Financial Section

Five-Year Summary

AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
Year Ended March 31, 2015 and Years Ended March 31, 2014 through 2011

	Millions of Yen				Thousands of U.S. Dollars(*1)	
		2015(*2)		2014(*2)		**2015**
For the Year:						
Total income	¥	**329,047**	¥	286,181	$	**2,735,904**
Total expenses		**276,294**		246,384		**2,297,284**
Income before income taxes and minority interests		**52,753**		39,797		**438,620**
Net income		**30,492**		20,743		**253,529**
	Yen				U.S. Dollars(*1)	
Per Share Data:						
Net assets	¥	**1,377.56**	¥	1,316.00	$	**11.45**
Basic net income		**152.55**		104.62		**1.27**
Diluted net income		**152.04**		99.49		**1.26**
	Millions of Yen				Thousands of U.S. Dollars(*1)	
At Year-End:						
Loans and bills discounted—net of allowance for possible credit losses	¥	**1,448,023**	¥	1,248,815	$	**12,039,771**
Installment sales receivables—net of allowance for possible credit losses		**1,015,155**		937,759		**8,440,631**
Net property and equipment		**35,774**		31,186		**297,448**
Total assets		**3,589,496**		3,163,117		**29,845,315**
Total liabilities		**3,264,548**		2,855,825		**27,143,493**
Equity		**324,948**		307,292		**2,701,822**
	Percentage					
Ratios:						
Equity ratio		**7.6%**		8.6%		
Return on assets		**0.9**		0.7		
Return on equity		**11.2**		8.2		

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

(*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 ¥120.27 to U.S.$1, the approximate rate of exchange on March 31, 2015. 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 years ended March 31, 2015 and 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) Diluted net income per share for the year ended February 20, 2011 is not disclosed as no potential dilution exists.

(*4) 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 a 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
Years Ended March 31, 2015 and 2014

RESULTS OF OPERATIONS

	Millions of Yen			
	2015	2014	Amount Change	Percentage Change
Consolidated gross profits(*):				
Net interest income	¥ **104,816**	¥ 87,927	¥ 16,889	19.2 %
Net fees and commissions	**146,445**	125,522	20,923	16.7
Net other operating income	**17,944**	15,769	2,175	13.8
Total Consolidated gross profits	**269,205**	229,218	39,987	17.4
General and administrative expenses	**(186,474)**	(169,569)	(16,905)	10.0
Provision for possible credit losses and write-off of bad debts	**(39,788)**	(31,484)	(8,304)	26.4
Net other income	**9,810**	11,632	(1,822)	(15.7)
Income before income taxes and minority interest	**52,753**	39,797	12,956	32.6
Income taxes:				
Current	**(15,001)**	(13,102)	(1,899)	14.5
Deferred	**936**	1,190	(254)	(21.3)
Total income taxes	**(14,065)**	(11,912)	(2,153)	18.1
Net income before minority interests	**38,688**	27,885	10,803	38.7
Minority interests in net income	**(8,196)**	(7,142)	(1,054)	14.8
Net income	¥ **30,492**	¥ 20,743	¥ 9,749	47.0 %

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

Consolidated Financial Summary

The Company has designated the current fiscal year as the year of returning to its roots in preparation for future growth and strived to increase its corporate value in order to be a corporate group which provides more secure, convenient and valuable financial products and services from the customers' standpoint.

To further grow as a comprehensive financial group originating from the retail business, the Company has enhanced its marketing capacity by utilizing the platform of AEON Group in and outside Japan and promoted centralization of management resources such as the customer information and marketing network of each business segment. In addition, the Company has strengthened its management infrastructure, including development of human resources, which can leverage the strength of the Company and its subsidiaries (collectively, the "Group"), and enhancement of its organizational structure.

As a result of synergies realized through the strength of each business segment, the consolidated financial results of the Group for the year ended March 31, 2015 were as stated above. The Group achieved record-high net income for the current fiscal year.

Loans and Bills Discounted and Installment Sales Receivables

	Millions of Yen			
	2015	2014	Amount Change	Percentage Change
Loans and bills discounted	¥ **1,474,236**	¥ 1,276,741	¥ 197,495	15.5 %
Allowance for possible credit losses	**(26,213)**	(27,926)	1,713	(6.1)
Total loans and bills discounted	¥ **1,448,023**	¥ 1,248,815	¥ 199,208	16.0 %

	Millions of Yen			
	2015	2014	Amount Change	Percentage Change
Installment sales receivables:				
Credit card purchase contracts	¥ **763,890**	¥ 748,828	¥ 15,062	2.0 %
Hire purchase contracts	**274,331**	208,576	65,755	31.5
Subtotal	**1,038,221**	957,404	80,817	8.4
Allowance for possible credit losses	**(23,066)**	(19,645)	(3,421)	17.4
Total installment sales receivables	¥ **1,015,155**	¥ 937,759	¥ 77,396	8.3 %

Cash flows

For the year ended March 31, 2015, net cash provided by operating activities amounted to ¥161,501 million, net cash used in investing activities amounted to ¥81,428 million and net cash used in financing activities amounted to ¥34,580 million. As a result of the above, the balance of cash and cash equivalents as at March 31, 2015 increased by ¥47,730 million to ¥455,901 million as 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			
	2015	2014	Amount Change	Percentage Change
Total Assets:				
Credit	¥ **1,432,212**	¥ 1,347,951	¥ 84,261	6.3 %
Fee Business	**149,679**	129,771	19,908	15.3
Banking	**1,651,661**	1,417,748	233,913	16.5
Overseas	**549,466**	441,444	108,022	24.5
Reconciliations	**(193,522)**	(173,797)	(19,725)	11.3
Total assets	¥ **3,589,496**	¥ 3,163,117	¥ 426,379	13.5 %
Ordinary income(*):				
Credit	¥ **146,414**	¥ 131,100	¥ 15,314	11.7 %
Fee Business	**45,408**	36,653	8,755	23.9
Banking	**41,664**	41,233	431	1.0
Overseas	**112,553**	91,554	20,999	22.9
Reconciliations	**(16,993)**	(14,470)	(2,523)	17.4
Total ordinary income	¥ **329,046**	¥ 286,070	¥ 42,976	15.0 %

(*) For segment revenue, the Group uses ordinary income instead of sales, which 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.

Consolidated Balance Sheet

AEON Financial Service Co., Ltd. and Subsidiaries
March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
ASSETS			
Cash and cash equivalents (Note 17)	**¥ 455,901**	¥ 408,171	**$ 3,790,649**
Deposits with banks (Note 17)	**11,826**	8,492	**98,326**
Call loans (Note 17)	**10,000**		**83,146**
Monetary claims bought (Notes 3 and 17)	**6,649**	12,119	**55,286**
Securities (Notes 3, 7, and 17)	**235,074**	173,379	**1,954,554**
Loans and bills discounted—net of allowance for possible credit losses (Notes 4, 7, 17, 19, and 22)	**1,448,023**	1,248,815	**12,039,771**
Installment sales receivables—net of allowance for possible credit losses (Notes 4, 7, and 17)	**1,015,155**	937,759	**8,440,631**
Other assets (Notes 7 and 22)	**95,532**	80,292	**794,317**
Property and equipment (Note 5)	**35,774**	31,186	**297,448**
Intangible assets (Note 6)	**71,139**	67,723	**591,493**
Deferred tax assets (Note 14)	**20,790**	18,759	**172,856**
Customers' liabilities for acceptances and guarantees	**183,633**	176,422	**1,526,838**
Total assets	**¥ 3,589,496**	¥ 3,163,117	**$ 29,845,315**
LIABILITIES AND EQUITY			
Liabilities:			
Deposits (Note 17)	**¥ 1,963,025**	¥ 1,717,769	**$ 16,321,817**
Accounts payable (Note 17)	**190,221**	227,264	**1,581,617**
Call money (Notes 7 and 17)	**76,300**	4,900	**634,406**
Borrowed money (Notes 7, 8, and 17)	**591,586**	515,228	**4,918,820**
Bonds (Notes 8 and 17)	**114,311**	101,608	**950,450**
Convertible bonds (Notes 8, 10, and 17)	**90**	2,830	**748**
Other liabilities (Notes 8 and 9)	**126,687**	93,884	**1,053,351**
Allowance for point program	**11,590**	11,013	**96,370**
Allowance for loss on refund of interest received	**4,848**	3,086	**40,313**
Deferred tax liabilities (Note 14)	**2,257**	1,821	**18,763**
Acceptances and guarantees	**183,633**	176,422	**1,526,838**
Total liabilities	**3,264,548**	2,855,825	**27,143,493**
Commitments and contingent liabilities (Notes 16, 18, and 19)			
Equity (Notes 10, 11, and 24):			
Common stock—authorized, 540,000,000 shares; issued, 208,499,435 shares in 2015 and 206,541,751 shares in 2014	**30,422**	29,052	**252,943**
Capital surplus	**106,230**	104,860	**883,265**
Stock acquisition rights—450 rights in 2015 and 365 rights in 2014	**73**	55	**611**
Retained earnings	**154,519**	136,271	**1,284,767**
Treasury stock—at cost, 9,808,408 shares in 2015 and 112,505 shares in 2014	**(25,145)**	(146)	**(209,068)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 3)	**4,244**	4,027	**35,285**
Deferred loss on derivatives under hedge accounting	**(3,468)**	(2,327)	**(28,838)**
Foreign currency translation adjustments	**7,446**	295	**61,914**
Accumulated adjustments for retirement benefit	**(539)**	(371)	**(4,485)**
Total	**273,782**	271,716	**2,276,394**
Minority interests	**51,166**	35,576	**425,428**
Total equity	**324,948**	307,292	**2,701,822**
Total liabilities and equity	**¥ 3,589,496**	¥ 3,163,117	**$ 29,845,315**

See notes to consolidated financial statements.

