Financial Section

Five-Year Summary

AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
Year Ended March 31, 2014 and Years Ended March 31, 2013 through 2010

	Millions of Yen		Thousands of U.S. Dollars(*1)	
	2014(*2)		2014(*2)	
For the Year:				
Total income	¥	**286,181**	$	**2,780,618**
Total expenses		**246,384**		**2,393,935**
Income before income taxes and minority interests		**39,797**		**386,683**
Net income		**20,743**		**201,547**
	Yen		U.S. Dollars(*1)	
Per Share Data:				
Net assets	¥	**1,316.00**	$	**12.79**
Basic net income		**104.62**		**1.02**
Diluted net income		**99.49**		**0.97**
	Millions of Yen		Thousands of U.S. Dollars(*1)	
At Year-End:				
Loans and bills discounted—net of allowance for possible credit losses	¥	**1,248,815**	$	**12,133,847**
Installment sales receivables—net of allowance for possible credit losses		**937,759**		**9,111,531**
Net property and equipment		**31,186**		**303,008**
Total assets		**3,163,117**		**30,733,749**
Total liabilities		**2,855,825**		**27,748,015**
Equity		**307,292**		**2,985,734**
	Percentage			
Ratios:				
Equity ratio		**8.6%**		
Return on assets		**0.7**		
Return on equity		**8.2**		

	Millions of Yen							
	2013(*5)		2012		2011		2010	
For the Year:								
Total operating revenues(*3)	¥	205,972	¥	169,853	¥	169,191	¥	164,449
Total operating expenses(*3)		172,892		145,572		148,473		143,889
Income before income taxes and minority interests		30,492		17,907		20,936		4,698
Net income		13,616		8,988		9,541		198
	Yen							
Per Share Data:								
Net assets	¥	1,235.28	¥	1,012.52	¥	1,015.17	¥	994.42
Basic net income		88.12		57.30		60.83		1.26
Diluted net income(*4)		78.25		57.30				1.26
	Millions of Yen							
At Year-End:								
Finance receivables—net of allowance for possible credit losses	¥	891,556	¥	640,992	¥	625,362	¥	671,493
Net property and equipment		20,061		13,854		12,849		9,929
Total assets		2,534,209		907,659		901,579		866,365
Total liabilities		2,275,337		725,806		721,379		689,647
Equity		258,872		181,853		180,200		176,718
	Percentage							
Ratios:								
Equity ratio		9.1%		17.5%		17.7%		18.0%
Return on assets		0.8		1.0		1.1		0.0
Return on equity		7.0		5.7		6.1		0.1

(*1) The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥102.92 to U.S.$1, the approximate rate of exchange on March 31, 2014. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

(*2) On April 1, 2013, AEON Financial Service Co., Ltd. (the "Company") became a bank holding company. Accordingly, the Company has prepared the consolidated financial statements for the fiscal year ended March 31, 2014 in accordance with the Ordinance for the Enforcement of the Banking Act (Ordinance of the Ministry of Finance No. 10 of 1982) which prescribes classifications of assets and liabilities and revenues and expenses for banking institutions.

(*3) Previously, processing service fee income and expense were recorded at the gross amount. However, effective from the fiscal year ended February 20, 2011, the amount of processing service fee income reflects the net amount of the relevant service fees paid to the e-money issuers through the e-money settlement service of the Company. As a result, total operating revenues and total operating expenses for the year ended February 20, 2010 are retroactively restated.

(*4) Diluted net income per share for the year ended February 20, 2011 is not disclosed as no potential dilution exists.

(*5) The consolidated amounts for the fiscal year ended March 31, 2013 include the results of AEON Bank, Ltd. and its subsidiary as AEON Bank, Ltd. became a wholly-owned subsidiary of the Company through the share exchange as of January 1, 2013. In addition, the consolidated amounts for the fiscal year ended March 31, 2013 cover a period of 13 months and 11 days from February 21, 2012 through March 31, 2013, due to the change in the Company's fiscal year.

Financial Review

AEON Financial Service Co., Ltd. and Subsidiaries
Year Ended March 31, 2014

RESULTS OF OPERATIONS

		Millions of Yen
		2014
Consolidated gross profits(*):		
Net interest income	¥	**87,927**
Net fees and commissions		**125,522**
Net other operating income		**15,769**
Total Consolidated gross profits		**229,218**
General and administrative expenses		**(169,569)**
Provision for possible credit losses and write-off of bad debts		**(31,484)**
Net other income		**11,632**
Income before income taxes and minority interest		**39,797**
Income taxes:		
Current		**(13,102)**
Deferred		**1,190**
Total income taxes		**(11,912)**
Net income before minority interests		**27,885**
Minority interests in net income		**(7,142)**
Net income	¥	**20,743**

(*) Consolidated gross profits = (Interest income – Interest expenses) + (Fees and commissions (income) – Fees and commissions (expenses)) + (Other operating income – Other operating expenses)

Consolidated Financial Summary

To further grow as a comprehensive financial group with retail business at its core, the Company has become a bank holding company in April 2013, aiming to achieve four strategic synergies as key measures: “improvement of convenience of financing services,” “enhancement of marketing capacity,” “expansion of overseas business,” and “improvement of productivity and strengthening of sales capability.” The Company has promoted fee business such as e-money business in addition to credit card and banking businesses and expanded its operation in Asia.

For the year ended March 31, 2014, the Company has reinforced cardholder solicitation at stores of alliance partners and through the Internet. Also, the Company expanded its marketing network through establishing “Kurashi no Money Plaza,” a one-stop shop to provide various financial products and services, and enhancing installation of ATMs. The Company has worked on enhancing operational efficiency through streamlining the overlapping administrative and headquarters functions operating within the Company and its subsidiaries (collectively, the “Group”).

In addition, the Company acquired AEON Product Finance Co., Ltd. (former Toshiba Finance Corporation), which is engaged in installment sales business, as a consolidated subsidiary in order to nurture it as a key component of earnings alongside credit cards, banking, insurance and e-money businesses, and increased the transaction volume of loans for home renovation and solar energy systems by leveraging on the Group’s sales network and the sales capabilities of AEON Product Finance Co., Ltd.

In the overseas business, the Company has expanded its operation centered around its three listed companies in Hong Kong, Thailand, and Malaysia and launched hire purchase business in Shenzhen, China and Myanmar.

As a result of the above, the consolidated financial results of the Group for the year ended March 31, 2014 were as follows: (a) income before income taxes and minority interest increased by 30.5% to ¥39,797 million, and (b) net income increased by 52.3% to ¥20,743 million, compared to the previous fiscal year.

In response to inappropriate accounting treatment discovered at the Company’s subsidiary in Taiwan, the Company has developed five measures to further strengthen governance and compliance systems as a bank holding company: “generating corporate culture with emphasis on compliance,” “strengthening governance of subsidiaries,” “review of accounting system,” “review of human resources/organizational structure,” and “reinforcement of system structure.”

During the current fiscal year, in order to strengthen management oversight, the Company reinforced management structures in overseas subsidiaries in each area by newly establishing the Management Audit

Department and Business Management Department and deploying the Heads of the Business Management Department to its overseas subsidiaries in Hong Kong, Thailand, and Malaysia.

The Company has changed the presentation of the consolidated financial statements for the year ended March 31, 2014 to comply with the requirements of the Banking Act and the Ordinance of the Enforcement of the Banking Act upon becoming a bank holding company as at April 1, 2013. In addition, the Company has changed its fiscal year-end from February 21 to March 31 in 2013.

The comparison of the consolidated financial results with the previous fiscal year in the preceding paragraph represents a comparison between the results for the year from April 1, 2013 to March 31, 2014 and those for the fiscal year from February 21, 2012 to March 31, 2013.

Loans and Bills Discounted and Installment Sales Receivables

		Millions of Yen
		2014
Loans and bills discounted	¥	**1,276,741**
Allowance for possible credit losses		**(27,926)**
Total loans and bills discounted	¥	**1,248,815**

		Millions of Yen
		2014
Installment sales receivables:		
Credit card purchase contracts	¥	**748,828**
Hire purchase contracts		**208,576**
Subtotal		**957,404**
Allowance for possible credit losses		**(19,645)**
Total installment sales receivables	¥	**937,759**

		Millions of Yen
		2013
Loans and bills discounted in banking business	¥	706,845
Allowance for possible credit losses		(3,959)
Total loans and bills discounted in banking business	¥	702,886

		Millions of Yen
		2013
Installment sales receivables:		
Credit card purchase contracts	¥	455,713
Hire purchase contracts		51,602
Subtotal		507,315
Operating loan receivables		421,196
Allowance for possible credit losses		(36,955)
Total finance receivables	¥	891,556

Cash flows

For the year ended March 31, 2014, net cash used in operating activities amounted to ¥137,497 million, net cash provided by investing activities amounted to ¥15,984 million, and net cash provided by financing activities amounted to ¥30,004 million. As a result of the above, the balance of cash and cash equivalents as at March 31, 2014 decreased by ¥91,304 million to ¥408,171 million compared to the end of the previous fiscal year.

BUSINESS PERFORMANCE BY REPORTABLE SEGMENT

Total assets and ordinary income by reportable segment

		Millions of Yen
		2014
Total Assets:		
Credit	**¥**	**1,347,951**
Fee Business		**129,771**
Banking		**1,417,748**
Overseas		**441,444**
Reconciliations		**(173,797)**
Total assets	**¥**	**3,163,117**
Ordinary income:		
Credit	**¥**	**131,100**
Fee Business		**36,653**
Banking		**41,233**
Overseas		**91,554**
Reconciliations		**(14,470)**
Total ordinary income	**¥**	**286,070**

		Millions of Yen
		2013
Total Assets:		
Credit	¥	766,072
Fee Business		75,423
Banking		1,343,687
Overseas		323,108
Reconciliations		25,919
Total assets	¥	2,534,209
Operating Revenues:		
Credit	¥	111,729
Fee Business		26,926
Banking		9,539
Overseas		62,035
Reconciliations		(4,257)
Total operating revenues	¥	205,972

Consolidated Balance Sheet

AEON Financial Service Co., Ltd. and Subsidiaries
March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2014	**2014**
ASSETS		
Cash and cash equivalents (Note 16)	**¥ 408,171**	**$ 3,965,901**
Deposits with banks (Note 16)	**8,492**	**82,508**
Monetary claims bought (Notes 3 and 16)	**12,119**	**117,757**
Securities (Notes 3, 7, and 16)	**173,379**	**1,684,605**
Loans and bills discounted—net of allowance for possible credit losses (Notes 4, 7, 16, 18, and 22)	**1,248,815**	**12,133,847**
Installment sales receivables—net of allowance for possible credit losses (Notes 4, 7, and 16)	**937,759**	**9,111,531**
Other assets (Notes 7 and 22)	**80,292**	**780,142**
Property and equipment (Note 5)	**31,186**	**303,008**
Intangible assets (Note 6)	**67,723**	**658,021**
Deferred tax assets (Note 13)	**18,759**	**182,265**
Customers' liabilities for acceptances and guarantees	**176,422**	**1,714,164**
Total assets	**¥ 3,163,117**	**$ 30,733,749**
LIABILITIES AND EQUITY		
Liabilities:		
Deposits (Note 16)	**¥ 1,717,769**	**$ 16,690,338**
Accounts payable (Note 16)	**227,264**	**2,208,167**
Call money (Note 7)	**4,900**	**47,610**
Borrowed money (Notes 7, 8, and 16)	**515,228**	**5,006,098**
Bonds (Notes 8 and 16)	**101,608**	**987,256**
Convertible bonds (Notes 8, 10, and 16)	**2,830**	**27,497**
Other liabilities (Notes 8 and 9)	**93,884**	**912,206**
Allowance for point program	**11,013**	**107,005**
Allowance for loss on refund of interest received	**3,086**	**29,984**
Deferred tax liabilities (Note 13)	**1,821**	**17,691**
Acceptances and guarantees	**176,422**	**1,714,163**
Total liabilities	**2,855,825**	**27,748,015**
Commitments and contingent liabilities (Notes 15, 17, and 18)		
Equity (Notes 10, 11, and 24):		
Common stock—authorized, 540,000,000 shares; issued, 206,541,751 shares in 2014	**29,052**	**282,273**
Capital surplus	**104,860**	**1,018,852**
Stock acquisition rights—365 rights in 2014	**55**	**537**
Retained earnings	**136,271**	**1,324,044**
Treasury stock—at cost, 112,505 shares in 2014	**(146)**	**(1,417)**
Accumulated other comprehensive income:		
Unrealized gain on available-for-sale securities (Note 3)	**4,027**	**39,128**
Deferred loss on derivatives under hedge accounting	**(2,327)**	**(22,606)**
Foreign currency translation adjustments	**295**	**2,862**
Accumulated adjustments for retirement benefit	**(371)**	**(3,607)**
Total	**271,716**	**2,640,066**
Minority interests	**35,576**	**345,668**
Total equity	**307,292**	**2,985,734**
Total liabilities and equity	**¥ 3,163,117**	**$ 30,733,749**

See notes to consolidated financial statements.

