses by harnessing our customer base and big data, and advancing our retail finance businesses in Asia. In addition, we have sought to improve operational efficiency with ongoing strengthening initiatives to deal with credit risk and the automation of customer services and back-office operations with the use of technology. In fiscal 2017, operating revenue rose 4.1% year on year to ¥220.320 billion and operating income increased 59.6% to ¥12.719 billion.

Credit Card Shopping Business

In fiscal 2017, we added 2.44 million new card members, a decrease of 6.6% year on year. The total number of card members at the end of fiscal 2017 rose 1.8% from the previous fiscal year-end to 26.95 million, and the number of active card members for the year rose 1.3% to 14.98 million. Card shopping transaction value in fiscal 2017 came to ¥4,683.0 billion (up 4.6% year on year). The card shopping revolving credit balance at fiscal year-end stood at ¥414.2 billion (up 8.8% year on year), while the balance of cash advances totaled ¥231.7 billion (up 0.1%).

a. Expanding payment services in pursuit of customer convenience

Credit Saison seeks to realize a cashless society through initiatives to break the dominance of the cash market as the major 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. In the credit card business, we continued to recruit members for our premium card series "Saison American Express® Card," with a particular focus on prospective platinum and gold card members as they offer the prospect of high utilization and high spending per transaction. We also promoted the "Mitsui Shopping Park Card Saison," a credit card we issue together with Mitsui Fudosan Co., Ltd. and Mitsui Fudosan Retail Management Co., Ltd., and in cooperation with our alliance partners, we made efforts to enroll new card members for the "Walmart Card Saison American Express® Card," issued together with Walmart Japan Holdings K.K. and Seiyu G.K, and the "PARCO card," issued together with PARCO Co., Ltd. In terms of services, we aggressively tackled the cash market and worked to expand shopping transaction value by not only carrying on promotion initiatives based on the usage status of our customers, but launched promotions to invigorate the use of credit cards mainly at affiliated merchants, strengthened campaigns for revolving credit and repayment plans where salaried workers use bonuses to repay outstanding debt, encouraged the use of cards to pay recurring utility bills, mobile phone subscriber fees, and taxes, and strengthened measures to facilitate "Apple Pay" registration and use. As for initiatives to lock in payments in the corporate market, we formed an alliance with a cloud-based expense settlement solutions firm to offer companies a way to considerably reduce their expense settlement workload by combining this service with our corporate cards. 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 tailored to the size and needs of companies. Such efforts included continued issuance of the "Saison Platinum Business American Express® Card," a business card that meets the business expense settlement needs of individual proprietors. Furthermore, we endeavored to contribute to regional economic rejuvenation through our payment and points services by supporting the My Key Platform initiative of the Ministry of Internal Affairs and Communications and participating in a points exchange program whereby "Eikyufumetsu Points" can be transferred to the point schemes of local governments that support regional economic activity. In expanding the scope of credit card payments, we continued to promote the "COCOKARA CLUB CARD," which we issue via a tie-up with leading drugstore chain cocokara fine Inc., the "NEO MONEY" prepaid card for overseas travelers, and the "PARCO PRICA" card, which we issue in collaboration with PARCO Co., Ltd. We also worked to maximize our know-how as a leading prepaid card company and further develop new alliances and improve product appeal by handling the operation of the prepaid "mijica" card issued by JAPAN POST Co., Ltd. and JAPAN POST BANK Co., Ltd. Customers receive Eikyufumetsu Points when shopping with this card and it can also be charged with Eikyufumetsu Points accrued from shopping with a Saison card.

b. Expanding fee businesses harnessing our customer base and big data

To promote the development of new businesses leveraging the internet, we are working to expand net members, the basis of these businesses. Net membership increased 8.3% from the previous fiscal year-end to 15.01 million as of March 31, 2018. At our Saison Counters and on our website we promote our "Saison Portal" and "UC Portal" smartphone apps as a way to communicate with net members. Increased downloads contributes to greater use of our net services as a whole. Moreover, we launched the "Saison Origami Pay" and "UC Origami Pay" smartphone payment services in January 2018 through a tie-up with Origami Inc. These services allow users to make payments with their smartphones from within the "Saison Portal" and "UC Portal" apps without the need to register a credit card. As a new Saison Eikyufumetsu Points initiative, we actively promoted our "Point Investment Service," which lets users experience a long-term investment simulation. As of March 31, 2018, 130,000 members had used this service. In July 2017 we rebranded our point mall website "Eikyufumetsu.com" with the new name of "Saison Point Mall." By developing it into a one-stop points site where members can save, use (exchange), and manage their points, we are now one step closer to building an "economic system" for Saison Eikyufumetsu Points. We also launched the official "Saison Point Mall" app in order to enhance smartphone user convenience. By leveraging this growing net membership base and customer data, revenue in our marketing business increased 13.9% year on year. In addition to advertising sales using owned media such as the Saison Point Mall, Net Answer, and e-mail, performance of other marketing solutions remain firm, including "eMark+," an internet behavior log analysis service we operate as a joint venture with VALUES, Inc.

In the rapidly changing IT sector, we look to promote open innovation with startup firms and form alliances with leading internet companies with the aim of actively integrating advanced technologies and business models. With the goal of further bolstering our value-added-oriented businesses that harness our big data platform "Saison DMP," in April 2017 we acquired all of the outstanding shares of Omnibus K.K., a next-generation digital marketing company driven by the latest ad technology. As the use of big data to stimulate consumer spending continues to be broached as an issue for both the public and private sectors, Credit Saison continues to make effective use of the industry's largest customer base, payment know-how, and digital marketing technology to build out a new big data business model and create new internet-based business models that generate earnings from a plethora of services.

c. Initiatives for managing credit 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 by providing compassionate support to delinquent customers through much-improved contact and counseling.

d. Advancing our retail finance businesses in Asia

We currently identify our overseas business as a new earnings pillar in the future and are therefore expanding mainly our finance businesses in rapidly growing Asia.

We are expanding our retail finance business in Vietnam through our equity-method affiliate HD Saison Finance Company Ltd., mainly in the area of loans for motorcycles and home appliances. We have successfully boosted our presence in Vietnam, reflected in the considerable increase in both sales offices and credit balance since forming the capital alliance in May 2015. We also acquired a partial stake in Ho Chi Minh City Development Joint Stock Commercial Bank with the view to launching a new credit card business and further expanding our business footprint in Vietnam. By harnessing the business know-how and networks of both companies, we aim to become the dominant number one comprehensive retail finance company in Vietnam and deliver products and services that meet the needs of consumers in the country's rapidly growing retail finance market. Moreover, we formed a capital tie-up with leading Southeast Asian ride-sharing service operator Grab Inc. (now Grab Holdings Inc.) and established Grab Financial Services Asia Inc. in order to launch our smartphone-based digital lending service in Southeast Asia. We have started granting loans to 2.4 million Grab-registered drivers utilizing data such as driver dispatch history, working status, and number of payments, and intend to expand the service to ordinary users in the future. Harnessing the credit expertise we have accumulated over more than 30 years in the retail finance business in Japan, we aim to establish a highly accurate credit scoring system in the future with a view to creating new businesses and commercializing cardless payments.

Servicer (Loan Collection Agency) Business

The servicer business is mainly engaged in the consignment collection of small unsecured loans and debt factoring. Income in this business increased as a result of growth in transaction volume and debt collection owing to more new customers and better collection skills against a backdrop of a gradual recovery in the economy, driven by improvements in corporate earnings as well as employment and income.

<Lease Segment>

Leveraging our know-how in credit examination and speed in granting credit as key strengths, we continue to mainly engage in sales of office automation (OA) equipment, kitchen equipment, and air conditioners to meet the capex plans of businesses. In the lease segment, we strengthened relationships of trust by implementing a joint campaign with existing mainstay lease dealers and worked to strengthen our marketing to new priority dealers. As a result, lease transaction value came to ¥114.5 billion (up 5.7% year on year), operating revenue to ¥12.885 billion (down 3.0%), and operating income to ¥4.349 billion (up 0.8%).

<Finance Segment>

The finance segment comprises the credit guarantee business and other finance-related business. In the former, the guarantee balance increased due to the securing of favorable transactions obtained through close collaboration with partner financial institutions in terms of both marketing and credit controls. In other finance-related business, we worked to build up high-quality loans in our portfolio by meeting the needs of our sales partners, mainly with our "Flat 35" loans and "Saison Asset Formation Loans." As a result of the above, operating revenue in the fiscal year under review increased 14.0% year on year to ¥35.417 billion and operating income rose 26.5% to ¥16.213 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 credit controls, particularly in the area of guarantees for multi-purpose loans on deeds for individual customers. We endeavored to establish a sophisticated partnership framework with regional financial institutions through multi-purpose loan guarantee products where the allowable uses of loan proceeds were expanded to include business finance. As a result, Credit Saison maintained partnerships with 405 regional financial institutions in fiscal 2017 (+2 from the end of fiscal 2016). The guarantee balance (before allowance for losses on guarantees) increased 2.5% from the previous fiscal year-end to ¥342.4 billion.

2) Other Finance-related Business

Underpinned by the sense of trust and reassurance in the Saison brand that we have cultivated through card member benefits and in our credit card business, we promoted our "Flat 35" loans to assist home-buying customers, given that it comes packaged with "Saison Home Assist Loans" to cover miscellaneous expenses when purchasing a home. As a result, loans executed in fiscal 2017 increased 24.3% year on year to 6,627 for an executed loan value of ¥196.5 billion (up 28.7%) and the total loan balance (after transfer of receivables to Japan Housing Finance Agency) grew 31.8% from the previous fiscal year-end to ¥593.4 billion. Meanwhile, the number of executed "Saison Asset Formation Loans" (loans for purchasing investment property) increased 35.4% year on year to 5,098 owing to greater cooperation with partners through study sessions and the like. The executed loan value for these loans climbed 38.5% year on year to ¥138.0 billion and the loan balance expanded 57.5% to ¥341.5 billion from the previous fiscal year-end. The balance of receivables held in the other finance-related business came to ¥486.4 billion as of March 31, 2018, up 46.4% from the previous fiscal year-end.