Consolidated Statement of Income

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Income:			
Interest income:			
Interest on loans and bills discounted	**¥ 123,270**	¥ 104,863	**$ 1,024,947**
Interest and dividends on securities	**1,613**	1,953	**13,411**
Interest on call loans	**1**	7	**7**
Interest on due from banks and deposits	**394**	400	**3,275**
Other interest income	**215**	229	**1,791**
Total interest income	**125,493**	107,452	**1,043,431**
Fees and commissions (Notes 4 and 22)	**168,284**	145,782	**1,399,218**
Other operating income	**19,054**	16,797	**158,425**
Other income (Note 12)	**16,216**	16,150	**134,830**
Total income	**329,047**	286,181	**2,735,904**
Expenses:			
Interest expenses:			
Interest on deposits	**(4,015)**	(5,184)	**(33,384)**
Interest on call money	**(25)**	(3)	**(206)**
Interest on borrowed money	**(14,474)**	(12,647)	**(120,348)**
Other interest expenses	**(2,163)**	(1,691)	**(17,988)**
Total interest expenses	**(20,677)**	(19,525)	**(171,926)**
Fees and commissions	**(21,839)**	(20,260)	**(181,579)**
Other operating expenses	**(1,110)**	(1,028)	**(9,228)**
General and administrative expenses (Notes 9 and 16)	**(186,474)**	(169,569)	**(1,550,463)**
Provision for possible credit losses and write-off of bad debts	**(39,788)**	(31,484)	**(330,825)**
Management integration expenses		(1,195)	
Other expenses (Note 13)	**(6,406)**	(3,323)	**(53,263)**
Total expenses	**(276,294)**	(246,384)	**(2,297,284)**
Income before income taxes and minority interests	**52,753**	39,797	**438,620**
Income taxes (Note 14):			
Current	**(15,001)**	(13,102)	**(124,726)**
Deferred	**936**	1,190	**7,778**
Total income taxes	**(14,065)**	(11,912)	**(116,948)**
Net income before minority interests	**38,688**	27,885	**321,672**
Minority interests in net income	**(8,196)**	(7,142)	**(68,143)**
Net income	**¥ 30,492**	¥ 20,743	**$ 253,529**

PER SHARE OF COMMON STOCK (Note 21):	Yen		U.S. Dollars
Basic net income	**¥ 152.55**	¥ 104.62	**$ 1.27**
Diluted net income	**152.04**	99.49	**1.26**
Cash dividends applicable to the year	**60.00**	60.00	**0.50**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
Net income before minority interests	**¥ 38,688**	¥ 27,885	**$ 321,672**
Other comprehensive income (Note 20):			
Unrealized gain on available-for-sale securities	**219**	1,213	**1,821**
Deferred loss on derivatives under hedge accounting	**(2,116)**	(1,138)	**(17,593)**
Foreign currency translation adjustments	**12,462**	3,536	**103,622**
Adjustments for retirement benefit	**(168)**		**(1,399)**
Total other comprehensive income	**10,397**	3,611	**86,451**
Comprehensive income:	**¥ 49,085**	¥ 31,496	**$ 408,123**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 36,550**	¥ 23,357	**$ 303,903**
Minority interests	**12,535**	8,139	**104,220**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

AEON Financial Service Co., Ltd. and Subsidiaries

Years Ended March 31, 2015 and 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 Translation 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
Cumulative effects of changes in accounting policies					(54)						(54)		(54)
Restated balance	206,429	29,052	104,860	55	136,217	(146)	4,027	(2,327)	295	(371)	271,662	35,576	307,238
Net income					30,492						30,492		30,492
Cash dividends, ¥60 per share					(12,188)						(12,188)		(12,188)
Conversion of convertible bonds	1,958	1,370	1,370								2,740		2,740
Purchase of treasury stock	(9,697)					(25,001)					(25,001)		(25,001)
Disposal of treasury stock	1				(2)	2							
Net change in the year				18			217	(1,141)	7,151	(168)	6,077	15,590	21,667
Balance, March 31, 2015	198,691	¥ 30,422	¥ 106,230	¥ 73	¥ 154,519	¥ (25,145)	¥ 4,244	¥ (3,468)	¥ 7,446	¥ (539)	¥ 273,782	¥ 51,166	¥ 324,948

	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 Translation Adjust-ments	Accumulated adjustments for retirement benefit	Total	Minority Interests	Total Equity
Balance, March 31, 2014	206,429	$ 241,552	$ 871,874	$ 459	$ 1,133,039	$ (1,212)	$ 33,483	$ (19,345)	$ 2,450	$ (3,087)	$ 2,259,213	$ 295,802	$ 2,555,015
Cumulative effects of changes in accounting policies					(448)						(448)		(448)
Restated balance	206,429	241,552	871,874	459	1,132,591	(1,212)	33,483	(19,345)	2,450	(3,087)	2,258,765	295,802	2,554,567
Net income					253,529						253,529		253,529
Cash dividends, $0.50 per share					(101,339)						(101,339)		(101,339)
Conversion of convertible bonds	1,958	11,391	11,391								22,782		22,782
Purchase of treasury stock	(9,697)					(207,877)					(207,877)		(207,877)
Disposal of treasury stock	1				(14)	21					7		7
Net change in the year				152			1,802	(9,493)	59,464	(1,398)	50,527	129,626	180,153
Balance, March 31, 2015	198,691	$ 252,943	$ 883,265	$ 611	$ 1,284,767	$ (209,068)	$ 35,285	$ (28,838)	$ 61,914	$ (4,485)	$ 2,276,394	$ 425,428	$ 2,701,822

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	2015
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ **52,753**	¥ 39,797	$ **438,620**
Adjustments for:			
Depreciation and amortization	**14,533**	12,734	**120,833**
Allowance for possible credit losses	**(95)**	(14)	**(788)**
Allowance for point program	**577**	2,317	**4,801**
Increase (decrease) in allowance for loss on refund of interest received	**1,763**	(636)	**14,655**
Interest income	**(125,493)**	(107,452)	**(1,043,431)**
Interest expenses	**20,677**	19,525	**171,926**
Net increase in loans and bills discounted	**(163,711)**	(138,201)	**(1,361,197)**
Net increase in installment sales receivables	**(62,513)**	(342,366)	**(519,773)**
Net increase in deposits	**245,255**	505,718	**2,039,206**
Net (decrease) increase in accounts payable	**(37,296)**	14,414	**(310,101)**
Net increase (decrease) in borrowed money	**39,196**	(213,088)	**325,902**
Net (increase) decrease in deposits with banks	**(3,150)**	9,688	**(26,191)**
Net increase in call loans and others	**(4,530)**	(18,730)	**(37,663)**
Net increase in call money	**71,400**	4,900	**593,664**
Net decrease in commercial paper		(5,634)	
Proceeds from sale and leaseback	**11,404**		**94,816**
Interest income received	**124,621**	104,438	**1,036,172**
Interest expenses paid	**(20,796)**	(18,072)	**(172,912)**
Other	**14,801**	890	**123,068**
Subtotal	**179,396**	(129,772)	**1,491,607**
Income taxes—paid	**(17,895)**	(7,790)	**(148,788)**
Income taxes—refund		65	
Net cash provided by (used in) operating activities	**161,501**	(137,497)	**1,342,819**
INVESTING ACTIVITIES:			
Purchases of securities	**(230,386)**	(80,923)	**(1,915,570)**
Proceeds from sales of securities	**143,136**	74,725	**1,190,120**
Proceeds from redemption of securities	**27,510**	45,210	**228,738**
Purchases of property and equipment	**(7,911)**	(9,017)	**(65,779)**
Proceeds from sale of property and equipment	**759**	784	**6,316**
Purchases of intangible assets	**(14,536)**	(11,861)	**(120,864)**
Cash paid in conjunction with the purchase of consolidated subsidiary (Note 15)		(2,934)	
Net cash (used in) provided by investing activities	**(81,428)**	15,984	**(677,039)**
FINANCING ACTIVITIES:			
Issuance of subordinated bonds		39,769	
Financial costs paid for financing activities	**(19)**	(109)	**(156)**
Dividends paid to the Company's shareholders	**(12,188)**	(9,792)	**(101,339)**
Proceeds from stock issuance to minority shareholders	**5,829**	3,018	**48,462**
Dividends paid to minority shareholders	**(3,163)**	(2,879)	**(26,297)**
Purchase of treasury stock	**(25,039)**	(3)	**(208,186)**
Net cash (used in) provided by financing activities	**(34,580)**	30,004	**(287,516)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**2,237**	205	**18,600**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**47,730**	(91,304)	**396,864**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**408,171**	499,475	**3,393,785**
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ **455,901**	¥ 408,171	$ **3,790,649**
MAJOR NONCASH TRANSACTIONS			
Conversion of convertible bonds		¥ (27,170)	

