

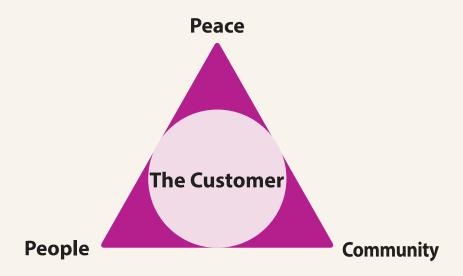
# **Annual Report 2016**



## **AEON Basic Principles**



Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core.



The word aeon ( ÆON ) has its origins in a Latin root meaning "eternity." The customers' beliefs and desires comprise the central core of our philosophy. At Aeon, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.

Aeon Basic Principles are the following:

"Peace" Aeon is a corporate group whose operations are dedicated to the pursuit of peace through prosperity. "People" Aeon is a corporate group that respects human dignity and values personal relationships. "Community" Aeon is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

On the basis of the Aeon Basic Principles, Aeon practices its "Customer-First" philosophy with its ever-lasting innovative spirit.

#### **CONTENTS**

AEON Basic Principles	1
Corporate History	2
Management Message	3
About us	5
Overseas Operations	7
Financial Highlights	9

Business Segments	11
Credit Businesses	11
Fee Businesses	12
Banking Businesses	13
Overseas Businesses	14
Management Structure	15
CSR	19

Company Information Corporate Data Board of Directors and Auditors Shareholder Information	2! 2! 2! 2!
Financial Section	26
AEON Financial Service Group Companies	72

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1981	Jun.	Nihon Credit Service Co., Ltd., established
	Jul.	Commenced operations relating to Jusco Card
	Dec.	Commenced hire purchase operations
1982		Commenced credit card cash advance operations
1984		Registered as a money lender (Director-General of the Kanto Local Finance Bureau (1) No. 00215)
1987	Oct.	Opened a branch in Hong Kong, which commenced hire purchase operations. This marked the beginning of overseas operations in Asia
1989	Jul.	Registered as a provider of installment payment services (Registration number Kan-17)
1990	Jul.	AEON Credit Service (Asia) Co., Ltd., established in Hong Kong
1992	Dec.	AEON Thana Sinsap (Thailand) Plc., established in Thailand
1994	Aug.	Changed the Company's name to AEON CREDIT SERVICE Co., Ltd.
	Dec.	Registered the Company's shares on the JASDAQ (over-the-counter) market
1995	Sep.	Listed shares of AEON Credit Service (Asia) Co., Ltd., on the Hong Kong Stock Exchange
1996	Dec.	Listed the Company's shares on the Second Section of the Tokyo Stock Exchange
	Dec.	AEON Credit Service (M) Sdn. Bhd. (currently, AEON Credit Service (M) Berhad.), established in Malaysia
1998	Aug.	Listed the Company's shares on the First Section of the Tokyo Stock Exchange
1999	Feb.	ACS Credit Management Co., Ltd., established as a wholly owned subsidiary engaged in servicer operations
2000	Oct.	Commenced issuance of AEON Card as an integrated card replacing a range of cards issued by AEON Group companies, including Jusco Card
2001	Dec.	Listed shares of AEON Thana Sinsap (Thailand) Plc. on the Stock Exchange of Thailand
2003	Dec.	Commenced issuance of AEON Gold Card, which is the industry's first credit card with no annual fee
2006	Mar.	AEON Co., Ltd. announced its entering into the banking business
	May	AEON Financial Project Co., Ltd., established as bank preparation company
2007	Apr.	Commenced issuance of "AEON Card (with WAON)" which includes the function of e-money "WAON"
	Oct.	Aeon Financial Project Co., Ltd. changed name to AEON Bank, Ltd., and obtained banking business license from the Financial Services Agency. AEON Bank, Ltd. commenced banking operations (in-store branches opened, ATMs began operations) AEON CREDIT SERVICE Co., Ltd. obtained license for banking agency business with AEON Bank, Ltd. as the assigned bank
	Dec.	Listed shares of AEON Credit Service (M) Berhad on the stock exchange of Malaysia, Bursa Malaysia
2009	Feb.	Commenced issuance of AEON CARD SELECT, which combines the functions of a credit card, cash card and e-money "WAON"
2010	Mar.	Began receiving applications for the AEON Select Club for people with housing loans from AEON Bank, Ltd.
	Jul.	Acquired shares of MC Short Term Small Amount Insurance Co., Ltd. (currently, AEON S.S. Insurance CO., LTD.), making it into a subsidiary
	Oct.	Established a portal website for one-stop financial service: Aeon financial service "Kurashi-no-Money Site"
2011	Dec.	AEON Community Bank, Ltd. became a subsidiary of AEON Bank, Ltd.
2012		Acquired shares of TOSHIBA HOUSING LOAN SERVICE CO., LTD. (currently AEON HOUSING LOAN SERVICE CO., LTD.), making it into a subsidiary
	Mar.	AEON Bank, Ltd. carried out absorption-type merger with AEON Community Bank, Ltd.
2013	Apr.	Through a management integration with AEON Bank, Ltd., the Company changed its corporate structure to a holding company (a bank holding company) and changed its name to AEON Financial Service Co., Ltd.
	May.	
		Established Myanmar subsidiary AEON MICROFINANCE (MYANMAR) CO.,LTD.
2015		ACS Leasing Co., Ltd. established as a wholly-owned subsidiary of AEON CREDIT SERVICE CO.,LTD. engaging in leasing operations
2016	Feb.	AEON MICROFINANCE (CAMBODIA) PRIVATE COMPANY LIMITED obtained a specialized bank license and changed its name to AEON SPECIALIZED BANK (CAMBODIA) PLC.



Kenji Kawahara

President and CEO

Masaki Suzuki

Chairman

We strive to provide reliable, convenient and beneficial financial products and services that have real relevance in people's daily lives.