	Millions of Yen
	2013
ASSETS	
Current assets:	
Cash and cash equivalents (Note 16)	¥ 499,475
Call loans (Note 16)	10,000
Finance receivables-net of allowance for possible credit losses (Notes 7 and 16)	891,556
Loans and bills discounted in banking business-net of allowance for possible credit losses (Notes 16, 18, and 22)	702,886
Securities in banking business (Notes 3, 7, and 16)	205,081
Deferred tax assets (Note 13)	15,320
Prepaid expenses and other current assets	100,333
Total current assets	2,424,651
Property and equipment:	
Land	737
Structures	6,555
Vehicles	6,105
Equipment	32,531
Construction in progress	17
Total	45,945
Accumulated depreciation	(25,884)
Net property and equipment	20,061
Investments and other assets:	
Investment securities (Notes 3 and 16)	15,658
Investments in associated companies (Note 16)	207
Software	22,773
Deferred tax assets (Note 13)	1,403
Guarantee money deposits (Note 7)	3,815
Deferred charges	122
Long-term prepaid expenses	5,039
Goodwill	28,885
Other assets (Notes 9 and 22)	11,595
Total investments and other assets	89,497
Total	¥ 2,534,209
LIABILITIES AND EQUITY	
Current liabilities:	
Accounts payable (Notes 16 and 22)	¥ 207,650
Deposits in banking business (Note 16)	1,212,051
Short-term borrowings (Note 16)	306,739
Commercial paper	5,443
Current portion of long-term debt (Notes 7, 8, and 16)	131,014
Accrued expenses	15,924
Allowance for point program	8,696
Deferred revenue	2,831
Accrued income taxes	3,291
Other current liabilities	12,092
Total current liabilities	1,905,731
Long-term liabilities:	
Long-term debt (Notes 7, 8, and 16)	355,860
Deferred tax liabilities (Note 13)	2,696
Allowance for loss on refund of interest received	3,722
Other liabilities (Note 9)	7,328
Total long-term liabilities	369,606
Commitments and contingent liabilities (Notes 15, 17, and 18)	
Equity (Notes 10 and 11)	
Common stock—authorized, 540,000,000 shares; issued, 187,357,208 shares in 2013	15,467
Capital surplus	91,275
Stock acquisition rights—245 rights in 2013	23
Retained earnings	125,320
Treasury stock—at cost, 111,422 shares in 2013	(143)
Accumulated other comprehensive income:	
Unrealized gain on available-for-sale securities (Note 3)	2,717
Deferred loss on derivatives under hedge accounting	(1,705)
Foreign currency translation adjustments	(1,631)
Total	231,323
Minority interests	27,549
Total equity	258,872
Total	¥ 2,534,209

See notes to consolidated financial statements.

Consolidated Statement of Income

AEON Financial Service Co., Ltd. and Subsidiaries
Year Ended March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2014	**2014**
Income:		
Interest income:		
Interest on loans and bills discounted	¥ **104,863**	$ **1,018,883**
Interest and dividends on securities	**1,953**	**18,981**
Interest on call loans	**7**	**70**
Interest on due from banks and deposits	**400**	**3,884**
Other interest income	**229**	**2,221**
Total interest income	**107,452**	**1,044,039**
Fees and commissions (Notes 4 and 22)	**145,782**	**1,416,462**
Other operating income	**16,797**	**163,204**
Other income (Note 12)	**16,150**	**156,913**
Total income	**286,181**	**2,780,618**
Expenses:		
Interest expenses:		
Interest on deposits	**(5,184)**	**(50,367)**
Interest on call money	**(3)**	**(28)**
Interest on borrowed money	**(12,647)**	**(122,887)**
Other interest expenses	**(1,691)**	**(16,427)**
Total interest expenses	**(19,525)**	**(189,709)**
Fees and commissions	**(20,260)**	**(196,852)**
Other operating expenses	**(1,028)**	**(9,993)**
General and administrative expenses (Notes 9 and 15)	**(169,569)**	**(1,647,577)**
Provision for possible credit losses and write-off of bad debts	**(31,484)**	**(305,912)**
Management integration expenses	**(1,195)**	**(11,609)**
Other expenses	**(3,323)**	**(32,283)**
Total expenses	**(246,384)**	**(2,393,935)**
Income before income taxes and minority interests	**39,797**	**386,683**
Income taxes (Note 13):		
Current	**(13,102)**	**(127,302)**
Deferred	**1,190**	**11,561**
Total income taxes	**(11,912)**	**(115,741)**
Net income before minority interests	**27,885**	**270,942**
Minority interests in net income	**(7,142)**	**(69,395)**
Net income	¥ **20,743**	$ **201,547**

PER SHARE OF COMMON STOCK (Note 21):	Yen	U.S. Dollars
Basic net income	¥ **104.62**	$ **1.02**
Diluted net income	**99.49**	**0.97**
Cash dividends applicable to the year	**60.00**	**0.58**

See notes to consolidated financial statements.

	Millions of Yen
	2013
Operating revenues (Note 22):	
Credit card purchase contracts	¥ 86,988
Hire purchase contracts	8,418
Loan contracts	72,507
Interest income in banking business:	
Interest on loans and bills discounted in banking business	3,382
Interest and dividends on securities in banking business	1,368
Interest on call loans	1
Total interest income in banking business	4,751
Processing service fees	8,689
Other operating revenues	24,619
Total operating revenues	205,972
Operating expenses:	
Financial costs	(13,943)
Interest expenses on deposits in banking business	(712)
Provision for possible credit losses and write-off of bad debts	(23,577)
Other operating expenses (Notes 9 and 15)	(134,660)
Total operating expenses	(172,892)
Operating income	33,080
Nonoperating revenues (expenses):	
Loss resulting from step acquisitions	(1,752)
Management integration expenses	(1,011)
Other nonoperating revenues (expenses), net	175
Total nonoperating expenses	(2,588)
Income before income taxes and minority interests	30,492
Income taxes (Note 13):	
Current	(5,215)
Deferred	(6,207)
Total income taxes	(11,422)
Net income before minority interests	19,070
Minority interests in net income	(5,454)
Net income	¥ 13,616

PER SHARE OF COMMON STOCK (Note 21):	Yen
Basic net income	¥ 88.12
Diluted net income	78.25
Cash dividends applicable to the year	50.00

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

AEON Financial Service Co., Ltd. and Subsidiaries
Year Ended March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2014	**2014**
Net income before minority interests	**¥ 27,885**	**$ 270,942**
Other comprehensive income (Note 19):		
Unrealized gain on available-for-sale securities	**1,213**	**11,782**
Deferred loss on derivatives under hedge accounting	**(1,138)**	**(11,056)**
Foreign currency transaction adjustments	**3,536**	**34,357**
Total other comprehensive income	**3,611**	**35,083**
Comprehensive income:	**¥ 31,496**	**$ 306,025**
Total comprehensive income attributable to:		
Owners of the parent	**¥ 23,357**	**$ 226,945**
Minority interests	**8,139**	**79,080**

See notes to consolidated financial statements.

	Millions of Yen
	2013
Net income before minority interests	¥ 19,070
Other comprehensive income (Note 19):	
Unrealized gain on available-for-sale securities	1,565
Deferred loss on derivatives under hedge accounting	(250)
Foreign currency transaction adjustments	10,499
Total other comprehensive income	11,814
Comprehensive income:	¥ 30,884
Total comprehensive income attributable to:	
Owners of the parent	¥ 21,089
Minority interests	9,795

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

AEON Financial Service Co., Ltd. and Subsidiaries

Year Ended March 31, 2014

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Transaction Adjust-ments	Accumulated adjustments for retirement benefit	Total	Minority Interests	Total Equity
Balance, April 1, 2013	187,246	¥ 15,467	¥ 91,275	¥ 23	¥ 125,320	¥ (143)	¥ 2,717	¥ (1,705)	¥ (1,631)		¥ 231,323	¥ 27,549	¥ 258,872
Net income					20,743						20,743		20,743
Cash dividends, ¥50 per share					(9,792)						(9,792)		(9,792)
Conversion of convertible bonds	19,184	13,585	13,585								27,170		27,170
Purchase of treasury stock	(1)					(3)					(3)		(3)
Net change in the year				32			1,310	(622)	1,926	¥ (371)	2,275	8,027	10,302
Balance, March 31, 2014	206,429	¥ 29,052	¥ 104,860	¥ 55	¥ 136,271	¥ (146)	¥ 4,027	¥ (2,327)	¥ 295	¥ (371)	¥ 271,716	¥ 35,576	¥ 307,292

	Thousands	Thousands of U.S. Dollars (Note 1)											
							Accumulated Other Comprehensive Income						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Transaction Adjust-ments	Accumulated adjustments for retirement benefit	Total	Minority Interests	Total Equity
Balance, April 1, 2013	187,246	$ 150,277	$ 886,856	$ 220	$ 1,217,647	$ (1,386)	$ 26,404	$ (16,564)	$ (15,853)		$ 2,247,601	$ 267,677	$ 2,515,278
Net income					201,547						201,547		201,547
Cash dividends, $0.49 per share					(95,150)						(95,150)		(95,150)
Conversion of convertible bonds	19,184	131,996	131,996								263,992		263,992
Purchase of treasury stock	(1)					(31)					(31)		(31)
Net change in the year				317			12,724	(6,042)	18,715	$ (3,607)	22,107	77,991	100,098
Balance, March 31, 2014	206,429	$ 282,273	$ 1,018,852	$ 537	$ 1,324,044	$ (1,417)	$ 39,128	$ (22,606)	$ 2,862	$ (3,607)	$ 2,640,066	$ 345,668	$ 2,985,734

See notes to consolidated financial statements.

	Thousands	Millions of Yen										
							Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Transaction Adjust-ments	Total	Minority Interests	Total Equity
Balance, February 21, 2012	156,853	¥ 15,467	¥ 17,047	¥ 13	¥ 134,582	¥ (188)	¥ 1,183	¥ (1,563)	¥ (7,712)	¥ 158,829	¥ 23,024	¥ 181,853
Net income					13,616					13,616		13,616
Cash dividends, ¥50 per share					(7,749)					(7,749)		(7,749)
Purchase of treasury stock	(12,270)					(15,001)				(15,001)		(15,001)
Disposal of treasury stock	3				(1)	4				3		3
Retirement of treasury stock					(15,042)	15,042						
Increase by share exchanges	42,660		74,228							74,228		74,228
Change of scope of equity method					(86)					(86)		(86)
Net change in the year				10			1,534	(142)	6,081	7,483	4,525	12,008
Balance, March 31, 2013	187,246	¥ 15,467	¥ 91,275	¥ 23	¥ 125,320	¥ (143)	¥ 2,717	¥ (1,705)	¥ (1,631)	¥ 231,323	¥ 27,549	¥ 258,872

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

AEON Financial Service Co., Ltd. and Subsidiaries
Year Ended March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2014	2014
OPERATING ACTIVITIES:		
Income before income taxes and minority interests	¥ 39,797	$ 386,683
Adjustments for:		
Depreciation and amortization	12,734	123,728
Allowance for possible credit losses	(14)	(139)
Allowance for point program	2,317	22,512
Decrease in allowance for loss on refund of interest received	(636)	(6,174)
Interest income	(107,452)	(1,044,039)
Interest expenses	19,525	189,709
Net increase in loans and bills discounted	(138,201)	(1,342,799)
Net increase in installment sales receivables	(342,366)	(3,326,529)
Net increase in deposits	505,718	4,913,704
Net increase in accounts payable	14,414	140,050
Net decrease in borrowed money	(213,088)	(2,070,422)
Net decrease in deposits with banks	9,688	94,127
Net increase in call loans and others	(18,730)	(181,981)
Net increase in call money	4,900	47,610
Net decrease in commercial paper	(5,634)	(54,742)
Interest income received	104,438	1,014,746
Interest expenses paid	(18,072)	(175,591)
Other	890	8,646
Subtotal	(129,772)	(1,260,901)
Income taxes—paid	(7,790)	(75,688)
Income taxes—refund	65	626
Net cash used in operating activities	(137,497)	(1,335,963)
INVESTING ACTIVITIES:		
Purchases of securities	(80,923)	(786,272)
Proceeds from sales of securities	74,725	726,050
Proceeds from redemption of securities	45,210	439,275
Purchases of property and equipment	(9,017)	(87,615)
Proceeds from sale of property and equipment	784	7,614
Purchases of intangible assets	(11,861)	(115,242)
Cash paid in conjunction with the purchase of consolidated subsidiary (Note 14)	(2,934)	(28,503)
Net cash provided by investing activities	15,984	155,307
FINANCING ACTIVITIES:		
Issuance of subordinated bonds	39,769	386,407
Financial costs paid for financing activities	(109)	(1,057)
Dividends paid to the Company's shareholders	(9,792)	(95,150)
Proceeds from stock issuance to minority shareholders	3,018	29,327
Dividends paid to minority shareholders	(2,879)	(27,970)
Purchase of treasury stock	(3)	(31)
Net cash provided by financing activities	30,004	291,526
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	205	1,991
NET DECREASE IN CASH AND CASH EQUIVALENTS	(91,304)	(887,139)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	499,475	4,853,040
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 408,171	$ 3,965,901
MAJOR NONCASH TRANSACTIONS		
Conversion of convertible bonds	¥ (27,170)	$ (263,992)

See notes to consolidated financial statements.

	Millions of Yen
	2013
OPERATING ACTIVITIES:	
Income before income taxes and minority interests	¥ 30,492
Adjustments for:	
Income taxes—paid	(4,435)
Income taxes—refund	1,989
Depreciation and amortization	9,950
Provision for possible credit losses	20,513
Changes in assets and liabilities:	
Increase in finance receivables	(66,500)
Increase in loans and bills discounted in banking business	(67,423)
Decrease in other assets	27,017
Increase in accounts payable	28,504
Increase in deposits in banking business	77,516
Decrease in other current liabilities	(15,903)
Decrease in allowance for loss on refund of interest received	(5,529)
Other	(8,913)
Net cash provided by operating activities	27,278
INVESTING ACTIVITIES:	
Increase in time deposits—net	(3,241)
Purchases of securities in banking business	(35,197)
Proceeds from sale and redemption of securities in banking business	78,918
Purchases of property and equipment	(5,525)
Proceeds from sale of property and equipment	786
Purchases of software	(8,595)
Purchases of investment securities	(86)
Cash paid in conjunction with the purchase of consolidated subsidiary	(328)
Other	(1,906)
Net cash provided by investing activities	24,826
FINANCING ACTIVITIES:	
Increase in short-term borrowings—net	269,555
Increase in commercial paper—net	3,873
Proceeds from issuance of convertible bonds	29,919
Proceeds from issuance of long-term debt	80,384
Repayments of long-term debt	(139,325)
Increase in treasury stock—net	(15,017)
Proceeds from issuance of subsidiaries' stock to minority shareholders	177
Dividends paid to the Company’s shareholders	(7,749)
Dividends paid to minority shareholders	(1,857)
Net cash provided by financing activities	219,960
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	2,672
NET INCREASE IN CASH AND CASH EQUIVALENTS	274,736
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,630
INCREASE IN CASH AND CASH EQUIVALENTS RESULTING FROM SHARE EXCHANGE (Note 14)	205,109
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 499,475

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2014

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS") and accounting principles generally accepted in the United States of America ("U.S. GAAP").