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2015 and 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").

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. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

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 ¥120.27 to $1, the exchange rate at March 31, 2015. 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, 2015 include the accounts of the Company and its 34 subsidiaries and four companies accounted for under the equity method.

Under the control and influence concepts, 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 in which the business combination occurs.

All significant intercompany balances and transactions and 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 recorded in equity through other comprehensive income; 3) expensing capitalized research and development costs; 4) cancellation of the 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 in net income. 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 has been applicable to business combinations undertaken on or after April 1, 2010.

(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, and commercial paper, 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 certain past 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, less accumulated depreciation and impairment. 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 for trading purposes (excluding securities whose fair values are deemed to be difficult to determine) are considered to be impaired if the fair values of the securities decrease 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 and impairment. Amortization of software of the Group is calculated by the straight-line method over an estimated useful life of within five years.

(j) Stock Issuance Costs—Stock issuance costs as at March 31, 2015 and 2014, which have been deferred and included in other assets, were ¥48 million ($403 thousand) and ¥85 million, respectively. 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, 2015 and 2014, which have been deferred and included in other assets, were ¥316 million ($2,623 thousand) and ¥398 million, respectively. These costs are amortized by the interest method through the maturity of the bonds.

(l) Card Issuance Costs— Certain domestic subsidiaries of the Group had expensed credit card issuance costs immediately as incurred in the past. However, the issuance costs of IC-imbedded credit cards issued on or after July 1, 2014 are capitalized as assets and amortized over the valid periods of the cards. This change is a result of an increase in the asset value of the IC-imbedded cards due to a policy decision to switch newly issued credit cards to the IC-imbedded cards that can store a larger amount of customer-related information and to encourage customers to renew their current credit cards to the IC-imbedded cards in order to promote new products and services by using database marketing. As a result, the income before income taxes and minority interests for the fiscal year ended March 31, 2015 increased by ¥2,075 ($17,255 thousand) million compared to the amount under the previous method.

(m) Allowance for Point Program—Certain domestic subsidiaries of the Group offer point programs to their customers. The allowance for point program is provided for the cost to be incurred in the future by redemption of the points that have been given to customers as of the end of the fiscal year based on past experience.

(n) 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 was issued by the Japanese Institute of Certified Public Accountants and was adopted by the Company at the beginning of the fiscal year ended February 20, 2007.

(o) 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. Overseas subsidiaries have unfunded severance payment plans for their 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, 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 following fiscal year of incurrence, over a period of 10 years.

Effective from March 31, 2015, the Group adopted the provision of Paragraph 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26 issued on May 17, 2012, hereafter the "Accounting Standard") and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25 on March 26, 2015, hereafter the "Guidance"). Certain domestic subsidiaries of the Group reviewed the method of determining retirement benefit obligations and current service costs, and changed the allocation of estimated retirement benefits from the straight-line basis to the benefit formula basis. In addition, the method of determining the discount rate applied in the calculation of projected benefit obligation was changed to the method to use the single weighted-average discount rate that reflects the estimated payment period of retirement benefits and the amount per each estimated payment period. The discount rate had previously been determined based on the yield of certain bonds, the maturity of which is close to the employees' average remaining service period.

The Group applied the transitional treatment prescribed in Paragraph 37 of the Accounting Standard. As at April 1, 2014, the Group recognized the effect of changing the method of determining retirement benefit obligations and current service costs as an adjustment to the opening balance of retained earnings.

As a result, as at April 1, 2014, retirement benefit liability increased by ¥83 million ($692 thousand) and retained earnings decreased by ¥54 million ($448 thousand).

The effect of this change on net income and per share information for the current fiscal year is immaterial.

(p) 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.

(q) Recognition of Income—The operations of the Group mainly comprise the following, and the recognition of income varies by business.

(i) Credit card purchase contracts and hire purchase contracts

Installment sales receivables are recognized after the Group has accepted the relevant contracts referred by participating member stores.

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.

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

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

(t) Consumption Taxes—National and local consumption taxes of the Company and its domestic subsidiaries are accounted for using the tax-exclusion 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.

(u) 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.

(v) 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.

(w) 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 are 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.

(x) 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.

(y) 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.

(z) 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.

(aa) New Accounting Pronouncements
Accounting Standards for Business Combination and Consolidated Financial Statements
On September 13, 2013, the ASBJ issued ASBJ Statement No. 21, "Revised Accounting Standard for Business Combinations," ASBJ Statement No. 22, "Revised Accounting Standard for Consolidated Financial Statements," ASBJ Statement No. 7, "Revised Accounting Standard for Business Divestitures," and ASBJ Guidance No. 10, "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

Major changes are as follows:

(i) Overview

(1) Transactions with non-controlling interest
A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(2) Presentation of the consolidated balance sheet
In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "non-controlling interest" under the revised accounting standard.

(3) Presentation of the consolidated statement of income
In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(4) Provisional accounting treatments for a business combination
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(5) Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the

costs are incurred.

(ii) Effective dates

The Company expects to apply these revised accounting standards from the beginning of the fiscal year ending March 31, 2016.

(iii) Effects of adoption of these accounting standards

The Company is currently evaluating the effects of adoption of these accounting standards.

3. MONETARY CLAIMS BOUGHT AND SECURITIES

Monetary claims bought and securities as at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Marketable equity securities	**¥ 6,485**	¥ 5,755	**$ 53,924**
Marketable debt securities:			
Government bonds	**62,891**	27,030	**522,917**
Corporate bonds	**25,074**	36,228	**208,482**
Total marketable debt securities	**87,965**	63,258	**731,399**
Other securities			
Foreign securities	**128,138**	94,041	**1,065,421**
Other(*)	**19,135**	22,444	**159,096**
Total other securities	**147,273**	116,485	**1,224,517**
Total	**¥ 241,723**	¥ 185,498	**$ 2,009,840**

(*) Includes investments in associated companies of ¥342 million ($2,842 thousand) and ¥227 million as at March 31, 2015 and 2014, respectively.

The carrying amounts and aggregate fair values of monetary claims bought and securities as at March 31, 2015 and 2014, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2015				
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 2,627**	**¥ 3,924**	**¥ (66)**	**¥ 6,485**
Debt securities	**87,496**	**480**	**(11)**	**87,965**
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

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2015				
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 21,843**	**$ 32,630**	**$ (549)**	**$ 53,924**
Debt securities	**727,496**	**3,992**	**(89)**	**731,399**

Available-for-sale securities whose fair values are deemed to be difficult to determine as at March 31, 2015 and 2014 are disclosed in Note 17.

