SIX-YEAR SUMMARY OF SELECT FINANCIAL DATA

As of and for the fiscal years ended March 31
The Credit Saison Group has applied the International Financial Reporting Standards (IFRS) to its consolidated accounts from fiscal 2018. For the purpose of comparison, financial data for the previous fiscal year are also presented under IFRS.
The Group has also applied IFRS 9 (Financial Instruments) from the beginning of fiscal 2018 (April 1, 2018).

	IFRS		
	Millions of yen		Thousands of U.S. dollars (Note 4)
	2019	2018	**2019**
Net revenue	**¥ 304,855**	¥ 293,250	**$ 2,746,194**
Business profit	**52,233**	57,314	**470,525**
Profit before tax	**45,763**	52,850	**412,250**
Profit attributable to owners of the parent	**30,517**	38,446	**274,906**
Total equity	**491,741**	490,849	**4,429,706**
Total assets	**3,212,465**	2,946,978	**28,938,527**
Equity attributable to owners of the parent per share (JPY)	**3,006.14**	2,993.18	**27.07**
Basic net income per share (JPY)	**186.84**	235.39	**1.68**
Return on equity (ROE) (%)	**6.2**	8.2	**6.2**
Return on assets (ROA) (%)	**1.0**	1.4	**1.0**
Shareholders' equity ratio (%)	**15.3**	16.6	**15.3**

	Millions of yen						Thousands of U.S. dollars (Note 4)
	2019	2018	2017	2016	2015	2014	**2019**
CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	**¥ 304,869**	¥ 292,184	¥ 278,945	¥ 269,918	¥ 259,077	¥ 247,577	**$ 2,746,322**
Selling, general and administrative expenses	**—**	241,741	236,661	221,553	206,193	197,852	**—**
Financial costs	**—**	9,672	11,070	11,771	12,723	13,389	**—**
Total operating expenses	**262,524**	251,412	247,730	233,325	218,915	211,241	**2,364,875**
Operating income	**42,344**	40,771	31,214	36,594	40,161	36,336	**381,446**
Net income attributable to owners of the parent	**34,016**	38,330	42,253	26,163	12,629	25,551	**306,431**
At year-end:							
Total equity	**¥ 497,855**	¥ 480,669	¥ 446,882	¥ 418,988	¥ 447,083	¥ 422,830	**$ 4,484,778**
Total assets	**3,217,448**	2,940,022	2,720,051	2,550,990	2,373,299	2,285,943	**28,983,412**
Interest-bearing debt (Note 2)	**2,206,239**	1,957,244	1,857,477	1,729,066	1,557,836	1,468,740	**20,024,105**
Per share data (in yen and U.S. dollars):							
Net income per share	**¥ 208.27**	¥ 234.67	¥ 258.70	¥ 147.37	¥ 68.77	¥ 139.15	**$ 1.87**
Equity per share	**3,046.68**	2,933.46	2,724.88	2,563.61	2,424.05	2,283.29	**27.44**
Key financial ratios (%):							
Return on equity (ROE)	**7.0**	8.3	9.8	6.1	2.9	6.3	**7.0**
Return on assets (ROA)	**1.1**	1.4	1.6	1.1	0.5	1.2	**1.1**
Equity ratio	**15.5**	16.3	16.4	16.4	18.8	18.3	**15.5**
NON-CONSOLIDATED							
For the year:							
Operating revenues (Note 1)	**¥ 259,018**	¥ 249,865	¥ 238,637	¥ 228,713	¥ 219,337	¥ 205,873	**$ 2,333,287**
Selling, general and administrative expenses	**215,726**	207,093	203,038	186,493	169,900	160,927	**1,943,305**
Financial costs	**9,748**	9,872	11,282	12,620	14,067	15,119	**87,815**
Operating income	**33,543**	32,900	24,317	29,600	35,370	29,826	**302,167**
Net income	**25,875**	22,191	21,046	25,571	11,316	18,637	**233,095**
At year-end:							
Total equity	**¥ 407,533**	¥ 396,831	¥ 374,478	¥ 359,428	¥ 388,470	¥ 367,808	**$ 3,671,142**
Total assets	**3,107,284**	2,831,297	2,623,644	2,468,797	2,287,986	2,200,459	**27,991,028**
Interest-bearing debt (Note 2)	**2,203,239**	1,953,740	1,852,551	1,725,891	1,551,189	1,457,001	**19,847,211**
Key financial ratios (%):							
Return on equity (ROE)	**6.4**	5.8	5.7	6.8	3.0	5.2	**6.4**
Return on assets (ROA)	**0.9**	0.8	0.8	1.1	0.5	0.9	**0.9**
Equity ratio	**13.1**	14.0	14.3	14.6	17.0	16.7	**13.1**
NON-CONSOLIDATED Transaction volume:							
Card shopping	**¥ 4,788,537**	¥ 4,683,039	¥ 4,476,608	¥ 4,258,285	¥ 4,089,390	¥ 3,852,980	**$ 43,136,090**
Cash advances	**242,980**	248,157	253,837	267,724	277,026	264,092	**2,188,816**
Specialty loans	**512,063**	328,300	212,218	121,294	74,687	45,506	**4,612,765**
Agency services (Note 3)	**3,014,831**	2,873,184	2,671,711	2,522,243	2,434,825	2,303,998	**27,158,199**
Leases	**115,589**	114,569	108,102	106,000	106,801	114,694	**1,041,251**
Guarantees	**114,277**	131,923	159,915	150,101	137,335	126,281	**1,029,438**
Others	**25,774**	30,677	32,178	33,298	33,732	30,005	**232,185**
Total transaction volume	**¥ 8,814,054**	¥ 8,409,849	¥ 7,914,569	¥ 7,458,945	¥ 7,153,796	¥ 6,737,558	**$ 79,398,743**

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 ¥111 = U.S.$1, the approximate exchange rate on March 31, 2019, for the convenience of the reader.

OVERALL EARNINGS IN FISCAL YEAR 2018

The Credit Saison Group has applied the International Financial Reporting Standards (IFRS) to its consolidated accounts from fiscal 2018. For the purpose of comparison, financial data for the previous fiscal year are also presented under IFRS.

The Group has also applied IFRS 9 (Financial Instruments) from the beginning of fiscal 2018 (April 1, 2018).

In the fiscal year under review, the domestic economy remained on a gradual recovery track as employment and income conditions continued to improve, while various measures implemented by the government also yielded some benefit. At the same time, there are conditions that bear watching; namely, the effect trade issues have on the global economy, the outlook for the Chinese economy, uncertainty surrounding developments and policies in overseas economies, and the impact of volatility in financial capital markets.

Against this backdrop, we entered the final year of our medium-term business plan in which we set out our medium-term management vision of becoming a "Neo Finance Company in Asia" under our "leading-edge service company" management philosophy. Mainly by using leading-edge technologies and combining our existing strengths with new strengths, we have continued to embrace the challenge of transforming into an innovative corporate entity that continually leverages technological innovation such as FinTech to address changes in customer values and the breakdown of existing business models.

NET REVENUE

Table 1 shows a breakdown of net revenue. Net revenue in fiscal 2018 came to ¥304.855 billion (+4.0% YoY), mainly reflecting increases in card shopping transaction volume and card shopping revolving credit balance in the credit service business segment and a higher credit guarantee balance and loan balance for Saison Asset Formation Loans in the finance business segment.

Table 1: Main items in consolidated income statement

	Millions of yen		
	2019	2018	% change
Income from the credit service business	**226,250**	221,049	2.4
Income from the lease business	**12,579**	12,860	(2.2)
Income from the finance business	**39,231**	35,536	10.4
Income from the real estate-related business	**17,177**	14,292	20.2
Income from the entertainment business	**8,761**	9,288	(5.7)
Financial income	**854**	223	281.9
Total net revenue	**304,855**	293,250	4.0

Table 2 shows a breakdown of income from the credit service business segment.

Table 2: Breakdown of income from credit service business segment

	Millions of yen		
	2019	2018	% change
Card shopping	**136,464**	132,016	3.4
Merchant fees	**75,003**	73,876	1.5
Customer fees	**53,091**	49,940	6.3
Annual fees, etc.	**8,368**	8,199	2.1
Cash advances	**33,084**	34,735	(4.8)
Loans on deeds	**1,071**	1,298	(17.5)
Processing/transactions handled on behalf of other companies' cards	**28,227**	27,034	4.4
Agency services	**15,896**	15,130	5.1
Credit service-related income	**11,507**	10,834	6.2
Total credit service business income	**226,250**	221,049	2.4

SG&A EXPENSES AND IMPAIRMENT OF FINANCIAL ASSETS

Table 3 shows a breakdown of selling, general and administrative (SG&A) expenses and impairment of financial assets. SG&A expenses and impairment of financial assets came to ¥255.063 billion (+4.8% YoY) due mainly to an increase in costs linked to growth in card transaction volume and a higher depreciation burden from the joint core system.

Table 3: Breakdown of SG&A expenses and impairment of financial assets

	Millions of yen		
	2019	2018	% change
Cost of uncollectible receivables	**34,265**	30,083	13.9
Impairment of financial assets (receivables)	**26,352**	22,338	18.0
Impairment of financial assets (financial guarantee contracts)	**7,736**	7,117	8.7
Provision for losses on interest repayment	**176**	627	(71.8)
SG&A expenses excluding cost of uncollectible receivables	**220,797**	213,398	3.5
Included in the above: Advertising expenses	**24,320**	26,445	(8.0)
Provision for point program	**13,033**	16,642	(21.7)
Personnel expenses	**50,888**	50,966	(0.2)
Fees paid	**74,888**	69,722	7.4
Total SG&A expenses and impairment of financial assets	**255,063**	243,482	4.8

FINANCIAL COSTS

Financial costs came to ¥9.878 billion (+7.2% YoY).

EQUITY-METHOD INCOME

Equity-method income came to ¥7.355 billion (–40.2% YoY).

OTHER REVENUE

Other revenue came to ¥4.138 billion (–69.2% YoY), reflecting the dropout of capital gains on the sale of investment securities booked the previous fiscal year.

OTHER EXPENSES

Other expenses came to ¥5.643 billion (–58.0% YoY) owing to lower one-off costs associated with the migration to the new joint core system compared to the previous fiscal year.

As a result of the above, net income attributable to owners of the parent totaled ¥30.517 billion (–20.6% YoY).

SEGMENT CONDITIONS

<Credit Service Segment>

The credit service segment is composed of the credit card business and servicer (loan collection agency) business.

In fiscal 2018 we worked to bolster the segment's earnings base. In particular, we promoted cashless transactions by remodeling the credit card business, created business by leveraging digital devices and customer data, further developed our retail finance businesses in Asia, and built a platform for our longer-term overseas strategy. In addition, we have sought to improve business efficiency by, for example, continuously taking steps to deal with credit risk and automating customer services and back-office operations with the use of technology.

Although net revenue for the segment totaled ¥228.518 billion (+2.7% YoY), business income decreased 39.4% year on year to ¥16.915 billion mainly because of the fallback from year-earlier gains on the partial sale of investment securities held by an equity-method affiliate, higher costs linked to growth in card transaction volume, and an increase in depreciation burden from the joint core system that came online in November 2017.

1. Credit Card Business

In terms of the key indicators for fiscal 2018, we added 2.11 million new card members, a decrease of 13.5% year on year. The total number of card members at the end of fiscal 2018 dipped 0.6% from the previous fiscal year-end to 26.79 million, while the number of active card members for the year also dropped 0.6% to 14.90 million.

Card shopping transaction value came to ¥4,788.5 billion (+2.3% YoY), while cash advance transaction value totaled ¥248.7 billion (–2.1%). At the end of the fiscal year, the card shopping revolving credit balance stood at ¥422.5 billion (+2.0% YoY) and the balance of cash advances at ¥231.8 billion (–0.4%).

a) Promoting cashless payments by remodeling our credit card businesses

We aim to become the number one company in the cashless payment market by diversifying payment services and breaking the dominance of the cash market with credit cards, prepaid cards, smartphone payments, and mobile POS systems. Beyond consumer initiatives, we are working to tap into the corporate payments market by expanding the domain of cashless payments in the corporate transaction space and improving back-office operational efficiency with optimal solutions to meet the scale and needs of companies.

- In aiming to expand our customer base, we continued to recruit prospective platinum and gold card members, which offer the prospect of high utilization and high spending per transaction, especially for our Mitsui Shopping Park Card Saison, a credit card we issue together with Mitsui Fudosan and Mitsui Fudosan Retail Management, as well as our premium card series Saison American Express® Card. In addition, we strove to increase membership in corporate and individual proprietor cards that help support business operations.
- To expand card transaction volume, in July 2018 we launched a QR code-based payment service for holders of the Mitsui Shopping Park Card Saison using the Mitsui Shopping Park smartphone app. We also stepped up promotions to stimulate card usage centering on affiliated merchants, as well as campaigns targeting revolving credit and seasonal bonus-based debt repayments. And we continued to encourage card use for settling recurring payments such as utility bills, mobile phone subscriber fees, taxes, and insurance premiums.
- As for initiatives to tap into the corporate market, we formed alliances with companies such as a cloud-based expense settlement solutions firm to offer companies a way to considerably reduce their expense settlement workload by combining their service with our corporate cards. We also endeavored to provide optimal solutions tailored to the business scale and requirements of companies mainly through the issuance of the Saison Platinum Business American Express® Card, a business card that meets the business expense settlement needs of individual proprietors.
- In expanding the scope of credit card payments, we continue to handle system development and operations for the prepaid "mijica" card issued by Japan Post Bank. This card now has Visa debit functionality and participates in the Eikyufumetsu Points program. We have now issued more than 50 million prepaid cards in total, including the COCOKARA CLUB CARD, which we issue via a tie-up with leading drugstore chain Cocokara Fine, the au WALLET Prepaid Card and prepaid MasterCard®-branded WebMoneyCard, for which we handle card issuance and other operations in collaboration with KDDI and WebMoney, respectively, and Osaifu Ponta, a card issued by Lawson for which we are responsible for membership management.
- As a new initiative, we concluded a memorandum of understanding with Liquid, a company that develops biometric personal identification technology, and kicked off the process of investigating new online-based methods of identification in order to alleviate the burden of customers going through personal verification procedures.

b) Business creation leveraging digital devices and customer data

We made efforts to further expand net members and smartphone app users in order to capture opportunities in the still-expanding online marketplace and also engaged in flexible collaborations with venture companies boasting new technologies and leading firms that possess high-quality content platforms.

By melding big data generated by our card members with premium content and digital technology, we are endeavoring to establish a new business model through which we actively develop and deliver various proprietary products and services such as Saison DMP/DSP*, our Point Investment Service, and Saison Origami Pay.

*Saison DMP is our big data platform; Saison DSP is our Saison DMP-powered managed advertising service.

- We aim to contribute to the sound development of the broader financial market by sparking interest and involvement in financial products among various customer segments, but mainly the younger generation and female users, by letting them easily experience investing through our Point Investment Service using Saison Eikyufumetsu Points. By providing this long-term investment simulation experience—which has four investment courses (active, balanced, Japanese equity (TOPIX), and US equity (VOO)) and a savings feature—many of our customers have used the service as a catalyst to learn about investment and take their first steps toward building wealth. And in September 2018 we launched an equities course in which users can experience investing their Saison Eikyufumetsu Points by linking them to the share prices of real companies.

- In addition to providing smartphone payment services like Saison Origami Pay and UC Origami Pay by leveraging our internet member base of 15.82 million (+5.4% YoY) and the 5.49 million (+37.9%) app downloads, 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.

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, we preserve the soundness of our receivables portfolio by providing compassionate support to delinquent customers through much-improved contact and counseling.Moreover, we aim to provide safe and secure transaction environments mainly by enhancing the accuracy of detecting unauthorized credit card use by equipping our systems with artificial intelligence. We also seek to improve customer satisfaction with highly convenient services.

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

We identify our overseas business as a future earnings pillar and are therefore stepping up our full-scale entry into the retail finance business to meet the needs of each country in the rapidly growing Asian region.

- In Vietnam, HD Saison Finance Company is expanding its operations mainly in the installment credit business for items such as motorcycles and home appliances. We are successfully boosting our presence in the country, reflected in the steady increase in both sales offices and credit balance. We have also managed to launch our credit business there sooner than expected after pushing ahead with preparations since last year. Our goal is to become the dominant number one comprehensive retail finance company in Vietnam.
- In Indonesia, PT. Saison Modern Finance started cooperating with FinTech players in the rapidly growing field of P2P lending. We are looking to move into profit in the digital lending business and accelerate growth with the aim of establishing Indonesia's only multi e-finance company.
- Grab Financial Services Asia, a company we established under a capital tie-up with leading Southeast Asian ridesharing service operator Grab (now Grab Holdings), is making preparations for the full-scale launch of its smartphone-based digital lending business in Southeast Asian countries. Initially, the business will start extending loans to registered Grab drivers before being expanded to ordinary customers later on. In the future we aim to establish a credit scoring system with a view to creating new businesses and commercializing cardless payments. Operations have already commenced in five countries in the region, including Singapore, and we will continue to work on boosting our presence in Southeast Asia.
- Siam Saison, a joint venture company we established through an alliance with SCG Trading—a subsidiary of the Siam Cement Group, Thailand's biggest construction group—and Mitsui & Co., started offering an array of BtoB financial services for Thailand's construction industry, including order placement and payment of materials and installment payments. We intend to contribute to the sustained development of the Thai economy by expanding this business to other industries in the future.

2. Servicer (Loan Collection Agency) Business

The servicer business is mainly engaged in the consignment collection of small unsecured loans. Net revenue increased owing to growth in the number of companies outsourcing receivable collections in the core agency services business. Accordingly, overall business profit also increased.

<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, net revenue came to ¥12.586 billion (–2.3% YoY) and business income to ¥5.720 billion (+28.8%).

<Finance Segment>

The finance segment comprises the credit guarantee business and other finance-related business. In the former, we focused on securing favorable deals through close collaboration with partner financial institutions in terms of both marketing and 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, net revenue in the fiscal year under review increased 10.4% year on year to ¥39.231 billion and business income rose 15.3% to ¥19.29 billion.

1. Credit Guarantee Business

- In the credit guarantee business, we 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 403 regional financial institutions in fiscal 2018 (two less than in fiscal 2017). The guarantee balance (before financial guarantee liabilities) increased 0.6% from the previous fiscal year-end to ¥346.6 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 2018 increased 13.4% year on year to 7,514 for an executed loan value of ¥221.7 billion (+12.8%) and the total loan balance (after transfer of receivables to Japan Housing Finance Agency) grew 28.8% from the previous fiscal year-end to ¥764.6 billion.
- The number of executed Saison Asset Formation Loans (loans for purchasing investment property) increased 42.9% year on year to 7,287 owing to greater cooperation with partners through study sessions and the like. The executed loan value for these loans climbed 37.8% year on year to ¥190.2 billion and the loan balance expanded 48.2% to ¥506.2 billion from the previous fiscal year-end.

As a result of the above, the balance of receivables held in the other finance-related business came to ¥687.6 billion in fiscal 2018, up 41.2% from the previous fiscal year-end.

We also started offering our Saison Renovation Loan in February 2019 to meet the needs of our customers for funds to undertake renovations. Customers can apply for this product online or through their smartphone and in place of a human operator, an AI-powered chatbot is ready to handle customer inquiries 24 hours a day, every day of the year. We have thus far met the needs of customers transitioning from renting to buying a home mainly with our Flat 35 loans, Saison Asset Formation Loans, and our Saison Rent Guarantee Rent Quick service, but we will continue to expand our so-called life-creation financial services with the addition of the Saison Renovation Loan.

<Real Estate-related Business Segment>

This segment comprises the real estate and real estate lease businesses. Chiefly owing to the impact of sustained demand for mainly non-investment properties driven by brisk market conditions, net revenue in fiscal 2018 rose 17.0% year on year to ¥18.113 billion and business income grew 34.7% to ¥8.35 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 2018, net revenue dropped 5.7% year on year to ¥8.761 billion and business income declined 2.3% to ¥2.078 billion.

LIQUIDITY AND FINANCIAL POSITION

1. 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, 2019, our consolidated interest-bearing debt stood at ¥2,203.8 billion (including lease obligations of ¥1.5 billion). Of this, loans accounted for 57.1%, corporate bonds for 18.8%, commercial paper for 23.2%, and securitization of receivables, etc. for 0.9%.

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.

2. Liquidity Management

Of the Credit Saison Group's assets, 65.5% are installment receivables, mainly in the credit service segment. Their annual average turnover rate is in excess of three times, helping Credit Saison to maintain a high level of liquidity.

3. Cash Flows

a) Cash Flows from Operating Activities

Net cash used in operating activities in fiscal 2018 was ¥192.438 billion, compared to ¥40.023 billion used in the previous fiscal year.

The outflow was mainly due to the booking of ¥45.763 billion in pretax income and revenue from a net increase in trade receivables, including accounts payable, and other liabilities of ¥18.248 billion on the one hand, and a net increase in trade receivables, including installment receivables, and other receivables of ¥252.393 billion, on the other.

b) Cash Flows from Investing Activities

Net cash used in investing activities in fiscal 2018 reached ¥40.313 billion, compared to ¥45.134 billion used in the previous fiscal year.

The outflow was mainly due to payments of ¥27.339 billion for purchases of intangible assets as well as property and equipment related to the development of the joint core system, despite proceeds of ¥1.458 billion from the sales or redemptions of investment securities.

c) Cash Flows from Financing Activities

Net cash provided by financing activities in fiscal 2018 reached ¥242.211 billion, compared to ¥92.945 billion provided in the previous fiscal year.

While the repayment of long-term debt resulted in an outflow of ¥55.364 billion, there was inflow from a net increase in commercial paper of ¥121.5 billion, ¥115.9 billion from long-term loans, and ¥94.547 billion from the issuance of bonds.

As a result of the above, cash and cash equivalents as of March 31, 2019 increased by ¥9.462 billion from the previous fiscal year-end to ¥82.642 billion.

CREDIT RISKS

Table 4 shows a comparison of delinquent receivables and allowance for receivables.

Total receivables for credit risk purposes is the balance obtained by adding contingent liabilities to the balances of installment receivables on a managed basis, purchased receivables, and lease investment assets. The balance of receivables overdue by more than 90 days totaled ¥60.527 billion (+14.9% YoY). The allowance for doubtful accounts in current assets as of March 31, 2019 was ¥67.244 billion (+29.9% YoY). As a result, the sufficiency ratio in relation to the balance of receivables overdue by more than 90 days increased to 146.7% from 121.6% at the end of the previous fiscal year.

Table 4: Comparison of delinquent receivables and allowance for receivables

	Millions of yen		
	2019	2018	% change
(1) Receivables	**2,797,166**	2,524,884	10.8
(2) Receivables overdue by more than 90 days	**60,527**	52,674	14.9
(3) Collateralized portion included in (2)	**14,687**	10,117	45.2
(4) Allowance for doubtful accounts (current assets)	**67,244**	51,753	29.9
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)	**146.7%**	121.6%	—
(Reference) Receivables overdue by more than 90 days excluding collateralized portion as a percentage of receivables [((2) – (3)) ÷ (1)]	**1.6%**	1.7%	—

Table 5 shows changes in the allowance for uncollectible receivables.

Table 5: Changes in allowance for uncollectible receivables

	Millions of yen		
	2019	2018	% change
Allowance for doubtful accounts at the beginning of the year	**53,577**	50,204	6.7
Impact of application of IFRS 9	**13,799**	—	—
Increase	**33,196**	28,506	16.5
Decrease	**31,502**	25,132	25.3
Allowance for doubtful accounts at the end of the year	**69,070**	53,577	28.9
(Reference) Losses on bad debt	**—**	19	—

MANAGEMENT PRINCIPLES, BUSINESS ENVIRONMENTS, ISSUES TO ADDRESS

Forward-looking statements contained herein are based on the Credit Saison Group's judgment as of the end of the fiscal year under review.

(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 in Japan, for example our core payment businesses and lease and finance businesses, we continue to bolster 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. In our global businesses, meanwhile, we aim to contribute to the development of regional economies by delivering financial solutions that are well-suited to the actual conditions in the countries where we have a business presence.

(2) Medium- to Long-Term Business Strategy

Based on our "leading-edge service company" management philosophy, we continue to ceaselessly pursue customer convenience and generate innovative services through alliances with various partners that transcend the traditional frameworks of group affiliations and business formats. Driven by the use of leading-edge technologies and the entry of industry outsiders, new financial services are emerging one after the other and giving rise to more intense competition in the business environment that envelops our Group.

In the midst of these circumstances, we have set ourselves a medium-term management vision of becoming a "Neo Finance Company in Asia" and formulated a medium-term management plan to run through fiscal 2021. The plan carries the following mission statement: A Finance Company Advancing with Customers for 50 Years—Providing Peace of Mind and Discovering Potentials in Money.

In aiming to achieve the targets in our medium-term management plan, we will embrace the challenge of transforming into a finance company that provides optimum services related to the various money events that occur in the lives of our customers with a focus on credit card, prepaid card, and other payment services.

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.

(3) Objective Indicators for Assessing Achievement of Management Targets

In seeking to enhance corporate value, business income, ROE, and shareholders' equity ratio are the key performance indicators for the Group.

(4) Business and Financial Issues

The following are the business issues the Group must address as of the end of fiscal 2018, as well as the various measures for doing so.

1. Growth strategies and structural reforms in payment businesses

We aim to become the number one company in the cashless payment markets for both consumer spending and corporate transactions by deploying measures to diversify payment services and break the dominance of the cash market with mainly credit cards, prepaid cards, smartphone payments, and mobile POS systems.

In the consumer spending domain, we intend to expand our customer base through a network of new alliances, collaborative services, and more subcontracted operations. We also plan to switch our customer service structure to one that provides varied levels of service depending on the customer's track record instead of a uniform service, implement initiatives that enable customers to complete various services on their smartphones, and take steps to transform our business model, including the digitalization of our Saison Counters.

In the corporate transaction domain, in addition to newly offering an advance payment service for purchase money and promoting cashless transactions between companies, we will aim to realize cashless transactions in the corporate market by expanding our sales activities to the SME market and take steps to build a corporate platform.

2. Creating businesses that improve quality of life for customers

Not only do we intend to further boost net member numbers and smartphone app users in order to capture opportunities in the still-expanding online marketplace, we also plan to establish a new business model that blends our big data and customer platforms with the resources of external parties by engaging in flexible collaborations with venture companies boasting new technologies and leading firms that possess high-quality content platforms.

We will endeavor to improve the quality of life for our customers by using digital technology to effectively and efficiently provide premium content and highly convenient payment functions.

3. Strengthening relationships with partners and expanding new alliances in lease and finance businesses

Outside of our credit card businesses, we are working to diversify our revenue sources through stronger relationships with corporate partners by providing finance functions that match market needs. These include the provision of leases and rentals for office automation (OA) equipment, kitchen equipment, and other hardware that align with the capital investment plans of businesses, credit guarantees we underwrite on unsecured personal loans that can be used as working capital or for business funds extended by regional financial institutions with whom we are partnered, Flat 35 loans that come with special perks for card members, and Saison Asset Formation Loans that support the purchase of property for investment purposes.We have thus far met the capital needs of customers purchasing homes with our Flat 35 loans and Saison Asset Formation Loans, but we will continue to expand our so-called life creation financial services covering customers transitioning from renting to home buying or undertaking renovations with our Saison Rent Guarantee Rent Quick service and Saison Renovation Loan.

4. Expanding our earnings platform in global businesses with an eye to the future

We identify our global businesses as future earnings pillars and are therefore stepping up our full-scale entry into the retail finance business to meet the needs of each country in the rapidly growing Asian region.

To make further inroads in the finance business predominantly in Asia and to contribute to the development of regional economies, we will continue to work on expanding our businesses in the region and building a foundation for a longer-term overseas strategy with an eye on opportunities for strategic partnerships with FinTech firms and Japanese companies that have entered those markets as well as local companies.

BUSINESS-RELATED RISKS

The following information is an overview of matters that could significantly influence investor decisions. Forward-looking statements contained herein are based on the Credit Saison Group's judgment as of the date financial statements were presented to the relevant 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.

Given that the Credit Saison Group has entered into capital tie-ups with some of these partners, unfavorable performances at alliance partners have the potential to negatively impact the Group's performance and financial position.

(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) Impairment of Non-financial Assets

Significant declines in the fair value of the land and property owned by the Credit Saison Group or deterioration in earnings in a business using fixed assets when a near-term recovery is unlikely could impair such fixed assets and have the potential to negatively impact the Group's performance and financial position.

(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.

POLICY ON SHAREHOLDER RETURNS

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 ¥45 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.

[Resolution on share buyback program]

As detailed below, a resolution was passed at the Board of Directors meeting held on June 7, 2019 for the Company to buy back shares in accordance with the provisions of Article 156 of the Companies Act, as applied mutatis mutandis pursuant to the provisions of paragraph 3 of Article 165 of the Companies Act.

(1) Reason for share buyback program

To improve capital efficiency and facilitate the flexible execution of future capital policies after comprehensively considering the Company's financial condition and share price.

(2) Details of share buyback program

1) Type of shares:	Common stock
2) Number of shares:	Up to 11,000,000 (6.7% of shares outstanding, excluding treasury stock)
3) Total acquisition value:	Up to ¥10,000,000,000
4) Buyback period:	June 10, 2019 to March 31, 2020
5) Method:	Tokyo Stock Exchange market buying

Reference: Treasury stock holdings (consolidated) as of May 31, 2019

Total number of shares outstanding

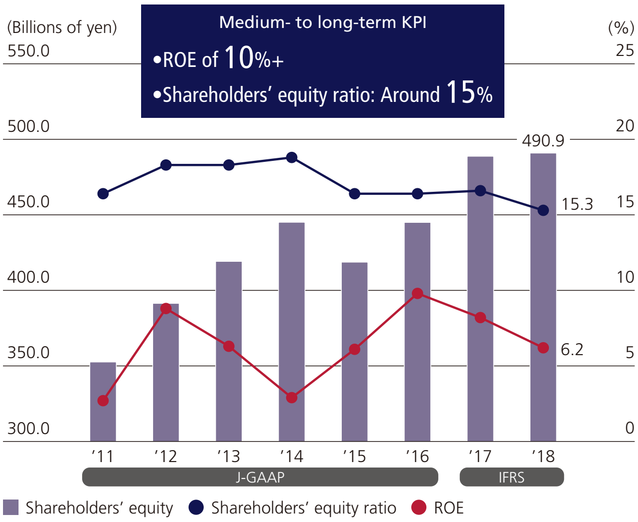
Excluding treasury stock:	163,332,031
Treasury shares:	22,112,741

Reference: Treasury stock holdings (non-consolidated) as of May 31, 2019

Total number of shares outstanding

Excluding treasury stock:	163,410,501
Treasury shares:	22,034,271

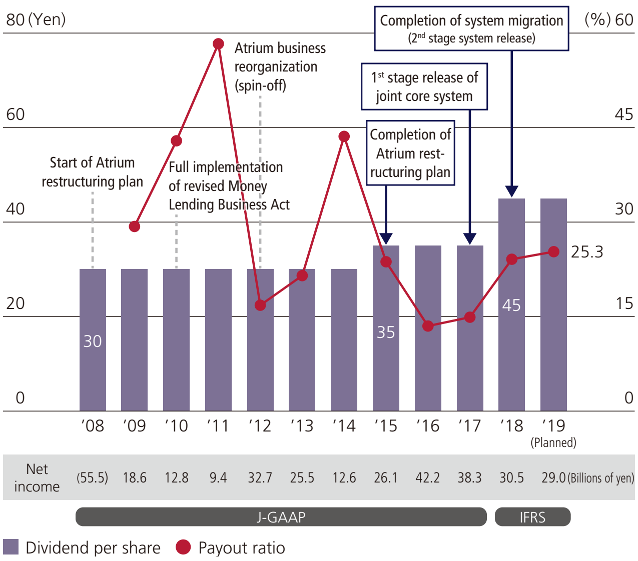
Performance indicators



Dividend per share and payout ratio

Dividend policy: Stable and continuous dividend payments

• No dividend cuts in the past even during times of management hardship



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Credit Saison Co., Ltd. and Consolidated Subsidiaries
As of March 31, 2019

	Note	Millions of yen			Thousands of U.S. dollars
		As of March 31, 2019	As of March 31, 2018	IFRS transition date (As of April 1, 2017)	As of March 31, 2019
Assets					
Cash and cash equivalents	8, 39	**¥ 82,642**	¥ 73,179	¥ 65,465	**$ 744,460**
Trade and other receivables	9, 37, 38, 39	**2,393,197**	2,154,678	2,012,153	**21,558,392**
Inventories	10	**151,385**	137,486	133,180	**1,363,710**
Operational investment securities	11, 19, 39	**39,973**	35,957	32,878	**360,087**
Investment securities	12, 19, 39	**91,553**	100,179	85,787	**824,734**
Other financial assets	13, 37, 38, 39	**11,916**	11,947	9,646	**107,344**
Property, plant and equipment	14	**29,341**	30,221	30,798	**264,317**
Intangible assets	15	**219,972**	220,609	204,463	**1,981,559**
Investment property	17	**56,683**	49,970	42,768	**510,613**
Investments accounted for using equity method	18	**92,752**	88,518	81,936	**835,536**
Deferred tax assets	20	**32,148**	30,679	38,446	**289,603**
Other assets		**10,897**	13,549	8,277	**98,167**
Total assets		**¥ 3,212,465**	¥ 2,946,978	¥ 2,745,804	**$ 28,938,527**

		Millions of yen			Thousands of U.S. dollars
	Note	As of March 31, 2019	As of March 31, 2018	IFRS transition date (As of April 1, 2017)	As of March 31, 2019
Liabilities and equity					
Liabilities					
Trade and other payables	21, 38, 39	**¥ 314,729**	¥ 299,714	¥ 241,308	**$ 2,835,145**
Financial guarantee liabilities	39	**8,305**	7,396	6,465	**74,820**
Bonds and borrowings	22, 39	**2,203,818**	1,956,979	1,857,074	**19,852,436**
Other financial liabilities	23, 38, 39	**28,441**	20,599	15,171	**256,205**
Income taxes payable	20	**3,120**	5,044	9,544	**28,107**
Provision for point card certificates	24	**104,963**	101,319	94,033	**945,527**
Provision for loss on interest repayments	24	**17,762**	23,114	30,567	**160,008**
Other provisions	24	**1,530**	1,147	922	**13,789**
Deferred tax liabilities	20	**1,025**	1,013	814	**9,233**
Other liabilities	26	**37,026**	39,801	33,013	**333,544**
Total liabilities		**2,720,724**	2,456,129	2,288,917	**24,508,820**
Equity					
Share capital	27	**75,929**	75,929	75,929	**683,986**
Capital surplus	27	**85,642**	85,629	85,630	**771,485**
Retained earnings	27	**360,303**	344,291	311,539	**3,245,681**
Treasury shares	27	**(52,881)**	(52,880)	(52,879)	**(476,363)**
Other components of equity	27, 39	**22,004**	35,913	34,619	**198,222**
Total equity attributable to owners of parent		**490,998**	488,883	454,838	**4,423,013**
Non-controlling interests		**743**	1,965	2,047	**6,693**
Total equity		**491,741**	490,849	456,886	**4,429,706**
Total liabilities and equity		**¥ 3,212,465**	¥ 2,946,978	¥ 2,745,804	**$ 28,938,527**

CONSOLIDATED STATEMENT OF INCOME

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2019

	Note	Millions of yen		Thousands of U.S. dollars
		FY2018 (April 1, 2018 to March 31, 2019)	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Revenues				
Income from the credit service business	29, 39	**¥ 226,250**	¥ 221,049	**$ 2,038,111**
Income from the lease business	29, 39	**12,579**	12,860	**113,319**
Income from the finance business	29, 39	**39,231**	35,536	**353,406**
Revenue from the real estate-related business	29, 39	**42,098**	37,388	**379,231**
Revenue from the entertainment business	29	**50,827**	51,272	**457,862**
Finance income	29, 32, 39	**854**	223	**7,699**
Total		**371,842**	358,331	**3,349,629**
Of interest income *		**107,221**	–	**965,868**
Cost of sales				
For the real estate-related business	30	**24,921**	23,095	**224,494**
For the entertainment business	30	**42,066**	41,984	**378,939**
Total		**66,987**	65,080	**603,434**
Net revenue		**304,855**	293,250	**2,746,194**
Selling, general and administrative expenses	31	**220,974**	214,026	**1,990,585**
Impairment losses on financial assets	39	**34,088**	29,456	**307,075**
Finance costs	32, 39	**9,878**	9,211	**88,983**
Share of profit of investments accounted for using equity method	18	**7,355**	12,306	**66,259**
Other income	33, 39	**4,138**	13,434	**37,281**
Other expenses	33, 39	**5,643**	13,446	**50,841**
Profit before tax		**45,763**	52,850	**412,250**
Income tax expense	20	**16,423**	14,463	**147,941**
Profit		**29,340**	38,386	**264,308**
Profit attributable to				
Owners of parent		**30,517**	38,446	**274,906**
Non-controlling interests		**(1,176)**	(59)	**(10,597)**
Profit		**29,340**	38,386	**264,308**

Earnings per share		Yen		U.S. dollars
Basic earnings per share	35	**¥ 186.84**	¥ 235.39	**$ 1.68**
Diluted earnings per share	35	**–**	–	**–**

(*) Pursuant to IFRS 9, interest income is calculated using the effective interest method.