AEON Financial Service Co., Ltd. (the "Company") and its subsidiaries (together hereinafter referred to as the "Group") are a comprehensive financial group that grew out of AEON Group's retail operations through integration of the commercial and financial sectors. Centering on the Company, which is a bank holding company, the Group currently consists of 34 consolidated subsidiaries and one equity-method affiliate in 12 Asian countries including Japan. The Group is constructing a dense network throughout countries of Asia, especially Japan, China, Thailand and Malaysia. In addition to its approximately 700 sales bases in Japan and overseas, the network also includes AEON Group stores and affiliated merchants, with which the Group has built strong cooperative relationships.

The Japanese economy in fiscal 2015 showed signs of economic recovery in the first half. In the second half, however, concern over the slowing Chinese economy, among other factors, led to a more pessimistic global outlook, which led to minus interest rates being introduced in Japan at the beginning of the calendar year. As a result, consumer spending seemed to be at a standstill across the Asian region, which is where the Company is developing its operations, while at the same time, the yen was sharply appreciating.

Amid this difficult business environment, in the consolidated financial results for the fiscal year ended March 31, 2016, ordinary income was ¥359.6 billion (up 9% from the previous fiscal year), ordinary profit was ¥59.3 billion (up 12% from the previous fiscal year) and profit attributable to owners of parent was ¥35.7 billion (up 17% from the previous fiscal year), with each of these figures hitting record highs.

In the fiscal year ending March 31, 2017, the Group will strengthen its governance structure and further progress towards unified management as a bank holding company group. While ensuring that the Group's management policies are adopted by all Group companies and that monitoring of such implementation is strictly enforced, the Group will generate synergies through the appropriate creation of cooperative structures that allow each Group company's strengths to be fully utilized. Then, by fostering compliance-aware individuals equipped to drive business forward with a global perspective, the Group will accelerate its growth strategies.

Furthermore, the Group will work to improve the convenience of customers by developing area-specific products and services based on area strategies, utilizing database marketing, and promoting digitalization through the adoption of Japanese-developed knowhow in the overseas companies. Such efforts will contribute to the strengthening of the Group's earning power.

While carrying out the above initiatives, the Group will also proactively invest in areas that are fundamental for enhancing corporate value such as system development in order to further strengthen the business foundation. The Group expects that such investment will lead to better productivity and sustained improvements in revenue and profit in the fiscal year ending March 31, 2017.

Going forward, the officers and employees will work together to build a Group that is needed by its customers. We look forward to our stakeholders' ongoing support.

# Providing Services that Enrich Lives while Making

# The AEON Group's Unified Management

We will unify our management principles, brands, and strategies with those of the AEON Group, which, as a corporate group that continues steady innovation, aims to be the most loved "super regional retailer" in Asia. Upon doing so, we will ensure that community-rooted management is carried out by the Group as a whole and provide services that support customers' everyday lives.

### Sharing the Group's Management Resources

While working to centralize community and customer information within the AEON Group, we are working to provide improved convenience for various companies' services, and create new



Pet Specialty Stores

# Use of the Benefits Inherent to the Group's Scale

# AEON Financial Service Co., Ltd. provides financial services that are closely linked to community lifestyles

We provide various services, not limited to credit cards and the e-money WAON, that suit each stage of a person's life.

We are working to enhance overseas services, aiming to provide the financial services that customers feel closest to in Asia.













CASH + DEBIT Cards



A comprehensive financial group growing out of AEON Group's retail operations and providing services in 12
Asian countries including Japan

#### **Thailand**



Store of Aeon Thana Sinsap (Thailand)





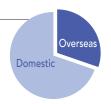




Store of Aeon Credit Service (M)

#### Number of cardholders

37.22 million

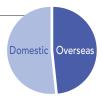


(25.88 million in domestic)

#### Number of sales bases

701

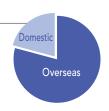
sales bases



(362 in domestic)

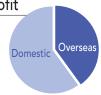
#### Number of employees

17,244



Ratio of overseas ordinary profit

40%



as of March, 31, 2016

(3,556 in domestic)



# **News Topics**



#### Starting Issuance of Credit Cards in Cambodia

In Cambodia, as the first foreign-affiliated company, we obtained the Specialized Bank License and started issuance of credit cards in January 2016.

#### Cambodia



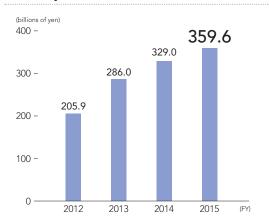
#### Store Reforms through Digitalization

The Group is expanding its store reforms in Hong Kong, Thailand, Malaysia and Cambodia that it is carrying out by adopting digitalization that originates from Japan.

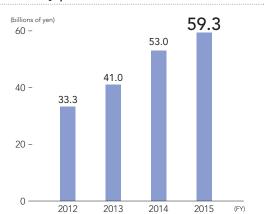
# **Key Financial Data**

AEON Financial Service Co., Ltd. and Subsidiaries

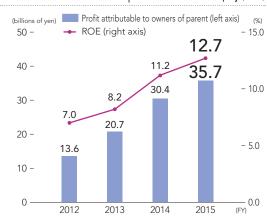
#### Ordinary income



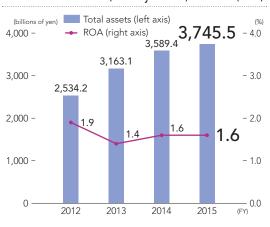
#### Ordinary profit



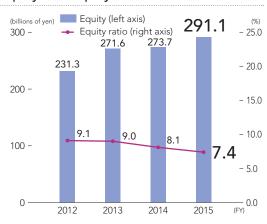
#### Profit attributable to owners of parent and return on equity (ROE)



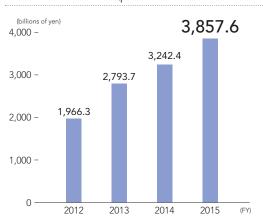
#### Total assets and return (ordinary income) on assets (ROA)



#### Equity and equity ratio (\*1)(\*2)



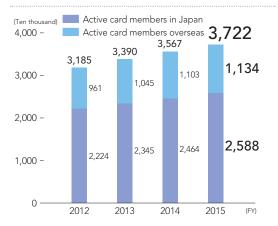
#### Finance receivables balance (prior to securitization of receivables)



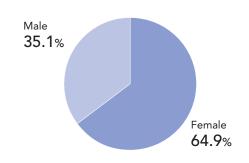
<sup>\*1</sup> The equity ratio from and FY2012 does not represent the equity ratio stipulated in the Public Notice on Capital Adequacy Ratio.