The Group has prepared the consolidated financial statements for the fiscal year ended March 31, 2014 in accordance with the Ordinance for the Enforcement of the Banking Act (Ordinance of the Ministry of Finance No. 10 of 1982) (hereafter the "Act"), which prescribes classifications of assets and liabilities and revenues and expenses for banking institutions. However, the consolidated financial statements for the fiscal year ended March 31, 2013 are not reclassified. This is because it is impracticable to collect prior year information of the Group required to conform to the Act.

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation—The consolidated financial statements as at March 31, 2014 include the accounts of the Company and its 35 subsidiaries and two companies accounted for under the equity method.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition is recorded as goodwill. Goodwill recognized by the Company or its consolidated domestic subsidiaries is amortized over a period not exceeding 20 years (estimated effective period). Insignificant goodwill and negative goodwill are recognized in profit or loss in the period the business combinations occurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group have been eliminated.

(b) Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes that (ⅰ) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements; (ⅱ) financial statements prepared by foreign subsidiaries in accordance with either IFRS or U.S. GAAP tentatively may be used for the consolidation process; (ⅲ) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized research and development costs; 4) cancellation of fair value model of accounting for property, plant, and equipment and investment properties, and incorporation of cost model of accounting; and 5) exclusion of minority interests from net income, if contained. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008.

(c) Business Combination—In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations."

Under the revised standard, the acquirer recognizes a gain on bargain purchase (negative goodwill) in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation, whereas the previous accounting standard provided for a bargain purchase gain to be systematically amortized over a period not exceeding 20 years. This standard was applicable to business combinations undertaken on or after April

1, 2010.

The Company resolved at the meeting of its Board of Directors held on April 11, 2013 to acquire shares of Toshiba Finance Corporation (currently, AEON Product Finance Co., Ltd.). As at the same date, the Company concluded the share assignment agreement with Toshiba Corporation and acquired the shares on May 16, 2013. As a result, the Company acquired 100% of the issued and outstanding shares of Toshiba Finance Corporation on May 16, 2013 and accounted for it by the purchase method of accounting. The related goodwill is systematically amortized over 10 years (see Note 20).

(d) Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are not exposed to significant risk of changes in value. Cash equivalents of the Company and its consolidated subsidiaries, excluding the domestic subsidiary that operates banking business (hereafter "the domestic banking subsidiary"), include time deposits, certificates of deposit, commercial paper, and bond funds, all of which mature or become due within three months of the date of acquisition. Cash equivalent of the domestic banking subsidiary include due from the Bank of Japan.

(e) Installment Sales Receivables—Installment sales receivables that the Group has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any write-off or valuation allowance.

(f) Allowance for Possible Credit Losses—The allowance for possible credit losses is stated in accordance with the internally developed standards for write-offs and provisions. The Group classifies its obligors into five categories for self-assessment purposes, namely, "normal," "in need of caution," "possible bankruptcy," "substantial bankruptcy," and "legal bankruptcy." For credits to obligors classified as normal or in need of caution, the allowance for possible credit losses is provided based on the bad debt ratio derived from credit loss experience over a past certain period. For credits classified as possible bankruptcy, the allowance for possible credit losses is provided only for the required amount of the following: credit amount, less the expected amount recoverable through the disposal of collateral or execution of guarantee. For credits classified as substantial bankruptcy or legal bankruptcy, the allowance for possible credit losses is provided for the full amounts of such credits, deducting the expected amount recoverable through the disposal of collateral or execution of guarantee.

All claims are assessed initially by the operational departments based on the internal standards for self-assessment of asset quality. The Internal Audit Department, which is independent from the operational departments, reviews the results of the self-assessments.

The allowance for possible credit losses of certain consolidated subsidiaries is provided in amounts considered to be appropriate in accordance with their internal standards developed based on the past credit loss experience and evaluation of potential losses in normal receivables and doubtful receivables.

(g) Property and Equipment—Property and equipment are stated at cost. Depreciation of property and equipment is computed under the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from two to 20 years.

(h) Securities—Securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-sale securities whose fair values are deemed to be difficult to determine are stated at cost determined by the moving-average method. Securities other than those classified as trading purpose (excluding securities whose fair values are deemed to be difficult to determine) are considered as impaired if the fair values of the securities decreases materially below the acquisition cost and such decline is not considered to be recoverable. The securities are recognized at fair value on the consolidated balance sheet and the amount of write-down is accounted for as loss on revaluation of the securities for the fiscal year.

(i) Software (excluding lease assets)—Software is carried at cost, less accumulated amortization. Amortization of software of the Group is calculated by the straight-line method over the estimate useful lives within five years.

(j) Stock Issuance Costs—Stock issuance costs as at March 31, 2014, which have been deferred and included in other assets, were ¥85 million ($823 thousand). These costs are amortized by the straight-line method over a period of three years.

(k) Bond Issuance Costs—Bond issuance costs as at March 31, 2014 and 2013, which have been deferred and included in other assets, were ¥398 million ($3,865 thousand) and ¥122 million, respectively. These costs are amortized by the interest method through the maturity of the bonds.

(l) Allowance for Point Program—The allowance for point program is stated at the amount considered to be appropriate based on the Group's past redemption experience.

(m) Allowance for Loss on Refund of Interest Received—The allowance for loss on refund of interest received (the amount of interest that exceeds the ceiling rate imposed by the Interest Rate Restriction Law) is provided by certain domestic subsidiaries of the Group and is stated at the amount considered to be appropriate based on the Group's past refund experience. In October 2006, "Application of auditing for provision of allowance for loss for reclaimed refund of interest in the accounting of consumer finance companies" of Industry Audit Practice Committee Report No. 37 by the Japanese Institute of Certified Public Accountants was issued and was adopted at the beginning of the fiscal year ended February 20, 2007.

(n) Retirement Benefit and Pension Plans—The Company and its consolidated domestic subsidiaries have a funded defined benefit pension plan, advance payment plan, and defined contribution pension plan covering substantially all employees. An overseas subsidiary has an unfunded severance payment plan for its employees. Certain subsidiaries adopt the simplified method, which is allowed for small entities that meet certain criteria under generally accepted accounting standards in Japan, for calculating the projected benefit obligation and net periodic benefit costs.

In calculation of retirement benefit obligation, estimated amounts of retirement benefits are allocated to each period by the straight-line method.

Unrecognized past service costs of domestic subsidiaries are amortized using the straight-line method within the employees' average remaining service period from the fiscal year of its incurrence, over a period of 10 years.

Unrecognized actuarial gains and losses of domestic subsidiaries are amortized using the straight-line method within the employees' average remaining service period, commencing from the next fiscal year of incurrence, over a period of 10 years.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(ⅰ) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(ⅱ) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(ⅲ) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (ⅰ) and (ⅱ) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (ⅲ) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (ⅰ) and (ⅱ) above, effective March 31, 2014. As a result, liability for retirement benefits of ¥2,790 million ($27,108 thousand) was recorded as other liabilities as of March 31, 2014, and deferred tax assets increased by ¥204 million ($1,985 thousand) and accumulated other comprehensive income decreased by ¥371 million ($3,607 thousand) for the year ended March 31, 2014.

The effect of this change on per share information is immaterial.

(o) Stock Options—ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance are applicable to stock options granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of the grant and over the vesting period as consideration for receiving goods or services.

The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

The Company has applied the accounting standard for stock options to those granted on and after May 1, 2006.

(p) Recognition of Income—The operations of the Group mainly comprise the following areas, and the recognition of income is different according to each business.

(i) Credit card purchase contracts and hire purchase contracts

Installment sales receivables are recognized after the Group has accepted the relevant contracts that participating member stores refer to the Group.

The Group receives fees for collection of the installment sales and the related administrative services from the member stores under credit card purchase contracts and hire purchase contracts for shopping. The fees from the member stores are generally recognized at the time when the Group makes payments for the installment sales receivables to the member stores in advance.

The Group receives fees from customers under credit card purchase contracts and hire purchase contracts. The fees from customers are recognized principally by the effective interest method.

(ii) Loans and bills discounted

The Group provides cash advance and loan services. Loans and bills discounted are recognized when cash is drawn down by customers. The interest income and the customer charge at the start of the contract are recognized principally by the effective interest method.

(q) Lease Transactions—All finance lease transactions are capitalized to recognize lease assets and lease obligations on the balance sheets. All other leases are accounted for as operating leases.

(r) Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is provided for any portion of the deferred tax assets that is not considered to be realizable.

(s) Consumption Taxes—National and local consumption taxes of the Company and its domestic subsidiaries are accounted for using the tax-excluded method. However, consumption taxes relating to assets that are not tax deductible are recognized as other assets and amortized over the period stipulated in the Corporation Tax Act.

(t) Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the consolidated financial statements in the following year upon the Board of Directors' resolution or shareholders' approval.

(u) Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at each balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.

(v) Foreign Currency Financial Statements—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of each balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation were shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate.

(w) Derivative Financial Instruments—The Group uses derivative financial instruments to manage its exposures to market fluctuations in foreign currency exchange and interest rates. The Group enters into forward exchange contracts, currency swap contracts, and interest rate swap contracts to reduce its exposures to foreign currency and interest rate risk. The Group does not enter into any derivative contracts for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (i) all derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statements of income and (ii) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until the maturity of the hedged items. Foreign currency-denominated long-term debt for which forward exchange contracts are used as hedging instruments are translated at the forward exchange rate if the derivatives qualify for hedge accounting. Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. In principle, these swaps which qualify for hedge accounting are measured at market value at the consolidated balance sheet date and the unrealized gains or losses, net of applicable taxes, are deferred until maturity as deferred gain/loss on derivatives under hedge accounting under accumulated other comprehensive income in a separate component of equity. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

(x) Per Share Information—Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income per share reflects the potential dilution that could occur if outstanding stock acquisition rights were exercised. Diluted net income per share of common stock is calculated assuming all outstanding stock acquisition rights are exercised.

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

(y) Accounting Changes and Error Corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(ⅰ) Changes in accounting policies

When a new accounting policy is applied due to a revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(ⅱ) Changes in presentation

When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation.

(ⅲ) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(ⅳ) Correction of prior-period errors

When an error in prior-period financial statements is discovered, those statements are restated.

(z) New Accounting Pronouncements

Retirement Benefits

On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" (hereafter the "Accounting Standard"), and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits" (hereafter the "Guidance"), which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000 and the other related practical guidance, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(ⅰ) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the Accounting Standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(ⅱ) Treatment in the statement of income and the statement of comprehensive income

The Accounting Standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income. Actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(ⅲ) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The Accounting Standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

The Accounting Standard and the Guidance for (i) and (ii) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (iii) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the Accounting Standard for (i) and (ii) above from the end of the annual period beginning on April 1, 2013, and the Company expects to apply the Accounting Standard for (iii) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. MONETARY CLAIMS BOUGHT AND SECURITIES

Monetary claims bought and securities as at March 31, 2014 and securities in banking business and investment securities as at March 31, 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Marketable equity securities	**¥ 5,755**	¥ 5,689	**$ 55,913**
Marketable debt securities:			
Government bonds	**27,030**	21,498	**262,638**
Corporate bonds	**36,228**	54,334	**352,006**
Total marketable debt securities	**63,258**	75,832	**614,644**
Other securities(*)	**116,485**	139,425	**1,131,805**
Total	**¥ 185,498**	¥ 220,946	**$ 1,802,362**

(*) Includes investments in associated companies of ¥227 million ($2,205 thousand) and ¥207 million as at March 31, 2014 and 2013, respectively.

The carrying amounts and aggregate fair values of monetary claims bought and securities as at March 31, 2014 and securities in banking business and investment securities as at March 31, 2013, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2014				
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 2,619**	**¥ 3,170**	**¥ (34)**	**¥ 5,755**
Debt securities	**62,672**	**589**	**(3)**	**63,258**
March 31, 2013				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,615	¥ 3,086	¥ (12)	¥ 5,689
Debt securities	75,036	796		75,832

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2014				
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 25,450**	**$ 30,801**	**$ (338)**	**$ 55,913**
Debt securities	**608,946**	**5,730**	**(32)**	**614,644**

Available-for-sale securities whose fair values are deemed to be difficult to determine as at March 31, 2014 and 2013 are disclosed in Note 16.

Loss on revaluation of securities for the year ended March 31, 2014 was ¥3 million ($32 thousand), including loss on equity securities of ¥3 million ($32 thousand).

Unrealized gain on available-for-sale securities on the consolidated balance sheets as at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Unrealized gain before deferred tax on:			
Available-for-sale securities	**¥ 5,649**	¥ 4,160	**$ 54,885**
Deferred tax liabilities	**(1,535)**	(1,259)	**(14,915)**
Unrealized gain on available-for-sale securities (before adjustment)	**4,114**	2,901	**39,970**
Minority interests	**(87)**	(184)	**(842)**
Unrealized gain on available-for-sale securities	**¥ 4,027**	¥ 2,717	**$ 39,128**

4. LOANS AND BILLS DISCOUNTED, INSTALLMENT SALES RECEIVABLES, AND FEES AND COMMISSIONS

Loans and bills discounted as at March 31, 2014, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Loans and bills discounted	**¥ 1,276,741**	**$ 12,405,187**
Allowance for possible credit losses	**(27,926)**	**(271,340)**
Total	**¥ 1,248,815**	**$ 12,133,847**

Loans and bills discounted as at March 31, 2014, included the following:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Loans to bankrupt borrowers(*1)	**¥ 938**	**$ 9,109**
Non-accrual delinquent loans(*2)	**22,284**	**216,522**
Restructured loans(*3)	**14,490**	**140,792**
Total	**¥ 37,712**	**$ 366,423**

(*1) "Loans to bankrupt borrowers" are loans, after write-off, to legally bankrupt borrowers as defined in Articles 96-1-3 and 96-1-4 of the Enforcement Ordinance No. 97 of the Japanese Corporate Tax Law (issued in 1965), and on which accrued interest income is not recognized as there is substantial doubt about the ultimate collectability of either principal or interest because they are past due for a considerable period of time or for other reasons.