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

Unrealized gain on available-for-sale securities on the consolidated balance sheets as at March 31, 2015 and 2014 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrealized gain before deferred tax on:			
Available-for-sale securities	**¥ 5,929**	¥ 5,649	**$ 49,297**
Deferred tax liabilities	**(1,596)**	(1,535)	**(13,272)**
Unrealized gain on available-for-sale securities (before adjustment)	**4,333**	4,114	**36,025**
Minority interests	**(89)**	(87)	**(740)**
Unrealized gain on available-for-sale securities	**¥ 4,244**	¥ 4,027	**$ 35,285**

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

Loans and bills discounted as at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Loans and bills discounted	**¥ 1,474,236**	¥ 1,276,741	**$ 12,257,720**
Allowance for possible credit losses	**(26,213)**	(27,926)	**(217,949)**
Total	**¥ 1,448,023**	¥ 1,248,815	**$ 12,039,771**

Loans and bills discounted as at March 31, 2015 and 2014, included the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Loans to bankrupt borrowers(*1)	**¥ 1,413**	¥ 938	**$ 11,747**
Non-accrual delinquent loans(*2)	**24,852**	22,284	**206,638**
Restructured loans(*3)	**17,007**	14,490	**141,405**
Total	**¥ 43,272**	¥ 37,712	**$ 359,790**

(*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 categorized as past due loans (three months or more) as at March 31, 2015 and 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, 2015 and 2014 was ¥386 million ($3,213 million) and ¥1,118 million, respectively.

Installment sales receivables as at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
		2015		2014		**2015**
Installment sales receivables:						
Credit card purchase contracts	**¥**	**763,890**	¥	748,828	**$**	**6,351,463**
Hire purchase contracts		**274,331**		208,576		**2,280,958**
Subtotal		**1,038,221**		957,404		**8,632,421**
Allowance for possible credit losses		**(23,066)**		(19,645)		**(191,790)**
Total	**¥**	**1,015,155**	¥	937,759	**$**	**8,440,631**

Fees and commissions for the years ended March 31, 2015 and 2014, included the following:

	Millions of Yen				Thousands of U.S. Dollars	
		2015		2014		**2015**
Credit card purchase contracts	**¥**	**97,045**	¥	92,280	**$**	**806,892**

5. PROPERTY AND EQUIPMENT

Property and equipment as at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
		2015		2014		**2015**
Land	**¥**	**742**	¥	742	**$**	**6,172**
Structures		**10,187**		8,469		**84,704**
Equipment		**50,723**		43,808		**421,743**
Construction in progress		**91**		10		**754**
Other property and equipment		**9,875**		8,655		**82,108**
Subtotal		**71,618**		61,684		**595,481**
Accumulated depreciation		**(35,844)**		(30,498)		**(298,033)**
Total	**¥**	**35,774**	¥	31,186	**$**	**297,448**

6. INTANGIBLE ASSETS

Intangible assets as at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
		2015		2014		**2015**
Software	**¥**	**36,883**	¥	31,243	**$**	**306,667**
Goodwill (Notes 15)		**27,064**		28,888		**225,028**
Other intangible assets		**7,192**		7,592		**59,798**
Total	**¥**	**71,139**	¥	67,723	**$**	**591,493**

7. PLEDGED ASSETS

Assets pledged as collateral as at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
		2015		2014		**2015**
Assets pledged as collateral:						
Securities	**¥**	**5,095**	¥	4,990	**$**	**42,362**
Loans and bills discounted		**13,992**		12,696		**116,342**
Installment sales receivables		**13,949**		15,381		**115,978**
Total	**¥**	**33,036**	¥	33,067	**$**	**274,682**
Liabilities corresponding to assets pledged as collateral:						
Call money				4,900		
Borrowed money		**16,588**		17,579		**137,927**

In addition to the assets presented above, the following assets were pledged as collateral for exchange settlements and other transactions as at March 31, 2015 and 2014:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Securities	**¥ 37,060**	¥ 22,041	**$ 308,141**

Moreover, other assets included guarantee money deposits, and these amounts as at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Guarantee money deposits	**¥ 4,605**	¥ 4,074	**$ 38,286**

8. BORROWED MONEY, BONDS, AND LEASE OBLIGATIONS

Borrowed money and lease obligations included in other liabilities as at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	Average interest rate(*1)	
	2015	2014	**2015**	**2015**	Due
Borrowed money	**¥ 591,586**	¥ 515,228	**$ 4,918,820**	**2.39 %**	From April 2015 to August 2021
Lease obligations	**24,630**	12,607	**204,792**	**1.81 %**	From May 2015 to October 2025

(*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, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Issued by the Company:			
Unsecured 1.02% Japanese yen notes due April 2015	**¥ 20,000**	¥ 20,000	**$ 166,293**
¥15,000,000,000 Zero Coupon Convertible Bonds due 2016	**40**	1,060	**332**
¥15,000,000,000 Zero Coupon Convertible Bonds due 2017	**50**	1,770	**416**
Unsecured 0.349% pari passu Japanese yen notes due March 2019	**10,000**	10,000	**83,146**
Unsecured 0.572% pari passu Japanese yen notes due March 2021	**10,000**	10,000	**83,146**
Unsecured 0.83% callable subordinated Japanese yen notes due April 2024	**30,000**	30,000	**249,439**
Unsecured 0.83% callable subordinated Japanese yen notes due April 2024	**10,000**	10,000	**83,146**
Issued by AEON Thana Sinsap (Thailand) Plc.:			
Unsecured 3.28% Thai baht notes due July 2015	**2,389**	2,041	**19,861**
Unsecured 4.06% Thai baht notes due July 2016	**1,784**	1,524	**14,831**
Unsecured 3.85% Thai baht notes due December 2016	**2,369**	2,022	**19,696**
Unsecured 4.44% Thai baht notes due August 2017	**3,528**	3,008	**29,337**
Unsecured 4.77% Thai baht notes due September 2017	**2,382**	2,042	**19,807**
Unsecured 4.14% Thai baht notes due July 2018	**1,994**	1,702	**16,577**
Unsecured 5.45% Thai baht notes due November 2018	**3,585**	3,077	**29,812**
Unsecured 4.06% Thai baht notes due March 2019	**3,500**		**29,101**
Unsecured 4.43% Thai baht notes due July 2017	**4,383**		**36,440**
Unsecured 2.99% Thai baht notes due September 2017	**1,767**		**14,691**
Issued by AEON Credit Service (M) Berhad:			
Medium Term Note 3.95% Malaysia Ringgit due April 2017	**1,658**	1,548	**13,782**
Medium Term Note 3.95% Malaysia Ringgit due April 2017	**1,326**	1,238	**11,025**
Medium Term Note 3.95% Malaysia Ringgit due May 2017	**1,823**	1,703	**15,160**
Medium Term Note 3.95% Malaysia Ringgit due July 2017	**1,823**	1,703	**15,160**
Total	**¥ 114,401**	¥ 104,438	**$ 951,198**

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	¥ 1,422.1	28	From April 6, 2012 to March 8, 2016
¥15,000,000,000 Zero Coupon Convertible Bonds due 2017	1,386.6	36	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) The number of shares of common stock is calculated on the assumption that all convertible bonds with stock acquisition rights are converted as at March 31, 2015.

The annual maturities of borrowed money as at March 31, 2015, were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 279,236	$ 2,321,748
2017	120,204	999,457
2018	73,726	613,003
2019	89,767	746,377
2020	21,381	177,773
2021 and thereafter	7,272	60,462
Total	¥ 591,586	$ 4,918,820

The annual maturities of bonds as at March 31, 2015, were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 22,429	$ 186,486
2017	4,203	34,943
2018	18,690	155,402
2019	15,579	129,535
2020	3,500	29,101
2021 and thereafter	50,000	415,731
Total	¥ 114,401	$ 951,198

The annual maturities of lease obligations as at March 31, 2015, were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥ 3,382	$ 28,121
2017	3,340	27,770
2018	3,088	25,678
2019	3,090	25,691
2020	2,863	23,809
2021 and thereafter	8,867	73,723
Total	¥ 24,630	$ 204,792

9. 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 for their employees. Overseas subsidiaries have unfunded severance payment plans for their 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, for calculating their liability for 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 years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 3,969**	¥ 1,740	**$ 33,002**
Cumulative effects of changes in accounting policies	**83**		**692**
Restated balance	**4,052**	1,740	**33,694**
Current service cost	**301**	148	**2,500**
Interest cost	**56**	62	**470**
Actuarial gains and losses	**126**	66	**1,050**
Benefits paid	**(202)**	(136)	**(1,682)**
Other(*)	**298**	2,089	**2,476**
Balance at end of year	**¥ 4,631**	¥ 3,969	**$ 38,508**

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

(b) The changes in plan assets for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 1,179**	¥ 987	**$ 9,805**
Expected return on plan assets	**18**	11	**150**
Actuarial gains and losses	**10**	84	**78**
Contributions from the employer	**179**	158	**1,488**
Benefits paid	**(67)**	(61)	**(558)**
Balance at end of year	**¥ 1,319**	¥ 1,179	**$ 10,963**

(c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended March 31, 2015 and 2014