<sup>\*2</sup> The FY2013 FY2015 equity ratios have been obtained by calculating the consolidated equity ratio based on the formula stipulated in the Criteria for Banks to Judge Whether Their Capital Adequacy Status Is Appropriate in Light of Their Assets, etc. under Article 14-2 of the Banking Act (Financial Services Agency Public Notice No. 19 of 2006).

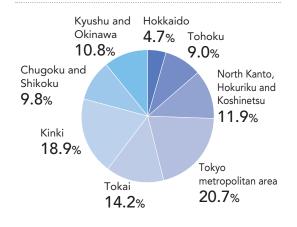
#### Number of active card members



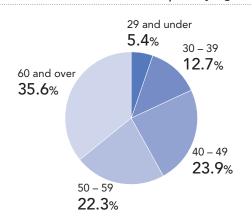
#### Active card members in Japan by gender



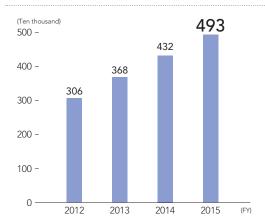
#### Active card members in Japan by area



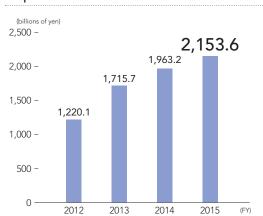
#### Active card members in Japan by age



#### Number of AEON Bank accounts



#### Deposit balance of AEON Bank



# **Credit Businesses**

#### Credit Card Business

#### [Card Lineup]

We seek to provide convenience and benefits in our customers' day-to-day shopping through our financial products and services such as credit cards, bank accounts and e-money.

#### ▶ AEON CARD SELECT

AEON CARD SELECT is a multi-function card combining the functions and benefits of a credit card, a cash card and e-money "WAON" in one card. It is also possible to add a card loan function.



AFON CARD SELECT

#### [Increasing Number of Card Members]

In the credit card business, we are working to increase the number of card members by strengthening membership at AEON shopping centers, at alliance partners' stores and through the Internet. Furthermore, we increased the ratio of card applications using tablet computers to as much as 90% and worked on simplifying procedures and shortening the time it takes for a card to be issued. We are also promoting an AEON Card (Disney design) featuring designs of popular cartoon characters as a measure to expand our customer base, centered on people in their 20s and 30s who will be the future drivers of consumption.

\* The AEON Card (Disney design) has been issued since November 2014 under the JCB brand through a tie-up with JCB, the Disney design card's master licensee.

#### [Credit Card Benefits]

By using the credit card, the card members receive benefits such as discounts when shopping at AEON and point services.

#### Double "Tokimeki" points anytime

When customers pay by credit using an AEON Card at applicable stores\*1 of the AEON Group, including all nationwide AEON, AEON MALL, Daiei, Maxvalu stores, among others, they can earn 2 Tokimeki points for every ¥200 spent.\*2

- \*1 Does not apply to some cards, stores and products.
- \*2 Offer cannot be used together with other point earning plans, such as Arigato Day (10th of every month), or other point campaigns.

#### Installment Sales Finance Business

The installment sales finance business is carried out by AEON Product Finance Co., Ltd. The company is working to expand this business, centered on loans for automobiles, home renovations, solar power generation systems, and other products. Moreover, we are working to provide improved convenience for customers such as with instant assessment for automobile loans over the Internet.

\* An installment sale is a payment method involving a credit check for each purchase of the product or service.

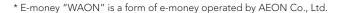


# Fee Businesses

#### E-money Business

The Group is working to increase the scope of locations where customers can use "WAON" and other types of e-money, both within and outside the Group.

Use of "WAON" cards has started at approximately 12,000 LAWSON stores nationwide, so that now it can be used for payment at not only AEON Group stores nationwide, but also at convenience stores, fast food outlets, major leisure facilities, and other locations.





#### Call Center Operations

AEON CREDIT SERVICE Co., Ltd. operates the call center for credit cards and AEON Bank. The call center is open from 9:00 AM to 9:00 PM every day of the year to respond to inquiries regarding applications, requests for materials, and other matters. Taking advantage of the phone answering system it has constructed as well as the know-how it has amassed, the call center also contracts call center operations from companies outside of the Group.



#### Insurance Agency Business

The insurance agency business is carried out by AEON INSURANCE SERVICE CO., LTD., which operates walk-in "AEON Insurance Shops" centered on AEON shopping centers. We strove to improve convenience by enabling customers make reservations online to specify when they are visiting the store. As people's lifestyles and the living environment become increasingly diverse, we are proposing appropriate products to meet customers' various needs as well as providing courteous and high-quality service.

### Leasing Business

In December 2015, ACS Leasing Co., Ltd took over the leasing business from The Daiei, Inc. subsidiary Japan Distribution Leasing Corporation and launched its leasing business.

We aim to expand this business to serve the leasing needs of the Group and its associated companies.

### Initiatives to Provide Services through the Internet

The Group operates the "Kurashi-no-Money Site," a portal website for comprehensive financial services offering one-stop online checking of credit card, bank, insurance, a variety of loans and other services.