(*2) "Non-accrual delinquent loans" are loans on which accrued interest income is not recognized, excluding "Loans to bankrupt borrowers" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

(*3) "Restructured loans" are loans on which terms and conditions have been amended in favor of the borrowers (e.g., reduction of the original interest rate, deferral of interest payments, extension of principal repayments, or debt forgiveness) in order to support the borrowers' recovery from financial difficulties, excluding "Loans to bankrupt borrowers," "Non-accrual delinquent loans," and "Past due loans (three months or more)."

There were no loans to be categorized as past due loans (three months or more) as at March 31, 2014. "Past due loans (three months or more)" are loans on which the principal and/or interest is past due for three months or more, excluding "Loans to bankrupt borrowers" and "Non-accrual delinquent loans."

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Group has rights to sell or pledge commercial bills discounted without restrictions. The total face value as at March 31, 2014 was ¥1,118 million ($10,867 million).

Installment sales receivables as at March 31, 2014, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Installment sales receivables:		
Credit card purchase contracts	**¥ 748,828**	**$ 7,275,824**
Hire purchase contracts	**208,576**	**2,026,585**
Subtotal	**957,404**	**9,302,409**
Allowance for possible credit losses	**(19,645)**	**(190,878)**
Total	**¥ 937,759**	**$ 9,111,531**

Fees and commissions for the year ended March 31, 2014, included the following:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Credit card purchase contracts	**¥ 92,280**	**$ 896,621**

5. PROPERTY AND EQUIPMENT

Property and equipment as at March 31, 2014, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Land	**¥ 742**	**$ 7,212**
Structures	**8,469**	**82,289**
Equipment	**43,808**	**425,645**
Construction in progress	**10**	**92**
Other property and equipment	**8,655**	**84,098**
Subtotal	**61,684**	**599,336**
Accumulated depreciation	**(30,498)**	**(296,328)**
Total	**¥ 31,186**	**$ 303,008**

6. INTANGIBLE ASSETS

Intangible assets as at March 31, 2014, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Software	**¥ 31,243**	**$ 303,572**
Goodwill (Notes 14 and 20)	**28,888**	**280,680**
Other intangible assets	**7,592**	**73,769**
Total	**¥ 67,723**	**$ 658,021**

7. PLEDGED ASSETS

Assets pledged as collateral as at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Assets pledged as collateral:			
Securities	**¥ 4,990**		**$ 48,484**
Operating loan receivables		¥ 11,302	
Loans and bills discounted	**12,696**		**123,364**
Installment sales receivables	**15,381**	15,682	**149,443**
Total	**¥ 33,067**	¥ 26,984	**$ 321,291**
Liabilities corresponding to assets pledged as collateral:			
Call money	**4,900**		**47,610**
Long-term debt		17,813	
Borrowed money	**17,579**		**170,806**

In addition to the assets presented above, the following assets were pledged as collateral for exchange settlements and other transactions as at March 31, 2014 and 2013:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Securities in banking business		¥ 21,498	
Securities	**¥ 22,041**		**$ 214,154**

Moreover, other assets included guarantee money deposits, and these amounts as at March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Guarantee money deposits	**¥ 4,074**	¥ 3,815	**$ 39,582**

8. BORROWED MONEY, BONDS, AND LEASE OBLIGATIONS

Borrowed money and lease obligations included in other liabilities as at March 31, 2014, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars	Average interest rate(*1)	
	2014	**2014**	**2014**	Due
Borrowed money	**¥ 515,228**	**$ 5,006,098**	**2.54%**	From April 2014 to December 2020
Lease obligations	**12,607**	**122,497**	**2.03%**	From May 2014 to March 2022

(*1) Average interest rate represents the weighted-average interest rate based on the balances and rates at the end of fiscal year.

Bonds and convertible bonds as at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Issued by the Company:			
Unsecured 1.79% Japanese yen notes due February 2014		¥ 20,000	
Unsecured 1.02% Japanese yen notes due April 2015	**¥ 20,000**	20,000	**$ 194,326**
¥15,000,000,000 Zero Coupon Convertible Bonds due 2016	**1,060**	15,000	**10,299**
¥15,000,000,000 Zero Coupon Convertible Bonds due 2017	**1,770**	15,000	**17,198**
Unsecured 0.349% pari passu Japanese yen notes due March 2019	**10,000**		**97,163**
Unsecured 0.572% pari passu Japanese yen notes due March 2021	**10,000**		**97,163**
Unsecured 0.83% callable subordinated Japanese yen notes due April 2024	**30,000**		**291,488**
Unsecured 0.83% callable subordinated Japanese yen notes due April 2024	**10,000**		**97,163**
Issued by AEON Thana Sinsap (Thailand) Plc.:			
Unsecured 3.28% Thai baht notes due July 2015	**2,041**	1,861	**19,829**
Unsecured 4.06% Thai baht notes due July 2016	**1,524**	1,390	**14,812**
Unsecured 3.85% Thai baht notes due December 2016	**2,022**	1,841	**19,648**
Unsecured 4.44% Thai baht notes due August 2017	**3,008**	2,733	**29,231**
Unsecured 4.77% Thai baht notes due September 2017	**2,042**	1,868	**19,836**
Unsecured 4.14% Thai baht notes due July 2018	**1,702**		**16,533**
Unsecured 5.45% Thai baht notes due November 2018	**3,077**		**29,900**
Issued by AEON Credit Service (M) Berhad:			
Medium Term Note 4.15% Malaysia Ringgit due May 2013		606	
Medium Term Note 4.00% Malaysia Ringgit due October 2013		1,514	
Medium Term Note 4.05% Malaysia Ringgit due July 2013		908	
Medium Term Note 4.05% Malaysia Ringgit due September 2013		909	
Medium Term Note 3.85% Malaysia Ringgit due November 2013		1,212	
Medium Term Note 3.80% Malaysia Ringgit due January 2014		303	
Medium Term Note 3.85% Malaysia Ringgit due January 2014		757	
Medium Term Note 3.90% Malaysia Ringgit due July 2013		454	
Medium Term Note 3.95% Malaysia Ringgit due April 2017	**1,548**	1,514	**15,041**
Medium Term Note 3.95% Malaysia Ringgit due April 2017	**1,238**	1,212	**12,033**
Medium Term Note 3.95% Malaysia Ringgit due May 2017	**1,703**	1,666	**16,545**
Medium Term Note 3.95% Malaysia Ringgit due July 2017	**1,703**	1,666	**16,545**
Total	**¥ 104,438**	¥ 92,414	**$ 1,014,753**

The following is a summary of the terms for conversion and redemption of the convertible bonds with stock acquisition rights:

	Conversion Price(*1)	Number of shares of Common Stock (thousands)(*2)	Exercise Period
¥15,000,000,000 Zero Coupon Convertible Bonds due 2016	¥ 1,433.9	739	From April 6, 2012 to March 8, 2016
¥15,000,000,000 Zero Coupon Convertible Bonds due 2017	1,398.1	1,266	From April 6, 2012 to March 9, 2017

(*1) The conversion price is subject to adjustment for certain subsequent events, such as the issue of common stock at less than market value and stock splits.

(*2) Numbers of shares of common stock are calculated on the assumption that all convertible bonds with stock acquisition rights are converted as at March 31, 2014.

The annual maturities of borrowed money as at March 31, 2014, were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 216,798	$ 2,106,471
2016	87,801	853,095
2017	108,547	1,054,673
2018	33,626	326,721
2019	57,115	554,942
2020 and thereafter	11,341	110,196
Total	¥ 515,228	$ 5,006,098

The annual maturities of bonds as at March 31, 2014, were as follows:

Years ended March 31	Millions of Yen		Thousands of U.S. Dollars	
2015				
2016	¥	23,101	$	224,454
2017		5,316		51,658
2018		11,242		109,230
2019		14,779		143,597
2020 and thereafter		50,000		485,814
Total	¥	104,438	$	1,014,753

The annual maturities of lease obligations as at March 31, 2014, were as follows:

Years ended March 31	Millions of Yen		Thousands of U.S. Dollars	
2015	¥	2,521	$	24,498
2016		2,389		23,209
2017		1,802		17,511
2018		1,527		14,834
2019		1,504		14,613
2020 and thereafter		2,864		27,832
Total	¥	12,607	$	122,497

9. RETIREMENT BENEFIT AND PENSION PLANS

For the year ended March 31, 2014

The Company and its consolidated domestic subsidiaries have a funded defined benefit pension plan, advance payment plan, and defined contribution pension plan for their employees. An overseas subsidiary has an unfunded severance payment plan for its employees.

Certain consolidated subsidiaries adopt the simplified method, which is allowed for small entities that meet certain criteria under generally accepted accounting standards in Japan, in calculating their liability for retirement benefits the projected benefit obligation and net periodic benefit costs.

(a) The changes in defined benefit obligation (including the obligation calculated by the simple method) for the year ended March 31, 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2014		**2014**	
Balance at beginning of year	**¥**	**1,740**	**$**	**16,910**
Current service cost		**148**		**1,436**
Interest cost		**62**		**608**
Actuarial gains and losses		**66**		**642**
Benefits paid		**(136)**		**(1,324)**
Other(*)		**2,089**		**20,294**
Balance at end of year	**¥**	**3,969**	**$**	**38,566**

(*) Includes increase by the acquisition of AEON Product Finance Co., Ltd.

(b) The changes in plan assets for the year ended March 31, 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2014		**2014**	
Balance at beginning of year	**¥**	**987**	**$**	**9,595**
Expected return on plan assets		**11**		**108**
Actuarial gains and losses		**84**		**815**
Contributions from the employer		**158**		**1,533**
Benefits paid		**(61)**		**(593)**
Balance at end of year	**¥**	**1,179**	**$**	**11,458**

(c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the year ended March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Funded defined benefit obligation	¥ 1,471	$ 14,293
Plan assets	(1,179)	(11,458)
	292	2,835
Unfunded defined benefit obligation	2,498	24,273
Net liability arising from defined benefit obligation	¥ 2,790	$ 27,108

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Liability for retirement benefits	¥ 2,790	$ 27,108
Net liability arising from defined benefit obligation	¥ 2,790	$ 27,108

(*) Includes the obligation calculated by the simplified method.

(d) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Service cost(*)	¥ 148	$ 1,436
Interest cost	62	608
Expected return on plan assets	(11)	(108)
Recognized actuarial losses	83	806
Amortization of past service costs	33	319
Net periodic benefit costs	¥ 315	$ 3,061

(*) Includes the cost calculated by the simplified method.

(e) Accumulated other comprehensive income on defined retirement benefit plans as at March 31, 2014:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Unrecognized past service costs	¥ 175	$ 1,701
Unrecognized actuarial gains and losses	401	3,897
Total	¥ 576	$ 5,598

(f) Plan assets

(ⅰ) Components of plan assets

Plan assets consisted of the following:

	2014
Debt securities	59.3%
Equity securities	12.6%
Assets in the life insurer’s general account	12.4%
Other(*)	15.7%
Total	100.0%

(*) Includes mainly cash and alternative investments.

(ⅱ) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(g) Assumptions used for the year ended March 31, 2014, were set forth as follows:

	2014
Discount rate	mainly 1.9%
Expected rate of return on plan assets	1.13%

The required contribution amount to the defined contribution pension plan is ¥237 million ($2,300 thousand).

The amount of benefits paid under the advance payment plan is ¥56 million ($540 thousand).

For the year ended March 31, 2013

The Company and its consolidated domestic subsidiaries sponsor a defined benefit pension plan, advance payment plan, and defined contribution pension plan for their employees. An overseas subsidiary has a severance payment plan for employees.

The net retirement benefit liability, which was booked under other assets and/or other liabilities as at March 31, 2013, consisted of the following:

	Millions of Yen	
	2013	
Projected benefit obligation	¥	1,740
Fair value of plan assets		(987)
Unrecognized actuarial loss		(378)
Net retirement benefit liability	¥	375
Asset		(45)
Liability	¥	420

The components of net periodic benefit costs for the year ended March 31, 2013, were as follows:

	Millions of Yen	
	2013	
Service cost	¥	197
Interest cost		28
Expected return on plan assets		(11)
Recognized actuarial loss		95
Other		165
Total	¥	474

Assumptions used for the year ended March 31, 2013, were set forth as follows:

	2013
Discount rate	1.9%
Expected rate of return on plan assets	1.33%
Recognition period of actuarial gain/loss	10 years

10. EQUITY

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria, such as (ⅰ) having a Board of Directors, (ⅱ) having independent auditors, (ⅲ) having an Audit & Supervisory Board, and (ⅳ) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Board of Directors of the Company can declare dividends without resolution at the shareholders’ meeting, since the Company is organized as a company with board committees and meet the above criteria. The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

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

(c) Treasury stock and treasury stock acquisition rights
The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

(d) Significant change in equity
The Company's common stock and capital surplus increased by ¥13,585 million ($131,996 thousand) each, and convertible bonds the Company issued decreased by ¥27,170 million ($263,992 thousand). These changes were due to the conversion of convertible bonds into shares.