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		2015	
Funded defined benefit obligation	¥	**1,753**	¥	1,471	$	**14,576**
Plan assets		**(1,318)**		(1,179)		**(10,963)**
		435		292		**3,613**
Unfunded defined benefit obligation		**2,878**		2,498		**23,932**
Net liability arising from defined benefit obligation	¥	**3,313**	¥	2,790	$	**27,545**

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		2015	
Liability for retirement benefits	¥	**3,313**	¥	2,790	$	**27,545**
Net liability arising from defined benefit obligation	¥	**3,313**	¥	2,790	$	**27,545**

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

(d) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		2015	
Service cost(*)	¥	**301**	¥	148	$	**2,500**
Interest cost		**56**		62		**470**
Expected return on plan assets		**(18)**		(11)		**(151)**
Recognized actuarial losses		**103**		83		**854**
Amortization of past service costs		**44**		33		**364**
Other		**3**				**25**
Net periodic benefit costs	¥	**489**	¥	315	$	**4,062**

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

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		2015	
Past service costs	¥	**(44)**			$	**(364)**
Actuarial gains and losses		**266**				**2,207**
Total	¥	**222**			$	**1,843**

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at March 31, 2015 and 2014

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		2015	
Unrecognized past service costs	¥	**131**	¥	175	$	**1,092**
Unrecognized actuarial gains and losses		**667**		401		**5,541**
Total	¥	**798**	¥	576	$	**6,633**

(g) Plan assets

(i) Components of plan assets

Plan assets consisted of the following:

	2015	2014
Debt securities	**58.5%**	59.3%
Equity securities	**14.6%**	12.6%
Assets in the life insurer's general account	**11.5%**	12.4%
Other(*)	**15.4%**	15.7%
Total	**100.0%**	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.

(h) Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015(*)	2014
Discount rate	**1.3%**	mainly 1.9%
Expected rate of return on plan assets	**1.58%**	1.13%

(*) In addition to the above, salary increase rate by age calculated as at the base date of March 31, 2011 was used as an assumption.

The required contribution amounts to the defined contribution pension plan for the years ended March 31, 2015 and 2014 are ¥311 million ($2,589 thousand) and ¥237 million, respectively.

The amounts of benefits paid under the advance payment plan for the years ended March 31, 2015 and 2014 are ¥65 million ($544 thousand) and ¥56 million, respectively.

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 being 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. 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 for the year ended March 31, 2014 both increased by ¥13,585 million, and convertible bonds issued by the Company decreased by ¥27,170 million. These changes were due to the conversion of convertible bonds into shares.

11. STOCK-BASED COMPENSATION

The stock options outstanding as at March 31, 2015, 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
2015 Stock Option	8 directors	9,500 shares	July 21, 2014	¥ 1 $ 0.01	From August 21, 2014 through August 20, 2029

The summary of stock option activity is as follows:

	2015 Stock Option	2014 Stock Option	2013 Stock Option	2012 Stock Option
Nonvested (Shares)				
Outstanding at beginning of year				
Granted	9,500			
Expired				
Vested	9,500			
Outstanding at end of year				
Vested (Shares)				
Outstanding at beginning of year		12,000	10,500	14,000
Vested	9,500			
Exercised				1,000
Expired				
Outstanding at end of year	9,500	12,000	10,500	13,000
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1
	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Average stock price upon exercise				¥ 2,635
				$ 21.91
Fair value price at grant date	¥ 2,006	¥ 2,715	¥ 1,081	¥ 809
	$ 16.68	$ 22.57	$ 8.99	$ 6.73

The assumptions used to measure fair value of stock options vested during fiscal year 2015 were as follows:

	2015 Stock Option
Measurement method	Black-Scholes option-pricing model
Risk-free interest rate	0.34%
Expected life of option grants	7.5 years
Expected volatility of underlying stock	43.65%
Estimated dividend	¥60 per share

12. OTHER INCOME

Other income for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Gain on bad debts recovered	**¥ 7,811**	¥ 9,238	**$ 64,944**
Other	**8,405**	6,912	**69,886**
Total	**¥ 16,216**	¥ 16,150	**$ 134,830**

13. OTHER EXPENSES

Other expenses for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Provision for loss on refund of interest received	¥ **(5,822)**	¥ (2,865)	$ **(48,411)**
Other	**(584)**	(458)	**(4,852)**
Total	¥ **(6,406)**	¥ (3,323)	$ **(53,263)**

14. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 35.3% and 37.7% for the years ended March 31, 2015 and 2014, respectively. The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as at March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deferred tax assets:			
Allowance for possible credit losses	¥ **11,092**	¥ 8,661	$ **92,229**
Loans and bills discounted and installment sales receivables	**37**	331	**310**
Allowance for point program	**4,077**	4,136	**33,900**
Allowance for loss on refund of interest received	**1,596**	1,089	**13,273**
Accrued income	**723**	798	**6,008**
Property and equipment	**364**	378	**3,030**
Intangible assets	**57**	73	**473**
Liability for retirement benefits	**1,038**	956	**8,627**
Tax loss carryforwards	**6,799**	12,512	**56,531**
Unrealized loss on acquisition of subsidiaries	**1,254**	2,179	**10,426**
Other	**4,648**	4,359	**38,642**
Less valuation allowance	**(7,904)**	(12,783)	**(65,718)**
Total deferred tax assets	¥ **23,781**	¥ 22,689	$ **197,731**
Deferred tax liabilities:			
Depreciation in consolidated foreign subsidiaries	¥ **485**	¥ 439	$ **4,034**
Unrealized gain on available-for-sale securities	**1,807**	1,938	**15,026**
Unrealized gain on acquisition of subsidiaries	**2,748**	3,150	**22,846**
Other	**208**	224	**1,732**
Total deferred tax liabilities	¥ **5,248**	¥ 5,751	$ **43,638**
Net deferred tax assets	¥ **18,533**	¥ 16,938	$ **154,093**

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, 2015 and 2014, were as follows:

	2015	2014
Effective statutory tax rate	**35.3%**	37.7%
Earnings not taxable and expenses not deductible for income tax purposes—net	**(7.1)**	(3.3)
Per capita portion of inhabitants tax	**0.7**	0.7
Lower income tax rates applicable to income in certain foreign countries	**(6.4)**	(7.2)
Influence of elimination in consolidation	**7.5**	6.1
Influence of changes in the statutory tax rate	**6.2**	5.0
Tax loss carryforwards	**(5.4)**	(5.5)
Valuation allowance	**(4.2)**	(4.7)
Other	**0.1**	1.1
Actual effective tax rate	**26.7%**	29.9%

Changes in the Statutory Tax Rates

In accordance with the promulgation of the "Act on Partial Revision of the Income Tax Act, etc." (Law No. 9, 2015) and "Act on Partial Revision of the Local Taxation Act, etc." (Law No. 2, 2015) on March 31, 2015, the corporate tax rate will decrease from the fiscal years beginning on or after April 1, 2015. As a result, the Company's effective statutory tax rates used to determine deferred tax assets and liabilities for temporary differences that are expected to reverse during the fiscal year beginning on April 1, 2015 will decrease from 35.3% to 33.1% and to 32.3% for temporary differences that are expected to reverse during the fiscal year beginning on April 1, 2016. The effect of this change was to decrease deferred tax assets, net of deferred tax liabilities, by ¥1,112 million ($9,248 thousand) and accumulated adjustments for retirement benefit by ¥22 million ($182 thousand), and increase unrealized gain on available-for-sale securities by ¥173 million ($1,438 thousand) in the consolidated balance sheet as at March 31, 2015, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥1,263 million ($10,504 thousand).

In addition, effective from fiscal years beginning on or after April 1, 2015, the use of tax loss carryforwards will be limited to the equivalent of 65% of taxable income before deducting tax loss carryforwards, and from fiscal years beginning on or after April 1, 2017, the use of tax loss carryforwards will be limited to the equivalent of 50% of taxable income before deducting tax loss carryforwards. As a result, deferred tax assets decreased by ¥639 million ($5,311 thousand) and income taxes—deferred increased by ¥639 million ($5,311 thousand).

15. SUPPLEMENTAL CASH FLOW INFORMATION

Purchases of newly consolidated subsidiaries

For the year ended March 31, 2014, the Company acquired 100% 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	
Total assets	¥	317,420
Of which: customers' liabilities for acceptances and guarantees		235,846
Of which: installment sales receivables		73,856
Total liabilities		313,360
Of which: acceptances and guarantees		235,846
Of which: borrowed money		56,087
Goodwill		1,782
Total acquisition cost of AEON Product Finance Co., Ltd.		5,842
Cash and cash equivalents of AEON Product Finance Co., Ltd.		(2,908)
Cash paid in conjunction with the purchase of AEON Product Finance Co., Ltd.	¥	2,934

16. LEASES

The Group leases equipment, software, and other assets.