We offer, on the same website, guidance on services for individual customers and affiliated merchants, as we are working to respond to a wide range of financial needs.

# **Banking Businesses**

With a motto of "approachable, convenient, and easy to understand," we aim to be the bank that customers feel closest to.

#### AEON Bank Branches

AEON Bank branches operate from 9:00 am to 9:00 pm in principle, and are open daily including weekends, public holidays, the year-end/New Year holidays and the Golden Week holidays. These branches are available for customers to visit for a variety of financial consultations and procedures while they are shopping at AEON shopping centers regardless of the day and time. We propose financial services tailored to future financing plans and family structure in order to meet the individual needs of all customers.



#### Housing Loans

AEON Bank's housing loans feature no guarantee charges, and no fees for partial prepayments. In addition, loan customers become members of the "AEON Select Club," which provides a special everyday 5% discount on shopping at AEON Group stores. We provide value for money and peace of mind with not only our "Housing Loan with 8-Disease Insurance Cover" for enhanced indemnity, but also new "Housing Loan with Cancer Insurance Cover" offering two new types of indemnity against cancer.

To allow our customers to choose from a broader range of borrowing plans, we have started handing "Flat 35" (35-year fixed-interest-rate plan) housing loans at some stores from July 2016. We aim to steadily expand the number of stores that handle such loans.

#### Various Loan Types

AEON Bank offers a variety of loans to meet the diverse needs of customers, including the Card Loan BIG (credit-card loan), Net Free Loans (any purpose loan), and education loans. The Card Loan BIG provides customers who apply online with same-day credit check and same-day approval, in principle. Borrowers can borrow up to a maximum of ¥8 million, and can use the funds however they please, including consolidating multiple loans into one loan.

#### Asset Management

We handle a total of 46 insurance products including individual pension insurance, whole life insurance and educational endowment insurance.

Concerning the investment trusts we handle, we respond to the investment needs of each individual customer. Currently, we handle 249 investment trust products, placing us in the top rank of banks in Japan. These include new products that we have proactively introduced such as currently popular sets of investment trusts and time deposits with a choice of differently adjusted ratios called "Shikkari Asset Management Set NEO," and Wrap Funds.

## **Overseas Businesses**

Since starting our first overseas business in Hong Kong in 1987, we have placed a strategic emphasis on business expansion in Asia, which is showing dramatic economic growth. We have established business operations in 11 countries in Asia including Taiwan, China, Indonesia, the Philippines, Vietnam, Cambodia and India as well as our operations in Hong Kong, Thailand and Malaysia. Using the expertise we have built up in Japan, we will work to enhance convenience for customers in countries around Asia in providing them with financial services.



#### Development Centered on Hong Kong (Hong Kong, Taiwan, China)

In Hong Kong, we are working to increase the number of credit card members and the balance handled by strengthening memberships at AEON Stores (Hong Kong) Co., Ltd. and alliance partners, and carrying out sales promotion planning. We also strove to promote use of our credit cards by foreign visitors to Japan by such means as collaborating on sales promotion planning with AEON stores in Japan. We also carry out operations centered on installment payment business in Shenyang, Tianjin and Shenzhen in China.



Hong Kong

#### Development Centered on Thailand (Thailand, Vietnam, Cambodia, Myanmar, Lao)

In Thailand, we are working to increase the number of credit card members by such means as strengthening memberships at locations such as retail stores we operate in local areas, and issuing finance cards with travel ticket and e-money functions through alliance with BTS Group Holdings Public Company Limited, an elevated railway operating company in Bangkok. Furthermore, we are using the expertise we have built up in our credit businesses to proactively develop insurance agency, leasing, and servicer



Thailand

businesses. Also, in Vietnam, Cambodia and Myanmar, we carry out operations centered on installment payment business. In Addition, in Cambodia, we obtained the Specialized Bank License and started the credit card business.

#### Development Centered on Malaysia (Malaysia, Indonesia, India, Philippines)

In Malaysia, we are working to increase the number of credit card members and the balance handled by strengthening memberships at the AEON Group and others, and implementing joint planning with alliance partners. Furthermore, we are expanding business areas such as issuing point-integrated affiliated cards that are cobranded with AEON Big Malaysia. Furthermore, in Indonesia, in addition to the installment payment business, we started full-scale credit card issuance operations. In



Malaysia

India and the Philippines, we are working to expand our network of affiliated merchants in our installment payment business.

# **AEON Financial Service's Corporate Governance**

#### Corporate Governance Structure

As a bank holding company, the Company aims to further strengthen the management control function and corporate governance structure. In order to realize this, we have established the Management Policy Committee and Internal Control Committee in addition to the Board of Directors. The Management Policy Committee was established as an advisory body to discuss management decisions that are executed on the President's authority. With the aim of realizing sustainable growth and medium- and long-term corporate value enhancement for the Group, the Internal Control Committee comprehensively and expertly discusses and makes decisions on matters regarding developing the internal control system within the scope entrusted by the Board of Directors and then provides reports and opinions to the Board of Directors. The Committee is chaired by the President, and its members are designated by the Board of Directors. The Committee develops a system to flexibly operate and improve the internal control system. By performing detailed studies and deliberations on individual themes, the Committee is able to provide instructions and advice to the relevant parties. It also makes decisions on the matters that the Board of Directors designates to it and provides reports and opinions to the Board of Directors.

With a focus on maneuverability and prompt decision-making, the Board of Directors is made up of a small number of directors. The Board of Directors makes decisions on important matters related to the management of the Company and its group (the "Group") after deliberation in the Management Policy Committee and Internal Control Committee from the perspectives of business efficiency and effectiveness.