11. STOCK-BASED COMPENSATION

The stock options outstanding as at March 31, 2014, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option	12 directors	15,500 shares	April 21, 2011	¥ 1 $ 0.01	From May 21, 2011 through May 20, 2026
2013 Stock Option	6 directors	12,100 shares	April 21, 2012	¥ 1 $ 0.01	From May 21, 2012 through May 20, 2027
2014 Stock Option	6 directors	12,000 shares	July 21, 2013	¥ 1 $ 0.01	From August 21, 2013 through August 20, 2028

The summary of stock option activity is as follows:

	2014 Stock Option	2013 Stock Option	2012 Stock Option
Nonvested (Shares)			
Outstanding at beginning of year			
Granted	12,000		
Expired			
Vested	12,000		
Outstanding at end of year			
Vested (Shares)			
Outstanding at beginning of year		10,500	14,000
Vested	12,000		
Exercised			
Expired			
Outstanding at end of year	12,000	10,500	14,000
Exercise price	¥ 1	¥ 1	¥ 1
	$ 0.01	$ 0.01	$ 0.01
Fair value price at grant date	¥ 2,715	¥ 1,081	¥ 809
	$ 26.38	$ 10.50	$ 7.86

The assumptions used to measure fair value of stock options vested during fiscal year 2014 were as follows:

	2014 Stock Option
Measurement method	Black-Scholes option-pricing model
Risk-free interest rate	0.61%
Expected life of option grants	7.5 years
Expected volatility of underlying stock	45.32%
Estimated dividend	¥60 per share

12. OTHER INCOME

Other income for the year ended March 31, 2014, consisted of the following:

	Millions of Yen	Thousands of U.S. Dollars
	2014	**2014**
Gain on bad debts recovered	**¥ 9,238**	**$ 89,758**
Other	**6,912**	**67,155**
Total	**¥ 16,150**	**$ 156,913**

13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.7% for the years ended March 31, 2014 and 2013. The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as at March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Deferred tax assets:			
Allowance for possible credit losses	**¥ 8,661**	¥ 8,022	**$ 84,157**
Finance receivables		243	
Loans and bills discounted and installment sales receivables	**331**		**3,218**
Allowance for point program	**4,136**	3,402	**40,182**
Allowance for loss on refund of interest received	**1,089**	1,403	**10,584**
Accrued income	**798**	847	**7,752**
Property and equipment	**378**	173	**3,675**
Intangible assets	**73**	107	**707**
Liability for retirement benefits	**956**		**9,289**
Tax loss carryforwards	**12,512**	15,277	**121,570**
Unrealized loss on acquisition of subsidiaries	**2,179**	4,032	**21,170**
Other	**4,359**	4,740	**42,355**
Less valuation allowance	**(12,783)**	(16,932)	**(124,205)**
Total deferred tax assets	**¥ 22,689**	¥ 21,314	**$ 220,454**
Deferred tax liabilities:			
Depreciation in consolidated foreign subsidiaries	**¥ 439**	¥ 417	**$ 4,264**
Unrealized gain on available-for-sale securities	**1,938**	2,082	**18,829**
Unrealized gain on acquisition of subsidiaries	**3,150**	4,497	**30,608**
Other	**224**	291	**2,179**
Total deferred tax liabilities	**¥ 5,751**	¥ 7,287	**$ 55,880**
Net deferred tax assets	**¥ 16,938**	¥ 14,027	**$ 164,574**

Reconciliations between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended March 31, 2014 and 2013, were as follows:

	2014	2013
Normal effective statutory tax rate	**37.7%**	37.7%
Earnings not taxable and expenses not deductible for income tax purposes—net	**(3.3)**	(2.6)
Per capita portion of inhabitants tax	**0.7**	0.6
Lower income tax rates applicable to income in certain foreign countries	**(7.2)**	(7.3)
Influence of elimination in consolidation	**6.1**	7.6
Influence of changes in the statutory tax rate	**5.0**	4.3
Tax loss carryforwards	**(5.5)**	(4.4)
Less valuation allowance	**(4.7)**	1.3
Other	**1.1**	0.3
Actual effective tax rate	**29.9%**	37.5%

Changes in the Statutory Tax Rates
According to the promulgation of the "Act on Partial Revision of the Income Tax Act, etc." (Law No. 10, 2014) on March 31, 2014, the special corporate tax for reconstruction will be repealed from the fiscal years beginning on or after April 1, 2014. This new tax reform law enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014 from 37.7% to 35.3%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as at March 31, 2014 by ¥934 million ($9,077 thousand) and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥934 million ($9,077 thousand).

14. SUPPLEMENTAL CASH FLOW INFORMATION

Purchases of newly consolidated subsidiaries
For the year ended March 31, 2014, the Company acquired 100% of the issued and outstanding shares of AEON Product Finance Co., Ltd. and turned it into a newly consolidated subsidiary. Assets and liabilities of AEON Product Finance Co., Ltd. at the time of the acquisition were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Total assets	¥ 317,420	$ 3,084,143
Of which: customers' liabilities for acceptances and guarantees	235,846	2,291,549
Of which: installment sales receivables	73,856	717,602
Total liabilities	313,360	3,044,691
Of which: acceptances and guarantees	235,846	2,291,549
Of which: borrowed money	56,087	544,957
Goodwill	1,782	17,313
Total acquisition cost of AEON Product Finance Co., Ltd.	5,842	56,765
Cash and cash equivalents of AEON Product Finance Co., Ltd.	(2,908)	(28,262)
Cash paid in conjunction with the purchase of AEON Product Finance Co., Ltd.	¥ 2,934	$ 28,503

For the year ended March 31, 2013, the Company executed a share exchange with AEON Bank, Ltd., in which the Company became the wholly-owning parent company and AEON Bank, Ltd. became the wholly-owned subsidiary company. Assets and liabilities of AEON Bank, Ltd. and one other company that were newly consolidated at the time of the share exchange were as follows:

	Millions of Yen
Current assets	¥ 1,221,266
Noncurrent assets	15,794
Total assets acquired	¥ 1,237,060
Current liabilities	¥ (1,182,169)
Long-term liabilities	(3,019)
Total liabilities assumed	¥ (1,185,188)

The cash and cash equivalents of ¥205,109 million at the time of the share exchange are included in the current assets and recognized in "Increase in cash and cash equivalents resulting from share exchange."

15. LEASES

The Group leases equipment, software, and other assets.

Total rental expenses for the years ended March 31, 2014 and 2013 were ¥9,848 million ($95,682 thousand) and ¥7,804 million, respectively.

The minimum rental commitments under noncancelable operating leases as at March 31, 2014 and 2013 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2014		2013		**2014**	
Due within one year	¥	**1,930**	¥	1,386	$	**18,750**
Due after one year		**2,468**		1,597		**23,986**
Total	¥	**4,398**	¥	2,983	$	**42,736**

16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(a) Conditions of financial instruments

(i) Group policy for financial instruments

The Group operates a variety of financial services business, such as credit card business, housing loan business, and hire purchase business. The domestic banking subsidiary invests in securities, including debt securities, as well.

The Group raises capital mainly through customer deposits, borrowings from financial institutions, issuance of bonds and commercial paper, and securitization of receivables in the view of the market conditions and short-term/long-term balance. Certain subsidiaries are located overseas, and they conduct their business in foreign currencies.

The Group holds financial assets and liabilities, which are exposed to interest rate risk and foreign exchange risk, and manages the interest rate risk through Asset Liability Management.

The Group also utilizes derivative financial instruments to hedge interest rate risk and foreign exchange risk, but does not enter into derivative transactions for trading or speculative purposes.

(ii) Nature and extent of risks arising from financial instruments

The Group's major financial assets are loans and installment sales receivables for customers such as housing loans and credit card services and corporate loans, which are exposed to credit risk of customer defaults and interest rate risk. In addition, securities, such as foreign securities, debt securities, and equity securities, and monetary claims bought are mainly exposed to market risk and credit risk of their issuers.

Financial liabilities, such as deposits, borrowed money, and bonds, are exposed to liquidity risk in that the Group cannot make necessary payments upon due dates under certain circumstances, such as when it cannot access the market due to changes in financial situation or other situations or when its financial results deteriorate.

The Group enters into derivative transactions to avoid part of its exposure to interest rate risk and foreign exchange risk. Derivative financial instruments include interest rate swap contracts and currency swap contracts, and are used to hedge interest rate risk and foreign exchange risk. These instruments are exposed to credit risk of counterparty defaults.

(iii) Risk management for financial instruments

The Company considers that the Group's risk management is one of the most important issues for the Group's management. The Board of Directors resolves the fundamental matters on risk management as the highest decision-making body. Information concerning risk management is regularly reported to the Board. In addition, the Company has established the Risk Management Committee to conduct group-wide risk management based on the basic risk management policy resolved by the Board of Directors. The Company also established the Risk Management Department as a supervisory function for management of risks related to financial instruments. As a bank holding company, the Company recognizes an appropriate control over the Group's risks as one of the key challenges of the business operation of the Group. In order to develop group-wide risk management structures, the fundamental matters on risk management for the Group are set forth in "Group Risk Management Policies."

These risk management structures are internally audited by the Audit Department, which is independent from the audited departments, to verify their effectiveness and appropriateness.

• Credit risk management

The Group manages credit risk with appropriate credit assessment and management in accordance with the Group's credit risk control policies and structures. This credit assessment and management is conducted by the following divisions: the credit assessment division keeps track of the credit status of customers at the time of and after credit extension and the credit management division conducts analysis and research on credit risk and collaborate with the credit assessment division. In addition, Value at Risk (an estimated amount of loss on financial instruments held by the Group for a certain future time period based on the historical data at a certain confidence level, hereafter "VaR") is measured to quantify credit risk and regularly reported to the Risk Management Committee and the Board of Directors.

Credit risk arising from default of the counterparties of derivative transactions is considered to be limited, as such transactions are conducted with various highly credible financial institutions.

• Market risk management

The Company appropriately manages market risk by determining the position and scale of the risk in accordance with the Group's market risk control policies and structures. The status of risk management is regularly reported to the Risk Management Department and the Risk Management Committee. The Group maintains a reciprocal control mechanism as an organizational system to manage the market risk by establishing an internal organization independent from the revenue-generating divisions. In addition, Quantitative market risk analysis is performed for all financial instruments held by the Group to manage the risk level by using VaR. Specifically, the market risk is controlled so that VaR does not exceed risk limits (allocated capital amount) resolved by the Board of Directors.

(1) Interest rate risk management

The Company implements the interest rate risk management structure throughout the Group in order to appropriately respond to customer needs for various financial services provided by the Group and improve its overall earning capacity. The Risk Management Department measures VaR and Basis Point Value (which denotes the change in value of a financial instrument when, for example, the interest rate changes by a 10 basis point (0.1 percentage)) to manage interest rate risk. In addition, the Risk Management Department performs stress tests and regularly reports to the Risk Management Committee and the Board of Directors.

(2) Security price risk management

The risk of holding investments, including securities, is managed under the basic policy of risk management: "to promote comprehensive risk management for the purpose of maintaining the soundness of management and achieving a steady and sustaining growth by self-controlling the market risk as a whole with comparison to the Group's financial strength determined by management." The Group measures the security price risk through VaR and regularly monitors the results of VaR and stress tests against the risk limits to ensure both soundness and profitability of securities. In addition, the Group regularly reports the monitoring results of the investments, including debt and equity securities issuers' performance, to the Risk Management Committee and the Board of Directors, as changes in creditworthiness of the securities issuers affect the price of the securities.

(3) Foreign exchange risk management

Of the various market risk to which the Group is exposed, foreign exchange risk of foreign currency financial instruments is hedged by raising funds in foreign currencies and utilizing currency swap contracts and interest rate swap contracts, so that part of the effect resulting from fluctuations in each exchange rate is avoided. The Risk Management Department monitors fluctuations of foreign exchange rates and regularly reports to the Risk Management Committee and the Board of Directors. Risk measurement through VaR is not performed for the foreign exchange risk, as the quantitative impact is considered to be limited.

(4) Derivative financial instruments

The Group hedges the interest rate risk and foreign exchange risk related to financing by utilizing derivative financial instruments. The Group contemplates the terms and conditions, including price, period, and timing of settlement, in entering into the derivative contracts. The department that conducts the transactions and the department that monitors the transactions are separated.

(5) Quantitative information on market risk

As for interest rate risk, The Group applies the delta model (holding period: 240 days, historical observation period: one year, and confidence interval: 99%) to calculate VaR. The amount of VaR as at March 31, 2014 is ¥3,453 million ($33,548 thousand) (2013: ¥5,060 million). Although certain domestic subsidiaries and foreign subsidiaries hold financial instruments that are not subject to the VaR measurement, an effect of 10 basis point (0.1 percentage) change in the benchmark interest rate is considered to be limited, assuming that every other risk parameter is constant. For security price risk other than interest rate risk, the Group applies the Monte-Carlo simulation (holding period: three months, historical observation period: five years, and confidence interval: 99%) to calculate VaR. The amount of VaR as at March 31, 2014 is ¥38,065 million ($369,851 thousand) (2013: ¥6,285 million).

These figures represent the market volatility statically calculated based on a probability-based approach that takes into account historical credit spread and fluctuation in correlations. Accordingly, the market risk may not be captured properly in the event of an extreme market movement beyond normal expectations.

• Liquidity risk management

The Group manages liquidity risk through continuous monitoring of cash flows to maintain the appropriate funding level and through other means, including diversifying financial instruments, acquiring commitment lines from multiple financial institutions, and adjusting short-term/long-term balances taking into account the market conditions.

The domestic banking subsidiary controls liquidity risk by establishing a payment reserve asset holding ratio and cash gap limits, which are monitored by the Risk Management Department on a daily basis. The monitoring results are reported regularly to the Risk Management Committee and the Board of Directors. Although the domestic banking subsidiary places value on efficient cash management, it places more weight on securing liquidity for risk management purposes.

(ⅳ) Supplementary information on fair value of financial instruments

The fair values of financial instruments are measured based on quoted market prices, if available, or a reasonably assessed value if a quoted market price is not available. In the case of the latter, certain assumptions and variable preconditions are adopted. Accordingly, if different assumptions and preconditions are adopted, the calculated amount of the fair value may also be different.

See Note 17 for the details regarding fair value for derivatives.