RECONCILIATION FROM PROFIT BEFORE TAX TO BUSINESS PROFIT

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	FY2018 (April 1, 2018 to March 31, 2019)	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Profit before tax	**¥ 45,763**	¥ 52,850	**$ 412,250**
Reconciliations (Other income)	**–**	(8,812)	**–**
Reconciliations (Other expenses)	**5,517**	13,277	**49,705**
Adjustments for the application of the effective interest method to financial assets	**951**	–	**8,569**
Subtotal	**6,469**	4,464	**58,274**
Business profit	**52,233**	57,314	**470,525**

For details on the reconciliation items, please refer to Note "7. Operating Segments."

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2019

	Note	Millions of yen		Thousands of U.S. dollars
		FY2018 (April 1, 2018 to March 31, 2019)	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Profit		**¥ 29,340**	¥ 38,386	**$ 264,308**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	34	**(8,963)**	–	**(80,743)**
Share of other comprehensive income of investments accounted for using equity method	18, 34	**62**	–	**560**
Items that may be reclassified to profit or loss				
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	34	**–**	5,686	**–**
Net change in fair value of debt instruments measured at fair value through other comprehensive income	34	**(7)**	–	**(68)**
Effective portion of cash flow hedges	34	**(1,540)**	191	**(13,881)**
Exchange differences on translation of foreign operations	34	**(28)**	(40)	**(260)**
Share of other comprehensive income of investments accounted for using equity method	18, 34	**265**	(4,497)	**2,390**
Total other comprehensive income, net of tax		**(10,213)**	1,339	**(92,003)**
Comprehensive income		**19,127**	39,726	**172,305**
Comprehensive income attributable to				
Owners of parent		**20,314**	39,798	**182,993**
Non-controlling interests		**(1,186)**	(72)	**(10,688)**
Comprehensive income		**19,127**	39,726	**172,305**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2019

FY2018 (April 1, 2018 to March 31, 2019)

		Millions of yen							
		Equity attributable to owners of parent							
	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance as of April 1, 2018		¥ 75,929	¥ 85,629	¥ 344,291	¥ (52,880)	¥ 35,913	¥ 488,883	¥ 1,965	¥ 490,849
Cumulative effect of accounting change	5			**(9,148)**		**(3,343)**	**(12,491)**		**(12,491)**
Restated balance		**75,929**	**85,629**	**335,143**	**(52,880)**	**32,569**	**476,391**	**1,965**	**478,357**
Profit				**30,517**			**30,517**	**(1,176)**	**29,340**
Other comprehensive income	34					**(10,203)**	**(10,203)**	**(10)**	**(10,213)**
Comprehensive income		**–**	**–**	**30,517**	**–**	**(10,203)**	**20,314**	**(1,186)**	**19,127**
Purchase of treasury shares	27				**(0)**		**(0)**		**(0)**
Disposal of treasury shares	27		**(0)**		**0**		**0**		**0**
Dividends	28			**(5,719)**			**(5,719)**		**(5,719)**
Transfer from other components of equity to retained earnings	27			**362**		**(362)**	**–**		**–**
Changes in ownership interest in subsidiaries			**13**				**13**	**(36)**	**(23)**
Total transactions with owners		**–**	**12**	**(5,357)**	**(0)**	**(362)**	**(5,706)**	**(36)**	**(5,742)**
Balance as of March 31, 2019		**¥ 75,929**	**¥ 85,642**	**¥ 360,303**	**¥ (52,881)**	**¥ 22,004**	**¥ 490,998**	**¥ 743**	**¥ 491,741**

		Thousands of U.S. dollars							
		Equity attributable to owners of parent							
	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance as of April 1, 2018		$ 683,986	$ 771,368	$ 3,101,447	$ (476,359)	$ 323,514	$ 4,403,957	$ 17,706	$ 4,421,664
Cumulative effect of accounting change	5			**(82,412)**		**(30,117)**	**(112,529)**		**(112,529)**
Restated balance		**683,986**	**771,368**	**3,019,035**	**(476,359)**	**293,396**	**4,291,428**	**17,706**	**4,309,134**
Profit				**274,906**			**274,906**	**(10,597)**	**264,308**
Other comprehensive income	34					**(91,912)**	**(91,912)**	**(90)**	**(92,003)**
Comprehensive income		**–**	**–**	**274,906**	**–**	**(91,912)**	**182,993**	**(10,688)**	**172,305**
Purchase of treasury shares	27				**(5)**		**(5)**		**(5)**
Disposal of treasury shares	27		**(0)**		**1**		**0**		**0**
Dividends	28			**(51,521)**			**(51,521)**		**(51,521)**
Transfer from other components of equity to retained earnings	27			**3,261**		**(3,261)**	**–**		**–**
Changes in ownership interest in subsidiaries			**117**				**117**	**(325)**	**(207)**
Total transactions with owners		**–**	**116**	**(48,259)**	**(4)**	**(3,261)**	**(51,408)**	**(325)**	**(51,733)**
Balance as of March 31, 2019		**$ 683,986**	**$ 771,485**	**$ 3,245,681**	**$ (476,363)**	**$ 198,222**	**$ 4,423,013**	**$ 6,693**	**$ 4,429,706**

FY2017 (April 1, 2017 to March 31, 2018)

		Millions of yen							
		Equity attributable to owners of parent							
	Note	Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity	Total	Non-controlling interests	Total
Balance as of April 1, 2017		¥ 75,929	¥ 85,630	¥ 311,539	¥ (52,879)	¥ 34,619	¥ 454,838	¥ 2,047	¥ 456,886
Profit				38,446			38,446	(59)	38,386
Other comprehensive income	34					1,351	1,351	(12)	1,339
Comprehensive income		–	–	38,446	–	1,351	39,798	(72)	39,726
Purchase of treasury shares	27				(1)		(1)		(1)
Disposal of treasury shares	27						–		–
Dividends	28			(5,719)			(5,719)		(5,719)
Transfer from other components of equity to retained earnings	27			57		(57)	–		–
Changes in ownership interest in subsidiaries			(0)	(32)			(32)	(10)	(43)
Total transactions with owners		–	(0)	(5,693)	(1)	(57)	(5,753)	(10)	(5,764)
Balance as of March 31, 2018		¥ 75,929	¥ 85,629	¥ 344,291	¥ (52,880)	¥ 35,913	¥ 488,883	¥ 1,965	¥ 490,849

CONSOLIDATED STATEMENT OF CASH FLOWS

Credit Saison Co., Ltd. and Consolidated Subsidiaries
For the Year Ended March 31, 2019

	Note	Millions of yen		Thousands of U.S. dollars
		FY2018 (April 1, 2018 to March 31, 2019)	FY2017 (April 1, 2017 to March 31, 2018)	FY2018 (April 1, 2018 to March 31, 2019)
Cash flows from operating activities				
Profit before tax		**¥ 45,763**	¥ 52,850	**$ 412,250**
Depreciation and amortization		**23,660**	13,528	**213,136**
Interest and dividend income		**(2,150)**	(1,611)	**(19,368)**
Interest expenses		**9,245**	8,160	**83,286**
Share of loss (profit) of investments accounted for using equity method		**(7,355)**	(12,306)	**(66,259)**
Loss (gain) on sales of investment securities		**–**	(8,536)	**–**
Loss (gain) on valuation of investment securities		**1,054**	102	**9,502**
System transfer cost		**3,299**	12,969	**29,721**
Decrease (increase) in trade and other receivables		**(252,393)**	(140,801)	**(2,273,606)**
Decrease (increase) in inventories		**(13,898)**	(4,305)	**(125,202)**
Decrease (increase) in operational investment securities for sale		**(1,551)**	(3,344)	**(13,979)**
Increase (decrease) in trade and other payables		**18,248**	55,813	**164,387**
Increase (decrease) in provision for point card certificates		**3,643**	7,286	**32,821**
Increase (decrease) in provision for loss on interest repayments		**(5,352)**	(7,453)	**(48,211)**
Increase (decrease) in financial guarantee liabilities		**1,260**	930	**11,354**
Other		**(1,831)**	6,303	**(16,500)**
Subtotal		**(178,356)**	(20,413)	**(1,606,667)**
Interest and dividends received		**4,304**	3,223	**38,777**
Interest paid		**(9,325)**	(9,137)	**(84,006)**
Income taxes refund		**820**	64	**7,395**
Income taxes paid		**(9,882)**	(13,759)	**(89,024)**
Net cash used in operating activities		**(192,438)**	(40,023)	**(1,733,525)**
Cash flows from investing activities				
Purchase of investment securities		**¥ (5,673)**	¥ (11,711)	**$ (51,110)**
Proceeds from sales or redemption of investment securities		**1,458**	14,712	**13,139**
Purchase of property, plant and equipment, and intangible assets		**(27,339)**	(37,578)	**(246,278)**
Proceeds from sale of property, plant and equipment, and intangible assets		**33**	20	**299**
Purchase of investment property		**(8,028)**	(7,531)	**(72,325)**
Payments for acquisition of subsidiaries		**–**	(951)	**–**
Payments for loans receivable		**(664)**	(1,503)	**(5,989)**
Collection of loans receivable		**27**	17	**251**
Other		**(126)**	(609)	**(1,138)**
Net cash used in investing activities		**(40,313)**	(45,134)	**(363,152)**
Cash flows from financing activities				
Net increase (decrease) in short-term borrowings	36	**(8,000)**	18,000	**(72,065)**
Net increase (decrease) in commercial papers	36	**121,500**	31,500	**1,094,495**
Repayment of securitized borrowings	36	**–**	(20,000)	**–**
Proceeds from long-term borrowings	36	**115,900**	104,700	**1,044,050**
Repayments of long-term borrowings	36	**(55,364)**	(69,656)	**(498,730)**
Proceeds from issuance of bonds	36	**94,547**	84,694	**851,706**
Redemption of bonds	36	**(20,026)**	(50,000)	**(180,398)**
Repayments of lease obligations	36	**(603)**	(561)	**(5,437)**
Payments for acquisition of interests in subsidiaries from non-controlling interests		**(23)**	(10)	**(207)**
Proceeds from sale of treasury shares		**0**	–	**0**
Payments for purchase of treasury shares		**(0)**	(1)	**(5)**
Dividends paid		**(5,719)**	(5,719)	**(51,521)**
Net cash provided by financing activities		**242,211**	92,945	**2,181,887**
Effect of exchange rate changes on cash and cash equivalents		**3**	(72)	**34**
Net increase in cash and cash equivalents		**9,462**	7,714	**85,244**
Cash and cash equivalents at beginning of period	8	**73,179**	65,465	**659,215**
Cash and cash equivalents at end of period	8	**82,642**	73,179	**744,460**

1. REPORTING ENTITY

Credit Saison Co., Ltd. (the "Company") is a company located in Japan. The Company's consolidated financial statements include the accounts of the Company and its subsidiaries (the "Group"), as well as the Group's interests in its associates and joint ventures. The Group is engaged in the following operations: credit service business, lease business; finance business, real estate-related business, and entertainment business. The details of each business are stated in Note "7. Operating Segments."

2. BASIS OF PREPARATION

(1) Compliance with IFRS and first-time adoption

The consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRS) pursuant to the provisions of Article 93 of Regulations for Consolidated Financial Statements, as they meet the requirements for a "Specified Company Complying with Designated International Accounting Standards" as prescribed in Article 1-2 of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

The consolidated financial statements were approved on June 20, 2019, by Masahiro Yamashita, President and Chief Operating Officer (COO).

The Group adopted IFRS for the first time in the fiscal year ended March 31, 2019, with the date of transition to IFRS as of April 1, 2017. Effects of the transition to IFRS on the Group's consolidated financial position, operation results and cash flows on the date of transition to IFRS and in the comparative years are stated in Note "48. First-Time Adoption."

The accounting policies of the Group are in compliance with IFRS effective as of March 31, 2019, except for certain IFRS standards that have not been early adopted by the Group and exemptions permitted under IFRS 1, "First-Time Adoption of International Financial Reporting Standards" ("IFRS 1").

The exemptions adopted by the Group are described in Note "48. First-Time Adoption."

(2) Basis of measurement

The consolidated financial statements of the Group have been prepared based on historical cost, except for certain items such as financial instruments that are measured at fair value. See Note "3. Significant Accounting Policies" for details.

(3) Functional currency and presentation currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. Amounts less than one million yen are rounded down to the nearest million yen. Japanese yen amounts have been translated into U.S. dollars at the rate of ¥111.01 = U.S.$1, the approximate exchange rate on March 31, 2019, for the convenience of the reader. Amounts less than one thousand dollars are rounded down to the nearest thousand dollars. 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. SIGNIFICANT ACCOUNTING POLICIES

(1) Basis for consolidation

(a) Subsidiaries

Subsidiaries refer to entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns arising from its involvement with the entity and has the ability to affect those returns through its power over the entity. Financial statements of the subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when control is lost.

If any accounting policies applied by a subsidiary differ from those applied by the Group, adjustments are made to the subsidiary's financial statements. Intercompany payables and receivables and internal transactions within the Group as well as unrealized gains or losses arising from internal transactions within the Group are eliminated in preparing the consolidated financial statements.

Any changes in ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the amount by which non-controlling interests are adjusted and the fair value of the consideration is directly recognized in equity as interests attributable to owners of parent.

If the Group loses control over a subsidiary, gains or losses associated with the loss of control are recognized in profit or loss. Any interest retained in the former subsidiary after the loss of control is remeasured at fair value as of the date when the control is lost.

Non-controlling interests in subsidiaries are identified separately from the Group's interests. Comprehensive income of subsidiaries is attributed to owners of parent and non-controlling interests, even if this results in a negative balance in non-controlling interests.

When the reporting date of a subsidiary is different from that of the Company, the subsidiary prepares, for consolidation purposes, additional financial information as of the reporting date of the consolidated financial statements.

(b) Associates and joint ventures

An associate refers to an entity over which the Group has significant influence over financial and operating policy decisions of the entity but does not have control or joint control of the entity. If the Group holds at least 20% but not more than 50% of the voting rights of an entity, the Group is presumed to have a significant influence over the entity. Even if the Group holds less than 20% of the voting rights of an entity, the entity may be considered as an associate of the Group when the Group can exert significant influence over financial and operating policy decisions or other business policy decisions of the entity by virtue of an agreement with other investors. Conversely, even if the Group holds 20% or more of the voting rights of an entity, the equity method is not applied to the entity when it is determined that the Group does not have a significant influence over the entity.

A joint venture is an entity jointly controlled by two or more parties including the Group under the contractually agreed sharing of control over economic activities of the joint venture, which exists only when strategic financial and operating decisions related to the relevant activities require unanimous consent of the parties sharing control.

The equity method is applied to associates and joint ventures from the date that the Group has significant influence to the date that it loses the significant influence. Goodwill recognized upon acquisition (net of accumulated impairment losses) is included in the investment in associates and joint ventures.

If any accounting policies applied by an associate or a joint venture differ from those applied by the Group, adjustments are made to the financial statements of the associate or joint venture.

(2) Business combinations

Business combinations are accounted for by the acquisition method. Consideration transferred is measured as the sum of the acquisition-date fair values of assets transferred, liabilities assumed, and equity interests issued by the Company in exchange for control over the acquiree.

Any identifiable assets acquired and liabilities assumed by the Company at the acquisition date are recognized at fair value as of the acquisition date, except for the following:

- Deferred tax assets and liabilities, and assets and liabilities arising from employee benefit contracts
- Share-based payment arrangements of the acquiree
- Assets or disposal groups that are classified as held for sale in accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations."

The Group measures goodwill as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests in the acquiree measured at the acquisition date over the net of acquisition-date amounts of identifiable assets acquired and liabilities assumed. Negative goodwill, if any, is recognized immediately in profit or loss.

The Group measures non-controlling interests in the acquiree for each business combination, either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Transaction costs attributable to business combinations incurred by the Group are expensed as incurred, except for costs related to the issuance of debt or equity instruments.

As an acquisition of additional non-controlling interests after obtaining control is accounted for as an equity transaction, no goodwill is recognized for such transactions.

If the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and recognizes the resulting gain or loss, if any, in profit or loss.

(3) Foreign currency translation

(a) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each entity of the Group by using the spot exchange rate at the date of the transaction.

Foreign currency monetary assets and liabilities at the end of the reporting period are translated into the functional currency using the spot exchange rate at the end of the reporting period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rate at the date when the fair value was measured.

Exchange differences arising from translations or settlements are recognized in profit or loss. Exchange differences arising from the translation of equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

(b) Foreign operations

Assets and liabilities of foreign operations, including any goodwill arising on the acquisition of a foreign operation and any fair value adjustments, are translated into Japanese yen using the spot exchange rate at the end of the reporting period, while income and expenses are translated into Japanese yen using average exchange rates during the period.

Exchange differences arising from the translation of financial statements of foreign operations are recognized in other comprehensive income.

Upon the disposal of a foreign operation, exchange differences relating to the foreign operation are reclassified to profit or loss as part of the gain or loss on disposal.

(4) Financial instruments

(a) Financial assets

1) Initial recognition and measurement

The Group classifies financial assets into financial assets as measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income. The Group determines such classification at the time of initial recognition.

The Group recognizes financial assets on the transaction date when it becomes a party to the contract on such financial instruments.

All financial assets are measured at fair value plus any transaction costs, except for those classified as financial assets measured at fair value through profit or loss.

Financial assets that meet both of the following conditions are classified as financial assets measured at amortized cost:

- The assets are held within a business model whose objective is to hold the assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified as financial assets measured at fair value.

Equity instruments measured at fair value are individually designated as measured at fair value through profit or loss or at fair value through other comprehensive income, and such designation is applied consistently after the initial recognition.

Debt instruments measured at fair value that meet both of the following conditions are classified as debt instruments measured at fair value through other comprehensive income:

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

Operational investment securities include stocks, investment trusts, and investments in partnerships, which are held solely for the purpose of investment. Investment securities include stocks, investment trusts, investments in partnerships held for the purpose of promoting business primarily through business, and capital alliances.

2) Subsequent measurement

After initial recognition, financial assets are measured as follows, depending on their classifications:

(i) Financial assets measured at amortized cost

Financial assets are measured at amortized cost using the effective interest method.

(ii) Debt instruments measured at fair value through other comprehensive income

A gain or loss on debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the debt instrument is derecognized or reclassified. When the financial asset is derecognized, cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

(iii) Financial assets measured at fair value through profit or loss

A gain or loss on financial assets measured at fair value through profit or loss is recognized in profit or loss.

(iv) Equity instruments measured at fair value through other comprehensive income

A gain or loss on equity instruments designated as those measured at fair value through other comprehensive income is recognized in other comprehensive income.

Dividends received from such financial assets are recorded in profit or loss under "Other income."

3) Derecognition of financial assets

Financial assets are derecognized if the contractual rights to receive cash flows from the financial assets expire, or if the Group has transferred substantially all the risks and rewards of ownership of the financial assets. If the Group retains control of a transferred asset, the asset and any liability associated with the asset is recognized to the extent of its continuing involvement.

4) Impairment of financial assets

Allowance for doubtful accounts is recognized for expected credit losses on financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income.

If the credit risk on financial assets at the end of the reporting period has not increased significantly since initial recognition, allowance for doubtful accounts is measured at an amount equal to the amount of expected credit losses from possible defaults in the next 12 months after the end of the reporting period (12-month expected credit losses). In this case, 12-month expected credit losses are collectively estimated to measure the allowance for doubtful accounts based on information such as the probability of default, subsequent collection rates, and other reasonable and supportable information including forward-looking data.

Conversely, if the credit risk on financial assets at the end of the reporting period has increased significantly since initial recognition, allowance for doubtful accounts is measured at an amount equal to the expected credit losses that result from all possible default events over the expected life of such financial assets (lifetime expected credit losses). In this case, allowance for doubtful accounts is determined by estimating the lifetime expected credit losses related to the collection of such financial assets based on information such as the probability of default, future recoverable amounts, and other reasonable and supportable information including forward-looking data. In principle, it is presumed that the credit risk on financial assets has increased significantly when contractual payments are more than 30 days past due. In assessing whether or not the credit risk has increased significantly, the Group takes reasonably available and supportable information in addition to past due information.

However, for trade receivables that result from transactions that are within the scope of IFRS 15, "Revenue from Contracts with Customers" (IFRS15) and that do not contain a significant financing component, allowance for doubtful accounts is always recognized at an amount equal to the lifetime expected credit losses, regardless of whether or not the credit risk has increased significantly since initial recognition.

As a general rule, the Group determines that a default has occurred when the contractual payment of a receivable is 90 days or more past due. When it is determined that there is a default of a receivable, such receivable is deemed to be a credit-impaired receivable.

The Group directly reduces the gross carrying amount of a financial asset when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(b) Financial liabilities

1) Initial recognition and measurement

The Group classifies financial liabilities as subsequently measured at amortized cost, except for derivatives and financial guarantee liabilities. The classification is made at the time of initial recognition.

Debt securities issued by the Group are initially recognized at the date of issuance. All the other financial liabilities are recognized on the transaction date when the Group becomes a party to the contract of such financial liabilities.

Financial liabilities measured at amortized cost are recognized at an amount after deducting transaction costs directly attributable to the issuance of the liability.

2) Subsequent measurement
After initial recognition, financial liabilities are measured at amortized cost using the effective interest method, except for derivatives and financial guarantee liabilities.

Amortization using the effective interest method as well as gains and losses arising from derecognition are recognized as "Finance costs" in profit or loss of the period.

3) Derecognition of financial liabilities
The Group derecognizes financial liabilities when they are extinguished (i.e., when the obligation specified in the contract is discharged), canceled, or expire.

(c) Presentation of financial assets and financial liabilities

Financial assets and financial liabilities offset each other with the net amount presented in the consolidated statement of financial position only if the Group has a legal right to offset and has the intention to either settle amounts on a net basis or to realize the assets and settle the liabilities simultaneously.

(d) Derivatives and hedge accounting

The Group utilizes derivatives, such as interest rate swaps, for the purpose of hedging interest rate risk and foreign currency risk. These derivatives are initially recognized at fair value at the date when the contracts are entered into, and subsequently remeasured at fair value.

At the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship to which the Group plans to apply hedge accounting as well as the Group's risk management objective and strategy for undertaking the hedge. That documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and the description on how the Group will assess the effectiveness of changes in fair value of the hedging instruments used in offsetting its exposures to changes in the fair value or cash flows of the hedged items arising from the hedged risk.

A hedging relationship is considered to be effective when it meets all the following requirements:

• There is an economic relationship between the hedged item and the hedging instrument.
• The effect of credit risk does not dominate the value changes that result from that economic relationship.
• The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

The Group prospectively assesses whether the hedging relationships will be effective on an ongoing basis. Hedge ineffectiveness may arise when the fair value change on the hedging instrument exceeds or falls below that of the hedged item.

Hedge ratio is appropriately determined based on an economic relationship between the hedged item and hedging instrument as well as the Group's risk management strategies.

If a hedging relationship ceases to meet the hedging effectiveness requirement, but the risk management objective remains the same, the Group adjusts the hedge ratio so that the hedging relationship becomes effective again. The Group terminates the hedging relationship if the risk management objective for the designated hedge relationship is changed.

Hedges that qualify for hedge accounting are classified and accounted for as follows:

1) Fair value hedges
Fair value changes on derivatives are recognized in profit or loss of the consolidated statement of income. Fair value changes on hedged items attributable to hedged risks are recognized in profit or loss in the consolidated statement of income with the carrying amounts of the hedged items being adjusted.

2) Cash flow hedges
The effective portion of gains or losses on hedging instruments is recognized in other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is immediately recognized in profit or loss in the consolidated statement of income.

The amount posted in other comprehensive income is reclassified to profit or loss when the hedged transaction affects profit or loss.

If a forecast transaction or a firm commitment is no longer expected to occur, cumulative gains or losses previously recognized in equity through other comprehensive income are reclassified to profit or loss. If a hedged future cash flow is still expected to occur, the amount previously recognized in equity through other comprehensive income remains in equity until the future cash flow occurs.

(e) Financial guarantee liabilities

A financial guarantee contract is a contract that requires a contract issuer to make specified payments to reimburse the holder of a guarantee contract for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Revenue is recognized by multiplying the balance of guarantee by the guarantee fee rate.

Financial guarantee liability is measured at fair value when the contract is initially signed. After initial recognition, the amount is measured at the higher of the following:

1) The amount of allowance for doubtful accounts calculated in accordance with the section above titled "Impairment of financial assets"
2) The initially measured amount less the cumulative amount of revenue recognized in accordance with IFRS 15

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposit, and short-term investments with maturities of three months or less from the purchase date, which are readily convertible into cash and subject to insignificant risk of changes in value.

(6) Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is determined at the estimated selling price in the ordinary course of business, less estimated costs for completion and estimated selling expenses. Cost is calculated mainly based on the specific identification method.

(7) Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured by using the cost model and are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. Acquisition cost includes costs directly attributable to the acquisition of assets and costs involved in dismantling, removing and restoring. Gain or loss on disposal of an item of property, plant and equipment represents the net amount of proceeds from disposal less carrying amount, which is recognized in profit or loss.

(b) Depreciation

Depreciation is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the acquisition cost of the asset. Depreciation is recognized in profit or loss by mainly using the straight-line method over the estimated useful life of each component of property, plant and equipment. Land and construction in progress are not subject to depreciation.

The estimated useful lives of main assets are as follows:

Buildings	28 to 47 years
Other	5 to 10 years

Depreciation methods, estimated useful lives, and residual values are reviewed at the end of each reporting period. Any change is applied prospectively as a change in accounting estimates.

(8) Intangible assets

(a) Goodwill

The Group measures goodwill as the excess of the aggregate of the consideration transferred and the amount of any non-controlling interests in the acquiree measured at the acquisition date over the net of acquisition-date amounts of identifiable assets acquired and liabilities assumed (ordinarily in their fair value).

Goodwill is not amortized, but is tested for impairment in each reporting period or each time when there is an indication of impairment.

Impairment losses of goodwill are recognized in the consolidated statement of income and not reversed subsequently.

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

(b) Intangible assets other than goodwill

Intangible assets acquired individually are measured under the cost model. Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses. Included in costs are borrowing costs to be capitalized.

(c) Amortization

After initial recognition, intangible assets other than goodwill and software in progress are amortized over their estimated useful lives under the straight-line method and are recognized in profit or loss, except for intangible assets with indefinite useful lives.

The estimated useful lives of main assets are as follows:

Software	5 to 15 years
Other	10 to 20 years

Amortization methods, estimated useful lives, and residual values are reviewed at the end of each reporting period, and any change is applied prospectively as a change in accounting estimates.

(9) Investment property

Investment property is property (including property under construction) held to earn rental income or capital gains, or both. Investment property is measured under the cost model, and is measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated based on the depreciable amount. The depreciable amount is calculated by deducting the residual value from the acquisition cost, or the amount equivalent to the acquisition cost. Depreciation is recognized in profit or loss over the estimated useful life of each asset, other than land, by mainly using the straight-line method.

The estimated useful lives of main assets are as follows:

Investment property	27 to 50 years

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the derecognition are calculated as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss at the time of derecognition.

(10) Leases

(a) Leases as a lessee

Leases are classified as finance leases when substantially all the risks and rewards incidental to ownership of assets are contractually transferred to the Group. All the other leases are classified as operating leases.

Leased assets under finance leases are initially recognized at the lower of the fair value of the leased property determined at lease inception or the present value of the minimum lease payments. After initial recognition, assets held under finance leases are depreciated over the shorter of the lease term or the estimated useful life under the straight-line method based on accounting policies applicable to the assets.

Lease payments are allocated to finance costs and repayments of lease liabilities based on the interest method. Finance costs are recognized in the consolidated statement of income.

In operating lease transactions, lease payments are recognized as expenses in the consolidated statement of income over the lease term under the straight-line method. Variable lease payments are recognized as expenses in the period in which they are incurred.

(b) Leases as a lessor

For leases as a lessor, revenue is recognized in accordance with IAS 17, "Leases" (IAS 17), by allocating unearned finance income, which is the difference between the gross investment and the net investment in a finance lease, over the lease term so as to reflect the implicit interest rate.

(11) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amount of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Recoverable amounts of goodwill and intangible assets with indefinite useful lives or those not yet available for use are estimated at the same time each year, regardless of whether or not there is an indication of impairment.

The recoverable amount of an asset or a cash-generating unit is the higher of value in use or fair value less costs of disposal. In calculating the value in use, the estimated future cash flows are discounted to their present value by using a pretax discount rate that reflects the time value of money and risks specific to the asset. Assets that are not tested individually for impairment are integrated into the smallest cash-generating unit that generates cash inflows through continuing use that are largely independent of those from other assets or groups of assets. At the time of goodwill impairment testing, cash-generating units to which goodwill is allocated are integrated so that impairment testing is conducted in a manner that reflects the smallest unit with which goodwill can be associated. Goodwill acquired in a business combination is allocated to each cash-generating unit that is expected to benefit from synergies of the combination.

Impairment losses are recognized in profit or loss when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment loss recognized for a cash-generating unit is first allocated to reduce the carrying amount of goodwill allocated to the unit, and subsequently allocated to reduce other assets of the unit on a pro-rata basis, based on the carrying amount of each asset in the unit.

Impairment losses recognized for goodwill are not reversed. Impairment loss recognized in prior periods for other assets is assessed at the end of each reporting period to determine whether there is any indication that such impairment losses may no longer exist or may have decreased. If any change has been made to the estimate used to determine the recoverable amount of an asset, an impairment loss for the asset is reversed up to the carrying amount of the asset that would have been determined had no impairment loss been recognized for the asset in prior years (net of any associated depreciation and amortization expenses).

(12) Employee benefits

(a) Defined contribution pension plans

The Group adopts defined contribution pension plans. Defined contribution pension plans are post-employment benefit plans under which an employer pays fixed contributions to an independent entity and has no legal or constructive obligation to pay further contributions. Contributions under the defined contribution pension plans are recognized in profit or loss in the period in which employees render the related services.

(b) Short-term employee benefits

Undiscounted amount of short-term employee benefits are recognized as an expense in the period in which the employees render related services.

Expenses for bonuses and paid absences are recognized as a liability at an amount estimated to be paid based on applicable policies for the bonuses and paid absences when the Group has a legal or constructive obligation for the payment and a reliable estimate can be made for the amount.

(13) Accounting policy for significant provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the time value of money is significant, the estimated future cash flows are discounted to their present value by using a pretax discount rate that reflects the time value of money and risks specific to the liability. Unwinding of the discounted amount arising from the passage of time is recognized in profit or loss.

(14) Revenue

Centering on the card business, the Group engages in multiple business domains such as the Internet business, lease business, and finance business. For the purpose of segment reporting, the Group's businesses are divided into five reportable segments: Credit service business, Lease business, Finance business, Real estate-related business, and Entertainment business. Revenue recognition criteria by segment are as follows:

(a) Credit service business

The credit service business provides services such as credit card shopping, credit card cash advance, term loans, and processing/agency for other companies' credit cards and business agency. Revenue recognition criteria by service are as follows:

1) Credit card shopping

(i) Affiliated store fees

Revenue is recognized at the time when a credit card is used, which is when service is completed and the performance obligation is satisfied under the contracts with affiliated stores, who are customers of the Group.

(ii) Customer fees

Customer fees mainly represent fees received from cardholders for using revolving payments and other services. As stated in Note "3.

Significant Accounting Policies (4) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9, "Financial Instruments" (as amended in July 2014, "IFRS 9"), using the effective interest method.

(iii) Annual membership fees, etc.

Revenue is recognized over a certain period determined under the contracts with cardholders to which performance obligation arises for the membership fees received.

2) Credit card cash advance

Revenue from cash advance services represents fees received from cardholders for using credit card cash advance via credit cards or loan cards issued by the Company and its subsidiaries. As stated in Note "3. Significant Accounting Policies (4) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9 using the effective interest method.

3) Term loans

Revenue from term loans services represents fees received from cardholders or customers who obtain loans directly from the Company and its subsidiaries in forms other than credit card cash advance. As stated in Note "3. Significant Accounting Policies, (4) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9 using the effective interest method.

4) Processing/agency for other companies' credit cards and business agency

Processing/agency for other companies' credit cards are services provided on a contractual basis for processing and the use of the Company's ATMs, for which the Company receives fees from its partner companies. Business agency refers to card processing and receivables collection businesses conducted by subsidiaries as outsourcing businesses, which receive fees from their partner companies. Revenue is recognized when service is rendered and the performance obligation is satisfied on a contractual basis.

(b) Lease business

Revenue is recognized under IAS 17. For details, see Note "3. Significant Accounting Policies, (10) Leases, (b) Leases as a lessor."

(c) Finance business

1) Credit guarantees

Fees are received when the Company and its subsidiaries guarantee loans provided by their partner financial institutions. Revenue is recognized under IFRS 9. For details, see Note "3. Significant Accounting Policies, (4) Financial instruments, (e) Financial guarantee liabilities."

2) Finance-related

Fees are directly received from customers who obtain loans directly from the Company and its subsidiaries. As stated in Note "3. Significant Accounting Policies, (4) Financial instruments, (a) Financial assets, 2) Subsequent measurement," revenue is recognized under IFRS 9 using the effective interest method.

(d) Real estate-related business

For real estate sales, revenue is recognized when property is delivered to customers, which is when a performance obligation is satisfied. For real estate rentals, revenue is recognized over the lease contract term under the straight-line method.

(e) Entertainment business

Revenue is recognized primarily when services are rendered at stores engaged in amusement business, which is when a performance obligation is satisfied.

Revenues for the above businesses are recognized at an amount reflecting the amount of consideration to which the Group expects to be entitled in exchange for transferring the goods or services to the customer based on the following five-step approach in accordance with IFRS 15, except for interest and dividend income received under IFRS 9 and income from lease arrangements under IAS 17:

Step 1: Identify contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to performance obligations in the contract
Step 5: Recognize revenue when (or as) the performance obligation is satisfied

Revenue recognized under IFRS 15 is based on contracts with customers, and the amount of revenue containing variable consideration is immaterial. No significant financing component is included in the amount of promised consideration.

(15) Income taxes

Income taxes consist of current tax and deferred tax, and are recognized in profit or loss, except for taxes arising from business combinations and items directly recognized in equity or other comprehensive income.

Current tax represents the amount of estimated taxes to be paid or refunded relating to taxable profit or losses for the current period, using tax rates that have been enacted or substantively enacted by the end of the reporting period, which is adjusted for estimated taxes to be paid or refunded for prior years.

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax bases, and for unused tax losses and unused tax credits.

Deferred tax assets and liabilities are not recognized for temporary differences arising from the initial recognition of assets and liabilities in transactions other than business combinations that affect neither accounting nor taxable profit or loss. Deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries and associates when the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. In addition, deferred tax assets are recognized for deductible temporary differences associated with investments in subsidiaries and associates and interests in joint ventures only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. Also, deferred tax liabilities are not recognized for taxable temporary differences arising from the initial recognition of goodwill.

Deferred taxes and liabilities are measured using tax rates that are expected to be applied when they are reversed in accordance with laws enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognized for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses and deductible temporary differences can be utilized. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that tax benefits can be utilized.

Deferred tax assets and liabilities are offset against each other if an entity has a legally enforceable right to set off tax assets against tax liabilities and when either of the following are met: income taxes are levied by the same taxation authority on the same taxable entity; or income taxes are levied by the same taxation authority on different taxable entities, but they either have the intention to settle deferred tax assets and liabilities on a net basis or plan to settle deferred tax assets and liabilities simultaneously.