Furthermore, we are working to beef up sales of our "Saison Rent Guarantee Rent Quick" service that we launched in July 2017 by collaborating with the partners we have forged in our Flat 35 and asset formation loan businesses.

We have continued to meet the capital needs of customers purchasing homes with our "Flat 35" loans and "Saison Asset Formation Loans," but in addition to our "Saison Rent Guarantee Rent Quick" service, we will continue to expand our "life creation financial services" that offer assistance to customers transitioning from renting to home buying.

<Real Estate-related Business Segment>

This segment comprises the real estate and real estate lease businesses. As a result of increased real estate sales owing to sustained demand for mainly non-investment properties driven by brisk market conditions, operating revenue in fiscal 2017 rose 13.4% year on year to ¥15.472 billion and operating income surged 30.5% to ¥6.41 billion.

<Entertainment Business Segment>

This segment consists mainly of amusement businesses in which we strive to create sound, safe, and comfortable facilities that have the backing of our customers. In fiscal 2017, operating revenue dropped 10.7% year on year to ¥9.288 billion and operating income fell 9.8% to ¥1.082 billion.

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

	Millions of yen		
	2018	2017	% change
Cost of uncollectible receivables	**30,183**	43,346	(30.4)
Included in the above:			
Allowance for losses on accounts receivable	**22,407**	21,162	5.9
Provision for losses on interest repayment	**629**	15,961	(96.1)
Allowance for losses on guarantees	**7,128**	6,221	14.6
Losses on bad debt	**19**	—	—
SG&A expenses excluding cost of uncollectible receivables	**211,557**	193,315	9.4
Included in the above:			
Advertising expenses	**26,354**	25,231	4.5
Provision for point program	**16,642**	14,717	13.1
Personnel expenses	**48,662**	46,547	4.5
Fees paid	**71,265**	63,611	12.0
Total SG&A expenses	**241,740**	236,661	2.1

(Years ended March 31)

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, 2018, our consolidated interest-bearing debt stood at ¥1,957.2 billion (including lease obligations of ¥1.7 billion). Of this, loans accounted for 61.6%, corporate bonds for 17.4%, commercial paper for 19.9%, and securitization of receivables, etc. for 1.1%. 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, 65.6% are installment receivables, mainly in 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

1) Cash Flows from Operating Activities

Net cash used in operating activities in fiscal 2017 was ¥54.88 billion, compared to ¥103.280 billion used in the previous fiscal year. The outflow was mainly due to revenue from a net increase in trade receivables, including accounts payable, of ¥57.333 billion and the booking of ¥52.37 billion in income before income taxes and non-controlling interests on the one hand, and a net increase in trade receivables, including installment receivables, of ¥160.12 billion, on the other.

2) Cash Flows from Investing Activities

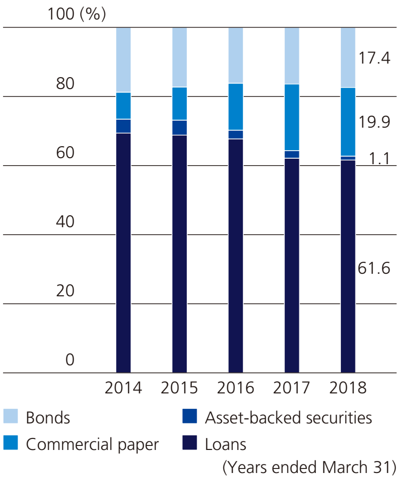
Net cash used in investing activities in fiscal 2017 reached ¥46.380 billion, compared to ¥19.462 billion used in the previous fiscal year. The outflow was mainly due to payments of ¥44.518 billion for purchases of intangible assets as well as property and equipment related to the development of a associated core system, despite proceeds of ¥14.751 billion from the sales or redemptions of investment securities.

3) Cash Flows from Financing Activities

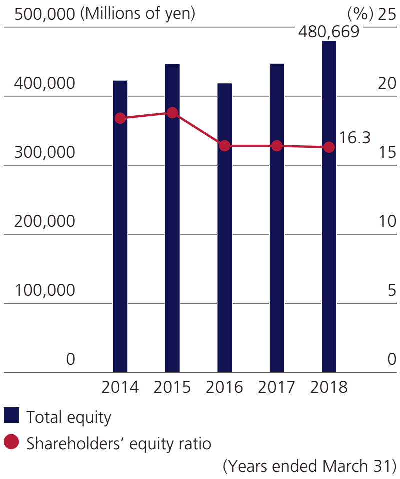
Net cash provided by financing activities in fiscal 2017 reached ¥112.592 billion, compared to ¥121.28 billion provided in the previous fiscal year. While the repayment of long-term debt resulted in an outflow of ¥69.885 billion, there was inflow of ¥104.7 billion from long-term loans and ¥84.564 billion from the issuance of bonds.

As a result of the above, cash and cash equivalents as of March 31, 2018 increased by ¥11.342 billion from the previous fiscal year-end to ¥74.557 billion.

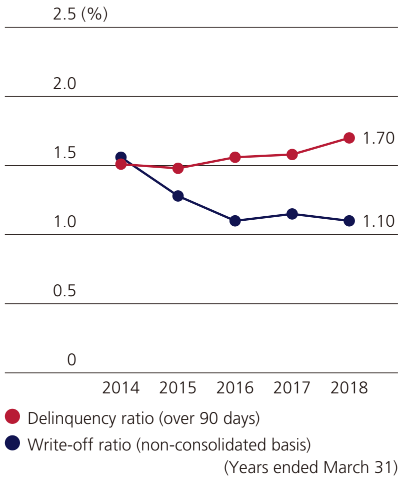
Composition of interest-bearing debt



Total equity and shareholders' equity ratio



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



CREDIT RISKS

Total receivables for credit risk purposes is the balance obtained by adding contingent liabilities to the balances of receivables by purchase, lease investment assets, and installment receivables on a managed basis. The balance of receivables overdue by more than 90 days totaled ¥56.32 billion (up 11.9% year on year). The allowance for doubtful accounts in current assets as of March 31, 2018 rose 6.9% year on year to ¥50.570 billion. As a result, the sufficiency ratio in relation to the balance of receivables overdue by more than 90 days fell to 117.8% from 126.8% at the end of the previous fiscal year.

Comparison of delinquent receivables and the allowance for receivables

	Millions of yen		
	2018	2017	% change
(1) Receivables	**2,519,919**	2,365,047	6.5
(2) Receivables overdue by more than 90 days	**56,302**	50,302	11.9
(3) Collateralized portion included in (2)	**13,372**	13,005	2.8
(4) Allowance for doubtful accounts (current assets)	**50,570**	47,289	6.9
Receivables overdue by more than 90 days as a percentage of receivables [(2) ÷ (1)]	**2.2%**	2.1%	—
Ratio of allowance for uncollectible receivables to receivables overdue by more than 90 days [(4) ÷ ((2) – (3))] (sufficiency ratio)	**117.8%**	126.8%	—
(Reference) Receivables overdue by more than 90 days excluding collateralized portion as a percentage of receivables [((2) – (3)) ÷ (1)]	**1.7%**	1.6%	—

(Years ended March 31)

Changes in the allowance for uncollectible receivables

	Millions of yen		
	2018	2017	% change
Allowance for doubtful accounts at the beginning of the year	**50,266**	48,363	3.9
Increase	**28,593**	25,980	10.1
Decrease	**25,366**	24,077	5.4
Allowance for doubtful accounts at the end of the year	**53,494**	50,266	6.4
(Reference) Losses on bad debt	**19**	—	—

(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 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

Based on our "leading-edge service company" management philosophy, we use the know-how we have honed from over thirty years in the card business, as well as our corporate assets—a customer base of 37 million, innovative products and services, and a diverse range of partners and affiliates—to continue to offer the best solutions to our individual and corporate customers. Innovation that transcends industry boundaries, such as automation of operations or customer services using cutting-edge technology like artificial intelligence (AI), is expected to accelerate and give rise to more intense competition in the business environment that envelops our Group. Amid these circumstances, we now enter the final year of our medium-term management plan in which we set out our "Neo Finance Company in Asia" management vision and we continue to reform our business models in order to further bolster our market competitiveness. The plan calls on the Credit Saison Group to promote open innovation and focus intensively on the pursuit of customer needs and convenience centering on our credit card businesses, big data-driven internet and finance businesses, solutions businesses promoting cashless transactions for the corporate market, asset management businesses in view of the shift from savings to investments, and finance businesses in Asia drawing on the know-how we honed in Japan. Through these initiatives, we aim to become the "peerless new finance company in Asia." At the same time, we seek to grow into a company where each of our employees can continue to pursue challenges with passion that feeds into innovation, and in that vein, we are committed to advancing diversity and inclusion, starting with efforts to promote the role of women in the workplace. We will maintain our unique approach on addressing various social issues through initiatives to expand business domains and the pursuit of collaborative management that improves customer convenience and contributes to sales growth at partner firms. We aim to continuously enhance our corporate value by practicing ESG-conscious management and contributing to the development of an even more convenient and prosperous society.