(b) Fair value of financial instruments

The following presents the carrying amount of financial instruments in the consolidated balance sheet, the fair value, and the difference between the two as at March 31, 2014 and 2013. Financial instruments whose fair values are deemed to be difficult to determine are not included in the fair value disclosure.

	Millions of Yen		
	2014		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	**¥ 408,171**	**¥ 408,171**	
(2) Deposits with banks	**8,492**	**8,492**	
(3) Monetary claims bought	**12,119**	**12,119**	
(4) Securities	**163,054**	**163,054**	
(5) Loans and bills discounted—net of allowance for possible credit losses	**1,248,815**	**1,276,654**	**¥ 27,839**
(6) Installment sales receivables—net of allowance for possible credit losses	**937,759**	**941,666**	**3,907**
Total	**¥ 2,778,410**	**¥ 2,810,156**	**¥ 31,746**
(7) Deposits	**¥ 1,717,769**	**¥ 1,717,985**	**¥ 216**
(8) Accounts payable	**227,264**	**227,264**	
(9) Borrowed money	**515,228**	**518,489**	**3,261**
(10) Bonds	**101,608**	**101,888**	**280**
(11) Convertible bonds	**2,830**	**4,674**	**1,844**
Total	**¥ 2,564,699**	**¥ 2,570,300**	**¥ 5,601**
(12) Derivative financial instruments (Note 17):			
Hedge accounting not applied	**¥ (103)**	**¥ (103)**	
Hedge accounting applied	**(2,923)**	**(2,923)**	
Total	**¥ (3,026)**	**¥ (3,026)**	

	Millions of Yen		
	2013		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	¥ 499,475	¥ 499,475	
(2) Call loans	10,000	10,000	
(3) Finance receivables—net of allowance for possible credit losses	891,556	916,732	¥ 25,176
(4) Loans and bills discounted in banking business —net of allowance for possible credit losses	702,886	705,177	2,291
(5) Securities in banking business	205,081	205,081	
(6) Investment securities	5,689	5,689	
Total	¥ 2,314,687	¥ 2,342,154	¥ 27,467
(7) Accounts payable	¥ 207,650	¥ 207,650	
(8) Deposits in banking business	1,212,051	1,210,950	¥ (1,101)
(9) Short-term borrowings	306,739	306,739	
(10) Long-term debt	486,874	518,419	31,545
Total	¥ 2,213,314	¥ 2,243,758	¥ 30,444
(11) Derivative financial instruments (Note 17)	¥ (10,657)	¥ (10,657)	

		Thousands of U.S. Dollars		
		2014		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	$ 3,965,901	$ 3,965,901	
(2) Deposits with banks	82,508	82,508	
(3) Monetary claims bought	117,757	117,757	
(4) Securities	1,584,284	1,584,284	
(5) Loans and bills discounted—net of allowance for possible credit losses	12,133,847	12,404,329	$ 270,482
(6) Installment sales receivables—net of allowance for possible credit losses	9,111,531	9,149,500	37,969
Total	$ 26,995,828	$ 27,304,279	$ 308,451
(7) Deposits	$ 16,690,338	$ 16,692,433	$ 2,095
(8) Accounts payable	2,208,167	2,208,167	
(9) Borrowed money	5,006,098	5,037,782	31,684
(10) Bonds	987,256	989,974	2,718
(11) Convertible bonds	27,497	45,418	17,921
Total	$ 24,919,356	$ 24,973,774	$ 54,418
(12) Derivative financial instruments (Note 17):			
Hedge accounting not applied	$ (1,005)	$ (1,005)	
Hedge accounting applied	(28,398)	(28,398)	
Total	$ (29,403)	$ (29,403)	

(i) Fair value of financial instruments

For the year ended March 31, 2014

(1) Cash and cash equivalents and (2) Deposits with banks
The carrying amounts of cash and cash equivalents and deposits with banks are considered to approximate their fair values because of their short maturities.
(3) Monetary claims bought
The fair value of monetary claims bought is determined based on prices provided by financial institutions or the discounted present value of future cash flows.
(4) Securities
The fair value of equity securities is determined with reference to quoted prices on the stock exchange. The fair value of debt securities is determined based on prices published by the Japanese Securities Dealers Association, prices provided by financial institutions, or the discounted present value of future cash flows.
(5) Loans and bills discounted—net of allowance for possible credit losses
① Loans and bills discounted in banking business
The carrying amount of loans and bills discounted in the banking business with floating interest rates approximates the fair value as long as borrowers' credit risks have not changed significantly after the execution of loans because the market rates are promptly reflected in the floating interest rates. The fair value of loans and bills discounted in the banking business with fixed-interest rates is the present value that is estimated for each classification based on the type, internal rating, and term of the loans, and by discounting the total amounts of the principal and interest using the rates at which similar new loans would be made. For loans and bills discounted in the banking business with maturity less than one year, the carrying amount is considered to approximate their fair values because of their short maturities.

For loans to borrowers which are bankrupt, substantially bankrupt, or potentially bankrupt, an allowance is provided based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The carrying value of those loans, net of allowance for possible credit losses, as of the consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

The carrying amount of loans and bills discounted in the banking business that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximates the fair value due to their expected repayment periods and interest rate conditions.

② Loan receivables in credit card business
The fair value of loan receivables in credit card business is determined by discounting expected cash flows (credit risk incorporated) of each segmented product with a discount rate consisting of a risk-free rate and collection costs of each product (expense ratio).

(6) Installment sales receivables—net of allowance for possible credit losses
The fair value of installment sales receivables is determined by discounting expected cash flows (credit risk incorporated) of each segmented product with a discount rate consisting of a risk-free rate and collection costs of each product (expense ratio).
(7) Deposits
For demand deposits, the amount payable on demand as of the consolidated balance sheet date is considered to be the fair value. The fair value of time deposits is calculated based on the discounted present value of future cash flows by certain time period. The discount rate used in the calculation is the interest rate that would be applied to newly accepted deposits. For short-term deposits, the carrying amount is considered to approximate their fair values because of their short maturities.
(8) Accounts payable
The carrying amount of accounts payable is considered to approximate their fair values because these items will be settled in a short period of time.
(9) Borrowed money
The fair value of borrowed money is determined by discounting the total amounts of principal and interest by a risk-free rate adjusted for credit risk. The carrying amount of short-term borrowed money (within one year) is considered to approximate their fair values because these items will be settled in a short period of time.
(10) Bonds and (11) Convertible bonds
The fair values of bonds and convertible bonds are determined with reference to quoted market prices.
(12) Derivative financial instruments
Information on the fair values of derivative financial instruments is included in Note 17.

For the year ended March 31, 2013

(1) Cash and cash equivalents and (2) Call loans
The carrying amounts of cash and cash equivalents and call loans are considered to approximate their fair values because of their short maturities.
(3) Finance receivables—net of allowance for possible credit losses
The fair value of finance receivables is determined by discounting expected cash flows (credit risk incorporated) of each segmented product with a discount rate consisting of a risk-free rate and collection costs of each product (expense ratio).
(4) Loans and bills discounted in banking business—net of allowance for possible credit losses
The carrying amount of loans in the banking business with floating interest rates approximates the fair value as long as borrowers' credit risks have not changed significantly after the execution of loans because the market rates are promptly reflected in the floating interest rates. The fair value of loans in the banking business with fixed-interest rates is the present value that is estimated for each classification based on the type, internal rating, and term of the loans, and by discounting the total amounts of the principal and interest using the rates at which similar new loans would be made. For loans in the banking business with maturity less than one year, the carrying amount is considered to approximate their fair values because of their short maturities.

For loans to borrowers which are bankrupt, substantially bankrupt, or potentially bankrupt, an allowance is provided based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The carrying value of those loans, net of allowance for possible credit losses, as of the consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

The carrying amount of loans in the banking business that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximates the fair value due to their expected repayment periods and interest rate conditions.
(5) Securities in banking business
The fair value of bonds is determined based on prices published by the Japanese Securities Dealers Association, prices provided by financial institutions, or the discounted present value of future cash flows. The fair value of monetary claims bought is determined based on prices provided by financial institutions or the discounted present value of future cash flows.
(6) Investment securities
The fair value of stock with market quotations is determined with reference to quoted market prices. Stock with no market quotations and trust beneficiary rights are considered to be financial instruments whose fair values are deemed to be difficult to determine. Their fair values are not included in the fair value disclosure.
(7) Accounts payable and (9) Short-term borrowings
The carrying amounts of accounts payable and short-term borrowings are considered to approximate their fair values because these items will be settled in a short period of time.
(8) Deposits in banking business
For demand deposits, the amount payable on demand as of the consolidated balance sheet date is considered to be the fair value. The fair value of time deposits is calculated based on the discounted present value of future cash flows by certain time period. The discount rate used in the calculation is the interest rate that would be applied to newly accepted deposits. For short-term deposits, the carrying amount is considered to approximate their fair values

because of their short maturities.
(10) Long-term debt
The fair values of bonds are determined with reference to quoted market prices. The fair values of other long-term debt are determined by discounting the total amounts of principal and interest by current interest rates assumed for the same debt.
(11) Derivative financial instruments
Information on the fair values of derivative financial instruments is included in Note 17.

(ⅱ) Financial instruments whose fair values are deemed to be difficult to determine
The financial instruments below are not included in the fair value disclosure due to difficulties in the determination of fair values:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Stock with no active market quotations	**¥ 1,243**	¥ 1,063	**$ 12,081**
Trust beneficiary rights	**9,082**	9,113	**88,240**

(ⅲ) Maturity analysis for financial assets with contractual maturities
The table below presents the carrying amount of the Group's assets by maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

	Millions of Yen					
	2014					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	**¥ 373,869**					
Monetary claims bought			**¥ 5,753**	**¥ 2,040**		**¥ 4,232**
Securities:						
Available-for-sale securities:						
Government bonds		**¥ 11,000**	**16,000**			
Corporate bonds	**2,000**		**2,000**		**¥ 3,000**	**28,731**
Other	**15,000**	**68,000**			**8,000**	**1,000**
Total	**17,000**	**79,000**	**18,000**		**11,000**	**29,731**
Loans and bills discounted(*1)(*2)	**401,860**	**240,214**	**100,147**	**56,020**	**72,897**	**365,192**
Installment sales receivables(*1)	**731,834**	**127,072**	**35,141**	**39,574**	**3,089**	**2,756**
Total	**¥ 1,524,563**	**¥ 446,286**	**¥ 159,041**	**¥ 97,634**	**¥ 86,986**	**¥ 401,911**

	Millions of Yen					
	2013					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Cash and cash equivalents	¥ 499,475					
Call loans	10,000					
Finance receivables(*1)	691,783	¥ 129,602	¥ 44,571	¥ 17,357	¥ 6,802	¥ 9,737
Loans and bills discounted in banking business(*2)	59,226	37,084	34,341	33,976	34,521	492,919
Securities in banking business:						
Securities	32,500	24,500	18,000	50,000	2,000	57,276
Monetary claims bought	1,920			3,434	753	12,472
Total securities in banking business	¥ 34,420	¥ 24,500	¥ 18,000	¥ 53,434	¥ 2,753	¥ 69,748
Total	¥ 1,294,904	¥ 191,186	¥ 96,912	¥ 104,767	¥ 44,076	¥ 572,404

	Thousands of U.S. Dollars					
	2014					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	**$ 3,632,618**					
Monetary claims bought			**$ 55,898**	**$ 19,821**		**$ 41,121**
Securities:						
Available-for-sale securities:						
Government bonds		**$ 106,879**	**155,460**			
Corporate bonds	**19,433**		**19,433**		**$ 29,149**	**279,159**
Other	**145,744**	**660,707**			**77,730**	**9,716**
Total	**165,177**	**767,586**	**174,893**		**106,879**	**288,875**
Loans and bills discounted(*1)(*2)	**3,904,588**	**2,333,986**	**973,060**	**544,306**	**708,291**	**3,548,305**
Installment sales receivables(*1)	**7,110,705**	**1,234,670**	**341,439**	**384,514**	**30,016**	**26,779**
Total	**$ 14,813,088**	**$ 4,336,242**	**$ 1,545,290**	**$ 948,641**	**$ 845,186**	**$ 3,905,080**

(*1) Loans and bills discounted and installment sales receivables for the year ended March 31, 2014 and finance receivables for the year ended March 31, 2013 exclude ¥30,232 million ($293,738 thousand) and ¥28,659 million, which have no specific contractual maturity date due to late payments or being under negotiations, respectively.

(*2) Loans and bills discounted for the year ended March 31, 2014 and loans and bills discounted in banking business for the year ended March 31, 2013 exclude the loans of ¥4,570 million ($44,407 thousand) and ¥3,903 million with no specific recoverable amounts, such as loans to borrowers classified as legal bankruptcy, substantial bankruptcy, or possible bankruptcy, and ¥11,555 million ($112,271 thousand) and ¥8,740 million, which have no fixed maturity, respectively.

(ⅳ) Maturity analysis of financial liabilities with contractual maturities

The table below presents the carrying amount of financial liabilities by the relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

	Millions of Yen					
	2014					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits(*)	**¥ 1,202,454**	**¥ 398,361**	**¥ 110,950**	**¥ 1,980**		
Borrowed money	**216,798**	**196,348**	**90,741**	**11,341**		
Bonds		**25,587**	**26,021**	**10,000**		**¥ 40,000**
Convertible bonds		**2,830**				
Lease obligations	**2,521**	**4,191**	**3,031**	**2,388**	**¥ 476**	
Total	**¥ 1,421,773**	**¥ 627,317**	**¥ 230,743**	**¥ 25,709**	**¥ 476**	**¥ 40,000**

	Millions of Yen					
	2013					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Deposits in banking business(*)	¥ 687,926	¥ 196,535	¥ 243,124	¥ 33,539	¥ 41,420	¥ 4,409
Long-term debt	131,014	91,846	117,113	92,296	43,380	11,225
Total	¥ 818,940	¥ 288,381	¥ 360,237	¥ 125,835	¥ 84,800	¥ 15,634

	Thousands of U.S. Dollars					
	2014					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits(*)	**$ 11,683,380**	**$ 3,870,586**	**$ 1,078,028**	**$ 19,237**		
Borrowed money	**2,106,471**	**1,907,768**	**881,663**	**110,196**		
Bonds		**248,615**	**252,827**	**97,163**		**$ 388,651**
Convertible bonds		**27,497**				
Lease obligation	**24,498**	**40,720**	**29,447**	**23,208**	**$ 4,624**	
Total	**$ 13,814,349**	**$ 6,095,186**	**$ 2,241,965**	**$ 249,804**	**$ 4,624**	**$ 388,651**

(*) The cash flow of demand deposits is included in the "Up to 1 year" group.