(16) Earnings per share

Basic earnings per share are calculated by dividing profit or loss attributable to common stock holders of the parent entity by the weighted-average number of common stock outstanding adjusted by treasury shares during the period. Diluted earnings per share are calculated taking into consideration the effect of all dilutive shares.

(17) Segment information

An operating segment is a component of business activities from which an entity earns revenues and incurs expenses (including transactions with other operating segments). Operating results of all the operating segments are discrete financial information and are regularly reviewed by the Company's board of directors (the "Board of Directors"), who make decisions about resources to be allocated to individual segments and assess segment performance.

Operating results of a segment reported to the Board of Directors include those directly attributable to the segment and also those that can be allocated to the segment on a reasonable basis.

(18) Treasury shares

Treasury shares are measured at cost and presented as a deduction from equity. No gain or loss is recognized on the purchase, sale, or cancellation of treasury shares of the Company. The difference between the carrying amount and the consideration thereof at the time of sale is recognized as capital surplus.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized and form part of the cost of the asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Other borrowing costs are recognized as expenses as incurred.

(20) Business profit

Business profit is determined by adding or subtracting certain reconciliation items to or from profit before tax.

Given the nature and frequency of income and expenses, reconciliations are determined based on a judgement of whether they can help provide effective comparative information on the Group's performance and appropriately reflect how the businesses are managed.

For details on reconciliations, please refer to Note "7. Operating Segments."

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS INVOLVING ESTIMATES

(1) Significant accounting estimates and assumptions

The Group makes estimates and assumptions on future events in preparing the consolidated financial statements in compliance with IFRS. Results of accounting estimates may differ from the related actual results by nature. Estimates and assumptions with risks of significantly affecting the carrying amount of assets and liabilities in the following fiscal year are as follows:

(a) Impairment of financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income

The Group recognizes expected credit losses for financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income as the present value of differences between contractual future cash flows that it will receive in accordance with the contract and future cash flows that it expects to receive.

In estimating future cash flows, the Group takes into account the possibility of default, the historical trend of actual losses incurred, reasonably expected future events, and other factors. The Group believes that these estimates are significant because the amount of impairment losses recognized for the financial assets may substantially differ if assumed circumstances change.

Details of credit risk management are stated in Note "39. Financial Instruments, (4) Financial risk management."

(b) Provisions

Certain provisions are recognized by the Group, including provision for point card certificates and provision for loss on interest repayments.

The Group offers rewards programs to credit card holders as their major benefit, under which points earned based on the amount of credit card purchases can be used toward a variety of items. Provision for point card certificates is determined by estimating costs that are expected to be incurred in the future through the point exchange program, considering historical data of point exchanges and other information.

Provision for loss on interest repayments is recognized at an amount required in preparation for future claims for interest repayments, considering historical data on repayments and other information.

Provisions are determined based on judgments and assumptions made by the Group's management. The Group believes that the estimates are significant because these estimates and assumptions may significantly affect provision amounts if assumed circumstances change.

The nature and amounts of provisions recorded are stated in Note "24. Provisions."

(c) Impairment of non-financial assets

The Group conducts impairment testing for property, plant and equipment, and intangible assets including goodwill. In determining recoverable amounts through the impairment test, the Group makes certain assumptions on useful lives of assets, future cash flows, pretax discount rate, long-term growth rate, and other factors. These assumptions are determined based on management's best estimates and judgments; however, the assumptions may be affected by results of changes in uncertain economic conditions in the future. If the assumptions need to be reviewed, this may significantly affect amounts recognized in consolidated financial statements in the following fiscal years. As such, the Group believes that the estimates are significant.

(d) Financial instruments measured at fair value, including derivatives

The Group determines the value of financial assets and liabilities measured at fair value, including derivatives, using the following: quoted prices in an active market for identical assets or liabilities; fair values determined by using inputs other than the abovementioned quoted prices that are observable for the assets and liabilities, either directly or indirectly; or fair values determined by using valuation techniques that incorporate unobservable inputs. Among others, fair values determined using valuation techniques that incorporate unobservable inputs are based on management judgments and assumptions, including appropriate actuarial assumptions and calculation models. The Group believes that the estimates are material because these estimates and assumptions may significantly affect the fair values of financial instruments if assumed circumstances change.

The details and amounts of fair values of financial instruments are stated in Note "39. Financial Instruments, (3) Fair value measurement of financial instruments."

(e) Recoverability of deferred tax assets

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax bases. Deferred tax assets and deferred tax liabilities are calculated using the tax rates expected to be applicable at the time when the relevant deferred tax assets are realized or deferred tax liabilities are settled in accordance with laws and regulations enacted or substantially enacted at the end of the reporting period. Deferred tax assets are recognized for all of the deductible temporary differences, unused tax losses, and unused tax credits to the extent that it is probable that the Group will earn sufficient future taxable profit. Estimates of future taxable profit are based on subjective judgments and assumptions made by the Group's management, which are supported primarily by business plans approved by management. The Group believes that the estimates are significant because changes in assumed circumstances or amendment to tax laws in the future may significantly affect the amounts of deferred tax assets and deferred tax liabilities.

The details and amounts of deferred tax assets are stated in Note "20. Income Taxes."

(f) Valuation of goodwill

Goodwill recorded is subject to annual impairment testing, regardless of whether there is an indication of impairment. The recoverable amount of goodwill is determined primarily based on the projection of future cash flows, expected growth rates, and discount rates. The Group believes the estimates are significant because the determination is based on judgments and assumptions made by the Group's management in consideration of the business and market environments, and therefore, the calculation result of the recoverable amount may significantly differ if assumed circumstances change.

(2) Significant judgment when applying accounting policies

In the process of applying the accounting policies of the Group, management makes judgments that could significantly affect amounts recognized in the consolidated financial statements.

The Group has an interest in structured entities, which are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. The Group's management is required to determine whether or not it controls such structured entities. The Group makes such determination by evaluating all relevant facts and circumstances concerning the interest in the entities.

5. CHANGES IN ACCOUNTING POLICIES

Due to exemptions under IFRS 1, the Group reported under generally accepted accounting principles in Japan ("Japanese GAAP") until the previous fiscal year. From the current fiscal year, however, it started applying IFRS 9. The Group did not retrospectively apply IFRS 9 to the consolidated financial statements as of the IFRS transition date and for the fiscal year ended March 31, 2018, in accordance with the exemptions.

Major accounting policies under Japanese GAAP that the Group adopted until the fiscal year ended March 31, 2018, are as follows:

- Under Japanese GAAP, allowance for doubtful accounts is recorded based on historical credit loss ratio derived from historical results for a certain period.
- Under Japanese GAAP, marketable securities classified as available-for-sale securities are carried at fair value with any changes in valuation difference directly recognized in net assets, while non-marketable securities classified as available-for-sale securities are carried at cost determined by the moving-average method.
- Under Japanese GAAP, when an interest rate swap contract meets certain conditions to qualify for the exceptional hedge accounting treatment ("*tokurei shori*"), they are accounted for accordingly.

Upon adoption of IFRS 9, the Group changed the classification of financial assets as follows on the date of the application of IFRS 9:

Financial assets that meet both of the following conditions are classified as financial assets measured at amortized cost: assets are held based on the business model whose objective is to hold the assets in order to collect contractual cash flows; and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets other than those measured at amortized cost are classified at initial recognition as financial assets measured at fair value.

For equity instruments measured at fair value, the Group individually designates at initial recognition whether they shall be measured at fair value through profit or loss, or otherwise at fair value through other comprehensive income, and applies such designation consistently.

Debt instruments measured at fair value that meet both of the following conditions are classified as debt instruments measured at fair value through other comprehensive income: assets are held based on the business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Further, upon adoption of IFRS 9, the Group changed the method for recognizing impairment of financial assets measured at amortized cost so that it can recognize allowance for doubtful accounts against expected credit losses on such financial assets. Under this method, credit risks for each financial asset are assessed at the end of the reporting period to determine whether or not they increased significantly from initial recognition. If the credit risk has not increased significantly from initial recognition, an amount equal to the 12-month expected credit loss is recognized as allowance for doubtful accounts. On the other hand, if credit risk has increased significantly, an amount equal to the lifetime expected credit loss is recognized as allowance for doubtful accounts.

However, when financial assets do not contain a significant financing component arising from the application of IFRS 15, allowance for doubtful accounts is always recognized at an amount equal to the lifetime expected credit loss, regardless of whether or not the credit risk has increased significantly from the initial recognition.

Changes in carrying amounts resulting from the change in classification of financial assets and liabilities upon adoption of IFRS 9 are as follows:

Transition from Japanese GAAP to IFRS 9

(Millions of yen)

	Notes	Beginning balance under Japanese GAAP	Effect due to the adoption of IFRS 9					Beginning balance under IFRS 9
			Fair value measurement at beginning of period	Application of the effective interest method at beginning of period	Recognition of allowance at beginning of period	Other	Total effects	
Financial assets								
Trade and other receivables	(1), (4), (6)	¥ 2,154,678	¥ (137)	¥ (1,360)	¥ (13,026)	¥ 26	¥ (14,497)	¥ 2,140,180
Operational investment securities	(3)	35,957	2,464	–	–	–	2,464	38,421
Investment securities	(3), (4)	100,179	2,249	–	–	–	2,249	102,428
Other financial assets	(5)	11,947	81	–	–	22	103	12,051
Financial liabilities								
Trade and other payables		299,714	–	–	–	–	–	299,714
Financial guarantee liabilities	(2)	7,396	–	–	(350)	–	(350)	7,045
Bonds and borrowings	(6)	1,956,979	14	(1,786)	–	–	(1,771)	1,955,207
Other financial liabilities	(5)	20,599	6,133	–	–	–	6,133	26,733

(Millions of yen)

	Notes	Beginning balance under IFRS 9	Classification of financial assets and liabilities under IFRS 9				
			Financial assets and liabilities measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Financial assets and liabilities measured at amortized cost	Financial guarantee liabilities
Financial assets							
Trade and other receivables	(1), (4), (6)	¥ 2,140,180	¥ –	¥ –	¥ 2,007	¥ 2,138,173	¥ –
Operational investment securities	(3)	38,421	38,421	–	–	–	–
Investment securities	(3), (4)	102,428	18,556	83,872	–	–	–
Other financial assets	(5)	12,051	–	–	–	12,051	–
Financial liabilities							
Trade and other payables		299,714	–	–	–	299,714	–
Financial guarantee liabilities	(2)	7,045	–	–	–	–	7,045
Bonds and borrowings	(6)	1,955,207	5,014	–	–	1,950,192	–
Other financial liabilities	(5)	26,733	6,813	–	–	19,919	–

(Thousands of U.S. dollars)

	Notes	Beginning balance under Japanese GAAP	Effect due to the adoption of IFRS 9					Beginning balance under IFRS 9
			Fair value measurement at beginning of period	Application of the effective interest method at beginning of period	Recognition of allowance at beginning of period	Other	Total effects	
Financial assets								
Trade and other receivables	(1), (4), (6)	$ 19,409,769	$ (1,235)	$ (12,258)	$ (117,340)	$ 236	$ (130,597)	$ 19,279,171
Operational investment securities	(3)	323,909	22,198	–	–	–	22,198	346,108
Investment securities	(3), (4)	902,438	20,260	–	–	–	20,260	922,698
Other financial assets	(5)	107,624	736	–	–	199	935	108,560
Financial liabilities								
Trade and other payables		2,699,889	–	–	–	–	–	2,699,889
Financial guarantee liabilities	(2)	66,628	–	–	(3,161)	–	(3,161)	63,466
Bonds and borrowings	(6)	17,628,855	132	(16,091)	–	–	(15,959)	17,612,896
Other financial liabilities	(5)	185,562	55,254	–	–	–	55,254	240,817

(Thousands of U.S. dollars)

	Notes	Beginning balance under IFRS 9	Classification of financial assets and liabilities under IFRS 9				
			Financial assets and liabilities measured at fair value through profit or loss	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Financial assets and liabilities measured at amortized cost	Financial guarantee liabilities
Financial assets							
Trade and other receivables	(1), (4), (6)	$ 19,279,171	$ –	$ –	$ 18,081	$ 19,261,090	$ –
Operational investment securities	(3)	346,108	346,108	–	–	–	–
Investment securities	(3), (4)	922,698	167,157	755,541	–	–	–
Other financial assets	(5)	108,560	–	–	–	108,560	–
Financial liabilities							
Trade and other payables		2,699,889	–	–	–	2,699,889	–
Financial guarantee liabilities	(2)	63,466	–	–	–	–	63,466
Bonds and borrowings	(6)	17,612,896	45,173	–	–	17,567,723	–
Other financial liabilities	(5)	240,817	61,375	–	–	179,441	–

Due to the classification and measurement of financial instruments under IFRS 9, retained earnings and other components of equity of the Group as of April 1, 2018 are affected as follows:

Details of effects	Notes	Millions of yen		Thousands of U.S. dollars	
		Retained earnings	Other components of equity	Retained earnings	Other components of equity
Retained earnings and other components of equity at beginning of period under Japanese GAAP		¥ 344,291	¥ 35,913	$ 3,101,447	$ 323,514
Recognition of allowance for doubtful accounts for the expected credit losses on financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income	(1)	(13,175)	149	(118,691)	1,350
Recognition of financial guarantee liabilities for expected credit losses on financial guarantee contracts	(2)	350	–	3,161	–
Fair value measurement of financial assets reclassified into financial assets measured at fair value through profit or loss	(3)	5,642	(928)	50,824	(8,365)
Fair value measurement of financial assets reclassified into financial assets measured at fair value through other comprehensive income	(4)	–	(137)	–	(1,235)
Effect of measuring hedging instruments at fair value instead of applying the exceptional hedge accounting treatment (*tokurei shori*) for interest rate swap contracts	(5)	–	(6,052)	–	(54,518)
Effect of applying the effective interest method	(6)	(1,194)	–	(10,760)	–
Effect of applying IFRS 9 to companies accounted for using equity method	(7)	(3,411)	1,486	(30,733)	13,388
Other		(20)	–	(184)	–
Effect of applying tax effect accounting on the above items		2,661	2,138	23,972	19,261
Total adjustments to equity resulting from the adoption of IFRS 9		(9,148)	(3,343)	(82,411)	(30,117)
Retained earnings and other components of equity at beginning of period under IFRS 9		335,143	32,569	3,019,035	293,396

(1) Recognition of allowance for doubtful accounts for the expected credit losses on financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income

The Group has changed the method for measuring allowance for doubtful accounts for financial assets measured at amortized cost, such as accounts receivable – installment and finance lease receivables, and debt instruments measured at fair value through other comprehensive income, from Japanese GAAP, which calculates the allowance based on the historical credit loss ratio derived from historical results for a certain period, to IFRS 9, which determines the allowance based on expected credit losses. As a result, “Trade and other receivables” and “Retained earnings” decreased by ¥13,026 million (U.S. $117,340 thousand) and ¥13,175 million (U.S. $118,691 thousand), respectively, while “Other components of equity” increased by ¥149 million (U.S. $1,350 thousand).

(2) Recognition of financial guarantee liabilities for expected credit losses on financial guarantee contracts

The Group has changed the method for measuring allowance for doubtful accounts for financial guarantee contracts from Japanese GAAP, which determines the allowance based on the historical credit loss ratio, to IFRS 9, which determines the allowance based on expected credit losses. As a result, “Financial guarantee liabilities” decreased by ¥350 million (U.S. $3,161 thousand), while “Retained earnings” increased by the same amount.

(3) Fair value measurement of financial assets reclassified into financial assets measured at fair value through profit or loss

Certain operational investment securities and investment securities are classified as financial assets measured at fair value through profit or loss. As a result, “Other components of equity” decreased by ¥928 million (U.S. $8,365 thousand). At the same time, the carrying amounts of “Operational investment securities” and “Investment securities” increased by ¥2,464 million (U.S. $22,198 thousand) and by ¥2,249 million (U.S. $20,260 thousand), respectively, and “Retained earnings” also increased by ¥5,642 million (U.S. $50,824 thousand).

(4) Fair value measurement of financial assets reclassified into financial assets measured at fair value through other comprehensive income

Certain investment securities are designated as equity instruments measured at fair value through other comprehensive income.

In addition, as a result of measuring debt instruments measured at fair value through other comprehensive income at fair value, “Trade and other receivables” and “Other components of equity” both decreased by ¥137 million (U.S. $1,235 thousand).

(5) Effect of measuring hedging instruments at fair value instead of applying the exceptional hedge accounting treatment (*tokurei shori*) for interest rate swap contracts

Hedging instruments accounted for under Japanese GAAP by applying the exceptional hedge accounting treatment (*tokurei shori*) for interest rate swap contracts were measured at fair value. As a result, “Other financial assets” and “Other financial liabilities” increased by ¥81 million (U.S. $736 thousand) and ¥6,133 million (U.S. $55,254 thousand), respectively, and “Other components of equity” decreased by ¥6,052 million (U.S. $54,518 thousand).

(6) Effect of applying the effective interest method

The effective interest method is applied to bonds and borrowings. As a result, “Bonds and borrowings” decreased by ¥1,786 million (U.S. $16,091 thousand); bond issuance costs included in “Other assets” also decreased by ¥1,620 million (U.S. $14,593 thousand), while “Retained earnings” increased by ¥166 million (U.S. $1,497 thousand).

The effective interest method is also applied to receivables that accrue interest. As a result, “Trade and other receivables” decreased by ¥1,360 million (U.S. $12,258 thousand), and “Retained earnings” decreased by the same amount.

(7) Effect of applying IFRS 9 to companies accounted for using equity method

IFRS 9 is also applied to companies accounted for using equity method. As a result, “Investments accounted for using equity method” decreased by ¥1,925 million (U.S. $17,344 thousand), and “Retained earnings” decreased by ¥3,411 million (U.S. $30,733 thousand), while “Other components of equity” increased by ¥1,486 million (U.S. $13,388 thousand).

6. NEWLY ISSUED STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following is the major standard newly issued prior to the approval date of the consolidated financial statements; however, it was not early adopted by the Group:

Standard	Title of standard	Mandatory effective date (Effective from the fiscal year beginning on or after)	Fiscal year of adoption by the Group	Description of new standard and amendments
IFRS 16	Leases	January 1, 2019	Year ending March 31, 2020	Amendments in lease accounting

IFRS 16 was issued in January 2016. It supersedes the currently adopted IAS 17 and related implementation guidance. IFRS 16 introduces a single lease accounting model for lessees, which requires a lessee to recognize a right-of-use asset and a lease liability for all leases with a lease term of more than 12 months, unless the underlying asset is of low value. After the right-of-use asset and lease liability are recognized, depreciation expenses for the right-of-use asset and interest expenses on the lease liability are subsequently recognized in the consolidated statement of income.

A lessee may elect either to retrospectively apply IFRS 16 to each prior reporting period presented (the full retrospective approach) or to retrospectively apply the standard by recognizing the cumulative effect of applying IFRS 16 at the date of initial application (the modified retrospective approach). The Group will apply the modified retrospective approach.

The Group, as a lessee, classifies certain lease transactions for buildings and other property as operating leases. Due to the application of IFRS 16, it is expected that both right-of-use assets and lease liabilities will increase by approximately ¥20 billion (U.S. $18,016 thousand) as of April 1, 2019.

7. OPERATING SEGMENTS

(1) General information regarding reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available, and which are subject to regular review by the Board of Directors for the purpose of making decisions about the allocation of management resource and assessing the segments' performance.

The Group engages in various customer-related business activities, mainly based on market needs and types of customer services. Accordingly, reportable segments are classified into the following: "Credit service business," "Lease business," "Finance business," "Real estate-related business," and "Entertainment business."

The Credit service business mainly consists of the credit card business, which is the Group's major segment, and other closely related businesses.

The Lease business is centered on the leasing of office equipment.

The Finance business consists of the credit guarantee business and finance-related business.

The Real estate-related business offers both real estate sales and rentals.

In the Entertainment business, the Group is developing an amusement business centered on the management of amusement centers/arcades.

The Group does not allocate assets and liabilities to business segments that are used by the Board of Directors.

(2) Measurement basis

The accounting for reportable segments is already stated in Note "3. Significant Accounting Policies." The profit in reportable segments represents business profit. Intersegment revenue and transfer amounts are based on prevailing market prices.

(3) Profit or loss by reportable segments

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Credit service	Lease	Finance	Real estate-related	Entertain-ment	Total	Adjustments (Note 2)	Consolidat-ed
Revenue								
Revenue from external customers	¥ 227,102	¥ 12,580	¥ 39,231	¥ 42,099	¥ 50,827	¥ 371,842	¥ –	¥ 371,842
Intersegment revenue	1,415	5	–	943	–	2,365	(2,365)	–
Total	228,518	12,586	39,231	43,043	50,827	374,207	(2,365)	371,842
Net revenue	228,518	12,586	39,231	18,113	8,761	307,212	(2,357)	304,855
Segment profit (Business profit) (Note 1)	16,915	5,720	19,209	8,305	2,078	52,229	3	52,233
Reconciliations	–	–	–	–	–	–	–	(6,469)
Profit before tax	–	–	–	–	–	–	–	45,763
Other items								
Interest income (Note 3)	9,505	1,569	18,557	190	0	109,822	(3)	109,818
Interest expense	4,530	1,302	2,521	876	16	9,247	(1)	9,245
Depreciation and amortization	20,344	220	147	1,435	1,513	23,662	(1)	23,660
Share of profit of investments accounted for using equity method	6,056	–	165	197	936	7,355	–	7,355

(Thousands of U.S. dollars)

	Credit service	Lease	Finance	Real estate-related	Entertainment	Total	Adjustments (Note 2)	Consolidated
Revenue								
Revenue from external customers	**$ 2,045,786**	**$ 113,331**	**$ 353,406**	**$ 379,243**	**$ 457,862**	**$ 3,349,629**	**$ –**	**$ 3,349,629**
Intersegment revenue	**12,755**	**52**	**–**	**8,496**	**–**	**21,305**	**(21,305)**	**–**
Total	**2,058,541**	**113,383**	**353,406**	**387,740**	**457,862**	**3,370,934**	**(21,305)**	**3,349,629**
Net revenue	**2,058,541**	**113,383**	**353,406**	**163,174**	**78,922**	**2,767,428**	**(21,233)**	**2,746,194**
Segment profit (Business profit) (Note 1)	**152,376**	**51,531**	**173,045**	**74,816**	**18,720**	**470,491**	**34**	**470,525**
Reconciliations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(58,274)**
Profit before tax	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**412,250**
Other items								
Interest income (Note 3)	**806,279**	**14,133**	**167,167**	**1,716**	**3**	**989,301**	**(30)**	**989,270**
Interest expense	**40,812**	**11,735**	**22,713**	**7,893**	**144**	**83,299**	**(13)**	**83,286**
Depreciation and amortization	**183,270**	**1,985**	**1,326**	**12,933**	**13,637**	**213,154**	**(17)**	**213,136**
Share of profit of investments accounted for using equity method	**54,554**	**–**	**1,492**	**1,778**	**8,434**	**66,259**	**–**	**66,259**

(Notes) 1. Business profit is determined by adding or subtracting certain reconciliation items to or from profit before tax.
Given the nature and frequency of income and expenses, reconciliations are determined based on a judgement of whether they can help provide effective comparative information on the Group's performance and appropriately reflect how the businesses are managed.
2. Adjustments represent eliminations for intersegment transactions.
3. Interest income represents "Interest income" per the consolidated statement of income, adjusted by fees that are part of adjustments for the application of the effective interest method to financial assets.

FY2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Credit service	Lease	Finance	Real estate-related	Entertainment	Total	Adjustments (Note 2)	Consolidated
Revenue								
Revenue from external customers	¥ 221,254	¥ 12,877	¥ 35,536	¥ 37,389	¥ 51,272	¥ 358,331	¥ –	¥ 358,331
Intersegment revenue	1,197	5	–	1,204	–	2,408	(2,408)	–
Total	222,452	12,882	35,536	38,594	51,272	360,739	(2,408)	358,331
Net revenue	222,452	12,882	35,536	15,481	9,288	295,641	(2,391)	293,250
Segment profit (Business profit) (Note 1)	27,913	4,442	16,659	6,167	2,126	57,309	5	57,314
Reconciliations	–	–	–	–	–	–	–	(4,464)
Profit before tax	–	–	–	–	–	–	–	52,850
Other items								
Interest income (Note 3)	86,207	1,562	8,974	236	0	96,981	(1)	96,980
Interest expense	4,379	1,294	1,614	855	18	8,161	(1)	8,160
Depreciation and amortization	10,265	200	136	1,055	1,869	13,527	0	13,528
Share of profit of investments accounted for using equity method	11,000	–	36	244	1,025	12,306	–	12,306

(Notes) 1. Business profit is determined by adding or subtracting certain reconciliation items to or from profit before tax.
Given the nature and frequency of income and expenses, reconciliations are determined based on a judgement of whether they can help provide effective comparative information on the Group's performance and appropriately reflect how the businesses are managed.
2. Adjustments represent eliminations for intersegment transactions.
3. Interest income is provided in accordance with Japanese GAAP by applying the exemption under IFRS 1.

Reconciliation from segment profit (business profit) to profit before tax

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Segment profit (Business profit)	**¥ 52,233**	¥ 57,314	**$ 470,525**
Adjustments for the application of the effective interest method to financial assets	**(951)**	–	**(8,569)**
Reconciliations (Other income)	**–**	8,812	**–**
Gain on sales of investment securities	**–**	8,536	**–**
Other	**–**	276	**–**
Reconciliations (Other expenses)	**(5,517)**	(13,277)	**(49,705)**
System transfer cost	**(3,299)**	(12,969)	**(29,721)**
Loss on valuation of investment securities (e.g. stocks)	**(1,266)**	(102)	**(11,405)**
Impairment losses related to investments accounted for using equity method	**(506)**	–	**(4,562)**
Other	**(445)**	(205)	**(4,016)**
Reconciliations – total	**(6,469)**	(4,464)	**(58,274)**
Profit before tax	**45,763**	52,850	**412,250**

(4) Information related to products and services

This information is omitted because the classification of products and services is the same as that of reportable segments.

(5) Information related to geographical areas

Revenue by region is not presented because revenues from Japanese customers account for the majority of revenues in the consolidated statement of income.

In addition, the disclosure of non-current assets classified by region is omitted, given that the book value of non-current assets located in Japan accounts for the majority of non-current assets in the consolidated statement of financial position.

(6) Information about major customers

Information is omitted because no external customer accounts for 10% or more of revenue in the consolidated statement of income.

8. CASH AND CASH EQUIVALENTS

The breakdown of cash and cash equivalents is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Cash and deposits	**¥ 80,942**	¥ 73,179	¥ 63,265	**$ 729,146**
Securities	**1,700**	–	2,199	**15,313**
Cash and cash equivalents	**82,642**	73,179	65,465	**744,460**

9. TRADE AND OTHER RECEIVABLES

The breakdown of trade and other receivables is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Accounts receivable – installment	**¥ 2,104,227**	¥ 1,880,699	¥ 1,744,336	**$ 18,955,294**
Credit service business	**1,369,457**	1,338,781	1,363,752	**12,336,344**
Lease business	**61,821**	61,361	54,110	**556,896**
Finance business	**672,925**	476,112	322,024	**6,061,843**
Real estate-related business	**23**	4,443	4,447	**209**
Finance lease receivables	**237,390**	225,634	221,502	**2,138,459**
Purchased receivables	**17,280**	15,443	15,128	**155,667**
Other trade receivables	**1,351**	1,398	1,099	**12,172**
Loans receivable	**16,501**	15,468	13,983	**148,648**
Other	**16,446**	16,034	16,104	**148,149**
Total	**¥ 2,393,197**	¥ 2,154,678	¥ 2,012,153	**$ 21,558,392**

10. INVENTORIES

The breakdown of inventories is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Real estate for sale	**¥ 151,230**	¥ 137,332	¥ 133,001	**$ 1,362,314**
Merchandise	**154**	154	179	**1,395**
Total	**¥ 151,385**	¥ 137,486	¥ 133,180	**$ 1,363,710**

The amounts of inventories recognized as expenses during the current and previous fiscal years were ¥61,866 million (U.S. $557,303 thousand) and ¥60,533 million, respectively.

Of the above-mentioned amounts, the amounts for write-downs and reversal of write-downs are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Amount of write-downs	**¥ 1,564**	¥ 1,617	**$ 14,097**
Amount of reversal of write-downs	**200**	127	**1,806**

Inventory write-downs were reversed due to an increase in market price of real estate for sale held by the Group and a subsequent recovery in their net realizable values.

11. OPERATIONAL INVESTMENT SECURITIES

The breakdown of operational investment securities is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Unlisted stocks	**¥ 779**	¥ 578	¥ 427	**$ 7,020**
Funds for real estate	**35,493**	32,412	31,173	**319,729**
Funds for unlisted stocks	**2,771**	2,461	936	**24,969**
Other	**928**	504	341	**8,368**
Total	**¥ 39,973**	¥ 35,957	¥ 32,878	**$ 360,087**

12. INVESTMENT SECURITIES

The breakdown of investment securities is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Listed stocks	**¥ 71,036**	¥ 84,806	¥ 75,471	**$ 639,910**
Unlisted stocks	**14,379**	10,473	6,465	**129,534**
Funds for unlisted stocks	**4,858**	3,897	3,412	**43,765**
Other	**1,279**	1,001	438	**11,523**
Total	**¥ 91,553**	¥ 100,179	¥ 85,787	**$ 824,734**

Investment securities for which stock lending agreements are executed amounted to ¥3,082 million (U.S. $27,768 thousand) and ¥4,185 million as of March 31, 2019 and March 31, 2018, respectively.

13. OTHER FINANCIAL ASSETS

The breakdown of other financial assets is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Guarantee deposits	**¥ 5,763**	¥ 5,792	¥ 5,842	**$ 51,922**
Cash and deposits required to be segregated under regulations	**3,480**	3,241	2,874	**31,350**
Other	**2,672**	2,913	929	**24,072**
Total	**¥ 11,916**	¥ 11,947	¥ 9,646	**$ 107,344**

14. PROPERTY, PLANT AND EQUIPMENT

(1) Reconciliation

Changes in acquisition cost, accumulated depreciation and accumulated impairment losses of property, plant and equipment, as well as the carrying amount are as follows:

Acquisition cost

(Millions of yen)

	Buildings	Land	Construction in progress	Equipment and other	Total
IFRS transition date (April 1, 2017)	¥ 25,761	¥ 12,321	¥ 301	¥ 30,858	¥ 69,242
Acquisition	777	–	115	3,143	4,036
Acquisition due to business combinations	32	–	19	8	60
Sale or disposal	(557)	(0)	(19)	(3,889)	(4,466)
Transfer	19	–	(362)	284	(58)
Exchange differences on translation of foreign operations	(0)	–	–	0	(0)
FY2017 (As of March 31, 2018)	26,032	12,320	54	30,406	68,813
Acquisition	**693**	**–**	**26**	**2,564**	**3,284**
Acquisition due to business combinations	**–**	**–**	**–**	**–**	**–**
Sale or disposal	**(211)**	**–**	**–**	**(11,382)**	**(11,593)**
Transfer	**3**	**–**	**(54)**	**36**	**(13)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(0)**	**(0)**
FY2018 (As of March 31, 2019)	**26,518**	**12,320**	**26**	**21,624**	**60,490**

(Thousands of U.S. dollars)

	Buildings	Land	Construction in progress	Equipment and other	Total
FY2017 (As of March 31, 2018)	$ 234,503	$ 110,988	$ 491	$ 273,904	$ 619,888
Acquisition	**6,251**	**–**	**235**	**23,100**	**29,587**
Acquisition due to business combinations	**–**	**–**	**–**	**–**	**–**
Sale or disposal	**(1,903)**	**–**	**–**	**(102,535)**	**(104,438)**
Transfer	**31**	**–**	**(487)**	**332**	**(123)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(0)**	**(0)**
FY2018 (As of March 31, 2019)	**238,883**	**110,988**	**239**	**194,801**	**544,913**

Accumulated depreciation and accumulated impairment losses

(Millions of yen)

	Buildings	Land	Construction in progress	Equipment and other	Total
IFRS transition date (April 1, 2017)	¥ 12,992	¥ –	¥ –	¥ 25,451	¥ 38,444
Depreciation	963	–	–	2,820	3,784
Impairment losses	–	–	–	1	1
Sale or disposal	(526)	–	–	(3,272)	(3,798)
Exchange differences on translation of foreign operations	(0)	–	–	0	(0)
Other	10	–	–	150	160
FY2017 (As of March 31, 2018)	13,440	–	–	25,151	38,592
Depreciation	**934**	**–**	**–**	**2,665**	**3,600**
Impairment losses	**35**	**–**	**–**	**11**	**46**
Sale or disposal	**(193)**	**–**	**–**	**(10,896)**	**(11,090)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(0)**	**(0)**
Other	**–**	**–**	**–**	**–**	**–**
FY2018 (As of March 31, 2019)	**14,217**	**–**	**–**	**16,931**	**31,149**

(Thousands of U.S. dollars)

	Buildings	Land	Construction in progress	Equipment and other	Total
FY2017 (As of March 31, 2018)	$ 121,079	$ –	$ –	$ 226,567	$ 347,646
Depreciation	**8,418**	**–**	**–**	**24,012**	**32,431**
Impairment losses	**319**	**–**	**–**	**101**	**420**
Sale or disposal	**(1,742)**	**–**	**–**	**(98,158)**	**(99,900)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(0)**	**(0)**
Other	**–**	**–**	**–**	**–**	**–**
FY2018 (As of March 31, 2019)	**128,074**	**–**	**–**	**152,521**	**280,596**

Carrying amount

(Millions of yen)

	Buildings	Land	Construction in progress	Equipment and other	Total
IFRS transition date (April 1, 2017)	¥ 12,769	¥ 12,321	¥ 301	¥ 5,406	¥ 30,798
FY2017 (As of March 31, 2018)	12,591	12,320	54	5,254	30,221
FY2018 (As of March 31, 2019)	**12,300**	**12,320**	**26**	**4,693**	**29,341**

(Thousands of U.S. dollars)

	Buildings	Land	Construction in progress	Equipment and other	Total
FY2018 (As of March 31, 2019)	**$ 110,808**	**$ 110,988**	**$ 239**	**$ 42,279**	**$ 264,317**

(Notes) 1. Depreciation expenses for property, plant and equipment are included in "Cost of sales for the real estate-related business," "Cost of sales for the entertainment business," and "Selling, general and administrative expenses" in the consolidated statement of income. Impairment losses are included in "Selling, general and administrative expenses" and "Other expenses" in the consolidated statement of income.
2. No items of property, plant and equipment were subject to restriction of ownership or pledged as collateral as of March 31, 2019, March 31, 2018, and the IFRS transition date.

(2) Leased assets

The carrying amount of leased assets held under finance leases included in property, plant and equipment is as follows:

(Millions of yen)

	Buildings	Equipment and other	Total
IFRS transition date (April 1, 2017)	¥ 97	¥ 1,305	¥ 1,402
FY2017 (As of March 31, 2018)	83	1,255	1,338
FY2018 (As of March 31, 2019)	**60**	**1,310**	**1,370**

(Thousands of U.S. dollars)

	Buildings	Equipment and other	Total
FY2018 (As of March 31, 2019)	**$ 748**	**$ 11,306**	**$ 12,055**

15. INTANGIBLE ASSETS

(1) Reconciliation

Changes in acquisition cost, accumulated amortization and accumulated impairment losses, as well as the carrying amount are as follows:

Acquisition cost

(Millions of yen)

	Goodwill	Software	Software in progress	Other	Total
IFRS transition date (April 1, 2017)	¥ 186	¥ 33,977	¥ 193,751	¥ 8,162	¥ 236,077
Acquisition	898	195,834	79,588	1,051	277,373
Acquisition due to business combinations	–	62	–	0	62
Sale or disposal	–	(14,894)	(88)	(2,017)	(17,000)
Exchange differences on translation of foreign operations	–	(3)	(0)	–	(3)
Other	–	–	(238,679)	(606)	(239,286)
FY2017 (As of March 31, 2018)	1,085	214,976	34,571	6,589	257,222
Acquisition	**–**	**50,923**	**19,154**	**1,927**	**72,006**
Acquisition due to business combinations	**–**	**–**	**–**	**–**	**–**
Sale or disposal	**–**	**(8,522)**	**–**	**(1,812)**	**(10,334)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**(50,168)**	**–**	**(50,168)**
FY2018 (As of March 31, 2019)	**1,085**	**257,378**	**3,556**	**6,704**	**268,724**

(Thousands of U.S. dollars)

	Goodwill	Software	Software in progress	Other	Total
FY2017 (As of March 31, 2018)	$ 9,773	$ 1,936,550	$ 311,425	$ 59,358	$ 2,317,108
Acquisition	**–**	**458,733**	**172,544**	**17,367**	**648,644**
Acquisition due to business combinations	**–**	**–**	**–**	**–**	**–**
Sale or disposal	**–**	**(76,771)**	**–**	**(16,327)**	**(93,098)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**(451,931)**	**–**	**(451,931)**
FY2018 (As of March 31, 2019)	**9,773**	**2,318,512**	**32,038**	**60,398**	**2,420,723**

(Note) Acquisition of intangible assets includes assets transferred from software in progress.