1) Promoting cashless payments by remodeling our credit card businesses

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 tie-ups, group affiliations, or business scale, we are working to expand our market share and advance the development and delivery of payment services that satisfy our customers. By launching initiatives to diversify payment services and break the dominance of the cash market with credit cards, prepaid cards, smartphone payment services, and payment agency functions, we aim to become the number one company in the cashless payment market. Going beyond consumer spending 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 that match the scale and needs of companies with initiatives that tap demand in the corporate payments market.

Credit Saison offers card users a loyalty points program where points never expire. We are bucking conventional wisdom about credit card point programs and continuing to build out a new "economic system" for our "Saison Eikyufumetsu Points" platform. Initiatives for this include the launch of our "Point Investment Service" whereby cardholders can use their points to simulate long-term investment, as well as the option for holders of the "mijica" prepaid card issued by JAPAN POST Co., Ltd. and JAPAN POST BANK Co., Ltd. to earn Eikyufumetsu Points. We will continue to design and deliver highly convenient services to our customers so that our points service becomes the only one they will ever need to enjoy a vibrant lifestyle.

2) Business creation leveraging digital devices and customer data

We are working to further expand net members and smartphone app users in order to capture opportunities in the still-expanding online marketplace. Through tactical collaborations with venture companies boasting new technologies and leading internet-based firms that possess high-quality content platforms, we are creating new online businesses such as our one-stop points site "Saison Point Mall," and will continue to establish new business models that generate earnings from a plethora of online services.

We are developing original media and content businesses based on the preferences and interests of our internet members, which now number over 15 million. Through partnerships that enable us to mine data we own with respect to customer attributes, card usage history, and web behavior history, along with the data of third parties, we are working to create big data-driven marketing and ad businesses in which we can deliver marketing solutions to corporate clients and send appropriate information to card members.

3) Strategy for further growth in lease and finance businesses that cater to market needs

Outside of our credit card businesses, we are diversifying our revenue sources through stronger relations with corporate partners by providing finance functionality that caters to market needs. Functions include the provision of leases and rentals for office automation (OA) equipment, kitchen equipment, and other hardware to meet the capex plans of businesses, credit guarantees we underwrite on unsecured personal loans that also can be used as business-purpose loan under collaboration with regional financial institutions, "Flat 35" loans that come with special perks for card members, and "Saison Asset Formation Loans" that aid customers with the purchasing of investment property.

We are also endeavoring to build a business platform as a non-bank resilient to environmental changes by, for example, entering the rent guarantee business and launching our "Saison Rent Guarantee Rent Quick" service.

4) Advancing our retail finance businesses in Asia and laying the foundations for a longer-term overseas strategy

Credit Saison is making headway in China, Vietnam, Indonesia, and Singapore by reinforcing our alliances with local companies with whom we have capital or business tie-ups. In doing so, we continue to provide products and services tailored to the needs of consumers in these countries and accelerate the advancement of our retail finance 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 already established there in order to expand local networks and business domains. We look to expand our businesses and lay the foundations of a longer-term strategy by gaining a foothold in the financial markets of neighboring Asian countries such as the Philippines, Malaysia, Thailand, Myanmar, and India.

5) Beefing up our business by ensuring a sound receivables portfolio and transforming our cost structure with stronger credit management and loan collection systems

While preventative measures to ensure borrowers do not become indebted to multiple creditors are a focus, we are always improving our operational systems, from credit screening through to loan collection, and reinforcing our effective and efficient credit provision system. We constantly strive to ensure a sound receivables portfolio through timely reviews of screening criteria in response to changes in internal and external environments. We are working to add even more muscle to our business structure with IT-driven initiatives to make operations more efficient and credit screening more precise.

6) Improve and reinforce corporate governance

In recognizing the enormous importance of enhancing corporate governance in line with the attainment of business objectives in order to secure the understanding and approval of all our stakeholders from shareholders to customers, business partners and suppliers, and Group company employees, we are working to improve our compliance and internal control systems with the aim of enhancing management transparency and strengthening management supervisory functions. We implement Group-wide initiatives on proper management of personal information and make sure our operations comply with all relevant laws, regulations, and rules, including laws directly related to the Group's businesses. We also work on an ongoing basis to streamline our systems and ensure safety and stability so customers can feel safe in using their cards. We will continue to improve information coordination with Group companies, further strengthen Group management control systems, and reinforce our governance framework with the aim of enhancing our consolidated corporate value.

CONSOLIDATED BALANCE SHEET

Credit Saison Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2018**	2017	**2018**
Current Assets:			
Cash and deposits (Note 13)	**¥ 74,613**	¥ 63,266	**$ 702,105**
Receivables and lease investment assets:			
Accounts receivable—installment (Notes 6, 13, and 31)	**1,928,381**	1,768,667	**18,146,055**
Purchased receivables	**15,347**	14,968	**144,415**
Lease investment assets (Notes 7, 12, and 13)	**231,734**	227,761	**2,180,612**
Short-term loans receivable (Note 13)	**5,504**	3,997	**51,790**
Less: Allowance for doubtful accounts	**(50,570)**	(47,289)	**(475,868)**
	2,130,396	1,968,104	**20,047,004**
Operational investment securities (Notes 13 and 14)	**35,976**	33,099	**338,538**
Inventories (Note 8)	**103,588**	102,844	**974,758**
Deferred tax assets (Note 16)	**23,545**	18,408	**221,554**
Prepaid expenses and other current assets (Note 31)	**27,732**	21,691	**260,969**
Total current assets	**2,395,850**	2,207,412	**22,544,928**
Property and Equipment, at Cost:			
Lease assets (Note 12)	**11,044**	10,516	**103,923**
Buildings and improvements (Note 9)	**52,252**	46,822	**491,690**
Fixtures and equipment (Note 9)	**21,022**	21,228	**197,814**
Total	**84,318**	78,566	**793,427**
Less: Accumulated depreciation	**(49,080)**	(48,285)	**(461,839)**
Net property and equipment	**35,238**	30,281	**331,588**
Land (Note 9)	**41,056**	39,774	**386,332**
Construction in progress	**197**	1,095	**1,853**
Total property and equipment	**76,491**	71,150	**719,773**
Investments and Other Assets:			
Investment securities (Notes 13 and 14)	**99,953**	85,638	**940,556**
Investments in unconsolidated subsidiaries and affiliated companies (Note 13)	**92,272**	82,702	**868,279**
Long-term loans receivable (Note 13)	**11,516**	11,258	**108,370**
Intangible assets	**210,605**	200,622	**1,981,793**
Guarantee deposits (Note 7)	**5,338**	5,440	**50,227**
Liquidation business assets (Notes 9 and 23)	**32,108**	32,456	**302,140**
Deferred tax assets (Note 16)	**8,403**	21,397	**79,070**
Other	**10,416**	4,954	**98,019**
Less: Allowance for doubtful accounts	**(2,924)**	(2,978)	**(27,515)**
Total investments and other assets	**467,687**	441,489	**4,400,939**
Total assets	**¥ 2,940,028**	¥ 2,720,051	**$ 27,665,640**

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

LIABILITIES AND EQUITY	Millions of yen 2018	2017	Thousands of U.S. dollars (Note 2) 2018
Current Liabilities:			
Notes and accounts payable (Notes 13 and 31)	**¥ 295,524**	¥ 238,191	**$ 2,780,876**
Short-term loans payable (Notes 11 and 13)	**247,960**	229,960	**2,333,302**
Current portion of long-term debt (Notes 11 and 13)	**75,300**	119,885	**708,573**
Commercial paper (Notes 11 and 13)	**389,500**	358,000	**3,665,192**
Current portion of long-term lease obligations (Notes 11, 12, and 13)	**467**	524	**4,391**
Accrued income taxes	**5,173**	9,589	**48,679**
Unearned income	**9,580**	9,028	**90,147**
Accrued employees' bonuses	**2,636**	2,316	**24,808**
Accrued directors' bonuses	**172**	157	**1,621**
Provision for losses on interest repayments	**9,229**	9,446	**86,848**
Provision for losses on collecting gift tickets	**139**	144	**1,311**
Accrued expenses and other current liabilities (Note 7)	**50,186**	39,389	**472,243**
Total current liabilities	**1,085,866**	1,016,629	**10,217,991**
Long-Term Liabilities:			
Long-term debt (Notes 7, 11, and 13)	**1,242,299**	1,127,899	**11,690,025**
Long-term lease obligations (Notes 11, 12, and 13)	**1,318**	1,209	**12,405**
Retirement provision for Directors and Audit & Supervisory Board Members	**129**	133	**1,210**
Provision for losses on guarantees (Note 13)	**7,360**	6,418	**69,254**
Provision for losses on defect warranties	**19**	14	**179**
Provision for losses on point program	**101,320**	94,033	**953,416**
Provision for losses on interest repayments	**13,919**	21,149	**130,977**
Asset retirement obligations	**468**	446	**4,403**
Other (Note 16)	**6,661**	5,239	**62,683**
Total long-term liabilities	**1,373,493**	1,256,540	**12,924,552**
Commitments and Contingent Liabilities (Notes 10 and 25)			
Equity (Note 27)**:**			
Common stock	**75,929**	75,929	**714,495**
Capital surplus	**85,635**	85,635	**805,823**
Stock acquisition rights	**0**	0	**0**
Retained earnings	**334,699**	302,088	**3,149,509**
Less: Treasury stock, at cost	**(52,881)**	(52,879)	**(497,606)**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities	**36,807**	35,315	**346,353**
Deferred losses on derivatives under hedge accounting	**(459)**	(650)	**(4,315)**
Foreign currency translation adjustments	**(601)**	(374)	**(5,661)**
Total	**479,129**	445,064	**4,508,598**
Noncontrolling interests	**1,540**	1,818	**14,499**
Total equity	**480,669**	446,882	**4,523,097**
Total liabilities and equity	**¥ 2,940,028**	¥ 2,720,051	**$ 27,665,640**