The Company is a company with a Board of Corporate Auditors. The Board of Corporate Auditors comprises three outside corporate auditors (including two independent auditors) and one corporate auditor. Pursuant to the Board of Corporate Auditors Audit Criteria formulated by the Board of Corporate Auditors, the corporate auditors, in accordance with the audit policies and division of duties, etc., seek to achieve mutual understanding with the directors, accounting auditor, internal audit departments, and other employees, and strive to collect information and create an audit environment. In addition, the corporate auditors attend Board of Directors meetings and other important meetings, receive reports from directors and employees about the execution status of their duties, and request explanations when necessary. The corporate auditors also read important decision-making documents and other materials, and audit the directors' execution of duties by investigating business operations and assets at the head office as well as at key business sites.

In addition, the Company has elected two outside directors with a wealth of knowledge and experience so that they may provide appropriate opinions with respect to the Company's management and others from an objective standpoint.

#### Corporate Governance Structure (As of June 30, 2016) General Meeting of Shareholders Elect/Dismiss Corporate Auditors/ Audit/Report **Board of Directors** Board of Corporate Internal Control Committee Management Policy President Instruct Committee Audit-Supervising Propose/Report Instruct Report Instruct Director Audit Human Resources Risk Management and General Affairs and Compliance Business Overseas Business IT and Digital Accounting audit , Monitor/Advise/Guide

#### Internal Control System

In order to develop a system to ensure that the corporate group composed of the Company, as a financial holding company, and its subsidiaries and the like properly conducts business operations, the Company has formulated a Basic Policy for Developing an Internal Control System by resolution of the Board of Directors. In addition, the Company is pushing ahead with building management structures through development of its internal control system, including its compliance system, risk management system, and internal audits.

Also, with respect to the internal control report system in accordance with the Financial Instruments and Exchange Act, the Company works with its corporate auditors and accounting auditor to develop and evaluate the internal control system related to the Group's financial reporting, in order to ensure the credibility of its financial reporting.

#### Compliance System

The AEON Code of Conduct has been established to provide guidance for appropriate judgments and actions in line with the social norms and corporate ethics upheld by the AEON Group. The Group, meanwhile, has established the AFS (AEON Financial Service) Group Polices on Compliance. Considering both these guidelines to be common standards of values, all officers and employees of the Group ensure compliance with these guidelines.

The Group has formulated the Compliance Regulations and Compliance Manual to thoroughly inform all officers and employees about the laws and regulations that they must comply with, as well as specific points to watch out for, and how to respond should they discover any compliance violations. In addition, the Group holds compliance training at regular intervals and whenever else it is required.

The Company has established the Risk Management and Compliance Department as a department charged with overseeing the compliance of the Group. It performs monitoring of the compliance status of the respective Group companies and provides guidance and advice when necessary.

The Internal Control Committee performs monitoring of compliance inside the Group and examines the measures carried out in response to the issues relating to compliance.

The Board of Directors receives reports and opinions relating to compliance in the Group from the Internal Control Committee and also makes decisions on important matters relating to compliance.

Each Group company has a contact point for consultation to ensure the promotion of compliance and the integrity of the compliance system of the Group. In addition, all officers and employees are informed about the AEON Code of Conduct "110" hotline contact point and the outside hotline contact point for consultation. In addition to issues involving legal violations, these contact points deal with all matters that are difficult to resolve at the workplace level, including even issues related to daily business operations. By investigating the facts and devising measures for improving or resolving issues, the contact points for consultation protect the consulting individuals and help the Group companies to take corrective action.

The Group has formulated the Basic Policy for Handling Anti-Social Forces. This policy clearly informs officers and employees that relationships with anti-social forces are to be blocked, and they are to be resolutely excluded. In addition, the Company and each Group company collect and analyze data about anti-social forces collected from both inside and outside the Group and report the status of management to the Company. The Company monitors the status of management of all Group companies regarding the exclusion of anti-social forces, and provides instructions and guidance when necessary.

# **AEON Financial Service Corporate Governance Structure**

#### Risk Management Structure

The Company promotes an integrative risk management. The Company evaluates the various risks the Group faces by risk category, and appropriately manages the risks in light of the Group's corporate strength, thereby maintaining management soundness and contributing to achieving more certain and consistent operating results.

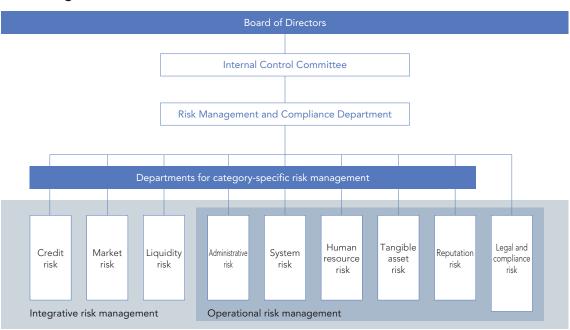
As a structure to promote this risk management, the Company has established the Risk Management and Compliance Department to oversee risk management of the Group.

The Internal Control Committee comprehensively studies and deliberates on matters relating to overall risk management in the Group and refers important matters to the Board of Directors.

The role of the Board of Directors with respect to risk management is to regularly receive reports on the status of risk management, perform monitoring of risk management, and deliberate and decide on important fundamental matters relating to risk management.

The Group categorizes risks that occur in the course of operations into a number of categories: credit risk, market risk, liquidity risk, and operational risk. Risks are managed according to their specific characteristics.

#### **Risk Management Structure**



#### Credit risk management

Credit risk management is primarily related to credit provided to individuals, such as housing loans and credit cards, and therefore these risks are diversified into small lots. Credit risk associated with housing loans is reduced through stringent pre-screening and follow-up monitoring, as well as by securing loans with the associated properties.

#### Market risk management

Market risk management is carried out by ensuring a mutual check and balance system for business operations through the development of risk management organs and systems that are independent from profit-making departments. Quantitative analysis of risks from financial instruments held is also carried out. Specifically, risk is managed to ensure that the measured risk does not exceed the maximum risk amount resolved at the Board of Directors.