Accumulated amortization and accumulated impairment losses

(Millions of yen)

	Goodwill	Software	Software in progress	Other	Total
IFRS transition date (April 1, 2017)	¥ –	¥ 27,938	¥ –	¥ 3,675	¥ 31,613
Amortization expense	–	7,475	–	1,529	9,005
Impairment losses	–	–	–	–	–
Sale or disposal	–	(2,002)	–	(2,017)	(4,020)
Exchange differences on translation of foreign operations	–	(1)	–	–	(1)
Other	–	15	–	–	15
FY2017 (As of March 31, 2018)	–	33,425	–	3,187	36,612
Amortization expense	**–**	**17,608**	**–**	**1,314**	**18,922**
Impairment losses	**–**	**15**	**–**	**–**	**15**
Sale or disposal	**–**	**(4,986)**	**–**	**(1,812)**	**(6,799)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**
FY2018 (As of March 31, 2019)	**–**	**46,062**	**–**	**2,689**	**48,751**

(Thousands of U.S. dollars)

	Goodwill	Software	Software in progress	Other	Total
FY2017 (As of March 31, 2018)	$ –	$ 301,104	$ –	$ 28,712	$ 329,816
Amortization expense	**–**	**158,620**	**–**	**11,839**	**170,460**
Impairment losses	**–**	**137**	**–**	**–**	**137**
Sale or disposal	**–**	**(44,922)**	**–**	**(16,327)**	**(61,249)**
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**
FY2018 (As of March 31, 2019)	**–**	**414,939**	**–**	**24,224**	**439,163**

Carrying amount

(Millions of yen)

	Goodwill	Software	Software in progress	Other	Total
IFRS transition date (April 1, 2017)	¥ 186	¥ 6,039	¥ 193,751	¥ 4,487	¥ 204,463
FY2017 (As of March 31, 2018)	1,085	181,550	34,571	3,402	220,609
FY2018 (As of March 31, 2019)	**1,085**	**211,315**	**3,556**	**4,015**	**219,972**

(Thousands of U.S. dollars)

	Goodwill	Software	Software in progress	Other	Total
FY2018 (As of March 31, 2019)	**$ 9,773**	**$ 1,903,572**	**$ 32,038**	**$ 36,174**	**$ 1,981,559**

(Note) Amortization expenses for intangible assets are included in "Cost of sales for the real estate-related business," "Cost of sales for the entertainment business," and "Selling, general and administrative expenses" in the consolidated statement of income. Impairment losses are included in "Other expenses" in the consolidated statement of income.

The main item of intangible assets is an intercompany mainframe system with the carrying amount of ¥200,550 million (U.S. $1,806,600 thousand) and ¥172,719 million as of March 31, 2019 and 2018, respectively. The remaining useful life of the intercompany mainframe system is 14 years.

(2) Leased assets

The carrying amount of leased assets held under finance leases included in intangible assets is as follows:

(Millions of yen)

	Software
IFRS transition date (April 1, 2017)	¥ 309
FY2017 (As of March 31, 2018)	254
FY2018 (As of March 31, 2019)	**174**

(Thousands of U.S. dollars)

	Software
FY2018 (As of March 31, 2019)	**$ 1,573**

(3) Borrowing costs

Borrowing costs capitalized as a component of the acquisition cost of qualifying assets are ¥112 million (U.S. $1,014 thousand) and ¥698 million as of March 31, 2019, and March 31, 2018, respectively. Capitalization rates applied are 0.50% and 0.53% as of March 31, 2019, and March 31, 2018, respectively.

16. IMPAIRMENT LOSSES ON ASSETS

There was no significant impairment of assets for FY2018 (from April 1, 2018 to March 31, 2019) and FY2017 (from April 1, 2017 to March 31, 2018).

17. INVESTMENT PROPERTY

(1) Reconciliation

Changes in acquisition cost and accumulated depreciation and accumulated impairment losses of investment properties are as follows:

Acquisition cost

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Balance at beginning of period	**¥ 60,848**	¥ 52,911	**$ 548,135**
Acquisition	**8,029**	7,941	**72,328**
Sale or disposal	**(13)**	(3)	**(124)**
Balance at end of period	**68,863**	60,848	**620,339**

Accumulated depreciation and accumulated impairment losses

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Balance at beginning of period	**¥ 10,877**	¥ 10,142	**$ 97,987**
Depreciation	**1,137**	738	**10,245**
Impairment losses	**165**	–	**1,495**
Sale or disposal	**(0)**	(3)	**(2)**
Balance at end of period	**12,180**	10,877	**109,725**

(Note) Impairment losses on investment properties are included in "Other expenses" in the consolidated statement of income.

Carrying amount and fair value of investment properties are as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Carrying amount	**¥ 56,683**	¥ 49,970	¥ 42,768	**$ 510,613**
Fair value	**74,842**	61,352	53,848	**674,199**

Fair values at the end of the period are mainly determined by the Group, which refers to the Real Estate Appraisal Standard (and adjusts the appraisal value using indicators as necessary). The valuation conforms to relevant valuation standards of the country where the properties are located and is based on market evidence reflecting transaction prices for similar assets.

The fair value of investment properties is classified as Level 3 under the fair value hierarchy because it is determined using valuation techniques that incorporate unobservable inputs.

(2) Income and expenses arising from investment properties

Rent income and associated direct operating expenses from investment properties are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Rent income	**¥ 4,565**	¥ 4,021	**$ 41,125**
Direct operating expenses	**2,402**	1,858	**21,645**

Rent income is included in "Revenue from the real estate-related business" in the consolidated statement of income. Direct operating expenses are direct expenses incurred in conjunction with rent income and are included mainly in "Cost of sales for the real estate-related business" in the consolidated statement of income.

18. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

(1) Investments in associates

The carrying amount of investments in associates individually immaterial to the Group is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Total carrying amount of investments in associates	**¥ 74,383**	¥ 71,173	¥ 66,781	**$ 670,060**

The Group’s share of comprehensive income of associates individually immaterial to the Group is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Profit	**¥ 4,524**	¥ 9,464	**$ 40,761**
Other comprehensive income	**347**	(4,472)	**3,130**
Comprehensive income	**4,872**	4,992	**43,892**

(2) Investments in joint ventures

The carrying amount of investments in joint ventures individually immaterial to the Group is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Total carrying amount of investments in joint ventures	**¥ 18,369**	¥ 17,344	¥ 15,155	**$ 165,475**

The Group’s share of total comprehensive income of joint ventures individually immaterial to the Group is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Profit	**¥ 2,830**	¥ 2,841	**$ 25,497**
Other comprehensive income	**(19)**	(25)	**(180)**
Comprehensive income	**2,810**	2,816	**25,317**

19. STRUCTURED ENTITY

(1) Consolidated structured entities

The Group securitizes receivables using trusts and special purpose entities, which are consolidated to the financial statements of the Group. Trusts used for the securitization are structured entities and, therefore, have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

The Group has a right to direct activities of management and collection of assets held by the structured entities. The Group also has a right to variable returns from the structured entities through holding of subordinated beneficiary rights backed by trust assets. Therefore, the Group has determined that it has control over the structured entities.

Furthermore, the Group engages in investing activities both in Japan and abroad mainly through investment partnerships and investment trusts. These investment partnerships procure funds from partner investors and finance investees primarily in the form of capital contribution. Such investment partnerships have been structured so that voting rights are not the dominant factor in deciding who controls the partnership.

The use of assets and liabilities held by the consolidated structured entities is restricted to the purpose of structured scheme in accordance with a contract with the structured entities.

Assets and liabilities of the above-mentioned structured entities that are consolidated to the Group’s accounts are as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Assets	**¥ 41,203**	¥ 36,204	¥ 52,513	**$ 371,167**
Liabilities	**20,869**	20,509	40,254	**187,994**

The amount of investments in structured entities over which the Group has determined it has joint control or significant influence is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Investments accounted for using equity method	**¥ 1,303**	¥ 1,481	¥ 1,502	**$ 11,741**

(2) Non-consolidated structured entities

The Group invests in investment partnerships whose operation is controlled by a third party.

The Group has made no arrangement to provide financial support to assets and liabilities held by these structured entities. Therefore, the Group's maximum exposure to loss from its involvement in non-consolidated structured entities is limited to the carrying amount of investments. See the breakdown as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Operational investment securities	**¥ 39,194**	¥ 35,378	¥ 32,450	**$ 353,067**
Investment securities	**6,124**	4,872	3,809	**55,170**
Total	**¥ 45,318**	¥ 40,251	¥ 36,260	**$ 408,237**

Maximum exposure represents the possible amount of the maximum loss, and does not provide any indication of the probability of occurrence.

20. INCOME TAXES

(1) Deferred tax assets and liabilities

The breakdown of major factors giving rise to deferred tax assets and liabilities and the reconciliation are as follows:

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Balance at beginning of period	Recognized directly in equity	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance at end of period
Deferred tax assets						
Allowance for doubtful accounts	**¥ 14,893**	**¥ 3,726**	**¥ 498**	**¥ –**	**¥ –**	**¥ 19,117**
Financial guarantee liabilities	**2,253**	**(107)**	**388**	**–**	**–**	**2,535**
Provision for point card certificates	**17,486**	**–**	**(187)**	**–**	**–**	**17,299**
Provision for loss on interest repayments	**6,719**	**–**	**(1,517)**	**–**	**–**	**5,202**
Unused tax losses	**4,674**	**–**	**(4,591)**	**–**	**–**	**83**
Other	**9,511**	**2,856**	**(963)**	**679**	**–**	**12,083**
Total	**55,539**	**6,474**	**(6,372)**	**679**	**–**	**56,321**
Deferred tax liabilities						
Net change in fair value of equity instruments	**(16,262)**	**286**	**106**	**4,222**	**–**	**(11,647)**
Retained profits at subsidiaries and associates	**(3,894)**	**–**	**(2,824)**	**–**	**–**	**(6,719)**
Other	**(5,715)**	**(1,961)**	**851**	**(5)**	**–**	**(6,830)**
Total	**(25,873)**	**(1,675)**	**(1,866)**	**4,216**	**–**	**(25,198)**
Net amount	**¥ 29,666**	**¥ 4,799**	**¥ (8,238)**	**¥ 4,896**	**¥ –**	**¥ 31,123**

(Thousands of U.S. dollars)

	Balance at beginning of period	Recognized directly in equity	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance at end of period
Deferred tax assets						
Allowance for doubtful accounts	**$ 134,162**	**$ 33,564**	**$ 4,490**	**$ –**	**$ –**	**$ 172,218**
Financial guarantee liabilities	**20,303**	**(968)**	**3,501**	**–**	**–**	**22,836**
Provision for point card certificates	**157,524**	**–**	**(1,688)**	**–**	**–**	**155,836**
Provision for loss on interest repayments	**60,534**	**–**	**(13,668)**	**–**	**–**	**46,866**
Unused tax losses	**42,106**	**–**	**(41,357)**	**–**	**–**	**749**
Other	**85,677**	**25,731**	**(8,679)**	**6,122**	**–**	**108,851**
Total	**500,309**	**58,327**	**(57,401)**	**6,122**	**–**	**507,358**
Deferred tax liabilities						
Net change in fair value of equity instruments	**(146,498)**	**2,579**	**957**	**38,034**	**–**	**(104,926)**
Retained profits at subsidiaries and associates	**(35,086)**	**–**	**(25,441)**	**–**	**–**	**(60,528)**
Other	**(51,487)**	**(17,672)**	**7,673**	**(47)**	**–**	**(61,534)**
Total	**(233,071)**	**(15,093)**	**(16,810)**	**37,987**	**–**	**(226,988)**
Net amount	**$ 267,237**	**$ 43,234**	**$ (74,212)**	**$ 44,109**	**$ –**	**$ 280,369**

FY2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Balance at beginning of period	Recognized directly in equity	Recognized in profit or loss	Recognized in other comprehensive income	Other	Balance at end of period
Deferred tax assets						
Allowance for doubtful accounts	¥ 14,802	¥ –	¥ 90	¥ –	¥ –	¥ 14,893
Financial guarantee liabilities	1,980	–	273	–	–	2,253
Provision for point card certificates	17,158	–	328	–	–	17,486
Provision for loss on interest repayments	8,741	–	(2,021)	–	–	6,719
Unused tax losses	12,493	–	(7,819)	–	–	4,674
Other	7,436	–	2,157	(84)	0	9,511
Total	62,613	–	(6,990)	(84)	0	55,539
Deferred tax liabilities						
Net change in fair value of equity instruments	(13,752)	–	–	(2,510)	–	(16,262)
Retained profits at subsidiaries and associates	(3,161)	–	(733)	–	–	(3,894)
Other	(8,067)	–	2,351	–	–	(5,715)
Total	(24,980)	–	1,618	(2,510)	–	(25,873)
Net amount	¥ 37,632	¥ –	¥ (5,371)	¥ (2,595)	¥ 0	¥ 29,666

The breakdown of deferred tax assets and liabilities in the consolidated statement of financial position is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Deferred tax assets	**¥ 32,148**	¥ 30,679	¥ 38,446	**$ 289,603**
Deferred tax liabilities	**1,025**	1,013	814	**9,233**
Net amounts	**¥ 31,123**	¥ 29,666	¥ 37,632	**$ 280,369**

Deductible temporary differences and unused tax losses for which deferred tax assets are not recognized are as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	**FY2018 (As of March 31, 2019)**
Deductible temporary differences	**¥ 85,201**	¥ 84,985	¥ 80,336	**$ 767,512**
Unused tax losses	**5,569**	1,623	11,896	**50,169**
Total	**¥ 90,770**	¥ 86,608	¥ 92,232	**$ 817,681**

Unused tax losses for which deferred tax assets are not recognized will expire as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	**FY2018 (As of March 31, 2019)**
Within one year	**¥ 27**	¥ 130	¥ 820	**$ 243**
Over one year but within five years	**468**	666	6,082	**4,217**
Over five years	**5,074**	826	4,993	**45,707**
Total	**¥ 5,569**	¥ 1,623	¥ 11,896	**$ 50,169**

The Group considers the possibility that a portion or all of deductible temporary differences or unused tax losses could be utilized against future taxable profits for the recognition of deferred tax assets. When assessing the recoverability of deferred tax assets, the timing of the reversal of deferred tax liabilities is considered.

In principle, no deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries as of March 31, 2019, March 31, 2018, and the IFRS transition date. This is because the Company is in a position to control the timing of the reversal of the temporary differences, and it is probable that the Company will not reverse such differences in the foreseeable future. Taxable temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognized are ¥49,547 million (U.S. $437,069 thousand), ¥46,486 million, and ¥39,522 million, respectively, as of March 31, 2019, March 31, 2018, and the IFRS transition date.

(2) Income taxes

The breakdown of income taxes is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	**FY2018 (From April 1, 2018 to March 31, 2019)**
Current income taxes			
Current	**¥ 8,184**	¥ 9,092	**$ 73,729**
(Subtotal)	**8,184**	9,092	**73,729**
Deferred income taxes			
Origination and reversal of temporary differences	**8,238**	5,371	**74,212**
(Subtotal)	**8,238**	5,371	**74,212**
Total income taxes	**¥ 16,423**	¥ 14,463	**$ 147,941**

Reconciliation of the statutory effective tax rate to the average effective tax rate is as follows:

(Unit: %)

	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)
Statutory effective tax rate	**30.62**	30.86
Income or loss on investments using equity method	**1.49**	(5.63)
Non-deductible expenses for tax purposes	**0.19**	0.22
Non-taxable income for tax purposes	**(0.11)**	(0.08)
Unrecognized deferred tax assets	**2.79**	(3.28)
Effect of liquidation of subsidiary	**–**	4.71
Other	**0.91**	0.57
Average effective tax rate	**35.89**	27.37

The Group is subject to corporate tax, inhabitant tax, and business tax. The Group's statutory effective tax rates calculated based on these taxes for FY2018 and FY2017 are 30.62% and 30.86%, respectively. Overseas subsidiaries, however, are subject to local corporate and other taxes.

21. TRADE AND OTHER PAYABLES

The breakdown of trade and other payables is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Accounts payable – trade	**¥ 306,314**	¥ 288,641	¥ 232,940	**$ 2,759,339**
Accounts payable – other	**8,415**	11,072	8,368	**75,806**
Total	**¥ 314,729**	¥ 299,714	¥ 241,308	**$ 2,835,145**

22. BONDS AND BORROWINGS

The breakdown of bonds and borrowings is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Bonds payable	**¥ 413,401**	¥ 340,130	¥ 305,000	**$ 3,724,005**
Borrowings	**1,279,417**	1,227,349	1,194,074	**11,525,241**
Commercial papers	**511,000**	389,500	358,000	**4,603,188**
Total	**¥ 2,203,818**	¥ 1,956,979	¥ 1,857,074	**$ 19,852,436**

The details of bonds payable are as follows:

Company name	Issue	Issuance date	FY2018 (As of March 31, 2019) (Millions of yen)	FY2017 (As of March 31, 2018) (Millions of yen)	IFRS transition date (April 1, 2017) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)	Coupon rate (%)	Collateral	Redemption date
Credit Saison Co., Ltd.	The 33rd unsecured straight bonds	April 27, 2007	**¥ –**	¥ –	¥ 20,000 ¥ [20,000]	**$ –**	2.07 per year	Unsecured bonds	April 27, 2017
Credit Saison Co., Ltd.	The 41st unsecured straight bonds	April 27, 2012	**–**	–	10,000 [10,000]	**–**	0.79 per year	Unsecured bonds	April 27, 2017
Credit Saison Co., Ltd.	The 42nd unsecured straight bonds	July 31, 2012	**–**	–	10,000 [10,000]	**–**	0.63 per year	Unsecured bonds	July 31, 2017
Credit Saison Co., Ltd.	The 43rd unsecured straight bonds	July 24, 2012	**–**	–	10,000 [10,000]	**–**	0.63 per year	Unsecured bonds	July 24, 2017
Credit Saison Co., Ltd.	The 44th unsecured straight bonds	August 30, 2012	**9,985**	10,000	10,000	**89,954**	0.27636 per year (variable)	Unsecured bonds	August 28, 2020
Credit Saison Co., Ltd.	The 45th unsecured straight bonds	October 31, 2012	**–**	10,000 [10,000]	10,000	**–**	0.69 per year	Unsecured bonds	October 31, 2018
Credit Saison Co., Ltd.	The 46th unsecured straight bonds	April 25, 2013	**9,992**	10,000	10,000	**90,013**	0.70 per year	Unsecured bonds	April 24, 2020
Credit Saison Co., Ltd.	The 47th unsecured straight bonds	June 14, 2013	**9,991**	10,000	10,000	**90,006**	0.879 per year	Unsecured bonds	June 12, 2020
Credit Saison Co., Ltd.	The 48th unsecured straight bonds	October 21, 2013	**14,963**	15,000	15,000	**134,798**	1.038 per year	Unsecured bonds	October 20, 2023

Company name	Issue	Issuance date	FY2018 (As of March 31, 2019) (Millions of yen)	FY2017 (As of March 31, 2018) (Millions of yen)	IFRS transition date (April 1, 2017) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)	Coupon rate (%)	Collateral	Redemption date
Credit Saison Co., Ltd.	The 49th unsecured straight bonds	January 31, 2014	**9,966**	10,000	10,000	**89,781**	1.023 per year	Unsecured bonds	January 31, 2024
Credit Saison Co., Ltd.	The 50th unsecured straight bonds	April 24, 2014	**9,970**	10,000	10,000	**89,818**	0.904 per year	Unsecured bonds	April 24, 2024
Credit Saison Co., Ltd.	The 51st unsecured straight bonds	June 18, 2014	**9,969**	10,000	10,000	**89,809**	0.884 per year	Unsecured bonds	June 18, 2024
Credit Saison Co., Ltd.	The 52nd unsecured straight bonds	July 31, 2014	**19,932**	20,000	20,000	**179,558**	0.826 per year	Unsecured bonds	July 31, 2024
Credit Saison Co., Ltd.	The 53rd unsecured straight bonds	October 24, 2014	**14,973**	15,000	15,000	**134,886**	0.435 per year	Unsecured bonds	October 22, 2021
Credit Saison Co., Ltd.	The 54th unsecured straight bonds	July 31, 2015	**29,987 [29,987]**	30,000	30,000	**270,136 [270,136]**	0.256 per year	Unsecured bonds	July 31, 2019
Credit Saison Co., Ltd.	The 55th unsecured straight bonds	July 24, 2015	**–**	10,000 [10,000]	10,000	**–**	0.18 per year	Unsecured bonds	July 24, 2018
Credit Saison Co., Ltd.	The 56th unsecured straight bonds	September 25, 2015	**19,943**	20,000	20,000	**179,657**	0.538 per year	Unsecured bonds	September 22, 2022
Credit Saison Co., Ltd.	The 57th unsecured straight bonds	January 29, 2016	**14,968**	15,000	15,000	**134,835**	0.42 per year	Unsecured bonds	January 29, 2021
Credit Saison Co., Ltd.	The 58th unsecured straight bonds	April 28, 2016	**19,953**	20,000	20,000	**179,743**	0.30 per year	Unsecured bonds	April 28, 2021
Credit Saison Co., Ltd.	The 59th unsecured straight bonds	October 31, 2016	**9,944**	10,000	10,000	**89,583**	0.77 per year	Unsecured bonds	October 31, 2031
Credit Saison Co., Ltd.	The 60th unsecured straight bonds	October 31, 2016	**9,974**	10,000	10,000	**89,855**	0.08 per year	Unsecured bonds	October 29, 2021
Credit Saison Co., Ltd.	The 61st unsecured straight bonds	March 31, 2017	**19,477**	20,000	20,000	**175,457**	0.24236 per year (variable)	Unsecured bonds	March 31, 2032
Credit Saison Co., Ltd.	The 62nd unsecured straight bond	May 31, 2017	**24,912**	25,000	–	**224,417**	0.16 per year	Unsecured bonds	May 31, 2022
Credit Saison Co., Ltd.	The 63rd unsecured straight bond	May 31, 2017	**9,969**	10,000	–	**89,804**	0.16 per year	Unsecured bonds	May 31, 2022
Credit Saison Co., Ltd.	The 64th unsecured straight bonds	June 15, 2017	**9,931**	10,000	–	**89,466**	1.00 per year	Unsecured bonds	June 15, 2037

Company name	Issue	Issuance date	FY2018 (As of March 31, 2019) (Millions of yen)	FY2017 (As of March 31, 2018) (Millions of yen)	IFRS transition date (April 1, 2017) (Millions of yen)	FY2018 (As of March 31, 2019) (Thousands of U.S. dollars)	Coupon rate (%)	Collateral	Redemption date
Credit Saison Co., Ltd.	The 65th unsecured straight bonds	July 31, 2017	**9,951**	10,000	–	**89,646**	0.38 per year	Unsecured bonds	July 30, 2027
Credit Saison Co., Ltd.	The 66th unsecured straight bonds	December 22, 2017	**29,931**	30,000	–	**269,631**	0.09 per year	Unsecured bonds	December 22, 2020
Credit Saison Co., Ltd.	The 67th unsecured straight bonds	April 27, 2018	**19,944**	–	–	**179,666**	0.06 per year	Unsecured bonds	April 30, 2021
Credit Saison Co., Ltd.	The 68th unsecured straight bonds	April 27, 2018	**14,901**	–	–	**134,239**	0.99 per year	Unsecured bonds	April 30, 2038
Credit Saison Co., Ltd.	The 69th unsecured straight bonds	June 19, 2018	**9,957**	–	–	**89,703**	0.18 per year	Unsecured bonds	June 19, 2023
Credit Saison Co., Ltd.	The 70th unsecured straight bonds	July 31, 2018	**19,903**	–	–	**179,292**	0.18 per year	Unsecured bonds	July 31, 2023
Credit Saison Co., Ltd.	The 71st unsecured straight bonds	November 30, 2018	**9,951**	–	–	**89,646**	0.31 per year	Unsecured bonds	November 28, 2025
Credit Saison Co., Ltd.	The 72nd unsecured straight bonds	January 31, 2019	**9,931**	–	–	**89,467**	0.48 per year	Unsecured bonds	January 31, 2029
Credit Saison Co., Ltd.	The 73rd unsecured straight bonds	March 15, 2019	**9,931**	–	–	**89,460**	0.48 per year	Unsecured bonds	March 15, 2029
Omnibus K.K.	The 1st unsecured straight bonds	January 31, 2018	**64 [16]**	80 [16]	–	**576 [144]**	0.12 per year (variable)	Unsecured bonds	January 31, 2023
Omnibus K.K.	The 2nd unsecured straight bonds	March 30, 2018	**40 [10]**	50 [10]	–	**360 [90]**	0.12 per year (variable)	Unsecured bonds	March 31, 2023
Omnibus K.K.	The 3rd unsecured straight bonds	March 29, 2019	**80 [16]**	–	–	**720 [144]**	0.13 per year (variable)	Unsecured bonds	March 29, 2024
Total			**¥ 413,401 ¥ [30,029]**	¥ 340,130 ¥ [20,026]	¥ 305,000 ¥ [50,000]	**$ 3,723,998 $ [270,515]**			

(Note) Coupon rates represent the stated interest rate for the outstanding balance of bonds at the end of the reporting period. The figures in brackets in the balance columns represent the current portion.

The details of borrowings are as follows:

Classification	Millions of yen			Thousands of U.S. dollars	Average interest rate (%)	Repayment period
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)		
Short-term loans payable	**¥ 239,960**	¥ 247,960	¥ 229,960	**$ 2,161,607**	0.39	–
Long-term loans payable	**1,017,872**	957,707	922,489	**9,169,199**	0.42	2019 – 2037
Long-term loans payable under securitized receivables	**20,000**	20,000	40,000	**180,163**	0.50	2020 – 2025
Lease obligations	**1,584**	1,681	1,625	**14,271**	–	2019 – 2026
Total	**¥ 1,279,417**	¥ 1,227,349	¥ 1,194,074	**$ 11,525,241**	–	–

(Notes) 1. Short-term borrowings refer to loans with a contractual borrowing period of one year or less.
2. Average interest rate represents the weighted average of stated interest rates for the outstanding balance of borrowings at the end of the reporting period.

For details on collateral, please refer to Note "37. Collateral."

23. OTHER FINANCIAL LIABILITIES

The breakdown of other financial liabilities is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Derivative liabilities	**¥ 8,934**	¥ 679	¥ 936	**$ 80,481**
Guarantee deposits received	**3,814**	3,856	2,677	**34,357**
Deposits received	**13,570**	15,663	11,255	**122,247**
Other	**2,122**	399	301	**19,118**
Total	**¥ 28,441**	¥ 20,599	¥ 15,171	**$ 256,205**

24. PROVISIONS

(1) Reconciliation

The breakdown of provisions and the fluctuation during the period are as follows:

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Provision for point card certificates	Provision for loss on interest repayments	Other provisions	Total
Balance at beginning of period	**¥ 101,319**	**¥ 23,114**	**¥ 1,147**	**¥ 125,581**
Increases	**13,033**	**176**	**387**	**13,597**
Decreases (utilized)	**9,390**	**5,528**	**4**	**14,923**
Decreases (other)	**–**	**–**	**–**	**–**
Balance at end of period	**104,963**	**17,762**	**1,530**	**124,256**

(Thousands of U.S. dollars)

	Provision for point card certificates	Provision for loss on interest repayments	Other provisions	Total
Balance at beginning of period	**$ 912,706**	**$ 208,220**	**$ 10,338**	**$ 1,131,265**
Increases	**117,411**	**1,594**	**3,487**	**122,493**
Decreases (utilized)	**84,590**	**49,806**	**36**	**134,433**
Decreases (other)	**–**	**–**	**–**	**–**
Balance at end of period	**945,527**	**160,008**	**13,789**	**1,119,325**

(2) Provision for point card certificates

The Group offers a rewards program to its card holders (members) as the major benefit of holding the credit card. Under the program, card holders can exchange points earned based on the amount of credit card purchases for a variety of items. Points granted to members have no expiry date.

The Group recognizes a provision for point card certificates as a liability by estimating costs to be incurred through the exchange of points in the future. To measure liability, the Group determines the estimated points to be exchanged in the future out of the outstanding number of points at the end of the period, which is multiplied by a point unit value. The use of points by members involves uncertainty.

(3) Provision for loss on interest repayments

The Group recognizes a provision for loss on interest repayments at an amount required for future claims by considering historical data on interest repayments. If such claims for interest repayments unexpectedly increase or decrease due to a change in legal regulations or other reasons, the actual amount of repayments may differ from the initial estimate, resulting in the over- or understatement of provision for loss on interest repayments.

(4) Other provisions

Other provisions include asset retirement obligations, provision for loss on collecting gift tickets, and allowance for losses on warranty of defects, all of which are individually immaterial.

25. EMPLOYEE BENEFITS

Employees of the Group can choose either a defined contribution pension plan or a prepaid retirement allowance plan for their retirement plan.

Amounts recognized as expenses associated with the defined contribution pension plan are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Contributions paid to the defined contribution pension	**¥ 1,232**	¥ 1,093	**$ 11,099**

(Note) Contributions paid are included in "Selling, general and administrative expenses" in the consolidated statement of income.

26. OTHER LIABILITIES

The breakdown of other liabilities is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Accrued expenses	**¥ 17,689**	¥ 17,979	¥ 15,634	**$ 159,349**
Contract liabilities	**5,493**	6,090	5,051	**49,482**
Accrued paid absences	**3,155**	2,865	2,594	**28,423**
Provision for bonuses	**2,838**	2,777	2,449	**25,567**
Other	**7,850**	10,088	7,283	**70,722**
Total	**¥ 37,026**	¥ 39,801	¥ 33,013	**$ 333,544**

27. EQUITY AND OTHER COMPONENTS OF EQUITY

(1) Number of shares authorized and shares issued

Reconciliation for the numbers of shares authorized and shares issued is as follows:

	Number of shares authorized	Number of shares issued
IFRS transition date (April 1, 2017)	300,000,000	185,444,772
Change	–	–
FY2017 (As of March 31, 2018)	300,000,000	185,444,772
Change	–	–
FY2018 (As of March 31, 2019)	**300,000,000**	**185,444,772**

(Note) The shares issued by the Company are common stock with no par value that have no restrictions on any rights. The shares issued have been fully paid up.

(2) Treasury shares

The Companies Act of Japan (the "Companies Act") provides that, by a resolution of the General Meeting of Shareholders, a company may acquire treasury shares after determining the number of shares to be acquired, the total amount of acquisition cost, and other details as long as the acquisition is within the range of the distributable amount. Under the Companies Act, treasury shares can also be acquired through market transactions or tender offers in accordance with the Articles of Incorporation by resolution of the Board of Directors.

Reconciliation of treasury shares during the period is as follows:

	Number of shares	Amount (Millions of yen)
IFRS transition date (April 1, 2017)	22,111,613	¥ 52,879
Change	758	1
FY2017 (As of March 31, 2018)	22,112,371	52,880
Change	331	0
FY2018 (As of March 31, 2019)	**22,112,702**	**52,881**

	Number of shares	Amount (Thousands of U.S. dollars)
FY2017 (As of March 31, 2018)	22,112,371	$ 476,359
Change	331	4
FY2018 (As of March 31, 2019)	**22,112,702**	**476,363**

(Note) The number of the Company's shares held by associates is 350,000 shares as of March 31, 2019, March 31, 2018, and the IFRS transition date.

(3) Capital surplus

The Companies Act provides that at least half of payment or contribution for the issuance of shares shall be credited to share capital, and the remaining amount may be credited to legal capital surplus included in capital surplus. The Companies Act also provides that legal capital reserve may be credited to share capital pursuant to a resolution at the General Meeting of Shareholders.

(4) Retained earnings

The Companies Act provides that an amount equal to 10% of the dividends paid from surplus must be transferred to legal capital reserve and legal retained earnings until the aggregate amount of legal capital reserve and legal retained earnings equals 25% of share capital. The amount accumulated in legal retained earnings may be used to offset deficit. Further, legal retained earnings may be reversed pursuant to a resolution at the General Meeting of Shareholders.

(5) Other components of equity

(Millions of yen)

	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Effective portion of cash flow hedges	Exchange differences on translation of foreign operations	Other	Total
IFRS transition date (April 1, 2017)	¥ 35,268	¥ –	¥ (649)	¥ –	¥ 0	¥ 34,619
Increase (decrease) during the period	1,502	–	191	(399)	57	1,351
Transfer to retained earnings	–	–	–	–	(57)	(57)
FY2017 (As of March 31, 2018)	36,771	–	(458)	(399)	0	35,913
Effects of changes in accounting standards	810	12	(4,217)	50	–	(3,343)
Increase (decrease) during the period	(8,964)	(7)	(1,534)	240	63	(10,203)
Transfer to retained earnings	(298)	–	–	–	(63)	(362)
FY2018 (As of March 31, 2019)	**28,318**	**5**	**(6,210)**	**(108)**	**0**	**22,004**

(Thousands of U.S. dollars)

	Equity instruments measured at fair value through other comprehensive income	Debt instruments measured at fair value through other comprehensive income	Effective portion of cash flow hedges	Exchange differences on translation of foreign operations	Other	Total
FY2017 (As of March 31, 2018)	$ 331,240	$ –	$ (4,130)	$ (3,595)	$ 0	$ 323,514
Effects of changes in accounting standards	7,302	115	(37,992)	456	–	(30,117)
Increase (decrease) during the period	(80,752)	(68)	(13,824)	2,163	569	(91,912)
Transfer to retained earnings	(2,692)	–	–	–	(569)	(3,261)
FY2018 (As of March 31, 2019)	**255,097**	**47**	**(55,947)**	**(974)**	**0**	**198,222**

28. DIVIDENDS

(1) Dividends paid

Resolution	Classes of shares	Resource of dividends	Total amount of dividends (Millions of yen) *Thousands of U.S. dollars	Dividends per share (Yen) *U.S. dollars	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 20, 2017	Common stock	Retained earnings	$ 5,719 *$ 51,521	¥ 35 *¥ 0.31	March 31, 2017	June 21, 2017
Ordinary General Meeting of Shareholders held on June 20, 2018	Common stock	Retained earnings	5,719 *51,521	35 *0.31	March 31, 2018	June 21, 2018

(2) Dividends with an effective date falling in the following fiscal year are as follows:

Resolution	Classes of shares	Resource of dividends	Total amount of dividends (Millions of yen) *Thousands of U.S. dollars	Dividends per share (Yen) *U.S. dollars	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 20, 2019	Common stock	Retained earnings	7,353 *66,241	45 *0.40	March 31, 2019	June 21, 2019

29. REVENUE

(1) Breakdown of revenue

The breakdown of revenue recognized from contracts with customers and other sources is as follows:

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Revenue recognized from contracts with customers	Revenue recognized from other sources	Total
Revenue from the credit service business	**¥ 138,459**	**¥ 87,791**	**¥ 226,250**
Revenue from the lease business	**–**	**12,579**	**12,579**
Revenue from the finance business	**–**	**39,231**	**39,231**
Revenue from the real estate-related business	**36,090**	**6,008**	**42,098**
Revenue from the entertainment business	**50,827**	**–**	**50,827**
Finance income	**–**	**854**	**854**
Total	**¥ 225,376**	**¥ 146,465**	**¥ 371,842**

(Thousands of U.S. dollars)

	Revenue recognized from contracts with customers	Revenue recognized from other sources	Total
Revenue from the credit service business	**$ 1,247,267**	**$ 790,843**	**$ 2,038,111**
Revenue from the lease business	**–**	**113,319**	**113,319**
Revenue from the finance business	**–**	**353,406**	**353,406**
Revenue from the real estate-related business	**325,106**	**54,124**	**379,231**
Revenue from the entertainment business	**457,862**	**–**	**457,862**
Finance income	**–**	**7,699**	**7,699**
Total	**$ 2,030,237**	**$ 1,319,392**	**$ 3,349,629**

Revenue recognized from other sources includes interest and dividend income based on IFRS 9 and lease income based on IAS 17.