CONSOLIDATED STATEMENT OF INCOME

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Operating Revenues (Note 17)**:**			
Income from the credit service business	**¥ 218,953**	¥ 210,337	**$ 2,060,344**
Income from the lease business	**12,852**	13,241	**120,935**
Income from the finance business	**35,417**	31,072	**333,277**
Income from the real estate-related business	**15,447**	13,619	**145,353**
Income from the entertainment business	**9,288**	10,397	**87,401**
Financial income	**227**	279	**2,134**
Total operating revenues	**292,184**	278,945	**2,749,444**
Operating Expenses:			
Selling, general and administrative expenses (Notes 14, 15, and 18)	**241,741**	236,661	**2,274,778**
Financial costs	**9,672**	11,070	**91,011**
Total operating expenses	**251,413**	247,731	**2,365,789**
Operating Income	**40,771**	31,214	**383,655**
Nonoperating Revenues:			
Gain on sales of property and equipment	**0**	–	**4**
Gain on sales of investment securities (Note 14)	**8,537**	1,905	**80,331**
Settlement received (Notes 19 and 31)	**276**	11,475	**2,593**
Dividend income	**1,451**	1,434	**13,650**
Equity in earnings of equity method affiliated companies	**11,896**	18,447	**111,943**
Gain on the liquidation business (Note 23)	**–**	413	**–**
Other	**3,273**	1,763	**30,799**
Total nonoperating revenues	**25,433**	35,437	**239,320**
Nonoperating Expenses:			
Loss on disposals of property and equipment and intangible assets (Note 21)	**167**	299	**1,570**
Loss on devaluation of investment securities (Note 14)	**103**	2,729	**965**
Loss on devaluation of investments in unconsolidated subsidiaries and affiliated companies (Note 14)	**–**	909	**–**
Impairment losses (Note 22)	**2**	159	**17**
Loss on the liquidation business (Note 23)	**509**	–	**4,790**
System transition costs (Note 20)	**12,970**	–	**122,044**
Other	**146**	348	**1,379**
Total nonoperating expenses	**13,897**	4,444	**130,765**
Nonoperating Revenues, Net	**11,536**	30,993	**108,555**
Income before Income Taxes	**52,307**	62,207	**492,210**
Income Taxes (Note 16)**:**			
Current	**9,078**	9,371	**85,428**
Deferred	**5,166**	9,034	**48,613**
Net Income	**38,063**	43,802	**358,169**
Net Loss (Income) Attributable to Noncontrolling Interests	**(267)**	1,549	**(2,514)**
Net Income Attributable to Owners of the Parent	**¥ 38,330**	¥ 42,253	**$ 360,683**

	Yen		U.S. dollars (Note 2)
Per Share Data (Notes 3(T) and 29)	2018	2017	2018
Equity	**¥ 2,933.46**	¥ 2,724.88	**$ 27.604**
Net income, basic	**234.67**	258.70	**2.208**
Net income, diluted	**–**	255.28	**–**
Cash dividends	**35.00**	35.00	**0.329**

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, 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Net Income	**¥ 38,063**	¥ 43,802	**$ 358,169**
Other Comprehensive Income (Loss) (Note 26)			
Unrealized gains (losses) on available-for-sale securities	**5,677**	(1,263)	**53,418**
Deferred gains on derivatives under hedge accounting	**191**	1,016	**1,801**
Foreign currency translation adjustments	**(36)**	(10)	**(341)**
Share of other comprehensive income of equity method affiliated companies	**(4,387)**	(9,939)	**(41,278)**
Total other comprehensive income (loss)	**1,445**	(10,196)	**13,600**
Comprehensive Income	**¥ 39,508**	¥ 33,606	**$ 371,769**
Comprehensive Income Attributable to:			
Owners of the parent	**¥ 39,786**	¥ 32,060	**$ 374,385**
Noncontrolling interests	**(278)**	1,546	**(2,616)**

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, 2018

	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	Non-controlling interests	Total equity
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
Cash dividends					**(5,719)**					**(5,719)**		**(5,719)**
Net income attributable to owners of the parent					**38,330**					**38,330**		**38,330**
Purchase of treasury stock						**(2)**				**(2)**		**(2)**
Net changes in the year							**1,492**	**191**	**(227)**	**1,456**	**(278)**	**1,178**
Balance at March 31, 2018	**185,445**	**¥ 75,929**	**¥ 85,635**	**¥ 0**	**¥ 334,699**	**¥ (52,881)**	**¥ 36,807**	**¥ (459)**	**¥ (601)**	**¥ 479,129**	**¥ 1,540**	**¥ 480,669**

	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	Non-controlling interests	Total equity
Balance at March 31, 2017	185,445	$ 714,495	$ 805,823	$ 0	$ 2,842,646	$ (497,591)	$ 332,314	$ (6,116)	$ (3,523)	$ 4,188,048	$ 17,115	$ 4,205,163
Cash dividends					**(53,820)**					**(53,820)**		**(53,820)**
Net income attributable to owners of the parent					**360,683**					**360,683**		**360,683**
Purchase of treasury stock						**(15)**				**(15)**		**(15)**
Net changes in the year							**14,039**	**1,801**	**(2,138)**	**13,702**	**(2,616)**	**11,086**
Balance at March 31, 2018	**185,445**	**$ 714,495**	**$ 805,823**	**$ 0**	**$ 3,149,509**	**$ (497,606)**	**$ 346,353**	**$ (4,315)**	**$ (5,661)**	**$ 4,508,598**	**$ 14,499**	**$ 4,523,097**

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, 2018

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2018	2017	2018
Cash Flows from Operating Activities:			
Income before income taxes	**¥ 52,307**	¥ 62,207	**$ 492,210**
Adjustments to reconcile income before income taxes to net cash used in operating activities:			
Depreciation and amortization	**12,042**	7,615	**113,311**
Loss (Gain) on the liquidation business	**509**	(413)	**4,790**
Increase in allowance for doubtful accounts	**3,271**	2,308	**30,783**
Increase in provision for losses on point program	**7,286**	5,457	**68,564**
(Decrease) increase in provision for losses on interest repayments	**(7,446)**	5,473	**(70,071)**
Increase in provision for other reserves	**1,272**	1,564	**11,973**
Interest and dividend income	**(1,655)**	(1,668)	**(15,578)**
Interest expenses	**8,617**	9,579	**81,088**
Equity in earnings of equity method affiliated companies	**(11,896)**	(18,447)	**(111,943)**
Foreign exchange (gains) losses	**28**	(23)	**266**
Gain on sales of investment securities	**(8,537)**	(1,905)	**(80,331)**
Loss on devaluation of investment securities	**103**	2,729	**965**
Loss on devaluation of investments in unconsolidated subsidiaries and affiliated companies	**–**	909	**–**
Impairment losses	**2**	159	**17**
Loss on sales and disposals of property and equipment and intangible assets	**623**	767	**5,859**
Settlement received	**(276)**	(11,475)	**(2,593)**
System transition cost	**12,970**	–	**122,044**
Increase in trade receivables	**(160,102)**	(172,228)	**(1,506,560)**
Increase in lease investment assets	**(3,973)**	(309)	**(37,386)**
Increase in operational investment securities	**(3,146)**	(4,313)	**(29,601)**
Increase in inventories	**(743)**	(2,283)	**(6,987)**
(Increase) Decrease in other assets	**(5,015)**	3,500	**(47,193)**
Increase (Decrease) in operating debt	**57,333**	(1,529)	**539,503**
Increase (Decrease) in other liabilities	**11,344**	(1,860)	**106,750**
Other, net	**(1,039)**	329	**(9,775)**
Interest and dividends received	**3,517**	2,778	**33,093**
Interest paid	**(8,896)**	(9,997)	**(83,711)**
Settlement package received	**276**	11,475	**2,593**
Income taxes refunded	**65**	9,883	**612**
Income taxes paid	**(13,649)**	(3,563)	**(128,439)**
Net Cash Used in Operating Activities	**(54,808)**	(103,281)	**(515,747)**
Cash Flows from Investing Activities:			
Payments for the purchases of investment securities	**(14,715)**	(3,760)	**(138,472)**
Proceeds from sales or redemptions of investment securities (Note 28(C))	**14,752**	3,187	**138,815**
Payments for the liquidation business	**(205)**	–	**(1,926)**
Proceeds from the liquidation business	**–**	21,098	**–**
Payments for the purchases of property and equipment and other assets	**(44,519)**	(43,862)	**(418,921)**
Proceeds from sales of property and equipment and other assets	**21**	64	**196**
Payments of short- and long-term loans receivable	**(1,783)**	(37)	**(16,778)**
Collection of short- and long-term loans receivable	**18**	5,479	**169**
Other, net	**50**	(1,632)	**475**
Net Cash Used in Investing Activities	**(46,381)**	(19,463)	**(436,442)**
Cash Flows from Financing Activities:			
Increase in short-term debt	**18,000**	15,800	**169,381**
Increase in commercial paper	**31,500**	122,000	**296,415**
Proceeds from long-term debt	**104,700**	88,800	**985,226**
Repayments of long-term debt	**(69,885)**	(122,960)	**(657,617)**
Proceeds from issuance of bonds	**84,564**	59,173	**795,751**
Repayments of bonds	**(50,000)**	(35,000)	**(470,500)**
Repayments of lease obligations	**(566)**	(884)	**(5,323)**
Proceeds from sales of treasury stock	**–**	0	**–**
Purchases of treasury stock	**(2)**	(2)	**(15)**
Cash dividends paid	**(5,719)**	(5,719)	**(53,820)**
Net Cash Provided by Financing Activities	**112,592**	121,208	**1,059,498**
Effect of Exchange Rate Changes on Cash and Cash Equivalents	**(61)**	(62)	**(579)**
Net Increase (Decrease) in Cash and Cash Equivalents	**11,342**	(1,598)	**106,730**
Cash and Cash Equivalents at the Beginning of Year	**63,216**	64,814	**594,860**
Cash and Cash Equivalents at the End of Year (Note 28(A))	**¥ 74,558**	¥ 63,216	**$ 701,590**

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

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 ¥106 = U.S.$1, the approximate exchange rate on March 31, 2018, 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, 2018, the consolidated financial statements include the accounts of the Company and its 11 (11 for 2017) significant subsidiaries.