17. DERIVATIVES

The Group enters into forward exchange contracts and currency swap contracts to hedge foreign exchange risk on foreign currency-denominated debt. The Group also enters into interest rate swap contracts to limit the unfavorable impact from increases in interest rates on its floating-rate long-term debt. The interest rate swap contracts effectively swap a floating-rate interest payment to a fixed-rate interest payment. The Group does not enter into or trade derivative financial instruments for speculative purposes.

Derivative financial instruments are subject to market risk and credit risk. Since the Group enters into derivative financial instruments only for hedging purposes, market risk in those hedging instruments is basically offset by opposite movements in the value of hedged items. The credit risk on those derivative financial instruments is limited as the counterparties are major financial institutions with high-credit ratings.

The basic policies for the use of derivative financial instruments are approved by the Board of Directors and transactions are executed and controlled by the Finance Department. Each derivative transaction is periodically reported to management each time evaluation and analysis are made.

Derivative financial instruments qualifying for hedge accounting as at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		
	2014		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	**¥ 44,625**	**¥ (5,619)**	**¥ (5,619)**
Receive USD/Pay HKD	**5,124**	**(17)**	**(17)**
Receive USD/Pay MYR	**7,617**	**43**	**43**
Receive USD/Pay THB	**71,641**	**2,644**	**2,644**
Interest rate swap contracts:			
Receive floating/Pay fixed	**71,146**	**26**	**26**

	Millions of Yen		
	2013		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	¥ 32,638	¥ (4,772)	¥ (4,772)
Receive USD/Pay HKD	5,636	(8)	(8)
Receive USD/Pay MYR	19,524	(550)	(550)
Receive USD/Pay THB	60,272	(2,322)	(2,322)
Currency forward contracts:			
Receive USD/Pay MYR	326	1	1
Interest rate swap contracts:			
Receive floating/Pay fixed	34,547	(2,112)	(2,112)

	Thousands of U.S. Dollars		
	2014		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	**$ 433,590**	**$ (54,597)**	**$ (54,597)**
Receive USD/Pay HKD	**49,784**	**(167)**	**(167)**
Receive USD/Pay MYR	**74,012**	**416**	**416**
Receive USD/Pay THB	**696,082**	**25,696**	**25,696**
Interest rate swap contracts:			
Receive floating/Pay fixed	**691,271**	**254**	**254**

Derivative financial instruments not qualifying for hedge accounting as at March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		
	2014		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Credit default swap contracts:			
Short position	**¥ 3,000**	**¥ (103)**	**¥ 1,164**

	Millions of Yen					
	2013					
	Contract Amount		Fair Value		Unrealized Gain/Loss	
Credit default swap contracts:						
Short position	¥	3,000	¥	(894)	¥	373

	Thousands of U.S. Dollars					
	2014					
	Contract Amount		Fair Value		Unrealized Gain/Loss	
Credit default swap contracts:						
Short position	**$**	**29,149**	**$**	**(1,005)**	**$**	**11,312**

Fair values of derivative financial instruments are based on forward market quotations and mark-to-market reports provided by financial institutions.

The contract or notional amounts of derivative contracts shown above do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit risk or market risk.

18. LOAN COMMITMENTS

The Group provides cash advance and card loan services that supplement its credit card operations. The unexercised portion of loan commitments in these businesses was as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2014		2013		**2014**	
Total loan limits	**¥**	**6,762,126**	¥	5,855,998	**$**	**65,702,741**
Loan executions		**391,219**		292,533		**3,801,200**
Unexercised portion of loan commitments	**¥**	**6,370,907**	¥	5,563,465	**$**	**61,901,541**

The above amounts include amounts related to securitized receivables. The execution of the loan commitments requires an assessment on the credit status of the borrower and the usage of the fund. Therefore, not all unexercised portions of loan commitments will necessarily be executed.

The Group operates banking business and has entered into overdraft facility and loan commitment contracts. These contracts commit the Group to lend to customers up to the prescribed limits upon receipt of a customer application as long as there is no violation of any conditions in the contracts. The amounts of unutilized commitments as at March 31, 2014 and 2013, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2014		2013		**2014**	
Unutilized commitments	**¥**	**11,483**	¥	28,353	**$**	**111,569**
Of which: those expiring within one year		**3,163**		19,075		**30,736**

Since many of these commitments expire without being drawn down, the unutilized amount does not necessarily affect future cash flows. Many of these contracts have conditions whereby the Group can refuse customer applications for loans or decrease the contract limits for certain reasons, such as changes in financial situation, protection of own credit, and other reasonable grounds. Furthermore, during the period that the contracts are effective, the Group performs periodic reviews of the customers' business results based on internal rules and takes necessary measures to reconsider contract terms to protect own credit.

19. COMPREHENSIVE INCOME

Reclassification adjustments to profit or loss and tax effects of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥ 2,239**	¥ 3,093	**$ 21,750**
Reclassification adjustments to profit or loss	**(355)**	(568)	**(3,447)**
Amount before income tax effect	**1,884**	2,525	**18,303**
Income tax effect	**671**	960	**6,521**
Total	**¥ 1,213**	¥ 1,565	**$ 11,782**
Deferred gain (loss) on derivatives under hedge accounting:			
Gains arising during the year	**¥ 473**	¥ (487)	**$ 4,596**
Reclassification adjustments to profit or loss	**(1,916)**	159	**(18,617)**
Amount before income tax effect	**(1,443)**	(328)	**(14,021)**
Income tax effect	**(305)**	(78)	**(2,965)**
Total	**¥ (1,138)**	¥ (250)	**$ (11,056)**
Foreign currency translation adjustments:			
Gains arising during the year	**¥ 3,536**	¥ 10,499	**$ 34,357**
Amount before income tax effect	**3,536**	10,499	**34,357**
Total	**¥ 3,536**	¥ 10,499	**$ 34,357**
Total other comprehensive income	**¥ 3,611**	¥ 11,814	**$ 35,083**

20. BUSINESS COMBINATION

Business combination through acquisition

The Company resolved at the meeting of its Board of Directors held on April 11, 2013 to acquire shares of Toshiba Finance Corporation (currently, AEON Product Finance Co., Ltd.) and as at the same date concluded the share assignment agreement with Toshiba Corporation and acquired the shares on May 16, 2013.

(a) Overview of business combination

(ⅰ) Name and business of acquired company

Name	Toshiba Finance Corporation
Business	・Installment sales, credit guarantees and, hire purchases ・Guarantee business and loan purchases ・Collection and payment agency

(ⅱ) Major reason for business combination

The Company became a bank holding company with financial services subsidiaries on April 1, 2013. In addition to providing various secure, convenient and beneficial financial products and services to the customers, the Company aims to further expand its business operations, leveraging the strengths of each subsidiary to achieve synergies and develop new businesses.

Toshiba Finance Corporation was established in 1959. Since then, it expanded its operations, building its business on installment sales and credit guarantees in connection with sales of Toshiba home electronics and other products, using its operating capabilities, credit review knowhow, and nationwide sales network.

Making Toshiba Finance Corporation a consolidated subsidiary will bring its sales capabilities and specialized employees to the Company. In addition, the Company will nurture the newly acquired company as a key component of earnings alongside credit cards, banking, insurance, and e-money businesses, by expanding installment sales and affiliated loans with a focus on home renovation, solar energy systems, and agricultural equipment sales by leveraging AEON Group’s sales network, AEON Credit Service’s low-cost administration and processing capabilities, and AEON Bank’s fund-raising (through bank deposits) capabilities.

(ⅲ) Date of business combination

May 16, 2013

(ⅳ) Legal form of business combination

Acquisition of shares

(ⅴ) Name of company after business combination

No change

(ⅵ) Percentage of voting rights acquired
100%
(ⅶ) Major grounds for determination of acquiring company
The fact that the Company acquired the shares for a cash consideration.

(b) Period for which financial results of acquired company were consolidated
The financial results from July 1, 2013 through March 31, 2014 were consolidated as the acquisition date was deemed to be June 30, 2013.

(c) Acquisition cost of acquired company and the breakdown

	Millions of Yen		Thousands of U.S. Dollars	
Consideration for acquisition(*): Cash	¥	5,753	$	55,898
Costs directly attributable to the acquisition:				
Advisory fees and others		89		867
Total acquisition cost	¥	5,842	$	56,765

(*) Reflects price adjustments specified in the share assignment agreement.

(d) Amount, cause, amortization method, and amortization period of goodwill incurred
(ⅰ) Amount of goodwill incurred
¥1,782 million ($17,313 thousand)
(ⅱ) Cause of goodwill incurred
Excess earnings power is expected to be produced by the development of the business and the effect of synergies in the future.
(ⅲ) Amortization method and amortization period of goodwill incurred
The goodwill is amortized using the straight-line method over 10 years.

(e) Amounts of assets acquired and liabilities assumed at the date of business combination and the breakdown

	Millions of Yen		Thousands of U.S. Dollars	
Total assets	¥	317,420	$	3,084,143
Of which: customers' liabilities for acceptances and guarantees		235,846		2,291,549
Of which: installment sales receivables		73,856		717,602
Total liabilities		313,360		3,044,691
Of which: acceptances and guarantees		235,846		2,291,549
Of which: borrowed money		56,087		544,957

(f) Estimated amount of effect on the Company's consolidated statement of income if the business combination were completed at the beginning of the current fiscal year and method of determining the effect

	Millions of Yen		Thousands of U.S. Dollars	
Total income	¥	1,976	$	19,195

(Method of determining the effect)
The effect was determined by calculating the difference between total income calculated under the assumption that the business combination was completed at the beginning of the current fiscal year and actual total income reported on the acquiring company's consolidated statement of income.

However, this note is not audited.

21. NET INCOME PER SHARE

Basic and diluted EPS for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of Shares	Yen		U.S. Dollar	
	Net Income		Weighted-Average Shares	EPS			
For the year ended March 31, 2014:							
Basic EPS							
Net income	¥	**20,743**					
Net income available to common shareholders	¥	**20,743**	**198,272**	¥	**104.62**	$	**1.02**
Effect of dilutive securities							
—Warrants of the Company			**33**				
—Convertible bonds of the Company			**10,188**				
Diluted EPS							
—Net income for computation	¥	**20,743**	**208,493**	¥	**99.49**	$	**0.97**
For the year ended March 31, 2013:							
Basic EPS							
Net income	¥	13,616					
Net income available to common shareholders	¥	13,616	154,520	¥	88.12		
Effect of dilutive securities							
—Warrants of the Company			26				
—Convertible bonds of the Company			19,471				
Diluted EPS							
—Net income for computation	¥	13,616	174,017	¥	78.25		

22. RELATED PARTY TRANSACTIONS

There were no transactions of the Company with the parent company and its subsidiaries for the year ended March 31, 2014.

Transactions of the Company with the parent company and its subsidiaries for the year ended March 31, 2013, were as follows:

	Millions of Yen	
AEON Co., Ltd.(*) (the parent company)	2013	
Cash deposits	¥	4,685
Interest income		24

(*) AEON Co., Ltd. is listed on the Tokyo Stock Exchange, First Section.

	Millions of Yen	
AEON Retail Co., Ltd. (subsidiary of the parent company)	2013	
Accounts payable	¥	37,714
Credit card purchase contracts		10,878
Processing service fees		5,892

Transactions of the Company's consolidated subsidiaries with related parties for the year ended March 31, 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
AEON Retail Co., Ltd. (subsidiary of the parent company)	**2014**		**2014**	
Loans and bills discounted	¥	**40,600**	$	**394,481**
Other assets		**34**		**335**
Lending of loans		**29,246**		**284,164**
Interest income		**268**		**2,602**

There were no transactions of the Company's consolidated subsidiaries with related parties for the year ended March 31, 2013.

The terms of the above transactions were set on an arm's-length basis and in the normal course of business.
The transaction stated as "cash deposits" above are deposits of temporary excess operating cash in hand. The transaction amounts of "lending of loans" represent the average outstanding balance for each fiscal year. There was no outstanding balance as at March 31, 2013. The interest on deposits is based on a Japanese yen short-term market interest rate.

Transactions with related parties for the years ended March 31, 2014 and 2013 were as follows:

	Transaction amount		Balance at end	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Directors and executive officers of the Company, its subsidiaries and AEON Co., Ltd.	**2014**	**2014**	**2014**	**2014**
Housing loans (Loans and bills discounted)			**¥ 213**	**$ 2,072**

	Transaction amount	Balance at end
	Millions of Yen	Millions of Yen
Directors and executive officers of the Company and AEON Co., Ltd.	2013	2013
Housing loans (Loans and bills discounted in banking business)	¥ 29	¥ 115

The transaction stated as "housing loans" above are standard products provided by AEON Bank, Ltd., a consolidated subsidiary of the Company. Interest rate and conditions of repayment are similar to those given to third-party customers.

23. SEGMENT INFORMATION

Reportable segments of the Group are components of the Group for which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating segment performance and deciding how to allocate resources to segments.