#### Liquidity risk management

Liquidity risk management involves systems that are developed to respond to the actual cash flow situation at each Group company. Risk is managed with an emphasis on securing liquidity, while also taking the efficiency of funds operations into consideration.

#### Operational risk management

With respect to operational risk management, the Group classifies operational risks into six categories: administrative risk, system risk, human resource risk, tangible asset risk, reputation risk, and legal and compliance risk. Departments responsible for each risk management manage risks from its position of expertise, while the Risk Management and Compliance Department identifies and manages operational risk on a comprehensive level.

#### Internal Audits

Based on the recognition that building an internal audit system is critical for developing an appropriate risk management structure, the Company has formulated an Internal Audit Basic Policy for the Group, which aims to ensure the effectiveness of internal audits. The internal audit departments audit all departments of the Company, its domestic and overseas subsidiaries and verify the appropriateness and effectiveness of the Group's stance toward internal management. In addition, the internal audit departments improve the quality of internal auditing of subsidiaries and verify the effectiveness of the internal auditing stances of subsidiaries, through monitoring of the audit implementation of audit departments of subsidiaries, and periodically held meetings of those in charge of internal auditing. The internal audit departments coordinate and cooperate with the corporate auditors and the accounting auditor of the Company, conduct audits from an independent and objective standpoint, and periodically provide reports to the Board of Directors and the Board of Corporate Auditors.

# **CSR Action Policies**

#### **AEON Financial Service Policies on Compliance**

#### 1. Earning Trust

We are well aware that we have an important social responsibility and public mission as a comprehensive financial group, and we strive to earn unwavering trust from society by acting in good faith and ensuring sound business operations.

#### 2. Respecting Human Rights

Our officers and employees all treat each other as partners in the workplace, showing mutual respect for individuals' characters and individuality.

#### 3. Complying Fully with Laws and Regulations, etc.

We aim to comply fully with all laws, regulations, and rules, and conduct fair and honest corporate activities in keeping with social norms. In addition, we aim to maintain a strong sense of ethics, and to sustain and enhance a corporate culture of obeying laws, regulations and rules.

#### 4. Managing Information

We handle customer information and other critical information with the utmost care, and manage it rigorously to avoid improper use.

#### 5. Ensuring a Customer-Oriented Approach

We always put customers first and offer reliable, high-quality financial services suited to each customer's needs. Furthermore, we ensure that our actions never harm our customers' interests in order to benefit the AEON Financial Service Group, and we refrain from using our dominant position to persuade customers to enter into transactions.

#### 6. Confronting Anti-Social Forces

We are committed to maintaining a resolute stance against anti-social forces that pose a threat to civil society, and if we encounter any transaction that we suspect is connected to money laundering or any other crime, we do not disregard it, but deal with it appropriately.

#### **Privacy Policy**

#### **Privacy Policy**

- 1. AEON Financial Service Co., Ltd. (the "Company") has established and discloses the privacy policy (the "Privacy Policy") as its approach to protect personal information and properly handle such information.
- 2. The Company recognizes the importance of protecting personal information, and complies with the Act on the Protection of Personal Information and other relevant laws and regulations including guidelines, as well as the Company's internal regulations including this Privacy Policy, and it strives to properly protect and handle personal information.
- 3. The Company acquires personal information through appropriate and lawful means, and only to the extent necessary to achieve the purpose of utilization.
- 4. The Company specifies the purpose of utilization of personal information, and handles such information within the limitations of the purpose of utilization. In cases where the purpose of utilization of specific personal information is limited by laws and regulations, the Company does not use such information beyond such limitations of the purpose of utilization.
  - The Company's purpose of utilization of personal information is shown in "Handling Personal Information," etc.

#### Handling Personal Information (Purpose of Utilization of Personal Information)

- 5. The Company does not provide personal information to any third party, with the exception of cases where the person concerned has granted prior consent in that regard, or where provision of personal information is based on laws and regulations.
- 6. The Company takes appropriate measures to ensure the security control of customers' personal information in order to prevent loss, alteration or leakage of such information.
  - When outsourcing the handling of customers' personal information, the Company appropriately oversees the trustee.
- 7. The Company reviews the content of this Privacy Policy as necessary, and strives to bring about continuous improvement such as to its systems and approaches for protecting personal information.
- 8. The Company trains and educates its officers and employees regarding the importance of protecting personal information to ensure that they handle customers' personal information in an appropriate manner.
- 9. The Company responds in an appropriate and swift manner to requests by customers to disclose personal information it retains.
  - For details of procedures relating to disclosure, etc., please see the information shown in the section "Handling Personal Information," or please contact the office shown below.

#### Handling Personal Information (Procedures Relating to Disclosure, etc. of Personal Data Retained by the Company)

- 10. The Company responds to any opinions or requests concerning its handling of personal information in an appropriate and swift manner.
  - Please contact the General and Legal Affairs Division given below regarding opinions and requests.

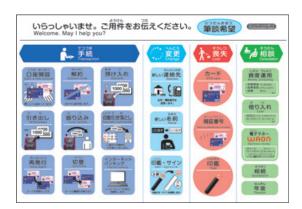
# **Enhancing Convenience for Customers**

#### Making Use of Customer Feedback

We value opinions, requests, and other feedback received from our customers, and we take such feedback seriously as a means to improve our business and further upgrade our services. We provide customer feedback cards at bank branches and ATMs, replying individually to those customers we can contact. We also collect and categorize feedback received via branches, call centers, and the corporate website, and such feedback is discussed and studied, and used in efforts to further upgrade our services.

#### Initiatives to Enhance Convenience

We are taking steps to enhance our services to make them more convenient and more focused on serving the public good so that a diverse range of customers can feel comfortable using them. In bank branches, for instance, we installed communication boards to enable customers with impaired hearing or concerns about communicating verbally to use a visual means of telling bank staff their desired transactions or procedures.