(Newly consolidated)

Worknet Co., Ltd.

Worknet Co., Ltd., became a consolidated subsidiary effective from the current fiscal year due to stock acquisition.

(Excluded from consolidation)

AIC Co., Ltd.

AIC Co., Ltd. was excluded from consolidation due to the completion of liquidation.

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 2017) 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.

(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, forward delivery bonds, and foreign currency forward contracts. The related hedged items are bank loans, bonds issued by the Companies, investment trusts, and loans receivable.

The Companies use interest rate swaps and foreign currency forward contracts to manage their exposure to fluctuations in interest rates and foreign currency. 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. Loans receivable denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

(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.

(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. ACCOUNTING CHANGES

(Accounting changes for purchased receivables)

Formerly, receivables purchased with pledged real estate were included in "Inventories" and possible uncollectible amounts were accounted for as inventory evaluation losses.

Effective from the year ended March 31, 2018, purchased receivables are included in "Receivables and lease investment assets" and possible uncollectible amounts are accounted for as "Allowance for doubtful accounts." Previously-reported figures on the consolidated balance sheet as of March 31, 2017 are reclassified to conform with the current accounting policy.

This change has minimal effect on income before income taxes for the year ended March 31, 2018.

5. NEW ACCOUNTING PRONOUNCEMENTS

- ASBJ Guidance No. 28, "Implementation Guidance on Tax Effect Accounting," February 16, 2018
- ASBJ Guidance No. 26 (revised 2018), "Implementation Guidance on Recoverability of Deferred Tax Assets," February 16, 2018

(1) Overview

Major revisions under the new implementation guidance on tax effect accounting are as follows:

- Accounting treatment for taxable temporary differences related to shares of subsidiaries in unconsolidated financial statements
- Accounting treatment for recoverability of deferred tax assets for companies classified in "Category 1"

(2) Scheduled date of application

The Company expects to apply the guidance for annual periods beginning on or after April 1, 2018.

(3) Impact due to the application of the implementation guidance

The Company is in the process of measuring the effect of applying the implementation guidance.

- ASBJ Statement No. 29, "Accounting Standard for Revenue Recognition," March 30, 2018
- ASBJ Guidance No. 30, "Implementation Guidance on Accounting Standard for Revenue Recognition," March 30, 2018

(1) Overview

In May 2014, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) jointly developed and issued a comprehensive accounting standard for revenue recognition titled "Revenue from contracts with customers," which is accounted for by the IASB and the FASB under IFRS 15 and Topic 606, respectively. Following the issuance of IFRS 15 effective for annual periods beginning on or after January 1, 2018 and Topic 606 effective for annual periods beginning on or after December 15, 2017, the ASBJ developed and issued its comprehensive accounting standard and implementation guidance for revenue recognition.

The ASBJ's core principle in developing the accounting standard for revenue recognition is to incorporate basic principles of IFRS 15 for the purpose of maintaining comparability of financial statements, which is considered to be one of the benefits of implementing a converged standard. If there are any transactions based on Japanese customary business practice, alternative accounting treatments will be considered as long as comparability is retained within the financial statements.

(2) Scheduled date of application

The Company expects to apply the standard and guidance for annual periods beginning on or after April 1, 2021.

(3) Impact due to the application of the accounting standards

The Company is in the process of measuring the effect of applying the accounting standard and guidance.

6. ACCOUNTS RECEIVABLE—INSTALLMENT

As of March 31, 2018 and 2017, liquidated receivables are as noted below.

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

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Liquidating receivables:			
Single-payment card shopping, etc.	¥ –	¥ 20,000	$ –
Accounts receivable include:			
Single-payment card shopping, etc.	–	2,727	–

7. PLEDGED ASSETS

As of March 31, 2018 and 2017, pledged assets and liabilities related to pledged assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Pledged assets:			
Lease investment assets	¥ 20,000	¥ 20,000	$ 188,200
Guarantee deposits*1	1,511	1,510	14,219
Liabilities related to pledged assets:			
Long-term debt*2	20,000	20,000	188,200
Accrued expenses and other current liabilities*3	1,644	1,387	15,472

*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.

8. INVENTORIES

Inventories at March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Real estate for sale	¥ 102,010	¥ 101,675	$ 959,909
Other	1,578	1,169	14,849
Total	¥ 103,588	¥ 102,844	$ 974,758

9. 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 ¥3,088 million (US$29,054 thousand) and ¥3,112 million for the fiscal years ended March 31, 2018 and 2017, respectively.

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, 2017	Increase (Decrease)	March 31, 2018	March 31, 2018
¥ 67,671	**¥ 6,224**	**¥ 73,895**	**¥ 88,422**

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

Thousands of U.S. dollars			
Carrying Amount			Fair Value
April 1, 2017	Increase (Decrease)	March 31, 2018	March 31, 2018
$ 636,783	**$ 58,572**	**$ 695,355**	**$ 832,055**

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, 2018, primarily represents the acquisition of real estate of ¥8,262 million (US$77,750 thousand) and the decrease primarily represents the costs of sale of real estate of ¥456 million (US$4,293 thousand). The increase during the fiscal year ended March 31, 2017, primarily represents the acquisition of real estate of ¥11,278 million and the decrease primarily represents the costs of sale of real estate of ¥23,152 million.
3. Fair value of properties as of March 31, 2018 and 2017, was measured by the Companies in accordance with the Real-Estate Appraisal Standard of Japan.

10. 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
	2018	2017	2018
Total loan limits	**¥ 4,184,380**	¥ 4,163,382	**$ 39,374,996**
Loan executions	**225,263**	231,775	**2,119,728**
Balance	**¥ 3,959,117**	¥ 3,931,607	**$ 37,255,268**

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, 2018 and 2017, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total loan limits	**¥ 225,000**	¥ 225,000	**$ 2,117,249**
Loan executions	**–**	–	**–**
Balance	**¥ 225,000**	¥ 225,000	**$ 2,117,249**

11. 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 0.39% and 0.38% as of March 31, 2018 and 2017, respectively.

Commercial paper is issued by the Companies with an average interest rate of less than 0.01% as of March 31, 2018 and 2017, respectively. Long-term debt and lease obligations as of March 31, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Average 0.65% (2018) and 0.70% (2017) unsecured loans from banks, insurance companies, and other financial institutions, due in installments through 2036	**¥ 957,599**	¥ 922,784	**$ 9,011,000**
0.08% to 2.07% (2018) and 0.08% to 2.41% (2017) bonds, due in installments through 2037	**340,000**	305,000	**3,199,398**
Lease obligations*1	**1,785**	1,733	**16,796**
Average 0.50% (2018 and 2017) payables under fluidity loans*2	**20,000**	20,000	**188,200**
Subtotal	**1,319,384**	1,249,517	**12,415,394**
Less: Current portion	**(75,767)**	(120,409)	**(712,964)**
Long-term debt	**¥ 1,243,617**	¥ 1,129,108	**$ 11,702,430**

*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, 2018, are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
Due after one year through two years	¥ 116,238	$ 1,093,803
Due after two years through three years	183,967	1,731,130
Due after three years through four years	142,359	1,339,594
Due after four years through five years	179,417	1,688,310
Due after five years	621,636	5,849,594

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.

12. 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, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Gross lease receivables	**¥ 255,522**	¥ 252,555	**$ 2,404,458**
Residual value	**–**	–	**–**
Unearned interest income	**(23,788)**	(24,794)	**(223,846)**
Lease investment assets	**¥ 231,734**	¥ 227,761	**$ 2,180,612**

ii. Collection schedule for the amount of lease payments related to lease investment assets after March 31, 2018 and 2017

	Millions of yen				Thousands of U.S. dollars	
	2018		2017		2018	
	Lease investment assets	Gross lease receivables	Lease investment assets	Gross lease receivables	Lease investment assets	Gross lease receivables
Due in one year or less	**¥ 59,161**	**¥ 68,394**	¥ 58,252	¥ 67,829	**$ 556,702**	**$ 643,590**
Due after one year through two years	**54,318**	**60,910**	53,078	59,940	**511,136**	**573,161**
Due after two years through three years	**47,078**	**51,315**	45,637	50,095	**443,005**	**482,874**
Due after three years through four years	**35,849**	**38,195**	35,698	38,171	**337,339**	**359,416**
Due after four years through five years	**22,445**	**23,478**	22,317	23,395	**211,205**	**220,925**
Due after five years	**12,883**	**13,230**	12,779	13,125	**121,225**	**124,492**
Total	**¥ 231,734**	**¥ 255,522**	¥ 227,761	¥ 252,555	**$ 2,180,612**	**$ 2,404,458**

(C) OPERATING LEASES

i. Lessee

Future minimum lease payments under noncancelable operating leases at March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	**¥ 71**	¥ 74	**$ 666**
Due after one year	**403**	470	**3,793**
Total	**¥ 474**	¥ 544	**$ 4,459**

ii. Lessor

Future minimum lease payments under noncancelable operating leases at March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	**¥ 1,722**	¥ 1,239	**$ 16,202**
Due after one year	**2,000**	5,208	**18,821**
Total	**¥ 3,722**	¥ 6,447	**$ 35,023**

13. 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, depending on changes in business circumstances, including the economic environment surrounding 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 quoted 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 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 hedging 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. Loans receivable denominated in foreign currencies are translated at the contracted rates if the forward contracts qualify for hedge accounting.