Total rental expenses for the years ended March 31, 2015 and 2014 were ¥11,485 million ($95,497 thousand) and ¥9,848 million, respectively.

The minimum rental commitments under noncancelable operating leases as at March 31, 2015 and 2014 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2015		2014		**2015**	
Due within one year	¥	**2,349**	¥	1,930	$	**19,536**
Due after one year		**3,251**		2,468		**27,028**
Total	¥	**5,600**	¥	4,398	$	**46,564**

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(a) Conditions of financial instruments

(i) Group policy for financial instruments

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

The Group raises funds for these businesses 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. The Group also manages and raises funds through money market in response to temporary financial surplus or deficit.

Certain subsidiaries are located overseas, and they conduct their business in foreign currencies.

Accordingly, 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.

(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, interest rate risk and foreign exchange 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 the Group's risk management to be 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. 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 audited internally 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 through 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 monitors 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 collaborates 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, market risk is controlled so that VaR does not exceed risk limits (allocated capital amount) decided by the Board of Directors.

(1) Interest rate risk management

The Company measures and manages VaR as 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. 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 securities and monetary claims bought 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 domestic banking subsidiary monitors results of the investments, including securities issuers' performance, as changes in creditworthiness of the securities issuers affect the price of the securities.

(3) Foreign exchange risk management

Of the various market risks 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.

(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 of financial instruments held by the Company's major consolidated domestic subsidiaries, the delta model (holding period: 240 days, historical observation period: one year, and confidence interval: 99%) is applied to calculate VaR. The amount of VaR as at March 31, 2015 was ¥1,037 million ($8,622 thousand) (2014: ¥3,453 million). Although certain domestic subsidiaries and foreign subsidiaries hold financial instruments that are not subject to the VaR measurement, the effect of a 10 basis point (0.1%) 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, 2015 was ¥41,783 million ($347,408 thousand) (2014: ¥38,065 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 18 for the details regarding fair value for derivatives.

(b) Fair value of financial instruments

The carrying amount of financial instruments in the consolidated balance sheet, the fair value, and the difference between the two as at March 31, 2015 and 2014 are as follows. Financial instruments whose fair values are deemed to be difficult to determine are not included in the fair value disclosure.

	Millions of Yen					
	2015					
		Carrying Amount		Fair Value		Difference
(1) Cash and cash equivalents	¥	**455,901**	¥	**455,901**		
(2) Deposits with banks		**11,826**		**11,826**		
(3) Call loans		**10,000**		**10,000**		
(4) Monetary claims bought		**6,649**		**6,649**		
(5) Securities		**224,660**		**224,660**		
(6) Loans and bills discounted—net of allowance for possible credit losses		**1,448,023**		**1,516,747**	¥	**68,724**
(7) Installment sales receivables—net of allowance for possible credit losses		**1,015,155**		**1,019,297**		**4,142**
Total	¥	**3,172,214**	¥	**3,245,080**	¥	**72,866**
(8) Deposits	¥	**1,963,025**	¥	**1,963,563**	¥	**538**
(9) Accounts payable		**190,221**		**190,221**		
(10) Call money		**76,300**		**76,300**		
(11) Borrowed money		**591,586**		**593,873**		**2,287**
(12) Bonds		**114,311**		**114,356**		**45**
(13) Convertible bonds		**90**		**195**		**105**
Total	¥	**2,935,533**	¥	**2,938,508**	¥	**2,975**
(14) Derivative financial instruments (Note 18):						
Hedge accounting not applied	¥	**(244)**	¥	**(244)**		
Hedge accounting applied		**(8,007)**		**(8,007)**		
Total	¥	**(8,251)**	¥	**(8,251)**		

	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) Call loans						
(4) Monetary claims bought		12,119		12,119		
(5) Securities		163,054		163,054		
(6) Loans and bills discounted—net of allowance for possible credit losses		1,248,815		1,276,654	¥	27,839
(7) 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
(8) Deposits	¥	1,717,769	¥	1,717,985	¥	216
(9) Accounts payable		227,264		227,264		
(10) Call money		4,900		4,900		
(11) Borrowed money		515,228		518,489		3,261
(12) Bonds		101,608		101,888		280
(13) Convertible bonds		2,830		4,674		1,844
Total	¥	2,569,599	¥	2,575,200	¥	5,601
(14) Derivative financial instruments (Note 18):						
Hedge accounting not applied	¥	(103)	¥	(103)		
Hedge accounting applied		(2,923)		(2,923)		
Total	¥	(3,026)	¥	(3,026)		

	Thousands of U.S. Dollars		
	2015		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	**$ 3,790,649**	**$ 3,790,649**	
(2) Deposits with banks	**98,326**	**98,326**	
(3) Call loans	**83,146**	**83,146**	
(4) Monetary claims bought	**55,286**	**55,286**	
(5) Securities	**1,867,963**	**1,867,963**	
(6) Loans and bills discounted—net of allowance for possible credit losses	**12,039,771**	**12,611,187**	**$ 571,416**
(7) Installment sales receivables—net of allowance for possible credit losses	**8,440,631**	**8,475,072**	**34,441**
Total	**$ 26,375,772**	**$ 26,981,629**	**$ 605,857**
(8) Deposits	**$ 16,321,817**	**$ 16,326,293**	**$ 4,476**
(9) Accounts payable	**1,581,617**	**1,581,617**	
(10) Call money	**634,406**	**634,406**	
(11) Borrowed money	**4,918,820**	**4,937,835**	**19,015**
(12) Bonds	**950,450**	**950,824**	**374**
(13) Convertible bonds	**748**	**1,624**	**876**
Total	**$ 24,407,858**	**$ 24,432,599**	**$ 24,741**
(14) Derivative financial instruments (Note 18):			
Hedge accounting not applied	**$ (2,029)**	**$ (2,029)**	
Hedge accounting applied	**(66,579)**	**(66,579)**	
Total	**$ (68,608)**	**$ (68,608)**	

(i) Fair value of financial instruments

(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 fair value because of their short maturities.
(3) Call loans
The carrying amount of call loans is considered to approximate fair value because of their short maturity of less than one year.
(4) 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.
(5) 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.
(6) 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 as 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 of less than one year, the carrying amount is considered to approximate fair value 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 the 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).

(7) 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).

(8) 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 a 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 fair value because of their short maturities.

(9) Accounts payable
The carrying amount of accounts payable is considered to approximate fair value because these items are settled in a short period of time.

(10) Call money
The carrying amount of call money is considered to approximate fair value because of its short maturity of less than one year.

(11) Borrowed money
The fair value of borrowed money with fixed-interest rates is determined by discounting the total amounts of principal and interest by a risk-free rate adjusted for credit risk. The carrying amount of borrowed money with floating interest rates approximates the fair value or is determined based on the price specified by other financial institutions, because credit risks of the Company and its consolidated subsidiaries have not changed significantly after the execution of the borrowings and the market rates are shortly reflected in the floating interest rates. The carrying amount of short-term borrowed money (within one year) is considered to approximate fair value because these items are settled in a short period of time.

(12) Bonds and (13) Convertible bonds
The fair values of bonds and convertible bonds are determined with reference to quoted market prices.

(14) Derivative financial instruments
Information on the fair values of derivative financial instruments is included in Note 18.

(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
	2015	2014	**2015**
Stock with no active market quotations	**¥ 1,360**	¥ 1,243	**$ 11,312**
Trust beneficiary rights	**9,054**	9,082	**75,279**

(iii) Maturity analysis for financial assets with contractual maturities

The table below presents the carrying amounts 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					
	2015					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	**¥ 412,888**					
Call loans	**10,000**					
Monetary claims bought			**¥ 2,242**	**¥ 387**		**¥ 3,987**
Securities:						
Available-for-sale securities:						
Government bonds			**57,000**			**5,500**
Corporate bonds		**¥ 2,000**			**¥ 3,000**	**19,849**
Other	**68,000**	**50,000**		**8,000**		**1,000**
Total	**68,000**	**52,000**	**57,000**	**8,000**	**3,000**	**26,349**
Loans and bills discounted(*1, *2)	**793,382**	**262,610**	**93,909**	**32,475**	**60,877**	**162,585**
Installment sales receivables(*1)	**787,732**	**101,424**	**56,382**	**50,674**	**6,129**	**4,997**
Total	**¥ 2,072,002**	**¥ 416,034**	**¥ 209,533**	**¥ 91,536**	**¥ 70,006**	**¥ 197,918**

	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					
Call loans						
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

	Thousands of U.S. Dollars					
	2015					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	**$ 3,433,014**					
Call loans	**83,146**					
Monetary claims bought			**$ 18,642**	**$ 3,216**		**$ 33,146**
Securities:						
Available-for-sale securities:						
Government bonds			**473,934**			**45,730**
Corporate bonds		**$ 16,629**			**$ 24,944**	**165,038**
Other	**565,394**	**415,732**		**66,517**		**8,315**
Total	**565,394**	**432,361**	**473,934**	**66,517**	**24,944**	**219,083**
Loans and bills discounted(*1, *2)	**6,596,671**	**2,183,506**	**780,823**	**270,016**	**506,171**	**1,351,836**
Installment sales receivables(*1)	**6,549,696**	**843,301**	**468,792**	**421,338**	**50,958**	**41,550**
Total	**$ 17,227,921**	**$ 3,459,168**	**$ 1,742,191**	**$ 761,087**	**$ 582,073**	**$ 1,645,615**

(*1) Loans and bills discounted and installment sales receivables for the years ended March 31, 2015 and 2014 exclude ¥54,715 million ($454,931 thousand) and ¥30,232 million, respectively, which have no specific contractual maturity date due to late payments or being under negotiations.