#### For customers with physical disabilities

→ We reduce fees for over-the-counter money transfers

#### For customers with impaired eyesight

→ We issue account statements in braille

#### For customers who find it difficult to write

→ We handle housing loan applications and other paperwork read or written by a proxy on behalf of the customer

# **Environmental Activities**

AEON Financial Service Co., Ltd. (the "Company") works to continuously increase its corporate value by proactively conducting environmental preservation and social contribution activities. The Company is also making efforts to contribute to the development of local communities as a good corporate citizen.

#### Tree Planting

#### [AEON Group's Initiatives]

Since 1991, the Company has participated in "AEON Furusato no Morizukuri" (AEON Hometown Forests Program), in which new AEON stores, together with customers, plant trees on their premises when they open. We also actively participate in tree planting in Japan and overseas conducted by the AEON Environmental Foundation, in cooperation with national and local governments, for the purpose of restoring forests destroyed by natural disasters or other causes.

As part of initiatives in Japan, employees proactively participated in tree planting in Atsumacho, Hokkaido Prefecture and Ayacho AEON Forest, Miyazaki Prefecture, which were projects carried out by AEON Environmental Foundation in June 2015 and November 2015, respectively.

Overseas, tree planting was carried out in Phnom Penh, Cambodia in June 2015. Participants of this event included both employees and the Group companies' trading partners who were supportive of the spirit of the activities.

In Hong Kong, employees and their families joined with local business partners in "Hong Kong Tree Planting Day," in which a total of 2,000 volunteers planted 100,000 seedlings.



Tree Planting in Atsumacho, Hokkaido Prefecture



Tree Planting in Phnom Penh, Cambodia

### Prevention of Global Warming and Promotion of Resource Conservation

We have switched to using tablet computers instead of paper forms in credit card sign-up procedures at all stores throughout Japan. In addition, we are working to reduce waste and conserve resources by using digital signage in posters and advertising displays in stores. In another environmental activity, we are

promoting the "WEB Statement (Environmental Declaration)" to encourage customers to access credit card statements online rather than receiving them by mail. Doing so enables the reduction of CO2 emissions by 500g per envelope, the amount generated each time a paper statement is sent in the mail.

AEON Credit Service Co., Ltd. has acquired ISO 14001 certification of its environmental management system in order to manage and implement its environmental initiatives more systematically, and is continuing efforts to reduce its environmental footprint.



Tablet computers are used to facilitate credit card sign-up

# Social Contribution Activities

#### Support for Recovery from the 2016 Kumamoto Earthquake

To ensure we provide speedy and conscientious response to the inquiries and needs of our customers who were affected by the 2016 Kumamoto Earthquake that occurred in April this year, we established Customer Consultation Counters mainly inside AEON stores. We also established a free-call phone number dedicated to the 2016 Kumamoto Earthquake related inquiries in the call center.

Portable ATM

Confronted with a situation immediately after the earthquakes struck where most of the AEON Bank ATMs in Kumamoto Prefecture were not operating, we dispatched portable ATMs from Chiba to provide services to everyone in the affected areas

In addition, more than 200 employees from outside Kumamoto Prefecture participated in support activities directly after the earthquakes struck and strove to restore business as quickly as possible.

#### Support for Recovery from the Great East Japan Earthquake

Many of our employees have continued to participate in volunteer activities to support the rebuilding of the affected areas as part of "Project Aeon Joining Hands," which was launched by the AEON Group through the concerted efforts of labor and management. In addition, each Group company proactively engaged in various activities in cooperation with NPOs.

In addition to "buy to support" and "eat to support" campaigns to purchase Namie yakisoba for which a portion of sales is donated to Namiecho, Fukushima Prefecture, we also promoted a book fundraising which donated the sales of used

Furthermore, together with holding lecture meetings to which storytellers were invited to talk about the circumstances at the time the disaster struck and the situation after the disaster, we held a Fukko Marche (rebuild festival) at which we sold Tohoku region products and donated the proceeds.

AEON Bank has continuously set up a special account to accept donations to support recovery from the Great East Japan Earthquake of March 2011. The donated funds are used to provide assistance to people in the communities affected by the disaster through the authorized nonprofit organization Japan Platform

# Contributing to the Community

The AEON Group strongly supports volunteer activities including welfare programs in local communities. At its operating bases throughout Japan, the Group participates in "Aeon Clean Road," an initiative promoted under a tie-up with the Ministry of Land, Infrastructure, Transport and Tourism, to pick up trash on sidewalks, pedestrian bridges and other walkways and to clean up planting strips. The AEON Group also continuously interacts with local communities as employees visit nationwide business sites' neighboring social welfare facilities for seasonal evens and other occasions.

Overseas, we were the main sponsor of the UNICEF Young Envoys Programme in Hong Kong for which we contributed a university scholarship fund for the eighth consecutive year.

In Thailand, we participated in activities organized by the Regional Support Department of the Thailand Red Cross and provided essential materials for education.



Authorized nonprofit organization Japan Platform presentation ceremony



Support for facilities for children with special needs



Fundraising for Nepal earthquake victims in Malaysia

In Malaysia, we raised funds for Nepal earthquake victims to provide support for the affected area.

#### Donations and Fundraising

We supported relief efforts for Kanto and Tohoku areas damaged by torrential rain in September 2015 and set up donation boxes to raise funds for the charity program "24 Hour Television: Love Saves the Earth." In addition, we raised funds with customers through a donation account and donations using Tokimeki points earned on credit card payments, etc. In the Tokimeki point program, customers are given the option of using their points to make donations to environmental or social welfare action groups, and we present goodwill contributions from many cardholders to various organizations.

Moreover, we provided scholarship funds to students from Asia studying in Japan and to students studying in Asian countries.