(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 selects 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. The Companies apply ALM when conducting interest rate swap derivative transactions for the purpose of hedging interest rate variable risk.

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 and establishing limit amounts for the investment prior to entering into 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 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 set by the respective companies. 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, 2018 and 2017, the Companies calculated that their income before income taxes and noncontrolling interests would decrease by ¥27 million (US$255 thousand) in 2018 and ¥39 million in 2017 if the benchmark interest rate rises by 1 basis point (0.01 percentage point), and increase by ¥27 million (US$255 thousand) in 2018 and ¥39 million in 2017 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 fund management is conducted with appropriate timeliness, they ensure a multiplicity of fund 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 quoted 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 24, 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, 2018 and 2017; 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 2018				
	Carrying amount	Allowance for doubtful accounts	Total	Fair value	Difference
Cash and deposits	**¥ 74,613**	**¥ –**	**¥ 74,613**	**¥ 74,613**	**¥ –**
Accounts receivable—installment	**1,928,381**	**(41,729)**	**1,886,652**	**1,943,741**	**57,089**
Lease investment assets	**231,734**	**(6,102)**	**225,632**	**233,089**	**7,457**
Short-term loans receivable	**5,504**	**(2)**	**5,502**	**5,502**	**–**
Operational investment securities	**–**	**–**	**–**	**–**	**–**
Investment securities	**85,699**	**–**	**85,699**	**85,699**	**–**
Investments in unconsolidated subsidiaries and affiliated companies	**4,275**	**–**	**4,275**	**13,651**	**9,376**
Long-term loans receivable	**11,516**	**(1)**	**11,515**	**11,515**	**–**

	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	1,768,667	(38,273)	1,730,394	1,784,760	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	–

	Thousands of U.S. dollars 2018				
	Carrying amount	Allowance for doubtful accounts	Total	Fair value	Difference
Cash and deposits	**$ 702,105**	**$ –**	**$ 702,105**	**$ 702,105**	**$ –**
Accounts receivable—installment	**18,146,055**	**(392,675)**	**17,753,380**	**18,290,588**	**537,208**
Lease investment assets	**2,180,612**	**(57,421)**	**2,123,191**	**2,193,366**	**70,175**
Short-term loans receivable	**51,790**	**(14)**	**51,776**	**51,776**	**–**
Operational investment securities	**–**	**–**	**–**	**–**	**–**
Investment securities	**806,425**	**–**	**806,425**	**806,425**	**–**
Investments in unconsolidated subsidiaries and affiliated companies	**40,224**	**–**	**40,224**	**128,454**	**88,230**
Long-term loans receivable	**108,370**	**(10)**	**108,360**	**108,360**	**–**

(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 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 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 valuation

methods. The fair value of investment trusts is based on a reference price that has been publicly released. Concerning the investments in 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
	2018	2017	2018
	Carrying amount	Carrying amount	Carrying amount
Unlisted stocks	**¥ 10,342**	¥ 6,337	**$ 97,323**
Investments in unconsolidated subsidiaries and affiliated companies	**87,997**	80,292	**828,055**
Other	**39,888**	36,572	**375,346**

For more information concerning available-for-sale securities for each holding purpose, refer to Note14, "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 amount 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		
	2018			2017			2018		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Notes and accounts payable	**¥ 295,524**	**¥ 295,524**	**¥ –**	¥ 238,191	¥ 238,191	¥ –	**$ 2,780,876**	**$ 2,780,876**	**$ –**
Short-term loans payable	**247,960**	**247,960**	**–**	229,960	229,960	–	**2,333,302**	**2,333,302**	**–**
Commercial paper	**389,500**	**389,500**	**–**	358,000	358,000	–	**3,665,192**	**3,665,192**	**–**
Long-term debt:									
Long-term loans payable	**957,599**	**967,744**	**(10,145)**	922,784	933,736	(10,952)	**9,011,000**	**9,106,465**	**(95,465)**
Bonds	**340,000**	**342,145**	**(2,145)**	305,000	307,142	(2,142)	**3,199,398**	**3,219,587**	**(20,189)**
Long-term loans payable under fluidity loans	**20,000**	**20,220**	**(220)**	20,000	20,274	(274)	**188,200**	**190,270**	**(2,070)**
Lease obligations	**1,785**	**1,785**	**–**	1,733	1,733	–	**16,796**	**16,796**	**–**
Guarantee contracts	**–**	**19,412**	**19,412**	–	21,969	21,969	**–**	**182,663**	**182,663**

(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, 2018 and 2017, the guarantee contract amounts of contingent liabilities were ¥345,295 million (US$3,249,221 thousand) in 2018 and ¥334,142 million in 2017 and the amounts that were recorded as the provision for losses on guarantees in the consolidated balance sheet were ¥7,360 million (US$69,254 thousand) in 2018 and ¥6,418 million in 2017.

Note: Maturity analyses of financial assets and securities with contractual maturities subsequent to March 31, 2018 and 2017, were as follows:

	Millions of yen					
	2018					
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	**¥ 74,613**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Accounts receivable—installment	**1,136,465**	**236,501**	**86,356**	**21,380**	**15,480**	**370,010**
Lease investment assets	**58,382**	**53,688**	**46,641**	**35,616**	**22,350**	**12,856**
Short-term loans receivable	**5,504**	**–**	**–**	**–**	**–**	**–**
Long-term loans receivable	**1,345**	**28**	**28**	**28**	**28**	**59**

	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	–	–	–	–	–
Long-term loans receivable	1,148	18	18	18	18	38

	Thousands of U.S.dollars					
	2018					
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	**$ 702,105**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Accounts receivable—installment	**10,694,129**	**2,225,470**	**812,607**	**201,190**	**145,664**	**3,481,795**
Lease investment assets	**549,373**	**505,201**	**438,895**	**335,149**	**210,314**	**120,974**
Short-term loans receivable	**51,790**	**–**	**–**	**–**	**–**	**–**
Long-term loans receivable	**12,659**	**263**	**263**	**263**	**263**	**558**

Estimated uncollectible amounts of ¥74,390 million (US$700,007 thousand) in 2018 and ¥68,032 million in 2017 are not included. Please see Note 11, "SHORT-TERM LOANS AND LONG-TERM DEBT" for annual maturities of long-term debt.

14. MARKETABLE AND INVESTMENT SECURITIES

(A) As of March 31, 2018 and 2017, 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		
	2018			2017			2018		
	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference	Acquisition cost	Carrying amount	Difference
Balance sheet amount exceeding acquisition cost:									
Equity shares	**¥ 31,174**	**¥ 83,457**	**¥ 52,283**	¥ 31,203	¥ 74,863	¥ 43,660	**$ 293,352**	**$ 785,334**	**$ 491,982**
Other	**160**	**227**	**67**	160	216	56	**1,506**	**2,134**	**628**
Subtotal	**31,334**	**83,684**	**52,350**	31,363	75,079	43,716	**294,858**	**787,468**	**492,610**
Balance sheet amount not exceeding acquisition cost:									
Equity shares	**1,382**	**1,273**	**(109)**	656	574	(82)	**12,998**	**11,976**	**(1,022)**
Other	**742**	**742**	**–**	176	175	(1)	**6,981**	**6,981**	**–**
Subtotal	**2,124**	**2,015**	**(109)**	832	749	(83)	**19,979**	**18,957**	**(1,022)**
Total	**¥ 33,458**	**¥ 85,699**	**¥ 52,241**	¥ 32,195	¥ 75,828	¥ 43,633	**$ 314,837**	**$ 806,425**	**$ 491,588**

(B) Proceeds from sales of available-for-sale securities for the years ended March 31, 2018 and 2017, were ¥13,369 million (US$125,799 thousand) and ¥2,996 million, respectively.

Gross realized gains on these sales, computed on the moving-average cost basis, were ¥8,541 million (US$80,369 thousand) for the year ended March 31, 2018. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥1,905 million and ¥22 million, respectively, for the year ended March 31, 2017.

(C) The impairment losses on securities were ¥227million (US$2,132 thousand) and ¥5,643 for the year ended March 31, 2018 and 2017.