(a) Description of reportable segments

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

The Group conducts business activities composed of the "Credit" business dealing in credit card purchase contracts, loan contracts, and hire purchase contracts in the domestic markets, "Fee Business" providing services including e-money in the domestic market, "Banking" business dealing in banking services in the domestic markets, and "Overseas" business dealing in credit extensions and lending in foreign markets. The Group formulates comprehensive strategies for each business. Accordingly, the Group has four reportable segments, "Credit," "Fee Business," "Banking," and "Overseas."

"Credit" consists of financial services such as credit card contracts and loan contracts with domestic customers.

"Fee Business" consists of the e-money business, the bank agency business, and the ATM business in the domestic market.

"Banking" consists of banking businesses, including lending and management of deposits from customers.

"Overseas" consists of financial services, including credit card contracts and loan contracts with customers in areas of Asia such as in Hong Kong, Thailand, and Malaysia.

(b) Methods of measurement for the amounts of ordinary income, profit (loss), assets, and other items for each reportable segment

The method of accounting by reportable segment is consistent with the method of accounting used for the preparation of the consolidated financial statements. Segment profit is adjusted to reconcile to income before taxes and minority interests less certain extraordinary items in the accompanying consolidated statements of income. The intersegment income or transfers are based on the current market prices.

(c) Information about ordinary revenue, profit (loss), assets, and other items for each reportable segment

	Millions of Yen						
	2014						
	Reportable Segment						
	Credit	Fee Business	Banking	Overseas	Subtotal	Reconciliations (*2)	Total
Ordinary income(*1)							
Ordinary income from customers	¥ 130,303	¥ 25,523	¥ 38,693	¥ 91,551	¥ 286,070		¥ 286,070
Intersegment income or transfers	797	11,130	2,540	3	14,470	¥ (14,470)	
Total ordinary income	131,100	36,653	41,233	91,554	300,540	(14,470)	286,070
Segment profit(*3)	¥ 28,046	¥ 1,172	¥ 1,882	¥ 16,455	¥ 47,555	¥ (6,463)	¥ 41,092
Segment assets	¥ 1,347,951	¥ 129,771	¥ 1,417,748	¥ 441,444	¥ 3,336,914	¥ (173,797)	¥ 3,163,117
Other items							
Depreciation and amortization	¥ 3,377	¥ 3,925	¥ 1,250	¥ 4,076	¥ 12,628	¥ 106	¥ 12,734
Amortization of goodwill	134	713	904	28	1,779		1,779
Interest income	39,418	1,605	16,169	51,315	108,507	(1,055)	107,452
Interest expenses	4,081	270	3,736	10,826	18,913	612	19,525
Provision for possible credit losses	9,360	306	298	17,713	27,677		27,677
Provision for point program	9,680	219	496		10,395		10,395
Increases in tangible and intangible assets	¥ 10,124	¥ 12,208	¥ 2,886	¥ 7,405	¥ 32,623	¥ 217	¥ 32,840

	Millions of Yen						
	2013						
	Reportable Segment						
	Credit	Fee Business	Banking	Overseas	Subtotal	Reconciliations (*2)	Total
Operating revenues							
Operating revenues from customers	¥ 111,254	¥ 24,223	¥ 8,473	¥ 62,022	¥ 205,972		¥ 205,972
Intersegment revenues or transfers	475	2,703	1,066	13	4,257	¥ (4,257)	
Total operating revenues	111,729	26,926	9,539	62,035	210,229	(4,257)	205,972
Segment profit	¥ 20,636	¥ 1,804	¥ 1,269	¥ 13,489	¥ 37,198	¥ (4,118)	¥ 33,080
Segment assets	¥ 766,072	¥ 75,423	¥ 1,343,687	¥ 323,108	¥ 2,508,290	¥ 25,919	¥ 2,534,209
Other items							
Depreciation and amortization	¥ 2,949	¥ 3,464	¥ 273	¥ 3,217	¥ 9,903	¥ 47	¥ 9,950
Amortization of goodwill		319	226	12	557		557
Financial costs	5,684	371	735	7,868	14,658	(3)	14,655
Provision for possible credit losses	8,028	601	962	10,922	20,513		20,513
Provision for point program	8,061	17	618		8,696		8,696
Increases in tangible and intangible assets	¥ 5,493	¥ 5,632	¥ 1,251	¥ 2,273	¥ 14,649	¥ 130	¥ 14,779

	Thousands of U.S. Dollars						
	2014						
	Reportable Segment						
	Credit	Fee Business	Banking	Overseas	Subtotal	Reconciliations (*2)	Total
Ordinary income(*1)							
Ordinary income from customers	$ 1,266,064	$ 247,989	$ 375,953	$ 889,536	$ 2,779,542		$ 2,779,542
Intersegment income or transfers	7,744	108,145	24,674	30	140,593	$ (140,593)	
Total ordinary income	1,273,808	356,134	400,627	889,566	2,920,135	(140,593)	2,779,542
Segment profit(*3)	$ 272,500	$ 11,393	$ 18,283	$ 159,887	$ 462,063	$ (62,800)	$ 399,263
Segment assets	$ 13,097,075	$ 1,260,896	$ 13,775,238	$ 4,289,196	$ 32,422,405	$ (1,688,656)	$ 30,733,749
Other items							
Depreciation and amortization	$ 32,811	$ 38,134	$ 12,141	$ 39,608	$ 122,694	$ 1,034	$ 123,728
Amortization of goodwill	1,299	6,933	8,780	273	17,285		17,285
Interest income	382,995	15,591	157,106	498,596	1,054,288	(10,249)	1,044,039
Interest expenses	39,649	2,621	36,305	105,187	183,762	5,947	189,709
Provision for possible credit losses	90,942	2,978	2,896	172,103	268,919		268,919
Provision for point program	94,054	2,126	4,819		100,999		100,999
Increases in tangible and intangible assets	$ 98,368	$ 118,620	$ 28,037	$ 71,945	$ 316,970	$ 2,109	$ 319,079

(*1) For the segment revenue, the Group uses ordinary income instead of sales that are used by normal commercial companies. Ordinary income represents total income less certain extraordinary income included in "Other income" in the consolidated statements of income.

(*2) ¥(6,463) million ($(62,800) thousand) of reconciliations to segment profit for the year ended March 31, 2014 and ¥(4,118) million of reconciliations to segment profit for the year ended March 31, 2013 represent the corporate expenses unallocated to any reportable segment. The corporate expenses are mainly comprised of general and administrative expenses unattributable to any reportable segment. In addition, ¥(173,797) million ($(1,688,656) thousand) of reconciliations to segment assets for the year ended March 31, 2014 and ¥25,919 million of reconciliations to segment assets for the year ended March 31, 2013 represent the corporate assets unallocated to any reportable segment and the eliminations of intersegment transactions.

(*3) Segment profit is adjusted to reconcile to income before taxes and minority interests less certain extraordinary items in the accompanying consolidated statements of income.

Changes in reportable segments

The Group has prepared the consolidated financial statements for the fiscal year ended March 31, 2014 in accordance with the Ordinance for the Enforcement of the Banking Act (Ordinance of the Ministry of Finance No. 10 of 1982) which prescribes classifications of assets and liabilities and revenues and expenses. Accordingly, the basis of measurement for the reportable segment profit has changed from operating income, which was used in the past, to income before taxes and minority interests.

However, the segment information for the previous fiscal year based on income before taxes and minority interests is not disclosed. This is because it is impracticable to determine prior year information of the Company and its consolidated subsidiaries required to prepare segment information based on income before taxes and minority interests.

(d) Information about geographic areas

For the year ended March 31, 2014

(i) Ordinary income(*1)(*2)

Millions of Yen			
2014			
Japan	Thailand	Other	Total
¥ 193,023	¥ 51,060	¥ 41,987	¥ 286,070

Thousands of U.S. Dollars			
2014			
Japan	Thailand	Other	Total
$ 1,875,470	$ 496,117	$ 407,955	$ 2,779,542

(*1) For the segment revenue, the Group uses ordinary income instead of sales that are used by normal commercial companies.
(*2) Ordinary income is classified by country or region based on the customers' location.

(ii) Property and equipment

Millions of Yen			
2014			
Japan	Thailand	Other	Total
¥ 21,318	¥ 8,386	¥ 1,482	¥ 31,186

Thousands of U.S. Dollars			
2014			
Japan	Thailand	Other	Total
$ 207,131	$ 81,483	$ 14,394	$ 303,008

For the year ended March 31, 2013

(i) Operating revenues

Millions of Yen			
2013			
Japan	Thailand	Other	Total
¥ 144,285	¥ 33,952	¥ 27,735	¥ 205,972

(ii) Property and equipment

Millions of Yen			
2013			
Japan	Thailand	Other	Total
¥ 12,829	¥ 5,979	¥ 1,253	¥ 20,061

(e) Information about goodwill and negative goodwill by reportable segment

	Millions of Yen				
	2014				
	Credit	Fee Business	Banking	Overseas	Total
Goodwill at March 31, 2014(*1)	¥ 1,648	¥ 11,116	¥ 16,039	¥ 85	¥ 28,888

	Millions of Yen				
	2013				
	Credit	Fee Business	Banking	Overseas	Total
Goodwill at March 31, 2013(*1)		¥ 11,830	¥ 16,943	¥ 112	¥ 28,885

	Thousands of U.S. Dollars				
	2014				
	Credit	Fee Business	Banking	Overseas	Total
Goodwill at March 31, 2014(*1)	$ 16,014	$ 108,006	$ 155,840	$ 820	$ 280,680

(*1) Disclosure of amortization of goodwill is omitted because similar information is disclosed in "(c) Information about ordinary revenue, profit (loss), assets, and other items for each reportable segment."

24. SUBSEQUENT EVENTS

(a) Appropriations of Retained Earnings
The following appropriation of retained earnings as at March 31, 2014, was approved at the Company's Board of Directors' meeting held on May 15, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35.00 ($0.34) per share	¥ 7,225	$ 70,200

(b) Purchase of Treasury Stock
The Board of Directors of the Company resolved at the meeting held on February 20, 2014, to purchase the Company's treasury stock pursuant to the provisions of the articles of incorporation in accordance with Article 459, Paragraph 1, Item 1 of the Companies Act.

(i) Reason for purchase
To ensure flexible capital policies corresponding to future changes in business environment and to distribute profits to shareholders.

(ii) Purchase methods
Purchase through ToSTNeT-3 Off-Auction Trading Transaction and open market purchases at the Tokyo Stock Exchange

(iii) Results of purchase

	Purchase through ToSTNeT-3 Off-Auction Trading Transaction	Market purchases on the Tokyo Stock Exchange
(1) Type of shares purchased	Common stock	Common stock
(2) Total number of shares purchased	4,500,000 shares	5,196,300 shares
(3) Total purchase price	¥11,790 million ($114,555 thousand)	¥13,210 million ($128,351 thousand)
(4) Purchase period	May 16, 2014	From May 19, 2014 to July 16, 2014

As at July 16, 2014, the Company completed this purchase, because the total purchase price reached the purchase ceiling resolved at the meeting of the Board of Directors held on February 20, 2014.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of AEON Financial Service Co., Ltd.:

We have audited the accompanying consolidated balance sheet of AEON Financial Service Co., Ltd. and its subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEON Financial Service Co., Ltd. and its subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 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 19, 2014
(September 26, 2014 as to Note 24(b))

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data (As of September 2014)

Company Name		AEON Financial Service Co., Ltd.
Head Office		Kanda Mitoshiro-cho 1, Chiyoda-ku, Tokyo 101-8445, Japan
Tel		+81-3-5281-2080
URL		http://www.aeonfinancial.co.jp/eng/
Established		June 20, 1981
Capital Stock		¥30,301 million
Number of Employees		54/12,220 (Consolidated) (As of March 2014)
Domestic Subsidiaries		AEON CREDIT SERVICE Co., Ltd. AEON BANK, LTD. AEON INSURANCE SERVICE CO., LTD. AEON HOUSING LOAN SERVICE CO., LTD. A·C·S CREDIT MANAGEMENT CO., LTD. AEON S.S. Insurance CO., LTD. AEON Product Finance CO., LTD.
Overseas Subsidiaries		
	Hong Kong	AEON Financial Service (Hong Kong) Co., Ltd. AEON CREDIT SERVICE (ASIA) CO., LTD. AEON INSURANCE BROKERS (HK) LIMITED
	China	AEON INFORMATION SERVICE (SHENZHEN) CO., LTD. AEON MICRO FINANCE (SHENYANG) CO., LTD. AEON CREDIT GUARANTEE (CHINA) CO., LTD. AEON MICRO FINANCE (TIANJIN) CO., LTD. AEON MICRO FINANCE (SHENZHEN) CO., LTD.
	Thailand	AEON THANA SINSAP (THAILAND) PLC. ACS CAPITAL CORPORATION LTD. ACS SERVICING (THAILAND) CO., LTD. AEON Insurance Service (Thailand) Co., Ltd.
	Malaysia	AEON CREDIT SERVICE (M) BERHAD
	Taiwan	AEON CREDIT SERVICE (TAIWAN) CO., LTD. AEON CREDIT CARD (TAIWAN) CO., LTD.
	Indonesia	PT. AEON CREDIT SERVICE INDONESIA
	Vietnam	ACS TRADING VIETNAM CO., LTD.
	Philippines	AEON CREDIT SERVICE SYSTEMS (PHILIPPINES) INC. AEON CREDIT SERVICE (PHILIPPINES) INC.
	Cambodia	AEON MICROFINANCE (CAMBODIA) PRIVATE COMPANY LIMITED
	India	AEON CREDIT SERVICE INDIA PRIVATE LIMITED
	Lao	AEON LEASING SERVICE (LAO) COMPANY LIMITED
	Myanmar	AEON MICROFINANCE (MYANMAR) CO., LTD.

Shareholder Information (As of September 2014)

Closing Date	March 31
Stock Exchange Listing	Tokyo Stock Exchange, First Section (Securities Code: 8570)
Transfer Agent	Mizuho Trust & Banking Co., Ltd.
Shares Issued	208,327,973 shares
Shareholders' Meeting	Held in June of each year
Independent Auditors	Deloitte Touche Tohmatsu LLC