Interest and dividend income is recognized as revenue in accordance with IFRS 9, and income from the Lease business, and also from real estate rentals in the Real estate-related business, is recognized as revenue in accordance with IAS 17. Revenue recognized in accordance with IFRS 9 amounted to ¥130,866 million (U.S. $1,178,866 thousand) and ¥125,037 million for FY2018 and FY2017, respectively. Revenue recognized in accordance with IAS 17 amounted to ¥15,599 million (U.S. $140,525 thousand) and ¥15,261 million for FY2018 and FY2017, respectively.

FY2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Revenue recognized from contracts with customers	Revenue recognized from other sources	Total
Revenue from the credit service business	¥ 134,601	¥ 86,448	¥ 221,049
Revenue from the lease business	–	12,860	12,860
Revenue from the finance business	–	35,536	35,536
Revenue from the real estate-related business	32,157	5,230	37,388
Revenue from the entertainment business	51,272	–	51,272
Finance income	–	223	223
Total	¥ 218,032	¥ 140,298	¥ 358,331

Revenue recognized from other sources includes interest and dividend income from financial instruments and lease income based on IAS 17.

(2) Contract balance

The breakdown of contract balances is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	**FY2018 (As of March 31, 2019)**
Receivables arising from contracts with customers				
Trade and other receivables	**¥ 112,457**	¥ 103,118	¥ 92,670	**$ 1,013,042**
Contract liabilities	**5,493**	6,090	5,051	**49,482**

Contract liabilities mainly represent a deferred portion of annual membership fees. The amounts of revenue recognized in FY2018 and FY2017 that were included in the beginning balance of contract liabilities were ¥4,694 million (U.S. $42,287 thousand) and ¥4,666 million, respectively.

None of the revenue recognized in FY2018 and FY2017 arose from performance obligations satisfied (or partially satisfied) in previous periods.

(3) Transaction price allocated to remaining performance obligations

The Group has adopted a practical expedient and omitted information on remaining performance obligations, given that there were no significant transactions for which an individual estimated contract period exceeds one year.

30. COST OF SALES

The breakdown of cost of sales is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Cost of sales for the real estate-related business:			
For real estate sales	**¥ 19,940**	¥ 18,529	**$ 179,623**
For real estate rentals	**2,075**	1,522	**18,695**
Other	**2,905**	3,044	**26,175**
Subtotal	**24,921**	23,095	**224,494**
Cost of sales for the entertainment business			
Cost of goods	**41,844**	41,785	**376,944**
Sundry expenses	**221**	199	**1,995**
Subtotal	**42,066**	41,984	**378,939**
Total	**¥ 66,987**	¥ 65,080	**$ 603,434**

31. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The breakdown of selling, general and administrative expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Advertising expenses	**¥ 24,320**	¥ 26,445	**$ 219,082**
Provision for point card certificates	**13,033**	16,642	**117,411**
Employee benefit expenses	**50,888**	50,966	**458,410**
Commission expenses	**74,888**	69,722	**674,614**
Depreciation	**22,474**	12,791	**202,455**
Other	**35,368**	37,458	**318,609**
Total	**¥ 220,974**	¥ 214,026	**$ 1,990,585**

32. FINANCE INCOME AND FINANCE COSTS

(1) Finance income

The breakdown of finance income is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Interest income	**¥ 703**	¥ 223	**$ 6,341**
Other	**150**	–	**1,358**
Total	**¥ 854**	¥ 223	**$ 7,699**

(2) Finance costs

The breakdown of finance costs is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Interest expenses	**¥ 9,221**	¥ 8,134	**$ 83,070**
Other	**656**	1,076	**5,912**
Total	**¥ 9,878**	¥ 9,211	**$ 88,983**

33. OTHER INCOME AND OTHER EXPENSES

(1) Other income

The breakdown of other income is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Dividend income	**¥ 1,474**	¥ 1,434	**$ 13,285**
Gain on bad debts recovered	**1,151**	1,031	**10,375**
Distribution income from investment partnerships	**138**	1,259	**1,248**
Gain on valuation of investment securities	**211**	–	**1,902**
Gain on sales of investment securities	**–**	8,536	**–**
Other	**1,162**	1,172	**10,470**
Total	**¥ 4,138**	¥ 13,434	**$ 37,281**

(2) Other expenses

The breakdown of other expenses is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Losses on disposal of non-current assets	**¥ 42**	¥ 168	**$ 383**
Impairment losses on assets in accordance with IAS 36	**226**	1	**2,036**
Impairment losses related to associates and joint ventures accounted for using equity method	**506**	–	**4,562**
Loss on valuation of investment securities (e.g. stocks)	**1,266**	102	**11,405**
System transfer cost	**3,299**	12,969	**29,721**
Other	**303**	204	**2,733**
Total	**¥ 5,643**	¥ 13,446	**$ 50,841**

34. OTHER COMPREHENSIVE INCOME

Amounts incurred during the period, reclassification adjustments, and tax effects for each component of other comprehensive income are as follows:

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Amount incurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified subsequently to profit or loss					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	**¥ (13,185)**	**¥ –**	**¥ (13,185)**	**¥ 4,222**	**¥ (8,963)**
Share of other comprehensive income of investments accounted for using equity method	**62**	**–**	**62**	**–**	**62**
Items that may be reclassified to profit or loss					
Net change in fair value of debt instruments measured at fair value through other comprehensive income	**(2)**	**–**	**(2)**	**(5)**	**(7)**
Effective portion of cash flow hedges	**(4,246)**	**2,025**	**(2,220)**	**679**	**(1,540)**
Exchange differences on translation of foreign operations	**(28)**	**–**	**(28)**	**–**	**(28)**
Share of other comprehensive income of investments accounted for using equity method	**256**	**9**	**265**	**–**	**265**
Total	**¥ (17,144)**	**¥ 2,034**	**¥ (15,109)**	**¥ 4,896**	**¥ (10,213)**

(Thousands of U.S. dollars)

	Amount incurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
Items that will not be reclassified to profit or loss					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	**$ (118,777)**	**$ –**	**$ (118,777)**	**$ 38,034**	**$ (80,743)**
Share of other comprehensive income of investments accounted for using equity method	**560**	**–**	**560**	**–**	**560**
Items that may be reclassified to profit or loss					
Net change in fair value of debt instruments measured at fair value through other comprehensive income	**(21)**	**–**	**(21)**	**(47)**	**(68)**
Effective portion of cash flow hedges	**(38,251)**	**18,247**	**(20,004)**	**6,122**	**(13,881)**
Exchange differences on translation of foreign operations	**(260)**	**–**	**(260)**	**–**	**(260)**
Share of other comprehensive income of investments accounted for using equity method	**2,306**	**83**	**2,390**	**–**	**2,390**
Total	**$ (154,444)**	**$ 18,330**	**$ (136,113)**	**$ 44,109**	**$ (92,003)**

FY2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Amount incurred during the period	Reclassification adjustment	Before tax effect	Tax effect	After tax effect
Items that may be reclassified to profit or loss					
Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income	¥ 18,008	¥ (9,810)	¥ 8,197	¥ (2,510)	¥ 5,686
Effective portion of cash flow hedges	(20)	296	275	(84)	191
Exchange differences on translation of foreign operations	(40)	–	(40)	–	(40)
Share of other comprehensive income of investments accounted for using equity method	(132)	(4,365)	(4,497)	–	(4,497)
Total	¥ 17,814	¥ (13,879)	¥ 3,934	¥ (2,595)	¥ 1,339

35. EARNINGS PER SHARE

(1) Basis for calculating basic earnings per share

		FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)
Profit attributable to owners of parent	(Millions of yen)	**30,517**	38,446
	*Thousands of U.S. dollars	***274,906**	
Profit not attributable to common stock- holders of the parent	(Millions of yen)	**–**	–
	*Thousands of U.S. dollars	***–**	
Profit used for calculating basic earnings per share	(Millions of yen)	**30,517**	38,446
	*Thousands of U.S. dollars	***274,906**	
Weighted-average number of common stock	(Thousands of shares)	**163,332**	163,332
Basic earnings per share	(Yen)	**186.84**	235.39
	*U.S. dollars	***1.68**	

(2) Basis for calculating diluted earnings per share

		FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)
Profit used for calculating basic earnings per share	(Millions of yen)	**30,517**	38,446
	*Thousands of U.S. dollars	***274,906**	
Adjustment to profit	(Millions of yen)	**–**	–
	*Thousands of U.S. dollars	***–**	
Profit used to calculate diluted earnings per share	(Millions of yen)	**–**	–
	*Thousands of U.S. dollars	***–**	
Weighted-average number of common stock	(Thousands of shares)	**163,332**	163,332
Increase in common stock	(Thousands of shares)	**–**	–
Weighted-average number of common stock after dilution	(Thousands of shares)	**163,332**	163,332
Diluted earnings per share	(Yen)	**–**	–
	*U.S. dollars	***–**	
Summary of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect		**Share acquisition rights issued by a subsidiary (Qubitous Co., Ltd. Common stock: 530 shares)**	Share acquisition rights issued by a subsidiary (Qubitous Co., Ltd. Common stock: 530 shares)

(Note) Diluted earnings per share are not stated as there were no potential shares with a dilutive effect.

36. CASH FLOW INFORMATION

(1) Significant non-cash transactions

Significant non-cash transactions consist of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Acquisition of assets under finance leases	**¥ 468**	¥ 571	**$ 4,223**

(2) Changes in liabilities arising from financing activities

See the following reconciliation:

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	As of April 1, 2018	Changes arising from cash flows	Non-cash changes			As of March 31, 2019
			Adjustment due to use of the effective interest method	Change in scope of consolidation	Other	
Short-term loans payable	**¥ 247,960**	**¥ (8,000)**	**¥ –**	**¥ –**	**¥ –**	**¥ 239,960**
Commercial papers	**389,500**	**121,500**	**–**	**–**	**–**	**511,000**
Long-term loans payable	**957,558**	**60,535**	**(206)**	**–**	**(14)**	**1,017,872**
Long-term loans payable under securitized receivables	**20,000**	**–**	**–**	**–**	**–**	**20,000**
Bonds payable	**338,507**	**74,521**	**372**	**–**	**–**	**413,401**
Lease obligations	**1,681**	**(603)**	**–**	**–**	**506**	**1,584**
Total	**¥ 1,955,207**	**¥ 247,954**	**¥ 165**	**¥ –**	**¥ 491**	**¥ 2,203,818**

(Thousands of U.S. dollars)

	As of April 1, 2018	Changes arising from cash flows	Non-cash changes			As of March 31, 2019
			Adjustment due to use of the effective interest method	Change in scope of consolidation	Other	
Short-term loans payable	**$ 2,233,672**	**$ (72,065)**	**$ –**	**$ –**	**$ –**	**$ 2,161,607**
Commercial papers	**3,508,692**	**1,094,495**	**–**	**–**	**–**	**4,603,188**
Long-term loans payable	**8,625,874**	**545,319**	**(1,863)**	**–**	**(132)**	**9,169,199**
Long-term loans payable under securitized receivables	**180,163**	**–**	**–**	**–**	**–**	**180,163**
Bonds payable	**3,049,344**	**671,308**	**3,353**	**–**	**–**	**3,724,005**
Lease obligations	**15,148**	**(5,437)**	**–**	**–**	**4,561**	**14,271**
Total	**$ 17,612,896**	**$ 2,233,621**	**$ 1,489**	**$ –**	**$ 4,428**	**$ 19,852,436**

FY2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	As of April 1, 2017	Changes arising from cash flows	Non-cash changes			As of March 31, 2018
			Adjustment due to use of the effective interest method	Change in scope of consolidation	Other	
Short-term loans payable	¥ 229,960	¥ 18,000	¥ –	¥ –	¥ –	¥ 247,960
Commercial papers	358,000	31,500	–	–	–	389,500
Long-term loans payable	922,489	35,043	–	174	–	957,707
Long-term loans payable under securitized receivables	40,000	(20,000)	–	–	–	20,000
Bonds payable	305,000	34,694	–	–	435	340,130
Lease obligations	1,625	(561)	–	–	617	1,681
Total	¥ 1,857,074	¥ 98,677	¥ –	¥ 174	¥ 1,052	¥ 1,956,979

37. COLLATERAL

The breakdown of assets pledged as collateral is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Trade and other receivables	**¥ 20,000**	¥ 20,000	¥ 40,000	**$ 180,163**
Other current financial assets	**1,511**	1,511	1,510	**13,611**

38. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is quantitative information about the financial assets and liabilities offset in the consolidated statement of financial position, and the financial assets and liabilities not offset but subject to enforceable master netting agreements or similar agreements.

The right of set-off for master netting agreements arises only after the occurrence of defaults or other prescribed circumstances that are not expected to occur in the ordinary course of business activities. For financial instruments and collateral received, an enforceable right of set-off arises only when such circumstances occur. Of the financial assets held by the Group, only master netting agreements on derivatives fall into such circumstances.

(Millions of yen)

	FY2018 (As of March 31, 2019)					
	Total amount of recognized financial assets and liabilities	Amount offset	Net amount presented in the consolidated statement of financial position	Amount subject to enforceable master netting agreements or similar agreements not included in "Amount offset" as shown in the left column		Net amounts
				Financial instruments	Collateral received	
Financial assets						
Trade and other receivables	**¥ 10,888**	**¥ (10,662)**	**¥ 226**	**¥ –**	**¥ –**	**¥ 226**
Other financial assets (derivative assets)	**0**	**–**	**0**	**(0)**	**–**	**–**
Financial liabilities						
Trade and other payables	**13,162**	**(10,662)**	**2,500**	**–**	**–**	**2,500**
Other financial liabilities (derivative liabilities)	**1,159**	**–**	**1,159**	**(0)**	**–**	**1,159**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)					
	Total amount of recognized financial assets and liabilities	Amount offset	Net amount presented in the consolidated statement of financial position	Amount subject to enforceable master netting agreements or similar agreements not included in "Amount offset" as shown in the left column		Net amounts
				Financial instruments	Collateral received	
Financial assets						
Trade and other receivables	**$ 98,083**	**$ (96,046)**	**$ 2,037**	**$ –**	**$ –**	**$ 2,037**
Other financial assets (derivative assets)	**4**	**–**	**4**	**(4)**	**–**	**–**
Financial liabilities						
Trade and other payables	**118,573**	**(96,046)**	**22,526**	**–**	**–**	**22,526**
Other financial liabilities (derivative liabilities)	**10,448**	**–**	**10,448**	**(4)**	**–**	**10,443**

(Millions of yen)

	FY2017 (As of March 31, 2018)					
	Total amount of recognized financial assets and liabilities	Amount offset	Net amount presented in the consolidated statement of financial position	Amount subject to enforceable master netting agreements or similar agreements not included in "Amount offset" as shown in the left column		Net amounts
				Financial instruments	Collateral received	
Financial assets						
Trade and other receivables	¥ 7,224	¥ (7,171)	¥ 52	¥ –	¥ –	¥ 52
Other financial assets (derivative assets)	18	–	18	(18)	–	–
Financial liabilities						
Trade and other payables	13,037	(7,171)	5,865	–	–	5,865
Other financial liabilities (derivative liabilities)	110	–	110	(18)	–	92

(Millions of yen)

	IFRS transition date (April 1, 2017)					
	Total amount of recognized financial assets and liabilities	Amount offset	Net amount presented in the consolidated statement of financial position	Amount subject to enforceable master netting agreements or similar agreements not included in "Amount offset" as shown in the left column		Net amounts
				Financial instruments	Collateral received	
Financial assets						
Trade and other receivables	¥ 5,934	¥ (5,900)	¥ 34	¥ –	¥ –	¥ 34
Financial liabilities						
Trade and other payables	10,609	(5,900)	4,709	–	–	4,709

39. FINANCIAL INSTRUMENTS

(1) Classification of financial instruments

(a) Measurement basis for financial instruments

Financial information for the fiscal year ended March 31, 2019 (FY2018) is provided in accordance with IFRS 9. The measurement basis for financial assets for FY2018 is as follows:

(Millions of yen)

	FY2018 (As of March 31, 2019)				
	Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments measured at fair value through other comprehensive income	Measured at amortized cost	Total
Assets					
Cash and cash equivalents	¥ –	¥ –	¥ –	¥ 82,642	¥ 82,642
Trade and other receivables	24,669	2,837	–	2,365,689	2,393,197
Operational investment securities	39,973	–	–	–	39,973
Investment securities	20,522	–	71,030	–	91,553
Other financial assets	0	–	–	11,915	11,916
Total	¥ 85,166	¥ 2,837	¥ 71,030	¥ 2,460,248	¥ 2,619,283

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)				
	Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments measured at fair value through other comprehensive income	Measured at amortized cost	Total
Assets					
Cash and cash equivalents	$ –	$ –	$ –	$ 744,460	$ 744,460
Trade and other receivables	222,231	25,560	–	21,310,600	21,558,392
Operational investment securities	360,087	–	–	–	360,087
Investment securities	184,873	–	639,860	–	824,734
Other financial assets	4	–	–	107,340	107,344
Total	$ 767,197	$ 25,560	$ 639,860	$ 22,162,401	$ 23,595,019

The measurement basis for financial liabilities for FY2018 is as follows:

(Millions of yen)

	FY2018 (As of March 31, 2019)			
	Measured at fair value through profit or loss	Measured at amortized cost	Financial guarantee contract	Total
Liabilities				
Trade and other payables	¥ –	¥ 314,729	¥ –	¥ 314,729
Financial guarantee liabilities	–	–	8,305	8,305
Bonds and borrowings	–	2,203,818	–	2,203,818
Other financial liabilities	8,934	19,507	–	28,441
Total	¥ 8,934	¥ 2,538,055	¥ 8,305	¥ 2,555,295

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)			
	Measured at fair value through profit or loss	Measured at amortized cost	Financial guarantee contract	Total
Liabilities				
Trade and other payables	$ –	$ 2,835,145	$ –	$ 2,835,145
Financial guarantee liabilities	–	–	74,820	74,820
Bonds and borrowings	–	19,852,436	–	19,852,436
Other financial liabilities	80,481	175,724	–	256,205
Total	$ 80,481	$ 22,863,306	$ 74,820	$ 23,018,608

The Group has adopted exemptions in accordance with IFRS 1. Accordingly, financial information at the IFRS transition date and for the fiscal year ended March 31, 2018 (FY2017) is provided under Japanese GAAP. Financial information is provided in accordance with IFRS 9 for FY2018 and after.

Among operational investment securities and investment securities held by the Group as of the IFRS transition date and March 31, 2018, marketable securities classified as available-for-sale securities are measured at fair value based on quoted market prices at the end of the reporting period with cost of sales determined by the moving-average method. Securities whose fair values are extremely difficult to determine are stated at cost using the moving-average method. Investments in limited liability investment partnerships and similar investments (defined as securities in Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are measured at net amounts equivalent to the equity interest in the partnerships based on their latest available financial statements whose reporting date is stipulated in the partnership agreement.

(Millions of yen)

	FY2017 (As of March 31, 2018)		
	Measured at fair value through other comprehensive income	Measured at cost	Total
Assets			
Operational investment securities	¥ –	¥ 35,957	¥ 35,957
Investment securities	85,781	14,398	100,179
Other financial assets	18	–	18
Total	85,800	50,355	136,155
Liabilities			
Other financial liabilities	679	–	679
Total	¥ 679	¥ –	¥ 679

(Millions of yen)

	IFRS transition date (April 1, 2017)		
	Measured at fair value through other comprehensive income	Measured at cost	Total
Assets			
Operational investment securities	¥ –	¥ 32,878	¥ 32,878
Investment securities	75,867	9,919	85,787
Total	75,867	42,798	118,666
Liabilities			
Other financial liabilities	936	–	936
Total	¥ 936	¥ –	¥ 936

When the value of securities whose fair values are considered extremely difficult to determine decline significantly due to financial deterioration of issuers, the amount is written down accordingly. The carrying amount after the write-down is included in “Measured at cost” in the table above.

Financial assets and financial liabilities other than those disclosed in the table above (excluding derivatives) are measured at amortized cost.

Derivatives are measured at fair value. Transactions that qualify for hedge accounting are subject to deferred hedge accounting. When interest rate swap contracts meet certain conditions to qualify for the exceptional hedge accounting treatment (*tokurei shori*), they are accounted for accordingly. In addition, when forward exchange contracts meet certain conditions to qualify for the designated hedge accounting treatment (*furiate shori*), they are accounted for accordingly.

(b) Investments in equity instruments designated at fair value through other comprehensive income

Certain securities classified as equity instruments are designated as those measured at fair value through other comprehensive income.

The Group holds those designated equity instruments in order to strengthen business relationships with its counterparties, not to secure profit through short-term trading. Accordingly, the Group has determined that unrecognized gains and losses arising from those securities are appropriate to be recognized in other comprehensive income rather than in profit or loss.

Details and fair values of securities designated as measured at fair value through other comprehensive income are as follows:

	Millions of yen	Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	
Listed stocks	**¥ 71,030**	**$ 639,860**
Total	**¥ 71,030**	**$ 639,860**

Among the above, the fair value of the major issues are as follows:

Issue	Millions of yen	Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	
Ryohin Keikaku Co., Ltd.	**¥ 17,715**	**$ 159,586**
Seven & i Holdings Co., Ltd.	**14,304**	**128,857**
PARCO CO., Ltd.	**7,849**	**70,707**
Mitsui Fudosan Co., Ltd.	**4,963**	**44,716**
Ho Chi Minh City Development Joint Stock Commercial Bank	**4,140**	**37,298**
Money Forward, Inc.	**3,700**	**33,330**
SEIBU HOLDINGS Inc.	**2,820**	**25,409**
Takashimaya Company, Ltd.	**2,437**	**21,961**
Digital Garage, Inc.	**2,126**	**19,152**
Idemitsu Kosan Co., Ltd.	**2,116**	**19,064**
IBJ Leasing Company, Ltd.	**1,751**	**15,776**
Monex Group, Inc.	**1,421**	**12,807**

As a result of reviewing business relations with its counterparties, the Group has disposed of and derecognized certain financial instruments designated as equity instruments measured at fair value through other comprehensive income. Fair value at the time of derecognition, cumulative gains or losses, and dividend income are as follows:

	Millions of yen	Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	
Fair value at the time of derecognition	**¥ 584**	**$ 5,268**
Cumulative gains (losses) on disposal	**309**	**2,784**

	Millions of yen	Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	
Dividends from equity instruments derecognized during the period	**¥ 6**	**$ 54**
Dividends from equity instruments held at the end of the reporting period	**1,336**	**12,036**
Total	**¥ 1,342**	**$ 12,091**

Cumulative gains and losses recognized as other components of equity are reclassified from other components of equity to retained earnings upon disposal or a significant decline in fair value.

The amount reclassified is ¥202 million (U.S. $1,826 thousand) for the fiscal year ended March 31, 2019.

(2) Gains and losses on financial instruments

Analysis of gains and losses on financial instruments held by the Group is provided below. Disclosure is omitted for the fiscal year ended March 31, 2018 (FY2017) as the Group applied exemptions under IFRS 1.

(a) Net gains and losses on financial instruments

FY2018 (From April 1, 2018 to March 31, 2019)

	Millions of yen	Thousands of U.S. dollars
	Financial instruments measured at fair value through profit or loss	
Gain (Loss) on operational investment securities	**¥ 3,951**	**$ 35,598**
Gain (Loss) on investment securities	**9,868**	**88,898**
Total	**¥ 13,820**	**$ 124,496**

Monetary receivables and payables are measured at amortized cost.

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Measured at amortized cost		Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments designated as measured at fair value through other comprehensive income	Total
	Financial assets	Financial liabilities				
Revenue						
Interest income calculated using the effective interest method	¥ 107,045	¥ –	¥ –	¥ 175	¥ –	¥ 107,221
Gain (Loss) on valuation of operational investment securities	–	–	(275)	–	–	(275)
Dividend income	–	–	2,962	–	–	2,962
Other	1,810	–	14	19	–	1,844
Total	108,856	–	2,701	194	–	111,752
Finance costs						
Interest expenses	–	9,221	–	–	–	9,221
Other	–	472	184	–	–	656
Total	–	9,693	184	–	–	9,878
Impairment losses on financial assets	26,272	–	–	79	–	26,352
Other income						
Dividend income	–	–	132	–	1,342	1,474
Gain on bad debts recovered	1,151	–	–	–	–	1,151
Distribution income from investment partnerships	–	–	138	–	–	138
Gain on valuation of investment securities	–	–	211	–	–	211
Other	13	–	–	–	–	13
Total	1,165	–	482	–	1,342	2,990
Other expenses						
Loss on valuation of investment securities	–	–	1,266	–	–	1,266
Other	0	24	–	–	–	24
Total	¥ 0	¥ 24	¥ 1,266	¥ –	¥ –	¥ 1,290

(Thousands of U.S. dollars)

	Measured at amortized cost		Measured at fair value through profit or loss	Debt instruments measured at fair value through other comprehensive income	Equity instruments designated as measured at fair value through other comprehensive income	Total
	Financial assets	Financial liabilities				
Revenue						
Interest income calculated by using the effective interest method	$ 964,286	$ –	$ –	$ 1,581	$ –	$ 965,868
Gain (Loss) on valuation of operational investment securities	–	–	(2,484)	–	–	(2,484)
Dividend income	–	–	26,688	–	–	26,688
Other	16,310	–	132	174	–	16,617
Total	980,597	–	24,336	1,756	–	1,006,690
Finance costs						
Interest expenses	–	83,070	–	–	–	83,070
Other	–	4,253	1,659	–	–	5,912
Total	–	87,323	1,659	–	–	88,983
Impairment losses on financial assets	236,672	–	–	714	–	237,386
Other income						
Dividend income	–	–	1,193	–	12,091	13,285
Gain on bad debts recovered	10,375	–	–	–	–	10,375
Distribution income from investment partnerships	–	–	1,248	–	–	1,248
Gain on valuation of investment securities	–	–	1,902	–	–	1,902
Other	125	–	–	–	–	125
Total	10,501	–	4,344	–	12,091	26,936
Other expenses						
Loss on valuation of investment securities	–	–	11,405	–	–	11,405
Other	6	216	–	–	–	223
Total	$ 6	$ 216	$ 11,405	$ –	$ –	$ 11,628

(b) Gains and losses arising from the derecognition of financial assets measured at amortized cost
There are no pertinent items.

(3) Fair value measurement of financial instruments
(a) Fair value hierarchy
Classification based on fair value hierarchy

The Group analyses financial assets and financial liabilities measured at fair value or those whose fair value is disclosed in the notes. The following shows the classification of fair value from Level 1 to Level 3 based on the fair value hierarchy.

The levels under the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: Fair value, other than Level 1, that is determined by directly or indirectly using the observable price
Level 3: Fair value determined by using valuation techniques that incorporate unobservable inputs

(b) Valuation techniques and inputs used in fair value measurement
Assets
1) Cash and cash equivalents
Cash and cash equivalents are stated at carrying amount because the fair value approximates the carrying amount due to short maturity.
2) Trade and other receivables
(i) Accounts receivable – installment
Accounts receivable – installment with variable interest rates reflects market interest rates in the short term. Thus, accounts receivable – installment is stated at carrying amount, given that the fair value approximates the carrying amount, unless the credit status of debtors changes significantly in later periods. On the other hand, the fair value is determined for accounts receivable – installment with fixed interest rates by discounting credit risk-adjusted future cash flows from the group of financial assets classified by the type of loans and maturity terms, using a risk-free market interest rate. The fair value of certain delinquent receivables is measured by deducting the estimated amount of bad debts from the carrying amount of receivables at the end of the reporting period, assuming that the calculated amount approximates the fair value.

The fair value of certain receivables without a due date but with other limitations, such as limiting the loan amount to the value of collateralized asset, is measured at the carrying amount, assuming that the fair value approximates the carrying amount based on expected repayment periods and interest rate terms.

The fair value calculation does not incorporate future interest repayments.

(ii) Finance lease receivables

The fair value of finance lease receivables is determined by estimating future cash flows of the principal and interests arising from respective lease periods and subtracting debtor's credit risk, which is then discounted using a risk-free market rate.

3) Operational investment securities and investment securities

The fair value of operational investment securities and investment securities is determined as follows: listed stocks are valued at prices on the stock exchanges; bonds are valued at prices on the exchange markets or information provided by counterpart financial institutions, or at prices that are reasonably calculated based on the value of underlying assets; and investment trusts are based on the disclosed net asset value. The fair value of investments in limited liability investment partnerships and similar partnerships is deemed to be the amount proportionate to the Group's share of equity interests, which is determined based on the fair value of assets belonging to the partnership as long as they can be fair valued. The fair value of unlisted stocks is calculated by using valuation techniques based on the market price of comparable companies. When determining the fair value of unlisted stocks, unobservable inputs, such as valuation multiple, are used.

4) Other financial assets

Derivatives are classified as financial assets or liabilities measured at fair value through profit or loss and are measured at prices provided by counterpart financial institutions. Financial assets other than derivatives are stated at carrying amounts, which approximately represent their fair values because of the short settlement period.

Liabilities

1) Trade and other payables

Trade and other payables are stated at carrying amount as their fair values approximates their carrying amount due to the short settlement period.

2) Bonds and borrowings

(i) Short-term loans payable

Short-term loans payable are stated at carrying amount as their fair values approximates their carrying amount due to the short settlement period.

(ii) Commercial papers

Commercial papers are stated at carrying amount as their fair values approximates their carrying amount due to the short settlement period.

(iii) Long-term loans payable

Long-term loans payable with variable interest rates only take a change in credit spread into account as variable interest rates reflect market interest rates in a short period. The current credit spread is determined by referring to a credit spread that would be offered by financial institutions if the Company and its subsidiaries were to newly obtain finance with similar terms and conditions for the average remaining maturity for the outstanding borrowings. To calculate the difference between the carrying amount and the fair value, the Group calculates the fair value by first compartmentalizing the differences of interest arising from fluctuation of the credit spread by certain period of time, and then discounting them at risk-free market interest rates corresponding to each period of time. The fair value of long-term loans payable with fixed interest rates is determined by discounting the aggregate amount of principal and interest of the long-term loans compartmentalized by certain periods of time at interest rates that would be offered for similar borrowings.

(iv) Bonds

The fair value of public offering bonds issued by the Company is measured based on the market price, which is the Reference Statistical Prices (Yields) for OTC Bond Transactions issued by the Japan Securities Dealers Association. As private placement bonds issued by the Company are those subscribed privately by its main banks, the fair value is calculated in the same way as described in "(iii) Long-term loans payable."

(v) Long-term loans payable under securitized receivables

Long-term loans payable under securitized receivables will not be affected by ups and downs in the Company's creditworthiness; therefore, the fair value measurement of such payables only takes into account changes in market interest rates. The fair value of long-term loans payable under securitized receivables is determined by discounting the aggregate amount of principal and interests of the borrowings compartmentalized by certain periods of time at interest rates that would be offered for similar borrowings.

(vi) Lease obligations

The fair value of lease obligations represents the present value of lease obligations, which is determined by discounting the aggregate amount of principal and interest at interest rates that would be offered for similar new lease transactions. As such fair value approximates the carrying amount, lease obligations are stated at the carrying amount.

3) Other financial liabilities

Derivatives are disclosed in "Assets, 4) Other financial assets." Other financial liabilities, except for derivatives, are stated at the carrying amount as the fair value approximates the carrying amount because of the short settlement period.

4) Financial guarantee liabilities

The fair value of financial guarantee liabilities is determined by discounting future cash outflows for guarantees to be provided under financial guarantee contracts, which is adjusted by debtor's credit risk.

The amount of financial guarantee contracts classified as contingent liabilities is ¥372,237 million (U.S. $3,353,185 thousand). The liability amount recognized in the consolidated statement of financial position is ¥8,305 million (U.S. $74,820 thousand) as of March 31, 2019, and the fair value is ¥21,538 million (U.S. $194,018 thousand) (asset).

(c) Financial instruments measured at fair value and the fair value hierarchy

Financial instruments measured at fair value on the consolidated statement of financial position and the breakdown by level of the fair value hierarchy are as follows:

(Millions of yen)

	FY2018 (As of March 31, 2019)			
	Level 1	Level 2	Level 3	Total
Assets				
Assets measured at fair value through profit or loss				
Trade and other receivables	**¥ –**	**¥ 24,669**	**¥ –**	**¥ 24,669**
Operational investment securities	**–**	**–**	**39,973**	**39,973**
Investment securities	**–**	**1,472**	**19,050**	**20,522**
Other financial assets	**–**	**0**	**–**	**0**
Equity instruments measured at fair value through other comprehensive income				
Investment securities	**61,237**	**9,793**	**–**	**71,030**
Debt instruments measured at fair value through other comprehensive income				
Trade and other receivables	**–**	**–**	**2,837**	**2,837**
Total	**61,237**	**35,935**	**61,861**	**159,034**
Liabilities				
Measured at fair value through profit or loss				
Other financial liabilities	**–**	**8,934**	**–**	**8,934**
Total	**¥ –**	**¥ 8,934**	**¥ –**	**¥ 8,934**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)			
	Level 1	Level 2	Level 3	Total
Assets				
Assets measured at fair value through profit or loss				
Trade and other receivables	**$ –**	**$ 222,231**	**$ –**	**$ 222,231**
Operational investment securities	**–**	**–**	**360,087**	**360,087**
Investment securities	**–**	**13,260**	**171,613**	**184,873**
Other financial assets	**–**	**4**	**–**	**4**
Equity instruments measured at fair value through other comprehensive income				
Investment securities	**551,640**	**88,219**	**–**	**639,860**
Debt instruments measured at fair value through other comprehensive income				
Trade and other receivables	**–**	**–**	**25,560**	**25,560**
Total	**551,640**	**323,715**	**557,261**	**1,432,618**
Liabilities				
Measured at fair value through profit or loss				
Other financial liabilities	**–**	**80,481**	**–**	**80,481**
Total	**$ –**	**$ 80,481**	**$ –**	**$ 80,481**

(Millions of yen)

	FY2017 (As of March 31, 2018)			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities	¥ 72,890	¥ 12,891	¥ –	¥ 85,781
Other financial assets	–	18	–	18
Total	72,890	12,909	–	85,800
Liabilities				
Other financial liabilities	–	679	–	679
Total	¥ –	¥ 679	¥ –	¥ 679

(Millions of yen)

	IFRS transition date (April 1, 2017)			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities	¥ 73,281	¥ 2,586	¥ –	¥ 75,867
Total	73,281	2,586	–	75,867
Liabilities				
Other financial liabilities	–	936	–	936
Total	¥ –	¥ 936	¥ –	¥ 936

(d) Transfer between Level 1 and Level 2

Transfers between levels of the fair value hierarchy are recognized on the day when the event or change in circumstances that caused the transfer occurred. The Group did not recognize any material transfers between Level 1 and Level 2 for each fiscal year.

(e) Significant unobservable inputs

Significant unobservable inputs used to measure the fair value of financial instruments classified as Level 3 in the consolidated statement of financial position are as follows:

	FY2018 (As of March 31, 2019)				
	Fair value (Millions of yen)	Fair value (Thousands of U.S. dollars)	Valuation techniques	Unobservable inputs	Range
Measured at fair value through profit or loss					
Operational investment securities	**¥ 39,973**	**$ 360,087**	**Capitalization method**	**Capitalization rate**	**3.4%–6.6%**
			Net asset value	**–**	**–**
Investment securities	**19,050**	**171,613**	**Discounted cash flow**	**Weighted-average cost of capital (WACC)**	**4.18%–9.06%**
			Market prices of comparable companies	**Price-earnings ratio (PER)**	**10.0–26.8**
				Price-to-book ratio (PBR)	**1.2–2.4**
			Net asset value	**–**	**–**
Measured at fair value through other comprehensive income					
Trade and other receivables	**2,837**	**25,560**	**Discounted cash flow**	**Discount rate**	**2.97%–15.31%**
Total	**¥ 61,861**	**$ 557,261**			

(Notes) 1. Operational investment securities are mainly composed of investments in funds for real estate.
2. Investment securities are mainly comprised of unlisted stocks and investments in funds for unlisted stocks.