(*2) Loans and bills discounted for the years ended March 31, 2015 and 2014 exclude loans of ¥3,958 million ($32,906 thousand) and ¥4,570 million with no specific recoverable amounts, such as loans to borrowers classified as legal bankruptcy, substantial bankruptcy, or possible bankruptcy, and ¥24,445 million ($203,249 thousand) and ¥11,555 million, respectively, which have no fixed maturity.

(iv) Maturity analysis of financial liabilities with contractual maturities

The table below presents the carrying amounts 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					
	2015					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits(*)	**¥ 1,324,441**	**¥ 506,054**	**¥ 129,362**	**¥ 217**		
Call money	**76,300**					
Borrowed money	**279,236**	**193,931**	**111,148**	**7,271**		
Bonds	**22,389**	**22,843**	**19,079**	**10,000**	**¥ 40,000**	
Convertible bonds	**40**	**50**				
Lease obligations	**3,382**	**6,428**	**5,953**	**4,637**	**3,649**	**¥ 581**
Total	**¥ 1,705,788**	**¥ 729,306**	**¥ 265,542**	**¥ 22,125**	**¥ 43,649**	**¥ 581**

	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		
Call money	4,900					
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	¥ 1,426,673	¥ 627,317	¥ 230,743	¥ 25,709	¥ 476	¥ 40,000

	Thousands of U.S. Dollars					
	2015					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits(*)	**$ 11,012,228**	**$ 4,207,649**	**$ 1,075,597**	**$ 1,801**		
Call money	**634,406**					
Borrowed money	**2,321,748**	**1,612,460**	**924,150**	**60,462**		
Bonds	**186,154**	**189,929**	**158,636**	**83,146**	**$ 332,585**	
Convertible bonds	**332**	**416**				
Lease obligations	**28,121**	**53,448**	**49,500**	**38,555**	**30,341**	**$ 4,827**
Total	**$ 14,182,989**	**$ 6,063,902**	**$ 2,207,883**	**$ 183,964**	**$ 362,926**	**$ 4,827**

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

18. 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 an evaluation and analysis are made.

Derivative financial instruments qualifying for hedge accounting as at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		
	2015		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	**¥ 55,855**	**¥ (13,721)**	**¥ (13,721)**
Receive USD/Pay HKD	**5,979**	**(12)**	**(12)**
Receive USD/Pay MYR	**54,761**	**7,035**	**7,035**
Receive USD/Pay THB	**77,985**	**859**	**859**
Currency forward contracts:			
Receive USD/Pay MYR	**1,048**	**23**	**23**
Interest rate swap contracts:			
Receive floating/Pay fixed	**77,465**	**(2,191)**	**(2,191)**

	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

	Thousands of U.S. Dollars		
	2015		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	**$ 464,414**	**$ (114,087)**	**$ (114,087)**
Receive USD/Pay HKD	**49,713**	**(101)**	**(101)**
Receive USD/Pay MYR	**455,321**	**58,493**	**58,493**
Receive USD/Pay THB	**648,419**	**7,136**	**7,136**
Currency forward contracts:			
Receive USD/Pay MYR	**8,711**	**195**	**195**
Interest rate swap contracts:			
Receive floating/Pay fixed	**644,094**	**(18,215)**	**(18,215)**

Derivative financial instruments not qualifying for hedge accounting as at March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		
	2015		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Credit default swap contracts:			
Short position	**¥ 3,000**	**¥ (254)**	**¥ 1,014**
Currency swap contracts:			
Receive USD/Pay THB	**4,364**	**10**	**10**

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

	Thousands of U.S. Dollars		
	2015		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Credit default swap contracts:			
Short position	**$ 24,944**	**$ (2,113)**	**$ 8,427**
Currency swap contracts:			
Receive USD/Pay THB	**36,283**	**84**	**84**

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.

19. LOAN COMMITMENTS

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Total loan limits	**¥ 7,547,436**	¥ 6,762,126	**$ 62,754,105**
Loan executed	**447,824**	391,219	**3,723,494**
Unexercised portion of loan commitments	**¥ 7,099,612**	¥ 6,370,907	**$ 59,030,611**

The above amounts include amounts related to securitized receivables. The execution of the loan commitments requires an assessment of the credit status of the borrower and the usage of the funds. 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, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unutilized commitments	**¥ 11,930**	¥ 11,483	**$ 99,195**
Of which: those expiring within one year	**6,682**	3,163	**55,554**

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 its own credit.

20. OTHER COMPREHENSIVE INCOME

Reclassification adjustments to profit or loss and tax effects of other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrealized gain on available-for-sale securities:			
Gains arising during the year	**¥ 2,425**	¥ 2,239	**$ 20,165**
Reclassification adjustments to profit or loss	**(2,101)**	(355)	**(17,474)**
Amount before income tax effect	**324**	1,884	**2,691**
Income tax effect	**(105)**	(671)	**(870)**
Total	**¥ 219**	¥ 1,213	**$ 1,821**
Deferred gain (loss) on derivatives under hedge accounting:			
(Losses) gains arising during the year	**¥ (3,034)**	¥ 473	**$ (25,225)**
Reclassification adjustments to profit or loss	**417**	(1,916)	**3,465**
Amount before income tax effect	**(2,617)**	(1,443)	**(21,760)**
Income tax effect	**501**	305	**4,167**
Total	**¥ (2,116)**	¥ (1,138)	**$ (17,593)**
Foreign currency translation adjustments:			
Gains arising during the year	**¥ 12,462**	¥ 3,536	**$ 103,622**
Amount before income tax effect	**12,462**	3,536	**103,622**
Total	**¥ 12,462**	¥ 3,536	**$ 103,622**
Adjustments for retirement benefit:			
Losses arising during the year	**¥ (356)**		**$ (2,961)**
Reclassification adjustments to profit or loss	**135**		**1,118**
Amount before income tax effect	**(221)**		**(1,843)**
Income tax effect	**53**		**444**
Total	**¥ (168)**		**$ (1,399)**
Total other comprehensive income	**¥ 10,397**	¥ 3,611	**$ 86,451**

21. NET INCOME PER SHARE

Basic and diluted EPS for the years ended March 31, 2015 and 2014, 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, 2015:				
Basic EPS				
Net income	**¥ 30,492**			
Net income available to common shareholders	**¥ 30,492**	**199,876**	**¥ 152.55**	**$ 1.27**
Effect of dilutive securities				
—Warrants of the Company		**41**		
—Convertible bonds of the Company		**640**		
Diluted EPS				
—Net income for computation	**¥ 30,492**	**200,557**	**¥ 152.04**	**$ 1.26**
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	
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	

22. RELATED PARTY TRANSACTIONS

There were no transactions between the Company and related parties for the years ended March 31, 2015 and 2014.

Transactions between the Company's consolidated subsidiaries and related parties for the years ended March 31, 2015 and 2014, were as follows:

(1) Transactions with a subsidiary of the parent company and subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
AEON Retail Co., Ltd. (subsidiary of the parent company)	**2015**	2014	**2015**
Loans and bills discounted	**¥ 41,000**	¥ 40,600	**$ 340,900**
Other assets	**36**	34	**299**
Lending of loans	**40,836**	29,246	**339,533**
Interest income	**408**	268	**3,395**

The terms of the above transactions were set on an arm's-length basis and in the normal course of business.
The transaction amounts of "lending of loans" represent the average outstanding balance for each fiscal year. The above amounts do not include consumption taxes.