15. 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, 2018 and 2017, are stated below:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Payments to the defined contribution pension fund and other items	**¥ 1,075**	¥ 904	**$ 10,112**

16. 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 30.86% and 33.06% for the years ended March 31, 2018 and 2017, 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, 2018 is as follows:

	2018
Normal effective statutory tax rate	**30.86%**
Reconciliation:	
Expenses not deductible for tax purposes	**0.21**
Nontaxable dividend income	**(0.09)**
Inhabitants' taxes per capita	**0.30**
Equity in net earnings of affiliated companies	**(7.02)**
Decrease in valuation allowance	**(5.04)**
Consolidation adjustment due to liquidation of subsidiaries	**5.35**
Retained earnings of affiliated companies	**1.40**
Other	**1.26**
Actual effective tax rate	**27.23%**

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, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Write-downs of inventories	¥ 2,528	¥ 3,602	$ 23,784
Intangible assets	4,542	2,819	42,736
Accumulated impairment losses	322	1,262	3,026
Accumulated depreciation expense	733	802	6,895
Asset retirement obligations	261	245	2,453
Investment securities	5,230	5,247	49,213
Allowance for doubtful accounts	15,887	12,998	149,498
Provision for losses on interest repayments	7,090	9,392	66,713
Accrued expenses	302	310	2,843
Accrued enterprise taxes	450	873	4,237
Provision for losses on point program	31,024	28,793	291,936
Provision for losses on guarantees	2,254	1,981	21,214
Other provision	913	828	8,588
Long-term unearned revenue	313	76	2,947
Tax loss carryforwards	4,746	14,899	44,660
Unrealized losses on available-for-sale securities	0	–	(5)
Deferred losses on derivatives under hedge accounting	208	287	1,958
Other	3,107	2,892	29,251
Subtotal	79,910	87,306	751,947
Less valuation allowance	(26,484)	(29,175)	(249,209)
Total deferred tax assets	53,426	58,131	502,738
Deferred tax liabilities:			
Capital gains deferred for tax purposes	(159)	(256)	(1,499)
Unrealized gains on available-for-sale securities	(16,261)	(13,760)	(153,020)
Deferred gains on derivatives under hedge accounting	(6)	–	(53)
Adjustment account of retirement debt	(227)	(235)	(2,132)
Fair value difference between carrying amount and the tax bases of assets and liability caused by the corporate split	(1,076)	(1,032)	(10,122)
Other	(3,982)	(3,387)	(37,471)
Total deferred tax liabilities	(21,711)	(18,670)	(204,297)
Net deferred tax assets	¥ 31,715	¥ 39,461	$ 298,441

Net deferred tax assets are presented in the consolidated balance sheet as of March 31, 2018 and 2017, as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current assets	¥ 23,545	¥ 18,408	$ 221,554
Investment and other assets	8,403	21,397	79,070
Current liabilities—other	–	–	–
Long-term liabilities—other	232	344	2,183

17. OPERATING REVENUES

Operating revenues for the years ended March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Income from the credit service business	**¥ 218,953**	¥ 210,337	**$ 2,060,344**
Income from the lease business	**12,852**	13,241	**120,935**
Income from the finance business	**35,417**	31,072	**333,277**
Real estate-related business:			
Sales	**37,748**	37,487	**355,210**
Costs of sales*	**22,301**	23,868	**209,857**
Income from the real estate-related business	**15,447**	13,619	**145,353**
Entertainment business:			
Sales	**51,273**	58,687	**482,477**
Cost of sales	**41,985**	48,290	**395,076**
Income from the entertainment business	**9,288**	10,397	**87,401**
Financial income	**227**	279	**2,134**
Total operating revenues	**¥ 292,184**	¥ 278,945	**$ 2,749,444**

*Cost of sales included write-downs of inventories amounting to ¥589 million (US$5,546 thousand) for the year ended March 31, 2018, and ¥924 million for the year ended March 31, 2017.

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

For the years ended March 31, 2018 and 2017, selling, general and administrative expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Advertising expenses	**¥ 26,355**	¥ 25,231	**$ 247,996**
Provision for point program	**16,643**	14,717	**156,608**
Provision for allowance for doubtful accounts	**22,407**	21,163	**210,850**
Provision for losses on interest repayment	**629**	15,962	**5,920**
Provision for losses on guarantees	**7,128**	6,221	**67,078**
Bad debts losses	**19**	–	**180**
Directors' compensations	**1,083**	1,048	**10,193**
Provision for directors' bonuses	**172**	157	**1,621**
Employees' salaries and bonuses	**37,480**	36,219	**352,687**
Provision for bonuses	**2,636**	2,316	**24,808**
Retirement benefit expenses	**1,075**	904	**10,112**
Commission fee	**71,266**	63,611	**670,611**
Depreciation	**11,029**	6,695	**103,785**
Loss on disposal of property and equipment and intangible assets	**454**	–	**4,275**
Other	**43,365**	42,417	**408,054**
Total	**¥ 241,741**	¥ 236,661	**$ 2,274,778**

19. SETTLEMENT RECEIVED

In the year ended March 31, 2017, the Company and some of its consolidated subsidiaries 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.

20. SYSTEM TRANSITION COST

The Company recorded a one-time expense for the transition to a newly developed cooperative enterprise system as system transition cost under nonoperating cost in nonoperating expenses.

21. 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, 2018 and 2017, is as follows:

	Millions of yen		Thousands of U.S. dollars
Asset	**2018**	2017	**2018**
Buildings	**¥ 25**	¥ 12	**$ 240**
Intangible assets	**90**	272	**848**
Construction in progress	**20**	–	**183**
Other (Fixtures and equipment, and other)	**32**	15	**299**
Total	**¥ 167**	¥ 299	**$ 1,570**

22. 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

Accumulated impairment losses were subtracted directly from individual assets.

Impairment losses recognized for the years ended March 31, 2017, were as follows:

	Millions of yen
	2017
Property and equipment:	
Buildings	¥ 16
Land	92
Other (Fixtures and equipment, and other)	1
Investments and other assets:	
Intangible assets	42
Other (Long-term prepaid expenses)	8
Total	¥ 159

The measure of the recoverable amount for the year ended March 31, 2018, 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.

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

The method of classification for the years ended March 31, 2018 and 2017, 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 leases and idle assets are evaluated based on each individual unit, and amusement facilities are grouped by site.

23. 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, 2018 and 2017, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Real estate	**¥ 26,587**	¥ 26,893	**$ 250,181**
Receivables	**5,521**	5,563	**51,959**
Total	**¥ 32,108**	¥ 32,456	**$ 302,140**

For the years ended March 31, 2018 and 2017, loss (gain) on the liquidation business consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	**2018**
Income from sales of real estate	**¥ 43**	¥ 822	**$ 407**
Income from leases of real estate	**623**	694	**5,859**
Other	**(1,175)**	(1,103)	**(11,056)**
Total	**¥ (509)**	¥ 413	**$ (4,790)**

24. DERIVATIVES

(i) Foreign exchange transactions

	Millions of yen					
	2018			2017		
	Contractual value or notional principal amount		Unrealized profit (loss)	Contractual value or notional principal amount		Unrealized profit (loss)
	Total	Over 1year		Total	Over 1year	
Over-the-counter foreign currency forward contracts:						
Selling-rate (US$)	**¥ 2,168**	**¥ –**	**¥ 8**	¥ –	¥ –	¥ –
Total	**¥ 2,168**	**¥ –**	**¥ 8**	¥ –	¥ –	¥ –

	Thousands of U.S. dollars		
	2018		
	Contractual value or notional principal amount		Unrealized profit (loss)
	Total	Over 1year	
Over-the-counter foreign currency forward contracts:			
Selling-rate (US$)	**$ 20,399**	**$ –**	**$ 74**
Total	**$ 20,399**	**$ –**	**$ 74**

Notes: 1. Fair value is calculated based on prices and other information presented by financial and other institutions with which the Companies have concluded derivatives agreements.
2. Where foreign currency forward contracts have been applied to foreign currency receivables and/or payable to finalize their yen-denominated settlement amounts, and those receivables and/or payables have been stated in the consolidated balance sheets at said yen-denominated settlement amounts, such foreign currency forward contracts are excluded.

(ii) Interest rate transactions

	Main hedged objects	Millions of yen 2018 Contractual value or notional principal amount Total	More than one year	Fair value	2017 Contractual value or notional principal amount Total	More than one year	Fair value
Interest rate swaps recognized in general rule:							
Floating-rate receipt/fixed-rate payment	Long-term debt	**¥ 63,500**	**¥ 51,500**	**¥ (661)**	¥ 55,500	¥ 53,500	¥ (937)
Forward delivery bonds (short)	Investment trusts	**742**	**742**	**(5)**	175	175	(1)
Interest rate swaps recognized in specific rule:							
Floating-rate receipt/fixed-rate payment	Long-term debt	**373,890**	**370,590**	**(6,077)**	366,375	340,590	(6,838)
Fixed-rate receipt/floating-rate payment	Long-term debt	**5,000**	**–**	**15**	5,000	5,000	46
Total		**¥ 443,132**	**¥ 422,832**	**¥ (6,728)**	¥ 427,050	¥ 399,265	¥ (7,730)

	Main hedged objects	Thousands of U.S. dollars 2018 Contractual value or notional principal amount Total	More than one year	Fair value
Interest rate swaps recognized in general rule:				
Floating-rate receipt/fixed-rate payment	Long-term debt	**$ 597,535**	**$ 484,615**	**$ (6,220)**
Forward delivery bonds (short)	Investment trusts	**6,981**	**6,981**	**(46)**
Interest rate swaps recognized in specific rule:				
Floating-rate receipt/fixed-rate payment	Long-term debt	**3,518,302**	**3,487,249**	**(57,186)**
Fixed-rate receipt/floating-rate payment	Long-term debt	**47,050**	**–**	**138**
Total		**$ 4,169,868**	**$ 3,978,845**	**$ (63,314)**

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

25. CONTINGENT LIABILITIES

The Companies' contingent liabilities as credit guarantors for customers borrowing from our alliance banks were ¥337,935 million (US$3,179,967 thousand) and ¥327,724 million as of March 31, 2018 and 2017, respectively.