(f) Reconciliation of financial instruments classified as Level 3

The following is the reconciliation of financial assets measured at fair value and classified as Level 3 on the consolidated statement of financial position. There is no reconciliation for FY2017.

(Millions of yen)

	FY2018 (From April 1, 2018 to March 31, 2019)		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance at beginning of period	**¥ 55,068**	**¥ 2,007**	**¥ 57,075**
Total gains and losses	**1,277**	**90**	**1,367**
Profit or loss (Note 1)	**1,277**	**88**	**1,366**
Other comprehensive income (Note 2)	**–**	**1**	**1**
Purchases	**16,720**	**1,358**	**18,078**
Sales	**(14,041)**	**(618)**	**(14,660)**
Other	**–**	**–**	**–**
Balance at end of period	**59,024**	**2,837**	**61,861**
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	**(807)**	**(80)**	**(887)**

(Thousands of U.S. dollars)

	FY2018 (From April 1, 2018 to March 31, 2019)		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Total
Balance at beginning of period	$ 496,069	$ 18,081	$ 514,150
Total gains and losses	11,506	812	12,319
Profit or loss (Note 1)	11,506	798	12,305
Other comprehensive income (Note 2)	–	14	14
Purchases	150,617	12,239	162,856
Sales	(126,491)	(5,572)	(132,063)
Other	–	–	–
Balance at end of period	531,701	25,560	557,262
Changes in unrealized gains or losses recognized in profit or loss on assets held at the end of the reporting period (Note 1)	(7,274)	(724)	(7,998)

(Notes) 1. Amount is included in "Revenue from the credit service business," "Revenue from the finance business," "Revenue from the real estate-related business," "Other income," as well as "Impairment losses on financial assets" and "Other expenses" per the consolidated statement of income.
2. Amount is included in "Net change in fair value of debt instruments designated as measured at fair value through other comprehensive income" per the consolidated statement of comprehensive income.

(g) Valuation processes used by the Group (Level 3)

Valuations and procedures to determine the fair value of financial instruments classified as Level 3 are undertaken by the Group's independent administrative division, which is responsible for checking on a regular basis the details of investees' businesses, the availability of their business plans, and comparable listed companies to determine whether or not fair value measurements, including valuation models, are appropriate.

(h) Sensitivity analysis of fair value measurement classified as Level 3

Fair value measurements classified as Level 3 are conducted using valuation techniques based on inputs, such as prices and rates, whose fair values are not observable in the market. The following sensitivity analysis shows the effect on profit or loss and other comprehensive income for changes in unobservable inputs within a reasonably possible range which are used to measure the fair value of financial assets classified as Level 3 in the consolidated statement of financial position. Sensitivity analysis is conducted by taking account of the type of financial instruments and market conditions at the time of analysis. Changes in significant assumptions for each valuation technique are set as follows:

- Capitalization method: Capitalization rate changes within the range of plus/minus 0.5%
- Discounted cash flow method: WACC changes within the range of plus/minus 1%
- Market multiple method: PBR and PER change within the range of plus/minus 0.1 and plus/minus 1.0, respectively

When fair values of operational investment securities, investment securities, and trade and other receivables classified as Level 3 are measured through a valuation technique other than the above using reasonably possible alternative assumptions for unobservable inputs, such fair values would not be included in the table below if the change in fair value is not material.

(Millions of yen)

	FY2018 (As of March 31, 2019)				
	Total fair value	Impact on profit or loss		Impact on other comprehensive income	
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Measured at fair value through profit or loss					
Operational investment securities	¥ 10,156	¥ 2,806	¥ (2,278)	¥ –	¥ –
Investment securities	6,141	1,022	(748)	–	–
Measured at fair value through other comprehensive income					
Trade and other receivables	–	–	–	–	–

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)				
	Total fair value	Impact on profit or loss		Impact on other comprehensive income	
		Favorable changes	Unfavorable changes	Favorable changes	Unfavorable changes
Measured at fair value through profit or loss					
Operational investment securities	$ 91,491	$ 25,283	$ (20,521)	$ –	$ –
Investment securities	55,322	9,211	(6,743)	–	–
Measured at fair value through other comprehensive income					
Trade and other receivables	–	–	–	–	–

(i) Financial instruments that are not measured at fair value and the fair value hierarchy

Fair value of financial instruments that are not measured at fair value and the fair value hierarchy by level is as follows. Financial instruments whose fair values approximate carrying amount are not disclosed.

(Millions of yen)

	FY2018 (As of March 31, 2019)				
	Fair value				Total carrying amount
	Level 1	Level 2	Level 3	Total	
Assets					
Trade and other receivables	**¥ –**	**¥ 1,376,128**	**¥ 1,075,178**	**¥ 2,451,306**	**¥ 2,365,689**
Total	**–**	**1,376,128**	**1,075,178**	**2,451,306**	**2,365,689**
Liabilities					
Financial guarantee liabilities	**–**	**–**	**21,538**	**21,538**	**8,305**
Bonds and borrowings	**–**	**2,218,438**	**–**	**2,218,438**	**2,203,818**
Total	**¥ –**	**¥ 2,218,438**	**¥ 21,538**	**¥ 2,239,976**	**¥ 2,212,124**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)				
	Fair value				Total carrying amount
	Level 1	Level 2	Level 3	Total	
Assets					
Trade and other receivables	**$ –**	**$ 12,396,436**	**$ 9,685,420**	**$ 22,081,856**	**$ 21,310,600**
Total	**–**	**12,396,436**	**9,685,420**	**22,081,856**	**21,310,600**
Liabilities					
Financial guarantee liabilities	**–**	**–**	**194,018**	**194,018**	**74,820**
Bonds and borrowings	**–**	**19,984,136**	**–**	**19,984,136**	**19,852,436**
Total	**$ –**	**$ 19,984,136**	**$ 194,018**	**$ 20,178,154**	**$ 19,927,257**

(Millions of yen)

	FY2017 (As of March 31, 2018)				
	Fair value				Total carrying amount
	Level 1	Level 2	Level 3	Total	
Assets					
Trade and other receivables	¥ –	¥ 1,170,979	¥ 1,048,337	¥ 2,219,317	¥ 2,154,678
Operational investment securities	–	–	38,421	38,421	35,957
Investment securities	–	–	16,647	16,647	14,398
Total	–	1,170,979	1,103,406	2,274,386	2,205,033
Liabilities					
Financial guarantee liabilities	–	–	19,460	19,460	7,396
Bonds and borrowings	–	1,969,489	–	1,969,489	1,956,979
Total	¥ –	¥ 1,969,489	¥ 19,460	¥ 1,988,950	¥ 1,964,375

(Millions of yen)

	IFRS transition date (April 1, 2017)				
	Fair value				Total carrying amount
	Level 1	Level 2	Level 3	Total	
Assets					
Trade and other receivables	¥ –	¥ 1,081,969	¥ 995,971	¥ 2,077,940	¥ 2,012,153
Operational investment securities	–	–	34,186	34,186	32,878
Investment securities	–	–	11,519	11,519	9,919
Total	–	1,081,969	1,041,677	2,123,646	2,054,951
Liabilities					
Financial guarantee liabilities	–	–	22,067	22,067	6,465
Bonds and borrowings	–	1,870,442	–	1,870,442	1,857,074
Total	¥ –	¥ 1,870,442	¥ 22,067	¥ 1,892,510	¥ 1,863,539

(4) Financial risk management

The Group is engaged in the Credit service business, Lease business, Finance business, Real estate-related business, and Entertainment business. In conducting these businesses, the Group is exposed to financial risks, including credit risk, liquidity risk, and market risk. The Group conducts risk management to reduce such financial risks.

Additionally, the Group uses derivatives to hedge interest rate fluctuation risks and other risks. It is the Group's policy not to enter into any derivative transactions for speculative purposes. The Group enters into and manages derivative transactions only after obtaining management approval in accordance with internal regulations, which also specify the authority for transactions, trading limit and others.

Disclosure of information at the IFRS transition date and the fiscal year ended March 31, 2018, is omitted due to the exemptions under IFRS 1. However, information as of the IFRS transition date and for the fiscal year ended March 31, 2018, is disclosed for certain items under Japanese GAAP.

1) Credit risk management (and impairment loss on financial assets)

(a) Overview of credit risks

Financial assets of the Group are mainly composed of accounts receivable – installment from its card members. The Group is exposed to credit risks mainly when the repayment ability of credit card members deteriorates. The majority of accounts receivable – installment as of March 31, 2019, resulted from the Credit service business. Changes in economic environment surrounding the business, such as labor conditions, household disposable income, and consumer spending due to recession, may hinder card members in fulfilling their obligations in accordance with contract terms and conditions.

The Group's (operational) investment securities mainly consist of stocks, investment trusts, and investments in partnerships, which are held for the purpose of pure investment and business promotion. They are exposed to respective issuers' credit risks.

(b) Credit risk management

The Group strives for continuous improvement in the quality of receivables, and develops and operates a system related to credit control, such as credit limits, credit information control, and internal ratings in accordance with the Company's internal rules for credit risk management. The Group periodically holds Board of Directors and other relevant meetings to discuss and report the status of credit controls. The Asset-Liability Management (ALM) Committee is responsible for the management of (operational) investment securities by regularly obtaining credit and fair value information. Loans receivable are regularly monitored at the level of each department for borrowers' credit risk and other risks.

(c) Changes in allowance for doubtful accounts

Details of allowance for doubtful accounts for FY2018 are as follows:

(Millions of yen)

	FY2018 (From April 1, 2018 to March 31, 2019)	
	Beginning of the year	End of the year
Financial instruments measured at amortized cost		
Trade and other receivables	**¥ 48,565**	**¥ 47,359**
Other current financial assets	**8**	**11**
Financial instruments measured at fair value through other comprehensive income		
Trade and other receivables	**149**	**229**
Total	**¥ 48,724**	**¥ 47,600**

(Thousands of U.S. dollars)

	FY2018 (From April 1, 2018 to March 31, 2019)	
	Beginning of the year	End of the year
Financial instruments measured at amortized cost		
Trade and other receivables	**$ 437,488**	**$ 426,624**
Other current financial assets	**80**	**102**
Financial instruments measured at fair value through other comprehensive income		
Trade and other receivables	**1,350**	**2,065**
Total	**$ 438,920**	**$ 428,792**

Details of allowance for doubtful accounts for FY2017 are as follows:

(Millions of yen)

	FY2017 (From April 1, 2017 to March 31, 2018)			
	Balance at beginning of period	Increases	Decreases	Balance at end of period
Allowance for doubtful accounts	¥ 50,204	¥ 28,506	¥ 25,132	¥ 53,577
Financial guarantee liabilities	6,465	7,117	6,186	7,396

Trade and other receivables (financial instruments measured at amortized cost)

(Millions of yen)

	FY2018 (From April 1, 2018 to March 31, 2019)						
		Lifetime expected credit losses					
	12-month expected credit losses	Financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets		Credit-impaired financial assets at the reporting date	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Purchased or originated credit-impaired financial assets	Total
		Assessment on a collective basis	Assessment on an individual basis				
Allowance for doubtful accounts at beginning of period	**¥ 6,797**	**¥ 2,218**	**¥ –**	**¥ 36,009**	**¥ 406**	**¥ 3,134**	**¥ 48,565**
Changes in allowance for doubtful accounts resulting from addition or collection	**305**	**(151)**	**–**	**(13,103)**	**(2)**	**6,945**	**(6,005)**
Changes due to change in stages:							
Transfer to lifetime expected credit losses	**(61)**	**1,619**	**–**	**(236)**	**–**	**–**	**1,321**
Transfer to credit-impaired financial instruments	**(146)**	**(810)**	**–**	**19,546**	**–**	**–**	**18,589**
Transfer to 12-month expected credit losses	**34**	**(772)**	**–**	**–**	**–**	**–**	**(737)**
Changes in risk variables	**(113)**	**(23)**	**–**	**2,418**	**–**	**(1,729)**	**551**
Write-off	**(62)**	**–**	**–**	**(8,784)**	**(1)**	**(6,075)**	**(14,924)**
Allowance for doubtful accounts at end of period	**6,752**	**2,081**	**–**	**35,849**	**402**	**2,274**	**47,359**

(Thousands of U.S. dollars)

	FY2018 (From April 1, 2018 to March 31, 2019)						
		Lifetime expected credit losses					
	12-month expected credit losses	Financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets		Credit-impaired financial assets at the reporting date	Financial assets for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Purchased or originated credit-impaired financial assets	Total
		Assessment on a collective basis	Assessment on an individual basis				
Allowance for doubtful accounts at beginning of period	**$ 61,236**	**$ 19,984**	**$ –**	**$ 324,379**	**$ 3,657**	**$ 28,231**	**$ 437,488**
Changes in allowance for doubtful accounts resulting from addition or collection	**2,751**	**(1,363)**	**–**	**(118,039)**	**(18)**	**62,568**	**(54,101)**
Changes due to change in stages:							
Transfer to lifetime expected credit losses	**(557)**	**14,592**	**–**	**(2,130)**	**–**	**–**	**11,903**
Transfer to credit-impaired financial instruments	**(1,323)**	**(7,301)**	**–**	**176,080**	**–**	**–**	**167,455**
Transfer to 12-month expected credit losses	**310**	**(6,956)**	**–**	**–**	**–**	**–**	**(6,646)**
Changes in risk variables	**(1,026)**	**(208)**	**–**	**21,783**	**–**	**(15,583)**	**4,966**
Write-off	**(566)**	**–**	**–**	**(79,131)**	**(15)**	**(54,728)**	**(134,441)**
Allowance for doubtful accounts at end of period	**60,824**	**18,746**	**–**	**322,940**	**3,623**	**20,488**	**426,624**

For the fiscal year ended March 31, 2019, undiscounted expected credit losses related to purchased or originated credit-impaired financial assets upon initial recognition amounted to ¥12,582 million (U.S. $113,343 thousand).

Financial guarantee liabilities

(Millions of yen)

	FY2018 (From April 1, 2018 to March 31, 2019)						
		Lifetime expected credit losses					
	12-month expected credit losses	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets		Credit-impaired financial instruments at the reporting date	Financial instruments for which financial guarantee liabilities are always measured at an amount equal to the lifetime expected credit losses	Financial instruments purchased or originated credit-impaired	Total
		Assessment on a collective basis	Assessment on an individual basis				
Financial guarantee liabilities at beginning of period	¥ 4,632	¥ 2,081	¥ –	¥ 331	¥ –	¥ –	¥ 7,045
Changes in financial guarantee liabilities resulting from addition or collection	63	(495)	–	(18)	–	–	(450)
Changes due to change in stages:							
Transfer to lifetime expected credit losses	(116)	1,704	–	(13)	–	–	1,575
Transfer to credit-impaired financial instruments	(112)	(730)	–	6,279	–	–	5,436
Transfer to 12-month expected credit losses	25	(340)	–	–	–	–	(315)
Changes in risk variables	897	404	–	1,079	–	–	2,382
Write-off	(0)	–	–	(7,367)	–	–	(7,367)
Financial guarantee liabilities at end of period	5,389	2,624	–	291	–	–	8,305

(Thousands of U.S. dollars)

	FY2018 (From April 1, 2018 to March 31, 2019)						
		Lifetime expected credit losses					
	12-month expected credit losses	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets		Credit-impaired financial instruments at the reporting date	Financial instruments for which financial guarantee liabilities are always measured at an amount equal to the lifetime expected credit losses	Financial instruments purchased or originated credit-impaired	Total
		Assessment on a collective basis	Assessment on an individual basis				
Financial guarantee liabilities at beginning of period	$ 41,729	$ 18,754	$ –	$ 2,983	$ –	$ –	$ 63,466
Changes in financial guarantee liabilities resulting from addition or collection	572	(4,465)	–	(166)	–	–	(4,059)
Changes due to change in stages:							
Transfer to lifetime expected credit losses	(1,047)	15,352	–	(117)	–	–	14,188
Transfer to credit-impaired financial instruments	(1,011)	(6,583)	–	56,569	–	–	48,974
Transfer to 12-month expected credit losses	226	(3,065)	–	–	–	–	(2,839)
Changes in risk variables	8,085	3,645	–	9,726	–	–	21,457
Write-off	(0)	–	–	(66,366)	–	–	(66,366)
Financial guarantee liabilities at end of period	48,553	23,638	–	2,629	–	–	74,820

There is no significant change in the gross carrying amount of trade and other receivables (i.e., financial instruments measured at amortized cost) that could affect the change in allowance for doubtful accounts for the fiscal year ended March 31, 2019.

(d) Modified financial instruments

Contractual cash flows have been modified for certain financial instruments whose estimated credit losses were originally measured at an amount equal to lifetime expected credit losses. The following are amortized costs before modification and modification gain or loss recognized for the financial instruments. There are no financial instruments that have been modified since initial recognition at a time when they were measured at lifetime expected credit losses and for which financial guarantee liabilities were changed to an amount equal to 12-month expected credit losses for the fiscal year ended March 31, 2019.

	Millions of yen	Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	
Amortized cost before modification	**¥ 19,282**	**$ 173,699**
Modification gain (loss)	**(2,267)**	**(20,429)**

(e) Write-off

The following is the amount of financial assets directly written off for which the Group continues its collecting activities:

	Millions of yen	Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	
Uncollectible balance	**¥ 1,168**	**$ 10,526**

(f) Maximum exposure to credit risk before considering collateral and other credit enhancements

(Millions of yen)

	FY2018 (As of March 31, 2019)	
	Financial instruments to which impairment requirements of IFRS 9 are applied	Financial instruments to which impairment requirements of IFRS 9 are not applied
Credit risk related to assets in the consolidated statement of financial position:		
Trade and other receivables		
Measured at amortized cost	**¥ 2,365,689**	**¥ –**
Measured at fair value through profit or loss	**–**	**24,669**
Debt instruments measured at fair value through other comprehensive income	**2,837**	**–**
Other financial assets	**11,915**	**0**
Credit risk related to items other than assets in the consolidated statement of financial position:		
Loan commitments	**3,930,239**	**–**
Financial guarantee contracts	**363,931**	**–**
Total	**¥ 6,674,614**	**¥ 24,670**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)	
	Financial instruments to which impairment requirements of IFRS 9 are applied	Financial instruments to which impairment requirements of IFRS 9 are not applied
Credit risk related to assets in the consolidated statement of financial position:		
Trade and other receivables		
Measured at amortized cost	**$ 21,310,600**	**$ –**
Measured at fair value through profit or loss	**–**	**222,231**
Debt instruments measured at fair value through other comprehensive income	**25,560**	**–**
Other financial assets	**107,340**	**4**
Credit risk related to items other than assets in the consolidated statement of financial position:		
Loan commitments	**35,404,376**	**–**
Financial guarantee contracts	**3,278,364**	**–**
Total	**$ 60,126,242**	**$ 222,235**

(g) Quantitative information about credit-impaired financial instruments as of March 31, 2019 as well as the amount of associated collateral and other credit enhancements held for security purposes

(Millions of yen)

	FY2018 (As of March 31, 2019)		
	Maximum exposure to credit risk	Collateral and other credit enhancements	Net of collateral and other credit enhancements
Trade and other receivables			
Measured at amortized cost	**¥ 61,772**	**¥ 16,286**	**¥ 45,486**
Debt instruments measured at fair value through other comprehensive income	**2,837**	**2,771**	**66**
Other financial assets	**–**	**–**	**–**
Financial guarantee contracts	**651**	**429**	**222**
Total	**¥ 65,261**	**¥ 19,486**	**¥ 45,774**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)		
	Maximum exposure to credit risk	Collateral and other credit enhancements	Net of collateral and other credit enhancements
Trade and other receivables			
Measured at amortized cost	**$ 556,458**	**$ 146,708**	**$ 409,749**
Debt instruments measured at fair value through other comprehensive income	**25,560**	**24,963**	**596**
Other financial assets	**–**	**–**	**–**
Financial guarantee contracts	**5,871**	**3,869**	**2,001**
Total	**$ 587,890**	**$ 175,542**	**$ 412,348**

The amount of collateral and other credit enhancements represents fair value of collateralized real estate for purchased receivables.

(h) Quantitative information about maximum exposure to credit risk, collateral held, and other credit enhancements for financial assets to which impairment requirements of IFRS 9 are not applied.

(Millions of yen)

	FY2018 (As of March 31, 2019)		
	Maximum exposure to credit risk	Collateral and other credit enhancements	Net of collateral and other credit enhancements
Trade and other receivables			
Measured at fair value through profit or loss	**¥ 24,669**	**¥ 1,307**	**¥ 23,362**
Operational investment securities/investment securities			
Measured at fair value through profit or loss	**60,496**	**–**	**60,496**
Equity instruments measured at fair value through other comprehensive income	**71,030**	**–**	**71,030**
Other financial assets	**0**	**–**	**0**
Total	**¥ 156,197**	**¥ 1,307**	**¥ 154,889**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)		
	Maximum exposure to credit risk	Collateral and other credit enhancements	Net of collateral and other credit enhancements
Trade and other receivables			
Measured at fair value through profit or loss	**$ 222,231**	**$ 11,778**	**$ 210,453**
Operational investment securities/investment securities			
Measured at fair value through profit or loss	**544,961**	**–**	**544,961**
Equity instruments measured at fair value through other comprehensive income	**639,860**	**–**	**639,860**
Other financial assets	**4**	**–**	**4**
Total	**$ 1,407,057**	**$ 11,778**	**$ 1,395,279**

The amount of collateral and other credit enhancements represents fair value of collateralized real estate for non-recourse loans.

(i) Analysis of concentration of credit risk

An analysis of concentration of credit risk for each year is as follows. Note that the information as of the IFRS transition date and for FY2017 is presented under Japanese GAAP due to the exemptions under IFRS 1.

i) The Group's credit risk exposure related to trade and other receivables, other financial assets, and loan commitments is as follows:

(Millions of yen)

	FY2018 (As of March 31, 2019)						
	Financial instruments to which impairment requirements of IFRS 9 are applied						
		Financial instruments for which allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses					
	Financial instruments for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Credit-impaired financial instruments at the reporting date	Financial instruments for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial instruments purchased or originated	Financial instruments to which impairment requirements of IFRS 9 are not applied	Total
Credit risk related to assets in the consolidated statement of financial position:							
Trade and other receivables							
Credit service business							
Normal receivables	**¥ 1,220,932**	**¥ –**	**¥ –**	**¥ 111,657**	**¥ –**	**¥ –**	**¥ 1,332,590**
Delinquent receivables (short- to medium-term)	**–**	**8,117**	**–**	**–**	**–**	**–**	**8,117**
Delinquent receivables (long-term)	**–**	**–**	**46,694**	**1,042**	**17,235**	**–**	**64,972**
Subtotal	**1,220,932**	**8,117**	**46,694**	**112,699**	**17,235**	**–**	**1,405,680**
Lease business							
Normal receivables	**291,668**	**–**	**–**	**31**	**–**	**–**	**291,700**
Delinquent receivables (short- to medium-term)	**–**	**5,628**	**–**	**–**	**–**	**–**	**5,628**
Delinquent receivables (long-term)	**–**	**–**	**8,321**	**178**	**–**	**–**	**8,500**
Subtotal	**291,668**	**5,628**	**8,321**	**210**	**–**	**–**	**305,829**
Finance business							
Normal receivables	**638,266**	**–**	**–**	**–**	**–**	**24,669**	**662,936**
Delinquent receivables (short- to medium-term)	**–**	**2,115**	**–**	**–**	**–**	**–**	**2,115**
Delinquent receivables (long-term)	**–**	**–**	**6,115**	**8**	**4,269**	**–**	**10,394**
Subtotal	**638,266**	**2,115**	**6,115**	**8**	**4,269**	**24,669**	**675,446**
Real estate-related business	**3**	**–**	**34**	**410**	**18,243**	**–**	**18,691**
Other	**33,089**	**–**	**1,819**	**0**	**–**	**–**	**34,909**
Total	**2,183,961**	**15,861**	**62,985**	**113,330**	**39,749**	**24,669**	**2,440,556**
Other financial assets	**11,927**	**–**	**–**	**–**	**–**	**0**	**11,927**
Credit risk related to items other than assets in the consolidated statement of financial position:							
Loan commitments							
Credit services business	**3,914,114**	**–**	**–**	**–**	**–**	**–**	**3,914,114**
Other loan commitments	**16,125**	**–**	**–**	**–**	**–**	**–**	**16,125**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)						
	Financial instruments to which impairment requirements of IFRS 9 are applied						
		Financial instruments for which allowance for doubtful accounts is measured at an amount equal to lifetime expected credit losses					
	Financial instruments for which allowance for doubtful accounts is measured at an amount equal to 12-month expected credit losses	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Credit-impaired financial instruments at the reporting date	Financial instruments for which allowance for doubtful accounts is always measured at an amount equal to lifetime expected credit losses	Credit-impaired financial instruments purchased or originated	Financial instruments to which impairment requirements of IFRS 9 are not applied	Total
Credit risk related to assets in the consolidated statement of financial position:							
Trade and other receivables							
Credit services business							
Normal receivables	**$ 10,998,402**	**$ –**	**$ –**	**$ 1,005,835**	**$ –**	**$ –**	**$ 12,004,238**
Delinquent receivables (short- to medium-term)	**–**	**73,122**	**–**	**–**	**–**	**–**	**73,122**
Delinquent receivables (long-term)	**–**	**–**	**420,633**	**9,387**	**155,263**	**–**	**585,284**
Subtotal	**10,998,402**	**73,122**	**420,633**	**1,015,223**	**155,263**	**–**	**12,662,645**
Lease business							
Normal receivables	**2,627,409**	**–**	**–**	**287**	**–**	**–**	**2,627,697**
Delinquent receivables (short- to medium-term)	**–**	**50,704**	**–**	**–**	**–**	**–**	**50,704**
Delinquent receivables (long-term)	**–**	**–**	**74,963**	**1,609**	**–**	**–**	**76,572**
Subtotal	**2,627,409**	**50,704**	**74,963**	**1,896**	**–**	**–**	**2,754,974**
Finance business							
Normal receivables	**5,749,632**	**–**	**–**	**–**	**–**	**222,231**	**5,971,864**
Delinquent receivables (short- to medium-term)	**–**	**19,053**	**–**	**–**	**–**	**–**	**19,053**
Delinquent receivables (long-term)	**–**	**–**	**55,091**	**77**	**38,464**	**–**	**93,633**
Subtotal	**5,749,632**	**19,053**	**55,091**	**77**	**38,464**	**222,231**	**6,084,550**
Real estate-related business	**33**	**–**	**307**	**3,696**	**164,339**	**–**	**168,376**
Other	**298,075**	**–**	**16,386**	**6**	**–**	**–**	**314,468**
Total	**19,673,554**	**142,881**	**567,381**	**1,020,901**	**358,066**	**222,231**	**21,985,016**
Other financial assets	**107,443**	**–**	**–**	**–**	**–**	**4**	**107,447**
Credit risk related to items other than assets in the consolidated statement of financial position:							
Loan commitments							
Credit services business	**35,259,119**	**–**	**–**	**–**	**–**	**–**	**35,259,119**
Other loan commitments	**145,257**	**–**	**–**	**–**	**–**	**–**	**145,257**

(Note) Definitions of terms in the table are as follows:
Normal receivables : Non-delinquent receivables
Delinquent receivables (short- to medium-term) : Receivables for which contractual payments are past due more than 30 days but not more than 90 days
Delinquent receivables (long-term) : Receivables for which contractual payments are past due more than 90 days, restructured loans, or other receivables

(Millions of yen)

	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)
Credit risk related to assets in the consolidated statement of financial position:		
Trade and other receivables		
Credit service business	¥ 1,367,205	¥ 1,390,447
Lease business	295,324	283,810
Finance business	489,311	333,343
Real estate-related business	22,731	22,408
Other	33,673	32,337
Subtotal	2,208,247	2,062,348
Other financial assets	11,956	9,656
Allowance for doubtful accounts	(53,577)	(50,204)
Total	2,166,625	2,021,800
Credit risk related to items other than assets in the consolidated statement of financial position:		
Loan commitments		
Credit services	3,900,154	3,922,059
Other loan commitments	58,957	9,542
Total	¥ 3,959,112	¥ 3,931,601

ii) The Group's credit risk exposure related to financial guarantee contracts is as follows:

(Millions of yen)

	FY2018 (As of March 31, 2019)				
	Financial instruments for which financial guarantee liabilities are measured at an amount equal to 12-month expected credit losses	Financial instruments for which financial guarantee liabilities are measured at an amount equal to lifetime expected credit losses		Credit-impaired financial instruments purchased or originated	Total
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Credit-impaired financial instruments at the reporting date		
Customers related to retail loans provided by partner financial institutions	**¥ 263,748**	**¥ 9,059**	**¥ 450**	**¥ –**	**¥ 273,258**
Customers related to loans with pictures pledged as collateral provided by partner financial institutions	**54**	**–**	**–**	**–**	**54**
Customers related to rent guarantee business	**21,566**	**–**	**–**	**–**	**21,566**
Borrowings entered into by GFINSERVICES (S) PTE. LTD.	**1,064**	**–**	**–**	**–**	**1,064**
Customers related to mortgage loans provided by partner financial institutions	**70,313**	**2,578**	**492**	**–**	**73,384**
Customers related to housing loans provided by partner financial institutions	**2,908**	**–**	**–**	**–**	**2,908**
Total	**¥ 359,655**	**¥ 11,637**	**¥ 943**	**¥ –**	**¥ 372,237**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)				
	Financial instruments for which financial guarantee liabilities are measured at an amount equal to 12-month expected credit losses	Financial instruments for which financial guarantee liabilities are measured at an amount equal to lifetime expected credit losses		Credit-impaired financial instruments purchased or originated	Total
		Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets	Credit-impaired financial instruments at the reporting date		
Customers related to retail loans provided by partner financial institutions	**$ 2,375,896**	**$ 81,607**	**$ 4,059**	**$ –**	**$ 2,461,564**
Customers related to loans with pictures pledged as collateral provided by partner financial institutions	**488**	**–**	**–**	**–**	**488**
Customers related to rent guarantee business	**194,275**	**–**	**–**	**–**	**194,275**
Borrowings entered into by GFINSERVICES (S) PTE. LTD.	**9,589**	**–**	**–**	**–**	**9,589**
Customers related to mortgage loans provided by partner financial institutions	**633,398**	**23,227**	**4,440**	**–**	**661,066**
Customers related to housing loans provided by partner financial institutions	**26,202**	**–**	**–**	**–**	**26,202**
Total	**$ 3,239,850**	**$ 104,834**	**$ 8,500**	**$ –**	**$ 3,353,185**

(Millions of yen)

	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)
Customers related to retail loans provided by partner financial institutions	¥ 282,522	¥ 285,716
Customers related to loans with pictures pledged as collateral provided by partner financial institutions	61	68
Customers related to rent guarantee business	3,272	–
Customers related to mortgage loans provided by partner financial institutions	62,042	50,671
Customers related to housing loans provided by partner financial institutions	3,813	5,062
Total	¥ 351,712	¥ 341,518

(j) Carrying amount of non-financial assets obtained by the Group through exercising its right to collateral or other credit enhancements in FY2018

	Millions of yen	Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	
Non-financial assets		
Real estate for sales	**¥ 5,313**	**$ 47,865**
Total	**¥ 5,313**	**$ 47,865**

2) Liquidity risk

(a) Overview of liquidity risk

The Group is exposed to liquidity risk, which represents the risk that it cannot fulfil the repayment obligation when due for interest-bearing debts, such as borrowings, bonds and commercial papers, under certain circumstances. For example, a greater-than-expected change might be seen in financial markets or the Group might not be able to participate in markets due to a downgrade of the Group's credit rating.

(b) Liquidity risk management

The Group manages liquidity risks through ALM to implement timely cash management, diversify financing methods, obtain commitment lines from multiple financial institutions, and balance short-term and long-term borrowings in consideration of market forces.

(c) Maturity analysis for financial liabilities

Operating lease obligations are stated in Note "42. Leases."

The Group could be required to provide guarantees or execute commitments for the maximum exposure amount within one year under financial guarantee contracts and loan commitments. The details of maximum exposure are stated in Note "1) Credit risk management (and impairment loss on financial assets)."

Note that the information as of the IFRS transition date and for FY2017 is presented under Japanese GAAP due to the exemptions under IFRS 1.

Derivatives are stated in the net amount of assets and liabilities.

(Millions of yen)

	FY2018 (As of March 31, 2019)							
	Carrying amount	Total	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative liabilities								
Trade and other payables	**¥ 314,729**	**¥ 314,729**	**¥ 314,729**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**
Bonds and borrowings								
Bonds payable	**413,401**	**425,669**	**30,067**	**76,651**	**66,447**	**56,297**	**56,089**	**140,114**
Borrowings	**1,279,417**	**1,297,352**	**333,593**	**125,626**	**100,584**	**130,262**	**110,519**	**496,766**
Commercial papers	**511,000**	**511,008**	**511,008**	**–**	**–**	**–**	**–**	**–**
Other financial liabilities	**19,507**	**19,507**	**19,193**	**74**	**6**	**45**	**–**	**186**
Derivatives								
Cash flow hedges	**8,933**	**10,150**	**2,050**	**1,797**	**1,559**	**1,388**	**1,099**	**2,255**
Total	**¥ 2,546,989**	**¥ 2,578,417**	**¥ 1,210,641**	**¥ 204,150**	**¥ 168,598**	**¥ 187,994**	**¥ 167,708**	**¥ 639,322**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)							
	Carrying amount	Total	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative liabilities								
Trade and other payables	**$ 2,835,145**	**$ 2,835,145**	**$ 2,835,145**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**
Bonds and borrowings								
Bonds payable	**3,724,005**	**3,834,512**	**270,855**	**690,494**	**598,573**	**507,143**	**505,267**	**1,262,177**
Borrowings	**11,525,241**	**11,686,806**	**3,005,073**	**1,131,666**	**906,080**	**1,173,433**	**995,583**	**4,474,967**
Commercial papers	**4,603,188**	**4,603,261**	**4,603,261**	**–**	**–**	**–**	**–**	**–**
Other financial liabilities	**175,724**	**175,724**	**172,895**	**674**	**62**	**407**	**–**	**1,683**
Derivatives								
Cash flow hedges	**80,476**	**91,441**	**18,468**	**16,196**	**14,051**	**12,509**	**9,900**	**20,315**
Total	**$ 22,943,782**	**$ 23,226,891**	**$ 10,905,700**	**$ 1,839,031**	**$ 1,518,768**	**$ 1,693,494**	**$ 1,510,750**	**$ 5,759,144**

(Millions of yen)

	FY2017 (As of March 31, 2018)							
	Carrying amount	Total	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative liabilities								
Trade and other payables	¥ 299,714	¥ 299,714	¥ 299,714	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds and borrowings								
Bonds payable	340,130	349,714	21,588	31,494	76,294	46,101	55,952	118,282
Borrowings	1,227,349	1,249,086	308,167	90,066	112,223	100,211	125,392	513,025
Commercial papers	389,500	389,500	389,500	–	–	–	–	–
Other financial liabilities	19,919	19,919	19,394	262	54	6	45	155
Derivatives								
Deferred hedging	660	884	253	218	127	106	106	71
Exceptional treatment *(tokurei shori)*	–	9,951	1,692	1,661	1,501	1,287	1,128	2,680
Total	¥ 2,277,274	¥ 2,318,772	¥ 1,040,311	¥ 123,703	¥ 190,202	¥ 147,714	¥ 182,624	¥ 634,215

(Millions of yen)

	IFRS transition date (April 1, 2017)							
	Carrying amount	Total	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative liabilities								
Trade and other payables	¥ 241,308	¥ 241,308	¥ 241,308	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds and borrowings								
Bonds payable	305,000	313,379	51,452	21,333	31,239	46,049	45,869	117,434
Borrowings	1,194,074	1,219,511	325,703	59,784	87,351	110,934	84,927	550,810
Commercial papers	358,000	358,000	358,000	–	–	–	–	–
Other financial liabilities	14,235	14,235	13,700	72	262	–	38	161
Derivatives								
Deferred hedging	936	1,103	287	250	213	119	97	134
Exceptional treatment *(tokurei shori)*	–	10,704	1,618	1,574	1,544	1,385	1,172	3,408
Total	¥ 2,113,554	¥ 2,158,242	¥ 992,071	¥ 83,015	¥ 120,612	¥ 158,488	¥ 132,105	¥ 671,948

(d) Loan commitment (as a lessee)
The Company enters into loan commitment contracts with five banks to finance working capital efficiently.