(2) Transactions with directors, executive officers and their close relatives of the Company and its subsidiaries

	Transaction amount		Balance at end	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Directors, executive officers and their close relatives of the Company and its subsidiaries	**2015**	**2015**	**2015**	**2015**
Housing loans (Loans and bills discounted)			**¥ 122**	**$ 1,011**

	Transaction amount	Balance at end
	Millions of Yen	Millions of Yen
Directors and executive officers of the Company, its subsidiaries and AEON Co., Ltd.(*)	2014	2014
Housing loans (Loans and bills discounted in banking business)	¥ 213	

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

The "housing loans" presented above are standard products provided by AEON Bank, Ltd., a consolidated subsidiary of the Company. Interest rate and conditions of repayment are the same as those provided 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 through its "Credit" business dealing in credit card purchase contracts, loan contracts, and hire purchase contracts in the domestic market, "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 it 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						
	2015						
	Reportable Segment						
	Credit	Fee Business	Banking	Overseas	Subtotal	Reconciliations (*2)	Total
Ordinary income(*1)							
Ordinary income from customers	**¥ 146,030**	**¥ 31,540**	**¥ 38,923**	**¥ 112,553**	**¥ 329,046**		**¥ 329,046**
Intersegment income or transfers	**384**	**13,868**	**2,741**		**16,993**	**¥ (16,993)**	
Total ordinary income	**146,414**	**45,408**	**41,664**	**112,553**	**346,039**	**(16,993)**	**329,046**
Segment profit/(loss)(*3)	**¥ 32,177**	**¥ 1,866**	**¥ (38)**	**¥ 22,144**	**¥ 56,149**	**¥ (3,068)**	**¥ 53,081**
Segment assets	**¥ 1,432,212**	**¥ 149,679**	**¥ 1,651,661**	**¥ 549,466**	**¥ 3,783,018**	**¥ (193,522)**	**¥ 3,589,496**
Other items							
Depreciation and amortization	**¥ 3,509**	**¥ 5,141**	**¥ 1,386**	**¥ 4,360**	**¥ 14,396**	**¥ 137**	**¥ 14,533**
Amortization of goodwill	**178**	**713**	**904**	**44**	**1,839**		**1,839**
Interest income	**51,604**	**1,606**	**14,178**	**58,407**	**125,795**	**(302)**	**125,493**
Interest expenses	**3,573**	**337**	**2,532**	**13,754**	**20,196**	**481**	**20,677**
Provision /(reversal) for possible credit losses	**8,849**	**1,217**	**(6)**	**26,310**	**36,370**		**36,370**
Increases in tangible and intangible assets	**¥ 18,237**	**¥ 7,338**	**¥ 1,788**	**¥ 6,456**	**¥ 33,819**	**¥ 1,317**	**¥ 35,136**

	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

	Thousands of U.S. Dollars						
	2015						
	Reportable Segment					Reconciliations (*2)	Total
	Credit	Fee Business	Banking	Overseas	Subtotal		
Ordinary income(*1)							
Ordinary income from customers	**$ 1,214,185**	**$ 262,243**	**$ 323,631**	**$ 935,839**	**$ 2,735,898**		**$ 2,735,898**
Intersegment income or transfers	**3,192**	**115,306**	**22,792**	**2**	**141,292**	**$ (141,292)**	
Total ordinary income	**1,217,377**	**377,549**	**346,423**	**935,841**	**2,877,190**	**(141,292)**	**2,735,898**
Segment profit/(loss)(*3)	**$ 267,537**	**$ 15,514**	**$ (314)**	**$ 184,123**	**$ 466,860**	**$ (25,513)**	**$ 441,347**
Segment assets	**$ 11,908,308**	**$ 1,244,528**	**$ 13,732,942**	**$ 4,568,598**	**$ 31,454,376**	**$ (1,609,061)**	**$ 29,845,315**
Other items(*4)							
Depreciation and amortization	**$ 29,175**	**$ 42,741**	**$ 11,526**	**$ 36,249**	**$ 119,691**	**$ 1,142**	**$ 120,833**
Amortization of goodwill	**1,482**	**5,933**	**7,513**	**364**	**15,292**		**15,292**
Interest income	**429,066**	**13,357**	**117,881**	**485,636**	**1,045,940**	**(2,509)**	**1,043,431**
Interest expenses	**29,713**	**2,803**	**21,050**	**114,360**	**167,926**	**4,000**	**171,926**
Provision /(reversal) for possible credit losses	**73,578**	**10,119**	**(55)**	**218,760**	**302,402**		**302,402**
Increases in tangible and intangible assets	**$ 151,634**	**$ 61,016**	**$ 14,867**	**$ 53,675**	**$ 281,192**	**$ 10,950**	**$ 292,142**

(*1) For segment revenue, the Group uses ordinary income instead of sales, which 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) ¥(3,068) million ($(25,513) thousand) of reconciliations to segment profit/(loss) for the year ended March 31, 2015 and ¥(6,463) million of reconciliations to segment profit for the year ended March 31, 2014 represent the corporate expenses unallocated to any reportable segment. The corporate expenses are mainly comprised of general and administrative expenses unattributable to any reportable segment. In addition, ¥(193,522) million ($(1,609,061) thousand) of reconciliations to segment assets for the year ended March 31, 2015 and ¥(173,797) million of reconciliations to segment assets for the year ended March 31, 2014 represent the corporate assets unallocated to any reportable segment and the eliminations of intersegment transactions.

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

(*4) For the year ended March 31, 2015, the line item "Provision for point program" is omitted because the Company transferred the operation of granting credit card points to AEON Bank, Ltd. and changed the related management process.

(d) Information about geographic areas

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

Millions of Yen			
2015			
Japan	Thailand	Other	Total
¥ 216,493	¥ 58,649	¥ 53,904	¥ 329,046

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

Thousands of U.S. Dollars			
2015			
Japan	Thailand	Other	Total
$ 1,800,059	$ 487,646	$ 448,193	$ 2,735,898

(*1) For segment revenue, the Group uses ordinary income instead of sales, which 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			
2015			
Japan	Thailand	Other	Total
¥ 23,653	¥ 10,230	¥ 1,891	¥ 35,774

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

Thousands of U.S. Dollars			
2015			
Japan	Thailand	Other	Total
$ 196,664	$ 85,060	$ 15,724	$ 297,448

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

	Millions of Yen				
	2015				
	Credit	Fee Business	Banking	Overseas	Total
Goodwill at March 31, 2015(*1)	¥ 1,470	¥ 10,403	¥ 15,135	¥ 56	¥ 27,064

	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

	Thousands of U.S. Dollars				
	2015				
	Credit	Fee Business	Banking	Overseas	Total
Goodwill at March 31, 2015(*1)	$ 12,223	$ 86,492	$ 125,845	$ 468	$ 225,028

(*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, 2015, was approved at the Company's Board of Directors' meeting held on May 15, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥35.00 ($0.29) per share	¥ 6,954	$ 57,821

(b) Issuance of debenture bonds
The Company issued debenture bonds pursuant to the resolution at the Company's Board of Directors' meeting held on March 24, 2015. The key information of the debenture bonds is summarized as follows:

1.	(1)	Name	3rd Debenture Bonds (with limited inter-bond pari passu clause)
	(2)	Total amount of issue	¥20 billion ($166,293 thousand)
	(3)	Interest rate	0.402% per annum
	(4)	Issue price	100% of the principal amount of the bonds
	(5)	Maturity date	April 30, 2020
	(6)	Closing date	April 30, 2015
	(7)	Use of proceeds	To be applied toward the partial repayment of loans
2.	(1)	Name	4th Debenture Bonds (with limited inter-bond pari passu clause)
	(2)	Total amount of issue	¥10 billion ($83,146 thousand)
	(3)	Interest rate	0.552% per annum
	(4)	Issue price	100% of the principal amount of the bonds
	(5)	Maturity date	April 28, 2022
	(6)	Closing date	April 30, 2015
	(7)	Use of proceeds	To be applied toward the partial repayment of loans

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, 2015, 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, 2015, 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 24, 2015

Corporate Data (As of September 2015)

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	¥30,421 million (As of March 2015)
Number of Employees	115/14,965 (Consolidated) (As of March 2015)

Shareholder Information (As of September 2015)

Closing Date	March 31
Stock Exchange Listing	Tokyo Stock Exchange, First Section (Securities Code: 8570)
Transfer Agent	Mizuho Trust & Banking Co., Ltd.
Shares Issued	208,499,435 shares (As of March 2015)
Shareholders' Meeting	Held in June of each year
Independent Auditors	Deloitte Touche Tohmatsu LLC