26. COMPREHENSIVE INCOME

Components of other comprehensive income (loss) for the years ended March 31, 2018 and 2017, were as follows:

	Millions of yen 2018	2017	Thousands of U.S. dollars 2018
Unrealized gains (losses) on available-for-sale securities			
Gains arising during the year	**¥ 17,989**	¥ 367	**$ 169,276**
Reclassification adjustments to profit or loss	**(9,811)**	(1,905)	**(92,317)**
Amount before income tax effect	**8,178**	(1,538)	**76,959**
Income tax effect	**(2,501)**	275	**(23,541)**
Total unrealized gains (losses) on available-for-sale securities	**5,677**	(1,263)	**53,418**
Deferred gains on derivatives under hedge accounting			
Gains (losses) arising during the year	**(21)**	746	**(194)**
Reclassification adjustments to profit or loss	**297**	703	**2,790**
Amount before income tax effect	**276**	1,449	**2,596**
Income tax effect	**(85)**	(433)	**(795)**
Total deferred gains on derivatives under hedge accounting	**191**	1,016	**1,801**
Foreign currency translation adjustments			
Losses arising during the year	**(36)**	(10)	**(341)**
Total foreign currency translation adjustments	**(36)**	(10)	**(341)**
Share of other comprehensive income of equity method affiliated companies			
Gains arising during the year	**36**	1,502	**340**
Reclassification adjustments to profit or loss	**(4,423)**	(11,441)	**(41,618)**
Total share of other comprehensive income of equity method affiliated companies	**(4,387)**	(9,939)	**(41,278)**
Total other comprehensive income (loss)	**¥ 1,445**	¥ (10,196)	**$ 13,600**

27. 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, 2018 and 2017, 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, 2016	185,445	22,114
Increase in number of shares	–	1[*1]
Decrease in number of shares	–	3[*2]
Balance at March 31, 2017	185,445	22,112
Increase in number of shares	**–**	**1**[*3]
Decrease in number of shares	**–**	**–**
Balance at March 31, 2018	**185,445**	**22,113**

*1 Increase in treasury stock
Acquisition of any number of shares less than a full trading unit: 1 thousand shares.
*2 Details of decrease
Sales of any number of shares less than a full trading unit: Less than 3 thousand shares.
*3 Increase in treasury stock
Acquisition of any number of shares less than a full trading unit: 1 thousand shares.

(C) DIVIDEND

i. Dividend payment

Resolution	Type of share	Total amount: Millions of yen	Total amount: Thousands of U.S. dollars	Dividend per share: Yen	Dividend per share: U.S. dollars	Record date	Effective date
General Meeting of Shareholders on June 20, 2017	Common stock	¥ 5,719	$ 53,820	¥ 35.00	$ 0.329	March 31, 2017	June 21, 2017

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: Millions of yen	Total amount: Thousands of U.S. dollars	Dividend per share: Yen	Dividend per share: U.S. dollars	Record date	Effective date
General Meeting of Shareholders on June 20, 2018	Common stock	Retained earnings	¥ 5,719	$ 53,820	¥ 35.00	$ 0.329	March 31, 2018	June 21, 2018

28. CASH FLOW INFORMATION

(A) The balance of cash and cash equivalents as of March 31, 2018 and 2017, is reconciled with the respective consolidated balance sheet items as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Consolidated balance sheet:			
Cash and deposits	**¥ 74,613**	¥ 63,266	**$ 702,105**
Segregated trustee deposits	**(55)**	(50)	**(515)**
Cash and cash equivalents at the end of year	**¥ 74,558**	¥ 63,216	**$ 701,590**

(B) Noncash investing and financing activities as of March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Assets and liabilities from finance leases recorded in the current fiscal year	**¥ 572**	¥ 607	**$ 5,380**

(C) The proceeds from sales or redemption of investment securities for the years ended March 31, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Proceeds from sales of investment securities	**¥ 13,133**	¥ 2,969	**$ 123,582**
Proceeds from distribution of limited liability partnerships and other similar partnerships or return of capital	**1,619**	218	**15,233**
Total proceeds from sales or redemptions of investment securities	**¥ 14,752**	¥ 3,187	**$ 138,815**

29. NET INCOME PER SHARE

Reconciliation of basic net income per share ("EPS") for the years ended March 31, 2018 and 2017, is as follows:

	Millions of yen	Thousands of shares	Yen	U.S. dollars
For the year ended March 31, 2018:	Net income	Weighted-average shares	EPS	
Basic EPS				
Net income available to common shareholders	**¥ 38,330**	**163,333**	**¥ 234.67**	**$ 2.21**

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

	Millions of yen	Thousands of shares	Yen
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
Effect of dilutive securities			
Securities issued by a consolidated subsidiary	(558)		
Diluted EPS			
Net income for computation	41,695	163,331	255.28

30. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Disclosures about Segment of an Enterprise and Related Information," and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Disclosures about Segment of an Enterprise and Related Information," 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 for which 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 is performed in order to decide how resources are allocated among the Companies.

The Companies conduct business activities directly with customers based on 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, 2018 and 2017

Year ended March 31	Millions of yen									
	2018									
	Operating revenues									
Reportable segments	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	¥ 219,162	¥ 1,159	¥ 220,321	¥ 12,719	¥ 1,848,129	¥ 8,534	¥ 4,982	¥ 18,442	¥ 80,117	¥ 36,759
Lease	12,867	19	12,886	4,350	301,247	196	1,453	2,990	–	240
Finance	35,417	–	35,417	16,214	544,036	129	2,406	8,540	–	446
Real estate-related	15,450	22	15,472	6,401	225,927	1,033	831	212	–	7,169
Entertainment	9,288	–	9,288	1,083	20,971	1,853	–	–	5,645	1,677
Total	292,184	1,200	293,384	40,767	2,940,310	11,745	9,672	30,184	85,762	46,291
Reconciliations	–	(1,200)	(1,200)	4	(282)	(3)	–	–	–	–
Consolidated	¥ 292,184	¥ –	¥ 292,184	¥ 40,771	¥ 2,940,028	¥ 11,742	¥ 9,672	¥ 30,184	¥ 85,762	¥ 46,291

Year ended March 31	Millions of yen									
	2017									
	Operating revenues									
Reportable segments	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	Thousands of U.S. dollars									
	2018									
	Operating revenues									
Reportable segments	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	$ 2,062,311	$ 10,904	$ 2,073,215	$ 119,688	$ 17,390,885	$ 80,308	$ 46,882	$ 173,541	$ 753,903	$ 345,900
Lease	121,070	183	121,253	40,933	2,834,729	1,846	13,671	28,139	–	2,261
Finance	333,277	–	333,277	152,573	5,119,377	1,216	22,641	80,349	–	4,199
Real estate-related	145,385	210	145,595	60,238	2,125,972	9,720	7,817	1,999	–	67,459
Entertainment	87,401	–	87,401	10,190	197,333	17,429	–	–	53,121	15,781
Total	2,749,444	11,297	2,760,741	383,622	27,668,296	110,519	91,011	284,028	807,024	435,600
Reconciliations	–	(11,297)	(11,297)	33	(2,656)	(35)	–	–	–	–
Consolidated	$ 2,749,444	$ –	$ 2,749,444	$ 383,655	$ 27,665,640	$ 110,484	$ 91,011	$ 284,028	$ 807,024	$ 435,600

RELATED INFORMATION

(A) INFORMATION BY PRODUCT AND SERVICE

Years ended March 31, 2018 and 2017:

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

(B) INFORMATION BY GEOGRAPHIC REGION

Years ended March 31, 2018 and 2017:

(i) Operating Revenues

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, 2018 and 2017:

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, 2018 and 2017:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
	Loss on impairment	Loss on impairment	Loss on impairment
Credit service	**¥ –**	¥ 50	**$ –**
Lease	**–**	–	**–**
Finance	**–**	–	**–**
Real estate-related	**–**	108	**–**
Entertainment	**2**	1	**17**
Total	**2**	159	**17**
Reconciliations	**–**	–	**–**
Consolidated	**¥ 2**	¥ 159	**$ 17**

INFORMATION REGARDING AMORTIZATION OF GOODWILL AND UNAMORTIZED BALANCE OF GOODWILL

Years ended March 31, 2018 and 2017:

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

INFORMATION REGARDING GAINS ARISING FROM NEGATIVE GOODWILL

Years ended March 31, 2018 and 2017:

There were no significant gains from negative goodwill.

31. 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, 2018 and 2017, are as follows:

	Millions of yen		Thousands of U.S. dollars
Seven CS Card Service Co., Ltd.	2018	2017	2018
Transactions:			
Volume of new contracts*1*2	¥ 728,370	¥ 732,961	$ 6,853,958
Balances:			
Accounts receivable—installment	42,931	42,716	403,982

	Millions of yen		Thousands of U.S. dollars
UC Card Co., Ltd.	2018	2017	2018
Transactions:			
Volume of new contracts*1*2	¥ 1,193,544	¥ 1,186,159	$ 11,231,243
Balances:			
Accounts payable	75,018	73,101	705,922
Prepaid expenses and other current assets	5,771	7,520	54,309

	Millions of yen		Thousands of U.S. dollars
Saison Information Systems Co., Ltd.	2018	2017	2018
Transactions:			
Settlement received*3	¥ –	¥ 11,475	$ –

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 a part of the agreement related to the delay, of development on the cooperative enterprise system.

(B) SIGNIFICANT AFFILIATED COMPANIES

Summarized financial information as of and for the years ended March 31, 2018 and 2017 of UC Card Co., Ltd., which was classified as a significant affiliated company, is as follows:

i. Balance sheet

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total current assets	¥ 291,334	¥ 282,764	$ 2,741,452
Total non-current assets	32,320	46,791	304,132
Total current liabilities	257,998	258,909	2,427,759
Total non-current liabilities	127	6,091	1,198
Total equity	65,529	64,555	616,627

ii. Statement of income

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Operating revenue	¥ 28,707	¥ 26,929	$ 270,134
Income before income taxes	20,968	51,410	197,309
Net income	14,483	37,214	136,280

32. SUBSEQUENT EVENTS

There are no subsequent events to report.

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3 Konan
Minato-ku, Tokyo 108-6221
Japan

Tel: +81 (3) 6720 8200
Fax: +81 (3) 6720 8205
www.deloitte.com/jp/en

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, 2018, 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, 2018, 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, 2018