The unused portion of the loan commitment under these contracts is as follows:

(Millions of yen)

	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)
Total amount of commitments	**¥ 225,000**	¥ 225,000	¥ 225,000
Borrowings made under the commitment	**–**	–	–
Net amount	**¥ 225,000**	¥ 225,000	¥ 225,000

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)
Total amount of commitments	**$ 2,026,844**
Borrowings made under the commitment	**–**
Net amount	**$ 2,026,844**

3) Market risks
(a) Overview of market risks
(i) Interest rate risk
While considering market forces and the balance of short-term and long-term borrowings, the Group utilizes both indirect financing through bank borrowings and direct financing through the issuance of bonds and commercial papers as well as securitization of receivables to operate businesses in each segment. The Group also has financial assets that accrue interest income, including revolving payment receivables, receivables from credit card cash advance, and finance-related receivables.

As the Group is significantly affected by interest rate fluctuations, the Group mitigates interest rate risks by promoting the use of ALM, which is the practice of managing assets and liabilities in a comprehensive manner. For the same purpose, the Group also enters into derivative transactions, such as interest rate swaps.

(ii) Price fluctuation risks
The Group’s (operational) investment securities mainly consist of stocks, investment trusts, and investments in partnerships, which are held for the purpose of pure investment and business promotion. The investments are exposed to fluctuation risks in stock prices and issuers’ creditworthiness.

(b) Market risk management
(i) Interest rate risks
The Group manages interest rate fluctuation risks through ALM. Methods and procedures for risk management are stated under internal rules for ALM. Based on the policy determined by the ALM Committee, the Board of Directors understands the implementation status and discusses matters to be addressed. The Treasury & Accounting department regularly reviews the overall status of interest rates and terms of financial assets and liabilities, and monitors them through sensitivity (gap) analysis and other measures. Through ALM, the Group also enters into derivative transactions for interest rate swaps to hedge interest rate fluctuation risks.

(ii) Price fluctuation risks
Based on the ALM policy, the Group mitigates price fluctuation risks of financial assets held for pure investment purpose by implementing preliminary investigations, setting a cap on investment amounts, and also implementing ongoing monitoring for potential investments. Additionally, stocks held for the purpose of promoting business through business or capital alliances are monitored by relevant departments of the Group for issuers' market environments, financial conditions, and other risk factors.

Relevant departments are responsible for regularly reporting to the ALM Committee and other management.

(c) Status of market risks
(i) Interest rate risk
Financial instruments affected by interest rate risks, the main risk variable of the Group, mainly consist of accounts receivable – installment, borrowings, bonds, long-term loans payable under securitized receivables, and interest rate swap transactions.

Quantitative analysis for the management of interest rate fluctuation risks for such financial assets and liabilities are conducted by reasonably estimating changes in interest rates over the next year or so after the end of the reporting period and the effect on profit or loss for the year due to the change. To determine the effect on profit or loss, the Group classifies financial assets and liabilities into those with fixed interest rates and those with floating interest rates, and takes the difference between floating rate assets and floating rate liabilities to calculate an interest rate gap.

Assuming that all risk variables other than interest rates remain constant, when the benchmark interest rate as of March 31, 2019, rises by one basis point (0.01%), profit before tax for the fiscal year ended March 31, 2019, will decrease by ¥23 million (¥27 million for the fiscal year ended March 31, 2018), and conversely, when the benchmark interest rate falls by one basis point (0.01%), profit before tax for the fiscal year ended March 31, 2019, will increase by ¥23 million (¥ 27 million for the fiscal year ended March 31, 2018). The effect assumes that risk variables other than interest rates remain constant and that there are no correlations between interest rates and other risk variables. When actual interest rates go beyond the reasonably estimated range, it could have a greater impact on profit or loss compared to the estimated amount.

(ii) Price fluctuation risks
Marketable equity instruments held by the Group are exposed to price (stock price) fluctuation risk.

When stock prices of marketable equity instruments as of March 31, 2019, rise by 1%, accumulated other comprehensive income (net of tax) increases by ¥698 million (U.S. $6,346 thousand) for the fiscal year ended March 31, 2019 (¥842 million for the fiscal year ended March 31, 2018). Conversely, when stock prices of marketable equity instruments fall by 1%, accumulated other comprehensive income (net of tax) decreases by ¥698 million (U.S. $6,346 thousand) for the fiscal year ended March 31, 2019 (¥842 million for the fiscal year ended March 31, 2018). The effect assumes that risk variables other than stock prices remain constant and that there are no correlations between stock prices and other risk variables. When actual stock prices go beyond the reasonably estimated range, it could have a greater impact on profit or loss compared to the estimated amount.

Note that the information as of the IFRS transition date and for FY2017 is presented under Japanese GAAP due to the exemptions under IFRS 1.

(5) Derivatives and hedge accounting
Note that the information as of the IFRS transition date and for FY2017 is presented under Japanese GAAP due to the exemptions under IFRS 1.
[Interest rate-related transactions]

(Millions of yen)

FY2017 (As of March 31, 2018)					
Hedge accounting	Type	Major hedged items	Contract amount	Contract amount over one year	Market value
Deferred hedging	Interest rate swap Floating-rate receipt/fixed-rate payment	Long-term loans payable and bonds	¥ 63,500	¥ 51,500	¥ (660)
	Bond forward contract (sell)	Investment trust	741	741	(4)
Exceptional treatment *(tokurei shori)* for interest rate swaps	Interest rate swap				
	Floating-rate receipt/fixed-rate payment	Long-term loans payable and bonds	373,890	370,590	(6,077)
	Fixed-rate receipt/floating-rate payment	Long-term loans payable	5,000	–	14
	Total		¥ 443,131	¥ 422,831	¥ (6,728)

(Millions of yen)

IFRS transition date (April 1, 2017)					
Hedge accounting	Type	Major hedged items	Contract amount	Contract amount over one year	Market value
Deferred hedging	Interest rate swap Floating-rate receipt/fixed-rate payment	Long-term loans payable and bonds	¥ 55,500	¥ 53,500	¥ (936)
	Bond forward contract (sell)	Investment trust	174	174	(1)
Exceptional treatment *(tokurei shori)* for interest rate swaps	Interest rate swap Floating-rate receipt/fixed-rate payment	Long-term loans payable and bonds	366,080	340,590	(6,837)
	Fixed-rate receipt/floating-rate payment	Long-term loans payable	5,000	5,000	46
	Total		¥ 426,754	¥ 399,264	¥ (7,729)

Market value of derivatives is determined based on price and other data provided by financial institutions that enter into derivative contracts with the Group.

[Currency-related transactions]

(Millions of yen)

FY2017 (As of March 31, 2018)					
Hedge accounting	Type	Major hedged items	Contract amount	Contract amount over one year	Market value
Designated hedge accounting treatment *(furiate shori)* for forward exchange contracts	Forward exchange contracts Sell U.S. dollars	Short-term loans receivable	¥ 2,167	¥ –	¥ 7
	Total		¥ 2,167	¥ –	¥ 7

Market value of derivatives is determined based on price and other data provided by financial institutions that enter into derivative contracts with the Group.

1) Risk management policies

The Group uses derivatives to hedge interest rate risks and other risks. Derivative transactions entered into by the Group are limited to those backed by actual demand, and no derivative transactions are entered into for speculative purposes. When a natural hedge is unavailable against market risks, the Group designates derivative transactions as hedges based on risk management policies and applies hedge accounting.

Relevant departments are responsible for executing derivative transactions in accordance with procedures specified in internal control regulations stipulated by the Board of Directors, and the total transaction limit and the range of the hedge ratios are authorized by the Board of Directors in advance. The status of major derivative transactions is reported to the Board of Directors on a quarterly basis.

Subsidiaries enter into derivative transactions in accordance with control regulations stipulated by each subsidiary. Subsidiaries are required to report to the Company on a quarterly basis regarding the hedging relationships between derivatives and corresponding receivables/payables, counterparties, transaction amounts, remaining periods, and the fair values of transactions.

The Group only applies cash flow hedges for hedge accounting.

Cash flow hedges

The Group applies cash flow hedges by entering into interest rate swap contracts with floating-rate receipt/fixed-rate payment to avoid risks arising from changes in future cash flows of bonds and borrowings with floating rates.

The hedge ratio is 1:1 since the Group uses the interest rate swap as a hedging instrument in a cash flow hedge to hedge borrowings (hedged item) by the same amount.

2) Nominal amount of major derivative contracts subject to hedge designation

(Millions of yen)

	FY2018 (As of March 31, 2019)					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Interest rate swaps						
Nominal amount of hedging instrument	**¥ 25,800**	**¥ 53,800**	**¥ 33,900**	**¥ 54,370**	**¥ 51,300**	**¥ 240,920**
Average rate	**0.64%**	**0.73%**	**0.44%**	**0.40%**	**0.48%**	**0.43%**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Interest rate swaps						
Nominal amount of hedging instrument	**$ 232,411**	**$ 484,641**	**$ 305,377**	**$ 489,775**	**$ 462,120**	**$ 2,170,254**
Average rate	**0.64%**	**0.73%**	**0.44%**	**0.40%**	**0.48%**	**0.43%**

Hedge ineffectiveness arises since terms of the hedged items and hedging instruments do not always match perfectly (e.g., difference in interest payment dates).

3) Hedging instruments

(Millions of yen)

	FY2018 (As of March 31, 2019)					
	Notional amount of hedging instruments	Carrying amount of hedging instruments		Line item including hedging instruments on the consolidated statement of financial position	Changes in fair value of hedging instruments used to calculate the ineffective portion of hedge	
		Assets	Liabilities		Assets	Liabilities
Cash flow hedges						
Interest rate fluctuation risk						
Interest rate swaps	**¥ 460,090**	**¥ 0**	**¥ 8,934**	**Other financial assets or other financial liabilities**	**¥ 0**	**¥ 8,934**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)					
	Notional amount of hedging instruments	Carrying amount of hedging instruments		Line item including hedging instruments on the consolidated statement of financial position	Changes in fair value of hedging instruments used to calculate the ineffective portion of hedge	
		Assets	Liabilities		Assets	Liabilities
Cash flow hedges						
Interest rate fluctuation risk						
Interest rate swaps	**$ 4,144,581**	**$ 4**	**$ 80,481**	**Other financial assets or other financial liabilities**	**$ 4**	**$ 80,481**

4) Hedged items

(Millions of yen)

	FY2018 (As of March 31, 2019)		
	Changes in fair value of hedged items used to calculate the ineffective portion of hedge	Balance of the effective portion of cash flow hedges (for continuing hedge that is accounted for in accordance with IFRS 9 (2014).6.5.11)	Balances remaining in the effective portion of the cash flow hedge arising from any hedging relationships for which the hedge accounting is no longer applied
Cash flow hedges			
Interest rate fluctuation risk			
Bonds and borrowings	**¥ 9,028**	**¥ 8,933**	**¥ –**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)		
	Changes in fair value of hedged items used to calculate the ineffective portion of hedge	Balance of the effective portion of cash flow hedges (for continuing hedge that is accounted for in accordance with IFRS 9 (2014).6.5.11)	Balances remaining in the effective portion of the cash flow hedge arising from any hedging relationships for which the hedge accounting is no longer applied
Cash flow hedges			
Interest rate fluctuation risk			
Bonds and borrowings	**$ 81,330**	**$ 80,476**	**$ –**

5) Effect on the consolidated statement of income and the consolidated statement of comprehensive income as a result of applying hedge accounting

(Millions of yen)

	FY2018 (As of March 31, 2019)					
	Changes in value of hedging instruments recognized in other comprehensive income	Ineffective portion recognized in profit or loss	Line item in profit or loss (including ineffective portion of hedge)	Amount reclassified from net change in fair value of cash flow hedges to profit or loss: Amounts for which hedge accounting had previously been used, but the hedged future cash flows are no longer expected to occur	Amount reclassified from net change in fair value of cash flow hedges to profit or loss: Amounts that have been reclassified because the hedged item has affected profit or loss	Line item for which profit or loss was affected upon reclassification
Cash flow hedges						
Interest rate fluctuation risk						
Bonds and borrowings	**¥ (4,246)**	**¥ –**	**¥ –**	**¥ –**	**¥ 2,025**	**Finance costs**

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)					
	Changes in value of hedging instruments recognized in other comprehensive income	Ineffective portion recognized in profit or loss	Line item in profit or loss (including ineffective portion of hedge)	Amount reclassified from net change in fair value of cash flow hedges to profit or loss: Amounts for which hedge accounting had previously been used, but the hedged future cash flows are no longer expected to occur	Amount reclassified from net change in fair value of cash flow hedges to profit or loss: Amounts that have been reclassified because the hedged item has affected profit or loss	Line item for which profit or loss was affected upon reclassification
Cash flow hedges						
Interest rate fluctuation risk						
Bonds and borrowings	**$ (38,251)**	**$ –**	**$ –**	**$ –**	**$ 18,247**	**Finance costs**

6) Changes in amounts recognized in other comprehensive income

	Millions of yen	Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	
	Interest rate fluctuation risk	
Beginning of the year	**¥ (6,713)**	**$ (60,472)**
Amount occurring during the period	**(4,246)**	**(38,251)**
Amount reclassified to profit or loss	**2,025**	**18,247**
End of the year	**(8,933)**	**(80,476)**

40. CAPITAL MANAGEMENT

The basic policy for capital management of the Group is to ensure financial soundness by maintaining an appropriate equity level and a debt/equity structure that is commensurate with operating risks.

The Group monitors the ratio of equity attributable to owners of parent to total assets as a key metric for capital management purposes. The ratios of equity attributable to owners of parent to total assets as of March 31, 2019, March 31, 2018, and the IFRS transition date are 15.28%, 16.59%, and 16.56%, respectively.

The Group is not subject to any significant capital restrictions.

41. CURRENT AND NON-CURRENT CLASSIFICATIONS

The classification of current and non-current assets and liabilities to be collected or settled is as follows:

(Millions of yen)

	FY2018 (As of March 31, 2019)		
	Within one year	Over one year	Total
Assets			
Cash and cash equivalents	¥ 82,642	¥ –	¥ 82,642
Trade and other receivables	1,251,738	1,141,458	2,393,197
Inventories	2,628	148,757	151,385
Operational investment securities	–	39,973	39,973
Investment securities	–	91,553	91,553
Other financial assets	5,568	6,347	11,916
Property, plant and equipment	–	29,341	29,341
Intangible assets	–	219,972	219,972
Investment property	–	56,683	56,683
Investments accounted for using equity method	–	92,752	92,752
Deferred tax assets	–	32,148	32,148
Other assets	9,781	1,116	10,897
Total assets	1,352,360	1,860,105	3,212,465
Liabilities			
Trade and other payables	314,729	–	314,729
Financial guarantee liabilities	8,305	–	8,305
Bonds and borrowings	873,170	1,330,648	2,203,818
Other financial liabilities	17,737	10,703	28,441
Income taxes payable	3,120	–	3,120
Provision for point card certificates	11,697	93,266	104,963
Provision for loss on interest repayments	5,937	11,824	17,762
Other provisions	541	988	1,530
Deferred tax liabilities	–	1,025	1,025
Other liabilities	35,866	1,159	37,026
Total liabilities	¥ 1,271,106	¥ 1,449,617	¥ 2,720,724

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)		
	Within one year	Over one year	Total
Assets			
Cash and cash equivalents	$ 744,460	$ –	$ 744,460
Trade and other receivables	11,275,912	10,282,480	21,558,392
Inventories	23,677	1,340,032	1,363,710
Operational investment securities	–	360,087	360,087
Investment securities	–	824,734	824,734
Other financial assets	50,166	57,178	107,344
Property, plant and equipment	–	264,317	264,317
Intangible assets	–	1,981,559	1,981,559
Investment property	–	510,613	510,613
Investments accounted for using equity method	–	835,536	835,536
Deferred tax assets	–	289,603	289,603
Other assets	88,112	10,055	98,167
Total assets	12,182,329	16,756,198	28,938,527
Liabilities			
Trade and other payables	2,835,145	–	2,835,145
Financial guarantee liabilities	74,820	–	74,820
Bonds and borrowings	7,865,688	11,986,748	19,852,436
Other financial liabilities	159,785	96,420	256,205
Income taxes payable	28,107	–	28,107
Provision for point card certificates	105,369	840,158	945,527
Provision for loss on interest repayments	53,488	106,520	160,008
Other provisions	4,880	8,909	13,789
Deferred tax liabilities	–	9,233	9,233
Other liabilities	323,096	10,448	333,544
Total liabilities	$ 11,450,382	$ 13,058,438	$ 24,508,820

(Millions of yen)

	FY2017 (As of March 31, 2018)		
	Within one year	Over one year	Total
Assets			
Cash and cash equivalents	¥ 73,179	¥ –	¥ 73,179
Trade and other receivables	1,204,094	950,583	2,154,678
Inventories	5,786	131,699	137,486
Operational investment securities	–	35,957	35,957
Investment securities	–	100,179	100,179
Other financial assets	6,023	5,923	11,947
Property, plant and equipment	–	30,221	30,221
Intangible assets	–	220,609	220,609
Investment property	–	49,970	49,970
Investments accounted for using equity method	–	88,518	88,518
Deferred tax assets	–	30,679	30,679
Other assets	10,549	3,000	13,549
Total assets	1,299,634	1,647,344	2,946,978
Liabilities			
Trade and other payables	299,714	–	299,714
Financial guarantee liabilities	7,396	–	7,396
Bonds and borrowings	713,285	1,243,693	1,956,979
Other financial liabilities	17,940	2,658	20,599
Income taxes payable	5,044	–	5,044
Provision for point card certificates	11,764	89,555	101,319
Provision for loss on interest repayments	9,165	13,949	23,114
Other provisions	7	1,140	1,147
Deferred tax liabilities	–	1,013	1,013
Other liabilities	38,252	1,549	39,801
Total liabilities	¥ 1,102,570	¥ 1,353,559	¥ 2,456,129

(Millions of yen)

	IFRS transition date (April 1, 2017)		
	Within one year	Over one year	Total
Assets			
Cash and cash equivalents	¥ 65,465	¥ –	¥ 65,465
Trade and other receivables	1,255,519	756,633	2,012,153
Inventories	4,916	128,264	133,180
Operational investment securities	–	32,878	32,878
Investment securities	–	85,787	85,787
Other financial assets	3,752	5,894	9,646
Property, plant and equipment	–	30,798	30,798
Intangible assets	–	204,463	204,463
Investment property	–	42,768	42,768
Investments accounted for using equity method	–	81,936	81,936
Deferred tax assets	–	38,446	38,446
Other assets	5,837	2,439	8,277
Total assets	1,335,491	1,410,312	2,745,804
Liabilities			
Trade and other payables	241,308	–	241,308
Financial guarantee liabilities	6,465	–	6,465
Bonds and borrowings	728,035	1,129,039	1,857,074
Other financial liabilities	11,265	3,905	15,171
Income taxes payable	9,544	–	9,544
Provision for point card certificates	11,482	82,551	94,033
Provision for loss on interest repayments	9,383	21,184	30,567
Other provisions	25	896	922
Deferred tax liabilities	–	814	814
Other liabilities	32,600	413	33,013
Total liabilities	¥ 1,050,111	¥ 1,238,805	¥ 2,288,917

42. LEASES

(1) Lessee

1) Finance lease

The Group mainly leases equipment, such as servers, and software used in the Credit service business under finance leases.

The following is the breakdown of the future minimum lease payments by year of payment under finance leases and components of present value.

(Millions of yen)

	FY2018 (As of March 31, 2019)		FY2017 (As of March 31, 2018)		IFRS transition date (April 1, 2017)	
	Future minimum lease payments	Present value	Future minimum lease payments	Present value	Future minimum lease payments	Present value
Due within one year	**¥ 486**	**¥ 457**	¥ 466	¥ 435	¥ 520	¥ 488
Due after one year through five years	**1,175**	**1,111**	1,295	1,225	1,116	1,052
Due after five years	**16**	**15**	22	20	90	84
Total	**1,679**	**1,584**	1,784	1,681	1,727	1,625
Less: Amount equivalent to interest	**(94)**		(103)		(101)	
Finance lease obligations (present value of future minimum lease payments)	**1,584**		1,681		1,625	

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)	
	Future minimum lease payments	Present value
Due within one year	**$ 4,385**	**$ 4,122**
Due after one year through five years	**10,591**	**10,013**
Due after five years	**149**	**135**
Total	**15,126**	**14,271**
Less: Amount equivalent to interest	**(855)**	
Finance lease obligations (present value of future minimum lease payments)	**14,271**	

2) Operating lease

The Group leases real estate as well as equipment and others under operating leases.

The following is the breakdown of the future minimum lease payments by year of payment under non-cancellable operating leases.

	Millions of yen			Thousands of U.S. dollars
	Future minimum lease payments			
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Due within one year	**¥ 233**	¥ 71	¥ 74	**$ 2,099**
Due after one year through five years	**707**	258	263	**6,370**
Due after five years	**1,586**	146	206	**14,292**
Total	**¥ 2,526**	¥ 477	¥ 544	**$ 22,763**

Lease payments under operating leases for FY2018 and FY2017 were ¥189 million (U.S. $1,705 thousand) and ¥85 million, respectively.

(2) Lessor

1) Finance lease

The Group rents office automation (OA) equipment, cooking equipment, air-conditioning equipment, and others.

The following is the breakdown of the future minimum lease payments by year of payment under finance leases and components of present value.

(Millions of yen)

	FY2018 (As of March 31, 2019)		FY2017 (As of March 31, 2018)		IFRS transition date (April 1, 2017)	
	Future minimum lease payments to be received	Present value	Future minimum lease payments to be received	Present value	Future minimum lease payments to be received	Present value
Due within one year	**¥ 70,653**	**¥ 61,615**	¥ 68,396	¥ 59,163	¥ 67,828	¥ 58,252
Due after one year through five years	**179,784**	**165,866**	173,897	159,690	171,601	156,729
Due after five years	**13,971**	**13,609**	13,229	12,882	13,124	12,778
Total	**264,409**	**241,091**	255,524	231,736	252,555	227,760
Less: Unearned finance income	**(23,318)**		(23,788)		(24,794)	
Present value of total future minimum lease payments to be received	**241,091**		231,736		227,760	

(Thousands of U.S. dollars)

	FY2018 (As of March 31, 2019)	
	Future minimum lease payments to be received	Present value
Due within one year	**$ 636,460**	**$ 555,046**
Due after one year through five years	**1,619,532**	**1,494,155**
Due after five years	**125,860**	**122,595**
Total	**2,381,852**	**2,171,797**
Less: Unearned finance income	**(210,055)**	
Present value of total future minimum lease payments to be received	**2,171,797**	

Allowance for doubtful accounts on the uncollectible amount of total minimum lease payments to be received as of the IFRS transition date, March 31, 2018, and March 31, 2019, were ¥7,039 million, ¥6,971 million, and ¥5,492 million (U.S. $49,475 thousand), respectively.

2) Operating lease

The following is the breakdown of the future minimum lease to be received by year of payment under non-cancellable operating leases.

	Millions of yen			Thousands of U.S. dollars
	Future minimum lease payments to be received			
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Due within one year	**¥ 1,821**	¥ 1,890	¥ 1,238	**$ 16,412**
Due after one year through five years	**2,183**	2,194	3,055	**19,673**
Due after five years	**2,416**	–	2,111	**21,770**
Total	**¥ 6,422**	¥ 4,084	¥ 6,404	**$ 57,856**

43. RELATED PARTIES

(1) Related party transactions

Related party transactions are as follows:

FY2018 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

Type of related party	Name	Transaction	Transaction amount	Account name	Outstanding balance	Allowance for doubtful accounts on the outstanding balance
Associate	**Seven CS Card Service Co., Ltd.**	**Settlement with affiliated stores and collection of accounts receivable – installment (Note)**	**¥ 726,690**	**Trade and other receivables**	**¥ 43,186**	**¥ 0**
Associate	**UC Card Co., Ltd.**	**Settlement with affiliated stores and collection of accounts receivable – installment (Note)**	**1,203,390**	**Trade and other payables**	**72,253**	**–**
				Other assets	**6,444**	**0**

(Thousands of U.S. dollars)

Type of related party	Name	Transaction	Transaction amount	Account name	Outstanding balance	Allowance for doubtful accounts on the outstanding balance
Associate	**Seven CS Card Service Co., Ltd.**	**Settlement with affiliated stores and collection of accounts receivable – installment (Note)**	**$ 6,546,170**	**Trade and other receivables**	**$ 389,029**	**$ 3**
Associate	**UC Card Co., Ltd.**	**Settlement with affiliated stores and collection of accounts receivable – installment (Note)**	**10,840,381**	**Trade and other payables**	**650,870**	**–**
				Other assets	**58,054**	**0**

(Note) Fees for settlement with affiliated stores and collection of accounts receivable – installment are determined based on quoted market prices and other factors.

FY2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

Type of related party	Name	Transaction	Transaction amount	Account name	Outstanding balance	Allowance for doubtful accounts on the outstanding balance
Associate	Seven CS Card Service Co., Ltd.	Settlement with affiliated stores and collection of accounts receivable – installment (Note)	¥ 728,370	Trade and other receivables	¥ 42,931	¥ 0
Associate	UC Card Co., Ltd.	Settlement with affiliated stores and collection of accounts receivable – installment (Note)	1,193,544	Trade and other payables	75,018	–
				Other assets	5,771	0

(Note) Fees for settlement with affiliated stores and collection of accounts receivable – installment are determined based on prices prevailing in the market and other factors.

(2) Compensation for management personnel

The remuneration for key management personnel is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2018 (From April 1, 2018 to March 31, 2019)	FY2017 (From April 1, 2017 to March 31, 2018)	FY2018 (From April 1, 2018 to March 31, 2019)
Remuneration for key management personnel	**¥ 521**	¥ 588	**$ 4,699**

44. COMMITMENTS

The commitments of expenditure after the reporting date are as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Contractual commitments for acquisition of intangible assets	**¥ –**	¥ 4,314	¥ 23,746	**$ –**

The Company and some of its consolidated subsidiaries provide cash advance and card loan services that accompany their credit card operations in the Credit card business. The amount of undrawn loans equivalent to loan commitments in the line of credit facility for the operations as well as for subsidiaries and associates is as follows:

	Millions of yen			Thousands of U.S. dollars
	FY2018 (As of March 31, 2019)	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)	FY2018 (As of March 31, 2019)
Total loan commitments	**¥ 4,153,470**	¥ 4,184,250	¥ 4,163,238	**$ 37,415,279**
Balance of loans taken out	**223,230**	225,138	231,636	**2,010,902**
Net loan commitments	**3,930,239**	3,959,112	3,931,601	**35,404,376**

Regarding the contracts equivalent to loan commitments above, the majority are for cash advance services that accompany credit card services furnished to the Company's cardholders, and thus, not all the loan commitments will be taken out.

45. CONTINGENCIES

Debt guarantee

For debt guarantee, please refer to Note "39. Financial Instruments, (4) Financial risk management, 1) Credit risk management (and impairment loss on financial assets), (i) Analysis of concentration of credit risk."

46. INVOLVEMENT WITH SUBSIDIARIES

(1) Composition of the Group

Name	Address	Capital stock (Millions of yen)	Description of major businesses	Percentage of voting rights held by the Company (%)	Relationship with the Company
(Consolidated subsidiaries)					
Saison Fundex Corporation	Toshima-ku, Tokyo	¥ 4,500	Credit service business and finance business	100.0 (–)	The Company provides credit card settlement agency services and lending services through the Company's automated teller machines (ATM) on behalf of this subsidiary. It also has extended loans to this subsidiary. Concurrent positions/offices held by directors: Yes
Concerto Inc.	Toshima-ku, Tokyo	2,216	Real estate-related business and entertainment business	100.0 (–)	The Company leases office equipment to this subsidiary and rents office buildings from this subsidiary. The Company also makes advance payments for this subsidiary based on the card membership agreement. Concurrent positions/offices held by directors: No
JPN COLLECTION SERVICE CO., LTD.	Asaka-shi, Saitama	1,053	Credit service business	100.0 (100.0)	The Company outsources part of its debt collection activities to this subsidiary. The Company also rents office equipment to this subsidiary. Concurrent positions/offices held by directors: No
Atrium Servicing Co., Ltd.	Chiyoda-ku, Tokyo	500	Real estate-related business	100.0 (100.0)	–

Name	Address	Capital stock (Millions of yen)	Description of major businesses	Percentage of voting rights held by the Company (%)	Relationship with the Company
Qubitous Co., Ltd.	Shinjuku-ku, Tokyo	100	Credit service business	51.0 (–)	The Company outsources card service operations to this subsidiary. It also has extended loans to this subsidiary. Concurrent positions/offices held by directors: Yes
Worknet Co., Ltd.	Toshima-ku, Tokyo	100	Credit service business	100.0 (100.0)	–
Saison Personalplus Co., Ltd.	Toshima-ku, Tokyo	82	Credit service business	100.0 (–)	The Company receives personnel placement services from this subsidiary. Concurrent positions/offices held by directors: No
Atrium Co., Ltd.	Chiyoda-ku, Tokyo	50	Real estate-related business	100.0 (–)	This subsidiary provides guarantee for the Company's real estate mortgage loan customers. The Company also rents office equipment and has extended loans to this subsidiary. Concurrent positions/offices held by directors: Yes
Hayabusa Trust Co., Ltd.	Chiyoda-ku, Tokyo	10	Real estate-related business	100.0 (100.0)	–
Silent Partnership operated by Ell Blue LLC	Minato-ku, Tokyo	0	Real estate-related business	– (100.0)	–
PT. Saison Modern Finance	Jakarta, Indonesia	IDR 166.6 billion	Credit service business	82.0 (–)	Concurrent positions/offices held by directors: No
Phoenix One Co., Ltd.	Chiyoda-ku, Tokyo	1	Real estate-related business	100.0 (100.0)	–
JBM Consultant Co., Ltd.	Osaka-shi, Osaka	10	Credit service business	100.0 (100.0)	–
18 other consolidated subsidiaries					
(Companies accounted for using equity method)					
Idemitsu Credit Co., Ltd.	Sumida-ku, Tokyo	1,950	Credit service business	50.0 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: Yes
Saison Information Systems, Co., Ltd. (Note 3)	Minato-ku, Tokyo	1,367	Credit service business	46.8 (–)	The Company outsources its system development and information processing to this company. Concurrent positions/offices held by directors: No
Resona Card Co., Ltd.	Koto-ku, Tokyo	1,000	Credit service business	22.4 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: No
Eplus Inc.	Shibuya-ku, Tokyo	972	Entertainment business	50.0 (–)	The Company makes advance payments for this company based on the card membership agreement. Concurrent positions/offices held by directors: Yes
UC Card Co., Ltd.	Minato-ku, Tokyo	500	Credit service business	31.0 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: Yes

Name	Address	Capital stock (Millions of yen)	Description of major businesses	Percentage of voting rights held by the Company (%)	Relationship with the Company
Seven CS Card Service Co., Ltd.	Chiyoda-ku, Tokyo	100	Credit service business	49.0 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: Yes
Takashimaya Credit Co., Ltd.	Chuo-ku, Tokyo	100	Credit service business	33.4 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: Yes
Daiwa House Financial Co., Ltd.	Osaka-shi, Osaka	100	Credit service business	30.0 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: Yes
Shizugin Saison Card Co., Ltd.	Shizuoka-shi, Shizuoka	50	Credit service business	50.0 (–)	This company outsources card services to the Company. Concurrent positions/offices held by directors: Yes
HD SAISON Finance Company Limited	Ho Chi Minh City, Vietnam	VND 1,400.0 billion	Credit service business	49.0 (–)	Concurrent positions/offices held by directors: Yes
21 other companies accounted for using equity method					

(Notes) 1. The names of the businesses in the "Description of major businesses" column represents the names of the reportable segments described in Note "7. Operating Segments."
2. Figures in brackets in the "Percentage of voting rights owned by the Company" column represent the percentage of voting rights indirectly held by the Company.
3. This company files a Securities Report.
4. There is no company that falls under a specified subsidiary.

(2) Execution of the basic agreement for positive termination of the comprehensive business alliance with Mizuho Bank

The Company and Mizuho Bank, Ltd. ("Mizuho Bank") reached a basic agreement to specifically discuss positive termination of the comprehensive business alliance agreement implemented under the Basic Agreement for Comprehensive Business Alliance executed by and among Mizuho Bank, UC CARD Co., Ltd. ("UC CARD"), Qubitous Co., Ltd. ("Qubitous"), and the Company on December 24, 2004 (as amended). The Company resolved at the meeting of the Board of Directors held on February 22, 2019, to execute the basic agreement for such termination and executed the basic agreement on the same day.

(a) Succession of business due to a company split

Under the basic agreement, the Company and Mizuho Bank have agreed to specifically discuss a possible company split (the "Company Split"), under which the joint processing company, Qubitous, will be the split company and UC CARD will be the succeeding company.

1) Purpose of the Company Split

Amid the significant changes in recent years in the business environment surrounding the credit card industry, such as expansion of business opportunities supported by the development of cashless systems, the importance of achieving the business goals of companies with more flexible strategies has been increasing.

The Company and Mizuho Bank will conduct the Company Split to transform their relationship so that both companies can individually promote their own business growth with more flexible strategies of their own, utilizing the valuable experience gained through their cooperation in past years.

2) Names, description of businesses, and size of businesses of the split company and the succeeding company under the Company Split (as of March 31, 2019)

	Split company	Succeeding company
Name	Qubitous Co., Ltd.	UC Card Co., Ltd.
Description of business	Outsourced credit card processing services	Credit card business
Capital stock	100 million yen	500 million yen
Net assets	100 million yen	65.7 billion yen
Total assets	67.7 billion yen	358.6 billion yen

(Note) The figures above are based on Japanese GAAP.

3) Description of business subject to the Company Split

Business related to Qubitous's UC CARD business, consisting of the business related to the Company and business related to UC CARD

4) Method of the Company Split

An absorption-type split under which Qubitous will be the split company and UC CARD will be the succeeding company

5) Timing of the Company Split

Execution of the agreement for the Company Split:	July 2019 (scheduled)
Effective date of the Company Split:	October 1, 2019 (scheduled)

(b) Transfer of shares

In connection with the execution of the basic agreement, the Company established the basic principles to transfer the shares of UC CARD, a company accounted for using equity method, at the meeting of the Board of Directors held on February 22, 2019. If the Company executes the final agreement for the share transfer and conducts such share transfer, there will be minor impact of such share transfer on the consolidated business results for the fiscal year ending March 31, 2020. On the other hand, approximately ¥18.8 billion of gain on sales of shares of subsidiaries and associates will be recognized in the Company's stand-alone financial closing (based on Japanese GAAP) for the fiscal year ending March 31, 2020.

47. SUBSEQUENT EVENT

Resolution of purchase of treasury shares

The Company resolved at the meeting of the Board of Directors held on June 7, 2019, to purchase treasury shares pursuant to the provisions of Article 156 of the Companies Act applied mutatis mutandis pursuant to the provisions of Article 165, Paragraph 3 of the same Act.

(1) Reasons for purchase of treasury shares

Comprehensively taking into account the Company's financial situation and stock prices, the Company has decided to purchase treasury shares in order to improve capital efficiency and to execute flexible capital policies.

(2) Details of purchase

1) Class of shares to be purchased	Common stock of the Company
2) Total number of shares to be purchased	11,000,000 shares (the upper limit) (6.7% of the total number of issued shares (excluding treasury shares))
3) Total amount of purchase value of shares	¥10,000,000,000 (U.S. $90,081,974) (the upper limit)
4) Purchase period	From June 10, 2019 to March 31, 2020
5) Purchase method	Market purchase on the Tokyo Stock Exchange

Reference: Holding status of treasury shares as of May 31, 2019 (consolidated)

Number of issued shares (Excluding treasury shares)	163,332,031 shares
Number of treasury shares	22,112,741 shares

Reference: Holding status of treasury shares as of May 31, 2019 (non-consolidated)

Number of issued shares (Excluding treasury shares)	163,410,501 shares
Number of treasury shares	22,034,271 shares

48. FIRST-TIME ADOPTION

The Group has presented consolidated financial statements prepared in accordance with IFRS from the fiscal year ended March 31, 2019. The latest consolidated financial statements under Japanese GAAP were prepared as of and for the fiscal year ended March 31, 2018, and the transition date to IFRS was April 1, 2017.

(1) Exemption under IFRS 1

An entity adopting IFRS for the first time ("first-time adopter") is required to apply IFRS on a retroactive basis; however, IFRS 1 provides mandatory exceptions prohibiting retrospective application of certain standards and optional exemptions allowing a first-time adopter to select not to apply certain standards retrospectively. Impacts from the application of these exemptions and exemptions are adjusted to retained earnings, or other components of equity at the date of transition to IFRS.

The exceptions and exemptions that the Group adopted for the transition from Japanese GAAP to IFRS are as follows:

(a) Business combinations

A first-time adopter may elect not to apply IFRS 3, "Business Combinations" ("IFRS 3"), retroactively to the business combinations that occurred before the date of transition to IFRS. The Group elected to apply this exemption and not to apply IFRS 3 retrospectively to the business combinations that occurred before the IFRS transition date (April 1, 2017). Accordingly, goodwill that was generated from business combinations before the IFRS transition date was recorded at the carrying amount under Japanese GAAP at the IFRS transition date.

Goodwill is tested for impairment at the transition date, regardless of whether there is an indication of impairment.

(b) Leases

IFRS 1 allows a first-time adopter to assess whether a contract contains a lease at the date of transition to IFRS. The Group applied this exemption and assessed whether contracts contain a lease on the basis of facts and circumstances existing at the transition date.

(c) Translation differences for foreign operations
IFRS 1 permits a first-time adopter to elect to deem the cumulative translation differences for foreign operations to be zero at the IFRS transition date. The Group elected to deem all cumulative translation differences of foreign operations to be zero at the IFRS transition date.

(d) Financial Instruments
If a first-time adopter's first IFRS reporting period begins before January 1, 2019, and it applies IFRS 9, it may apply the previous accounting standards for items within the scope of IFRS 9 at the IFRS transition date and for comparative information without restating such information in accordance with IFRS 7, "Financial Instrument: Disclosures," and IFRS 9. The Group elected to apply this exemption, and recognized and measured the items within the scope of IFRS 9 included in the consolidated financial statements as of the IFRS transition date and for the fiscal year ended March 31, 2018, in accordance with Japanese GAAP—the previous accounting standards.

The Group assessed the classification under IFRS 9 on the basis of the facts and circumstances that existed at the beginning of the reporting period and designated some equity instruments as financial assets measured at fair value through other comprehensive income.

(e) Borrowing costs
IFRS 1 allows entities to capitalize the borrowing costs associated with qualifying assets from the date of the transition to IFRS. The Group capitalizes the borrowing costs associated with qualifying assets incurred on or after the transition date.

(2) Mandatory exceptions under IFRS 1
IFRS 1 prohibits retrospective application of IFRS concerning "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests," "classification and measurement of financial instruments," "impairment of financial assets," and others. The Group prospectively applied IFRS to these items on or after the IFRS transition date or the date of initial application of IFRS 9.

(3) Reconciliation
The reconciliation required to be disclosed at the first-time adoption of IFRS is as follows:

The "Reclassification" column of the following table below represents the effects of the changes in the line items presented under Japanese GAAP to those under IFRS, whereas the "Effect of transition to IFRS" column represents the effects of adjustments due to the transition to IFRS.

1) Adjustments to equity
As of March 31, 2018 (FY2017)

(Millions of yen)

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification		Effect of transition to IFRS		IFRS	Line items presented under IFRS
		Amount	Notes	Amount	Notes		
Assets							Assets
Current assets							
Cash and deposits	¥ 74,612			¥ (1,433)	(b)	¥ 73,179	Cash and cash equivalents
		2,215,139	(2), (3)	(60,461)	(c)	2,154,678	Trade and other receivables
Accounts receivable – installment	1,927,544	(1,927,544)	(2)				
Purchased receivables	15,347	(15,347)	(2)				
Lease investment assets	231,733	(231,733)	(2)				
Other trade receivables	837	(837)	(2)				
Operational investment securities	35,976			(19)		35,957	Operational investment securities
		103,587	(4)	33,899	(d)	137,486	Inventories
Real estate for sale	102,009	(102,009)	(4)				
Other inventories	1,578	(1,578)	(4)				
Deferred tax assets	23,544	(23,544)	(5)				
Short-term loans receivable	5,503	(5,503)	(2)				
		5,337	(7)	6,609	(e)	11,947	Other financial assets
Other	27,733	(27,733)	(3)				
Allowance for doubtful accounts	(50,570)	(2,924)	(6)	53,494	(c)		
Non-current assets							
Property and equipment	76,490			(46,268)	(f)	30,221	Property, plant and equipment

(Millions of yen)

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification		Effect of transition to IFRS		IFRS	Line items presented under IFRS
		Amount	Notes	Amount	Notes		
Intangible assets	210,605			10,004	(f)	220,609	Intangible assets
				49,970	(f)	49,970	Investment property
Investments and other assets							
Investment securities	192,224	38		(92,083)	(g)	100,179	Investment securities
				88,518	(g)	88,518	Investments accounted for using equity method
Long-term loans receivable	11,516	(11,516)	(2)				
Guarantee deposits	5,337	(5,337)	(7)				
Liquidation business assets	32,108			(32,108)	(h)		
Deferred tax assets	8,402	23,544	(5)	(1,267)		30,679	Deferred tax assets
		15,453	(4), (8)	(1,903)	(f)	13,549	Other assets
Other	8,796	(8,796)					
Allowance for doubtful accounts	(2,924)	2,924	(6)				
Deferred assets							
Bond issuance cost	1,620	(1,620)	(8)				
Total assets	¥ 2,940,027	¥ –		¥ 6,951		¥ 2,946,978	Total assets
Liabilities							Liabilities
Current liabilities							
		¥ 306,405	(3), (9)	¥ (6,691)	(i)	¥ 299,714	Trade and other payables
Notes and accounts payable	295,523	(295,523)	(9)				
		1,956,843	(10)	135	(j)	1,956,979	Bonds and borrowings
Short-term loans payable	247,960	(247,960)	(10)				
Current portion of long-term loans payable	55,300	(55,300)	(10)				
Current portion of bonds	20,000	(20,000)	(10)				
Commercial paper	389,500	(389,500)	(10)				
Current portion of long-term lease obligations	466	(466)	(10)				
Accrued income taxes	5,173			(129)		5,044	Income taxes payable
Accrued employees' bonuses	2,636	(2,636)	(14)				
Accrued directors' bonuses	172	(172)	(14)				
Provision for losses on interest repayments	9,229	(9,229)	(11)				
Provision for losses on collecting gift tickets	139	(139)	(13)				
Unearned income	9,579			(9,579)	(k)		
		16,487	(12)	4,111	(l)	20,599	Other financial liabilities
Other	50,185	(50,185)	(12)				
		232		781		1,013	Deferred tax liabilities
Non-current liabilities							
Bonds payable	320,000	(320,000)	(10)				
Long-term loans payable	902,299	(902,299)	(10)				
Long-term loans payable under securitized receivables	20,000	(20,000)	(10)				
Long-term lease obligations	1,318	(1,318)	(10)				
Retirement provision for Directors and Audit & Supervisory Board Members	128	(128)	(14)				

(Millions of yen)

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification		Effect of transition to IFRS		IFRS	Line items presented under IFRS
		Amount	Notes	Amount	Notes		
Provision for losses on guarantees	7,359			36		7,396	Financial guarantee liabilities
Provision for losses on defect warranties	19	(19)	(13)				
Provision for losses on point program	101,319					101,319	Provision for point card certificates
Provision for losses on interest repayments	13,918	9,229	(11)	(33)		23,114	Provision for loss on interest repayments
		626	(13)	521		1,147	Other provisions
Asset retirement obligations	467	(467)	(13)				
		32,182		7,618	(m)	39,801	Other liabilities
Other	6,661	(6,661)	(12), (14)				
Total liabilities	¥ 2,459,358	¥ –		¥ (3,228)		¥ 2,456,129	Total liabilities
Equity							Equity
Common stock	¥ 75,929					¥ 75,929	Share capital
Capital surplus	85,634			(5)		85,629	Capital surplus
Retained earnings	334,698			9,593		344,291	Retained earnings
Treasury stock	(52,880)					(52,880)	Treasury shares
		35,746	(15)	166	(n)	35,913	Other components of equity
Accumulated other comprehensive income							
Unrealized gains on available-for-sale securities	36,806	(36,806)	(15)				
Deferred losses on derivatives under hedge accounting	(458)	458	(15)				
Foreign currency translation adjustments	(601)	601	(15)				
Stock acquisition rights	0	(0)	(15)				
Noncontrolling interests	1,540			424		1,965	Non-controlling interests
Total equity	480,669	–		10,179		490,849	Total equity
Total liabilities and equity	¥ 2,940,027	–		¥ 6,951		¥ 2,946,978	Total liabilities and equity

The consolidated financial statements above as of March 31, 2018, prepared under Japanese GAAP did not apply the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, issued on February 16, 2018).

As of April 1, 2017 (IFRS transition date)

(Millions of yen)

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification		Effect of transition to IFRS		IFRS	Line items presented under IFRS
		Amount	Notes	Amount	Notes		
Assets							Assets
Current assets							
Cash and deposits	¥ 63,266			¥ 2,198	(b)	¥ 65,465	Cash and cash equivalents
		¥ 2,045,036	(2), (3)	(32,883)	(c)	2,012,153	Trade and other receivables
Accounts receivable – installment	1,768,176	(1,768,176)	(2)				
Purchased receivables	14,967	(14,967)	(2)				
Lease investment assets	227,760	(227,760)	(2)				
Other trade receivables	490	(490)	(2)				
Operational investment securities	33,099			(221)		32,878	Operational investment securities
		102,844	(4)	30,336	(d)	133,180	Inventories
Real estate for sale	101,674	(101,674)	(4)				
Other inventories	1,170	(1,170)	(4)				
Deferred tax assets	18,408	(18,408)	(5)				
Short-term loans receivable	3,997	(3,997)	(2)				
		5,439	(7)	4,207	(e)	9,646	Other financial assets
Other	21,690	(21,690)	(3)				
Allowance for doubtful accounts	(47,289)	(2,977)	(6)	50,266	(c)		
Non-current assets							
Property and equipment	71,150			(40,351)	(f)	30,798	Property, plant and equipment
Intangible assets	200,622			3,841	(f)	204,463	Intangible assets
				42,768	(f)	42,768	Investment property
Investments and other assets							
Investment securities	168,339	636		(83,187)	(g)	85,787	Investment securities
				81,936	(g)	81,936	Investments accounted for using equity method
Long-term loans receivable	11,258	(11,258)	(2)				
Guarantee deposits	5,439	(5,439)	(7)				
Liquidation business assets	32,456			(32,456)	(h)		
Deferred tax assets	21,397	18,408	(5)	(1,358)		38,446	Deferred tax assets
		7,621	(4), (8)	655	(f)	8,277	Other assets
Other	3,468	(3,468)					
Allowance for doubtful accounts	(2,977)	2,977	(6)				
Deferred assets							
Bond issuance cost	1,484	(1,484)	(8)				
Total assets	¥ 2,720,051	–		25,752		¥ 2,745,804	Total assets

(Millions of yen)

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification		Effect of transition to IFRS		IFRS	Line items presented under IFRS
		Amount	Notes	Amount	Notes		
							Liabilities and equity
Liabilities							Liabilities
Current liabilities							
		¥ 247,798	(3), (9)	¥ (6,490)	(i)	¥ 241,308	Trade and other payables
Notes and accounts payable	¥ 238,190	(238,190)	(9)				
		1,837,477	(10)	19,597	(j)	1,857,074	Bonds and borrowings
Short-term loans payable	229,960	(229,960)	(10)				
Current portion of long-term loans payable	69,885	(69,885)	(10)				
Current portion of bonds	50,000	(50,000)	(10)				
Commercial papers	358,000	(358,000)	(10)				
Current portion of long-term lease obligations	524	(524)	(10)				
Accrued income taxes	9,589			(44)		9,544	Income taxes payable
Accrued employees' bonuses	2,315	(2,315)	(14)				
Accrued directors' bonuses	157	(157)	(14)				
Provision for losses on interest repayments	9,445	(9,445)	(11)				
Provision for losses on collecting gift tickets	144	(144)	(13)				
Unearned income	9,028			(9,028)	(k)		
		11,432	(12)	3,739	(l)	15,171	Other financial liabilities
Other	39,388	(39,388)	(12)				
Non-current liabilities							
Bonds payable	255,000	(255,000)	(10)				
Long-term loans payable	852,899	(852,899)	(10)				
Long-term loans payable under securitized receivables	20,000	(20,000)	(10)				
Long-term lease obligations	1,209	(1,209)	(10)				
Retirement provision for Directors and Audit & Supervisory Board Members	133	(133)	(14)				
Provision for losses on guarantees	6,418			47		6,465	Financial guarantee liabilities
Provision for losses on defect warranties	14	(14)	(13)				
Provision for losses on point program	94,033					94,033	Provision for point card certificates
Provision for losses on interest repayments	21,148	9,445	(11)	(26)		30,567	Provision for loss on interest repayments
		604	(13)	318		922	Other provisions
Asset retirement obligations	445	(445)	(13)				
		344		470		814	Deferred tax liabilities
		25,848	(12), (14)	7,164	(m)	33,013	Other liabilities
Other	5,238	(5,238)					
Total liabilities	¥ 2,273,168	¥ –		¥ 15,748		¥ 2,288,917	Total liabilities

(Millions of yen)

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification Amount	Reclassification Notes	Effect of transition to IFRS Amount	Effect of transition to IFRS Notes	IFRS	Line items presented under IFRS
Equity							Equity
Common stock	¥ 75,929					¥ 75,929	Share capital
Capital surplus	85,634			(4)		85,630	Capital surplus
Retained earnings	302,087			9,451		311,539	Retained earnings
Treasury stock	(52,879)					(52,879)	Treasury shares
		34,290	(15)	328	(n)	34,619	Other components of equity
Accumulated other comprehensive income							
Unrealized gains on available-for-sale securities	35,315	(35,315)	(15)				
Deferred losses on derivatives under hedge accounting	(649)	649	(15)				
Foreign currency translation adjustments	(374)	374	(15)				
Stock acquisition rights	0	(0)	(15)				
Non-controlling interests	1,818			229		2,047	Non-controlling interests
Total equity	446,882	–		10,004		456,886	Total equity
Total liabilities and equity	¥ 2,720,051	¥ –		¥ 25,752		¥ 2,745,804	Total liabilities and equity

The consolidated financial statements as of the IFRS transition date prepared under Japanese GAAP did not apply the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, issued on February 16, 2018).

Notes on adjustments to equity
Reclassification

(1) Arrangement of line items in the consolidated statement of financial position
While Japanese GAAP requires an entity to present current assets/non-current assets and current liabilities/non-current liabilities in accordance with the current/non-current classification, IFRS adopts the order of liquidity approach.

(2) Trade and other receivables
"Accounts receivable – installment," "Purchased receivables," "Lease investment assets," "Other trade receivables," and "Short-term loans receivable," which were separately presented in current assets, and "Long-term loans receivable," which was separately presented in non-current assets under Japanese GAAP, are reclassified to "Trade and other receivables" under IFRS.

(3) Accounts receivable – other and accounts payable – other
Accounts receivable – other, which was included in "Other" in current assets under Japanese GAAP, is reclassified to "Trade and other receivables" under IFRS. Accounts payable – other, which was included in "Other" in current liabilities under Japanese GAAP, is reclassified to "Trade and other payables" under IFRS.

(4) Inventories
"Real estate for sale" and "Other inventories," which were separately presented in current assets under Japanese GAAP, are reclassified to "Inventories" under IFRS.

(5) Deferred tax assets
"Deferred tax assets" presented in current assets and "Deferred tax assets" presented in non-current assets under Japanese GAAP are combined together and presented as a total amount under IFRS.

(6) Allowance for doubtful accounts
"Allowance for doubtful accounts" presented in current assets and "Allowance for doubtful accounts" presented in non-current assets under Japanese GAAP are combined together and reclassified into "Allowance for doubtful accounts" in current assets under IFRS. "Allowance for doubtful accounts" is adjusted to present relevant items net of allowance for doubtful accounts in "Effect of transition to IFRS."

(7) Other financial assets
"Guarantee deposits," which was separately presented in non-current assets under Japanese GAAP, is included in "Other financial assets" under IFRS.

(8) Bond issuance cost
"Bond issuance cost," which was presented in deferred assets under Japanese GAAP, is included in "Other assets" under IFRS.

(9) Trade and other payables
"Notes and accounts payable," which was separately presented in current liabilities under Japanese GAAP, is reclassified to "Trade and other payables" under IFRS.

(10) Bonds and borrowings
"Short-term loans payable," "Current portion of long-term loans payable," "Current portion of bonds," "Commercial papers," and "Current portion of long-term lease obligations," which were separately presented in current liabilities under Japanese GAAP, and "Bonds payable," "Long-term loans payable," "Long-term loans payable under securitized receivables," and "Long-term lease obligations," which were separately presented in non-current liabilities under Japanese GAAP, are reclassified to "Bonds and borrowings" under IFRS.

(11) Provision for losses on interest repayments
"Provision for losses on interest repayments" presented in current liabilities and "Provision for loss on interest repayments" presented in non-current liabilities under Japanese GAAP are combined together and presented in a total amount under IFRS.

(12) Other financial liabilities
Deposits received, which was included in "Other" in current liabilities under Japanese GAAP, and guarantee deposits received, which was included in "Other" in non-current liabilities under Japanese GAAP, are reclassified to "Other financial liabilities" under IFRS.

(13) Reclassification of other provisions
"Provision for losses on collecting gift tickets," which was separately presented in current liabilities under Japanese GAAP, and "Provision for losses on defect warranties" and "Asset retirement obligations," which were separately presented in non-current liabilities under Japanese GAAP, are reclassified to "Other provisions" under IFRS.

(14) Reclassification of other liabilities
"Accrued employees' bonuses" and "Accrued directors' bonuses," which were separately presented in current liabilities under Japanese GAAP, and "Retirement provision for Directors and Audit & Supervisory Board Members," which was separately presented in non-current liabilities under Japanese GAAP, are reclassified to "Other liabilities" under IFRS.

(15) Other components of equity
"Unrealized gains on available-for-sale securities," "Deferred losses on derivatives under hedge accounting," "Foreign currency translation adjustments," and "Stock acquisition rights," which were separately presented in equity under Japanese GAAP, are reclassified to "Other components of equity" under IFRS.

Effect of transition to IFRS

(a) Scope of consolidation
Under Japanese GAAP, if an entity has control over a decision-making body of another entity, the entity includes it in the scope of consolidation, or otherwise, the entity does not include it in the scope of consolidation.

Under IFRS, an entity determines whether the substantive controlling relationship exists or not by assessing whether an entity has power over the activities that give variability of returns from investment. When the entity determines that it controls another entity, the entity includes it in the scope of consolidation. The Group includes entities that are in the substantive controlling relationship in the scope of consolidation based on the assessment above for the scope of consolidation.

As a result of the revision to the scope of consolidation, trusts and special purpose entities have become subsidiaries. The Group has now recognized receivables subject to securitization that were derecognized under Japanese GAAP and presented the related liabilities as borrowings.

In addition, as some of the investments in partnerships are now treated as associates under IFRS, the carrying amounts of some organizations which were recorded as "Operational investment securities" are reclassified to "Investments accounted for using equity method."

(b) Reclassification of cash and cash equivalents
Time deposits with maturities of more than three months and segregated deposits that cannot be withdrawn on demand, which were included in "Cash and deposits" under Japanese GAAP, are reclassified to "Other financial assets" under IFRS. Short-term investments with maturities not exceeding three months from the purchase date, which are readily convertible into cash and subject to an insignificant risk of changes in value, are reclassified to "Cash and cash equivalents" under IFRS.

As a result, cash and cash equivalents decreased by ¥1,433 million as of March 31, 2018. Meanwhile, cash and cash equivalents increased by ¥2,198 million as of the IFRS transition date.

(c) Trade and other receivables
The balance of "Trade and other receivables" has changed due to the following effects:
• Directly deducting "Allowance for doubtful accounts" from "Trade and other receivables"

- Offsetting financial assets and financial liabilities
- Recognizing securitized receivables that were derecognized under Japanese GAAP (only at the IFRS transition date)
- Partially reclassifying "Liquidation business assets" stated in (h) to this account
- Offsetting the balance against "Unearned income" stated in (k)

As a result of the above and the expanded scope of consolidation, "Trade and other receivables" decreased by ¥60,461 million as of March 31, 2018 and ¥32,883 million at the IFRS transition date.

(d) Inventories

The balance of "Inventories" has changed due to the following effects:

- Including fixed asset acquisition tax into cost, which is not allowed under Japanese GAAP
- Reversing recorded depreciation for real estate for sale under Japanese GAAP and restating the inventory balance
- Reclassifying goods for sales promotion, which were included in supplies in "Other inventories" under Japanese GAAP, to retained earnings or profit or loss because they do not satisfy the definition of asset under IFRS
- Partially reclassifying "Liquidation business assets" stated in (h) to this account

As a result of the above, inventories increased by ¥33,899 million as of March 31, 2018 and ¥30,336 million as of the IFRS transition date.

(e) Other financial assets

As a result of reclassifying time deposits with maturities of more than three months and segregated deposits that cannot be withdrawn on demand, which are not included in "Cash and cash equivalents" under IFRS, other financial assets increased by ¥6,609 million as of March 31, 2018 and ¥4,207 million as of the IFRS transition date.

(f) Property, plant and equipment, intangible assets, and investment property

The balances of "Property, plant and equipment," "Intangible assets," and "Investment property" have changed due to the following effects:

- Partially reclassifying "Property and equipment" and "Intangible assets" to "Investment property"
- Including fixed asset acquisition tax into cost under IFRS, which was expensed under Japanese GAAP
- Measuring assets that were exchanged for those of the same type and same purpose of use at fair value, which were measured at the carrying amount under Japanese GAAP
- Capitalizing "Card issuance costs," which was expensed at acquisition under Japanese GAAP
- Including non-deductible consumption tax related to software in cost of software included in "Other" in investments and other assets under Japanese GAAP

As a result of the preceding, "Property and equipment" decreased by ¥40,351 million, and "Intangible assets" and "Investment property" increased by ¥3,841 million and ¥42,768 million, respectively, as of the IFRS transition date. "Property and equipment" decreased by ¥46,268 million, and "Intangible assets" and "Investment property" increased by ¥10,004 million and ¥49,970 million, respectively, as of March 31, 2018.

(g) Investment securities and investments accounted for using equity method

"Investments accounted for using equity method," which was included in "Investment securities" under Japanese GAAP, is separately presented under IFRS. In addition, as a result of the expanded scope of consolidation, "Investment securities" decreased by ¥83,187 million and "Investments accounted for using equity method" increased by ¥81,936 million as of the IFRS transition date, and "Investment securities" decreased by ¥92,083 million, and "Investments accounted for using equity method" increased by ¥88,518 million as of March 31, 2018.

(h) Liquidation business assets

"Liquidation business assets," which was separately presented under Japanese GAAP, is reclassified to "Inventories" and "Trade and other receivables" under IFRS. As a result, "Inventories" increased by ¥26,893 million and "Trade and other receivables" increased by ¥5,563 million as of the IFRS transition date. "Inventories" increased by ¥26,586 million, and "Trade and other receivables" increased by ¥5,521 million as of March 31, 2018.

(i) Trade and other payables

As stated in (c), due to the effects of offsetting financial assets and financial liabilities under IFRS, "Trade and other payables" decreased by ¥6,691 million as of March 31, 2018, and ¥6,490 million as of the IFRS transition date.

(j) Bonds and borrowings

As stated in (a), securitized receivables that were not recognized under Japanese GAAP are recognized on the balance sheet under IFRS. As a result, "Bonds and borrowings" increased by ¥19,597 million as of the IFRS transition date. "Bonds and borrowings" increased by ¥135 million only as of March 31, 2018, because receivables were not securitized during the period.

(k) Unearned income

Under Japanese GAAP, as the Group recognized affiliated store fees on a due date basis, part of "Income from the credit service business" was deferred. Meanwhile, under IFRS, since the provision of the service is completed and the performance obligation is satisfied at the time of credit card use, revenue of affiliated store fees is recognized at that time and the deferred portion is retrospectively restated. As a result, "Retained earnings" increased by ¥6,016 million as of March 31, 2018, and ¥5,735 million as of the IFRS transition date.

In addition, as deferred revenues other than the above no longer satisfy the definition of liability under IFRS, ¥3,563 million was deducted as of March 31, 2018, and ¥3,293 million as of the IFRS transition date, from "Trade and other receivables," which are the corresponding assets of such deferred revenues.

(l) Other financial liabilities

As a result of the expanded scope of consolidation, "Other financial liabilities" increased by ¥4,111 million as of March 31, 2018, and ¥3,739 million as of the IFRS transition date.

(m) Other liabilities

Annual membership fees, which were recognized in lump-sum as revenue when incurred under Japanese GAAP, are allocated and recognized as revenue over the period of membership. The unrecognized portion is recorded as contract liabilities under IFRS. In addition, unused paid leave obligations, which were not accounted for under Japanese GAAP, are recognized as "Other liabilities" under IFRS. As a result, "Other liabilities" increased by ¥7,618 million as of March 31, 2018, and ¥7,164 million as of the IFRS transition date.

(n) Other components of equity

For the first-time adoption of IFRS, the Group elected exemptions provided in IFRS 1 and reclassified all of the cumulative translation differences of foreign operations at the IFRS transition date to retained earnings. As a result, "Other components of equity" increased by ¥328 million.

(o) Adjustment to the balance of retained earnings

(Millions of yen)

	FY2017 (As of March 31, 2018)	IFRS transition date (April 1, 2017)
Amendment to cost of real estate for sale	¥ 4,941	¥ 4,303
Capitalization of card issuance costs	2,483	2,957
Fair value measurement of assets exchanged	1,705	1,720
Accrued paid leave obligations	(2,865)	(2,594)
Cancellation of deferral of affiliated store fees	6,016	5,735
Deferral of annual membership fees	(3,779)	(3,688)
Adjustments to levies	(1,048)	(962)
Capitalization of borrowing costs	688	–
Capitalization of real estate acquisition tax and others	446	449
Reversal of supplies	(315)	(265)
Other	3,139	3,369
Tax effect of the items above	(1,819)	(1,571)
Total	¥ 9,593	¥ 9,451

2) Adjustments to profit and comprehensive income

Consolidated Statement of Income (From April 1, 2017 to March 31, 2018)

(Millions of yen)

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification		Effect of transition to IFRS		IFRS	Line items presented under IFRS
		Amount	Notes	Amount	Notes		
Operating revenue							Revenue
Income from the credit service business	¥ 218,952			¥ 2,096	(a)	¥ 221,049	Revenue from the credit service business
Income from the lease business	12,851			8		12,860	Revenue from the lease business
Income from the finance business	35,417			119		35,536	Revenue from the finance business
		37,748		(359)	(f)	37,388	Revenue from the real estate-related business
		51,272				51,272	Revenue from the entertainment business
Income from the real estate-related business							
Income from the real estate-related business	37,748	(37,748)					
Cost of sales for the real estate-related business	22,301	(22,301)					

(Millions of yen)

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification		Effect of transition to IFRS		IFRS	Line items presented under IFRS
		Amount	Notes	Amount	Notes		
Income from the entertainment business							
Income from the entertainment business	51,272	(51,272)					
Cost of sales for the entertainment business	41,984	(41,984)					
Financial income	226			(2)		223	Finance income
							Cost of sales
		22,301		794	(b), (f)	23,095	Cost of sales for the real estate-related business
		41,984				41,984	Cost of sales for the entertainment business
Operating revenues	292,183	–		1,066		293,250	Net revenue
Selling, general and administrative expenses	241,740	(29,554)	(2)	1,840	(c)	214,026	Selling, general and administrative expenses
		29,554	(2)	(98)		29,456	Impairment losses on financial assets
Financial costs	9,671			(460)	(d)	9,211	Finance costs
Nonoperating revenues	16,602	(16,602)	(1)				
Nonoperating expenses	655	(655)	(1)				
Extraordinary income	8,830	(8,830)	(1)				
Extraordinary losses	13,240	(13,240)	(1)				
		11,896	(1)	410	(e)	12,306	Share of profit of investments accounted for using equity method
		13,536	(1)	(101)		13,434	Other income
		13,896	(1)	(449)	(f)	13,446	Other expenses
Income before income taxes	52,307	–		543		52,850	Profit before tax
		14,244	(3)	219		14,463	Income taxes
Income taxes – current	9,078	(9,078)	(3)				
Income taxes – deferred	5,166	(5,166)	(3)				
Net income	38,062	–		323		38,386	Profit
							Profit attributable to
Net loss attributable to noncontrolling interests	(267)	–		207		(59)	Non-controlling interests
Net income attributable to owners of parent	38,329	–		116		38,446	Owners of parent

Consolidated Statement of Comprehensive Income (From April 1, 2017 to March 31, 2018)

(Millions of yen)

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification		Effect of transition to IFRS		IFRS	Line items presented under IFRS
		Amount	Notes	Amount	Notes		
Net income	¥ 38,062	¥ –		¥ 323		¥ 38,386	Profit
Other comprehensive income							Other comprehensive income
							Items that may be reclassified to profit or loss

(Millions of yen)

Line items presented under Japanese GAAP	Japanese GAAP	Reclassification		Effect of transition to IFRS		IFRS	Line items presented under IFRS
		Amount	Notes	Amount	Notes		
Unrealized gains on available-for-sale securities	5,676	–		10		5,686	Net change in fair value of equity instruments designated as measured at fair value through other comprehensive income
Deferred gains on derivatives under hedge accounting	191	–		–		191	Effective portion of cash flow hedges
Foreign currency translation adjustments	(36)	–		(4)		(40)	Exchange differences on translation of foreign operations
Share of other comprehensive income of companies accounted for using equity method	(4,386)	–		(111)		(4,497)	Share of other comprehensive income of investments accounted for using equity method
Total other comprehensive income	1,445	–		(105)		1,339	Total other comprehensive income, net of tax
Comprehensive income	39,507	–		218		39,726	Comprehensive income
Comprehensive income attributable to		–					Comprehensive income attributable to
Owners of parent	39,785	–		12		39,798	Owners of parent
Noncontrolling interests	(277)	–		205		(72)	Non-controlling interests

Notes on adjustments to net income and comprehensive income
Reclassification

(1) Adjustments to line items
Line items that were presented as “Nonoperating revenues,” “Nonoperating expenses,” “Extraordinary income,” and “Extraordinary losses” under Japanese GAAP are presented as “Other income,” “Other expenses,” and “Share of profit of investments accounted for using equity method” under IFRS.

(2) Impairment losses of financial assets
“Impairment losses of financial assets,” which was included in “Selling, general and administrative expenses” under Japanese GAAP, was separately presented under IFRS.

(3) Income taxes
“Income taxes – current” and “Income taxes – deferred” that were separately presented under J-GAAP are now presented in total as “Income taxes” under IFRS. As a result of the adoption of IFRS, recoverability of all deferred tax assets has been reviewed.

Effect of transition to IFRS
(a) Income from the credit service business
As a result of the expanded scope of consolidation under IFRS, income from the credit service business increased by ¥2,096 million for the fiscal year ended March 31, 2018.

(b) Cost of sales for the real estate-related business
While cost of real estate for sale was depreciated under Japanese GAAP, depreciation of inventories is not allowed under IFRS. Consequently, “Cost of sales for the real estate-related business” decreased due to reversal of depreciation recognized under Japanese GAAP. Nevertheless, “Cost of sales for the real estate-related business” increased by ¥794 million for the fiscal year ended March 31, 2018, because of the expanded scope of consolidation under IFRS.

(c) Selling, general and administrative expenses
The balance of “Selling, general and administrative expenses” has changed due to the following effects:
• Recognizing depreciation of capitalized “Card issuance costs,” which was expensed under Japanese GAAP
• Not amortizing goodwill
• Recognizing unused paid leave obligations, which were not accounted for under Japanese GAAP
As a result, selling, general and administrative expenses increased by ¥1,840 million for the fiscal year ended March 31, 2018.

(d) Finance costs

While interest on interest-bearing debts was expensed and presented as "Financial costs" or "Interest expenses" under Japanese GAAP, certain interest is capitalized as a component of costs of qualifying assets under IFRS. As a result, "Finance costs" decreased by ¥460 million yen for the fiscal year ended March 31, 2018.

(e) Adjustments to share of profit of investments accounted for using equity method

While goodwill of companies accounted for using equity method is subject to amortization under Japanese GAAP, it is not amortized under IFRS. Accordingly, the Group has not amortized goodwill since the IFRS transition date. As a result, "Share of profit of investments accounted for using equity method" increased by ¥410 million for the fiscal year ended March 31, 2018.

(f) Other expenses

As "Loss on the liquidation business" under Japanese GAAP is reclassified to "Revenue from the real estate-related business" and "Cost of sales for the real estate-related business" under IFRS, other expenses decreased by ¥449 million yen for the fiscal year ended March 31, 2018.

3) Adjustments to cash flows

FY2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Japanese GAAP	Reclassification	Effect of transition to IFRS	IFRS
Cash flows from operating activities	¥ (54,808)	–	¥ 14,784	¥ (40,023)
Cash flows from investing activities	(46,380)	–	1,245	(45,134)
Cash flows from financing activities	112,592	–	(19,647)	92,945
Effect of exchange rate changes on cash and cash equivalents	(61)	–	(11)	(72)
Net increase (decrease) in cash and cash equivalents	11,342	–	(3,627)	7,714
Cash and cash equivalents at beginning of period	63,215	–	2,249	65,465
Cash and cash equivalents at end of period	74,557	–	(1,378)	73,179

Explanation for differences

Cash flows generated from securitized receivables, which were derecognized under Japanese GAAP, are presented in "Cash flows from operating activities" under IFRS. The funds procured through the transactions of securitized receivables that did not result in derecognition of financial assets are included in "Bonds and borrowings" in the consolidated statement of financial position and in "Cash flows from financing activities" in the consolidated statement of cash flows under IFRS.

OTHERS

Quarterly information for FY2018

(Cumulative period)	Three months ended June 30, 2018	Six months ended September 30, 2018	Nine months ended December 31, 2018	Fiscal year ended March 31, 2019
Operating revenue (Millions of yen)	¥ 74,805	¥ 150,215	¥ 227,507	¥ 304,869
Profit before tax (Millions of yen)	14,890	25,945	38,949	49,558
Profit attributable to owners of parent (Millions of yen)	11,201	18,427	28,169	34,016
Earnings per share (Yen)	68.58	112.82	172.47	208.27

(Accounting period)	First quarter ended June 30, 2018	Second quarter ended September 30, 2018	Third quarter ended December 31, 2018	Fourth quarter ended March 31, 2019
Earnings per share (Yen)	68.58	44.24	59.64	35.80

(Cumulative period)	Three months ended June 30, 2018	Six months ended September 30, 2018	Nine months ended December 31, 2018	Fiscal year ended March 31, 2019
Operating revenue (Thousands of U.S. dollars)	$ 673,865	$ 1,353,166	$ 2,049,430	$ 2,746,322
Profit before tax (Thousands of U.S. dollars)	134,137	233,724	350,865	446,434
Profit attributable to owners of parent (Thousands of U.S. dollars)	100,906	165,998	253,753	306,431
Earnings per share (U.S. dollars)	0.61	1.01	1.55	1.87

(Accounting period)	First quarter ended June 30, 2018	Second quarter ended September 30, 2018	Third quarter ended December 31, 2018	Fourth quarter ended March 31, 2019
Earnings per share (U.S. dollars)	$ 0.61	$ 0.39	$ 0.53	$ 0.32

(Notes) 1. Quarterly information for FY2018 is prepared in accordance with Japanese GAAP.
2. The consolidated financial statements for the fiscal year ended March 31, 2019, and the fourth quarter of the fiscal year ended March 31, 2019, were neither audited nor reviewed in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of Credit Saison Co., Ltd. and its subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to consolidated financial statements.

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 International Financial Reporting Standards, 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 subsidiaries as of March 31, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

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, 2019

Member of
Deloitte Touche Tohmatsu Limited