Scholarship awards ceremony in Hong Kong

# **Supporting Our Employees**

#### Respect for Diversity in Hiring

We respect the diversity of our personnel and endeavor to conduct hiring free of discrimination based on nationality, ethnic origin, gender, educational background, religion, or physical disability.

#### Diverse Career Development Support

By giving employees knowledge and experience encompassing all aspects of the Group's operations, we nurture a workforce of professionals capable of proposing financial services tailored to the needs of customers

Furthermore, by establishing international employee courses aimed at cultivating personnel

equipped to carry out operations with a global perspective, implementing training through overseas visits, and establishing business courses that allow personnel to advance their career by becoming specialists, we are striving to provide the environment that enables each employee to take individual action to advance their careers. In addition to this, the Group provides opportunities for global communication by implementing joint training for management personnel in Japan and overseas.



### Creating Accommodating Workplaces

We are introducing a system to enable motivated employees to play an active role over the long term and combine work with childbirth, childrearing, and caring for elderly relatives, and are working to encourage employees to make use of the system.

#### **Promoting Diversity**

We are creating a framework within which each employee's individuality can be respected and a diverse range of personnel can flourish in order to reinforce our financial products and services developed from the customer's perspective. As a result of our efforts to create an environment that is accommodating toward our employees regardless of their gender, age or nationality, the ratio of management positions occupied by female employees in Japan and overseas is now over 30%. Going forward, we will increase this to 50%.

#### **Promoting Work-Life Balance**

To create better workplaces that are more accommodating toward our employees we conduct an annual morale survey targeting all employees in Japan and overseas, and conduct system revisions that incorporate the opinions of our employees.

In addition, we not only have a system for employees to take consecutive holidays and encourage employees to use their paid leave, but also work to create an environment that enables employees, irrespective of their gender, to easily take leave for childcare and caring for elderly relatives.

Our subsidiaries in Japan are proactively undertaking initiatives aimed at obtaining "Eruboshi" (L Star) marks\*, which are certified by the Minister of Health, Labour and Welfare. The Tokyo Labour Bureau has awarded AEON Bank the highest Eruboshi mark, making it the first bank in Tokyo and the first company of the Group to receive this certification.

\* The "Eruboshi" or "L Star" (L stands for Lady, Labour and Laudable) is awarded to companies with excellent performance in fulfilling prescribed criteria based on the Act on Promotion of Women's Participation and Advancement in the Workplace.

# Communication with Shareholders and Investors

#### System for Disclosing Information

To enable our shareholders, investors, and other stakeholders to deepen their understanding of the Company, we disclose key information related to the Company in a timely and appropriate manner in accordance with laws and regulations relating to financial instruments and the rules of the stock exchanges on which the Company's stocks are listed. The information disclosure system we have put in place affords all our investors equal access to material information affecting investment decisions.

#### IR Activities

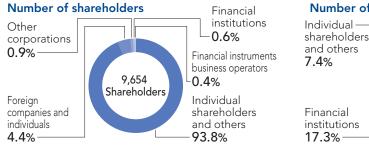
We regard IR activities as important, believing that a positive attitude toward releasing information helps to earn trust from society. Through our IR activities we communicate the facts about the Company to our shareholders and other investors impartially, accurately, promptly, and continuously. During fiscal 2015 we held results briefings and telephone briefings for institutional investors, while the director and other personnel with responsibility for IR responded to individual inquiries. We also participated in AEON

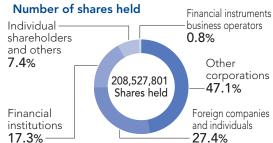


Information session held in Nara Prefecture

Group's joint information sessions for individual investors held in Hiroshima, Osaka and Nara Prefectures.

#### Shareholding Ratio by Category (as of March 31, 2016)





#### ■ Redistribution of Profits to Shareholders

We regard the redistribution of profits to shareholders as an important policy for managing the business. We therefore allocate profits among shareholders appropriately, while taking measures to enhance the Company's competitiveness by securing the internal reserves necessary to invest in growth fields and increase equity capital.

For fiscal 2015 we set an interim dividend of ¥28 per share and a year-end dividend of ¥38 per share for an annual dividend of ¥66 per share.

#### Annual dividends per share

	FY2011	FY2012	FY2013	FY2014	FY2015
Annual dividend	¥45	¥50	¥60	¥60	¥66
Payout ratio	78.5%	56.9%	57.4%	39.3%	36.6%

#### ■ Corporate Data (As of September 2016)

**Company Name** AEON Financial Service Co., Ltd.

**Head Office** TERRACE SQUARE, 3-22, Kandanishiki-cho, Chiyoda-ku,

Tokyo 101-0054, Japan

Tel +81-3-5281-2080

**URL** http://www.aeonfinancial.co.jp/eng/

Established June 20, 1981 **Capital Stock** ¥45,673 million

139/16,807 (Consolidated) **Number of Employees** 

### ■ Board of Directors and Auditors (As of September 2016)

#### **Directors**

Chairman	Masaki Suzuki
President & CEO	Kenji Kawahara
Executive Vice President	Masao Mizuno
Executive Vice President	Takamitsu Moriyama
Senior Managing Director	Hideki Wakabayashi
Managing Director	Masaaki Mangetsu
Director	Yasuhiro Kasai
Director	Tsunekazu Haraguchi
Director	Hiroyuki Watanabe
Director (Outside)	Motonari Otsuru
Director (Outside)	Junya Hakoda

#### **Auditors**

Standing Auditor (Outside)	Hisanori Uchibori
Auditor (Outside)	Koshi Yamaura
Auditor (Outside)	Go Otani
Auditor	Masato Nishimatsu

#### ■ Shareholder Information (As of September 2016)

**Closing Date** 

**Stock Exchange Listing** Tokyo Stock Exchange, First Section

(Securities Code: 8570)

**Transfer Agent** Mizuho Trust & Banking Co., Ltd.

**Shares Issued** 225,472,801 shares

Shareholders' Meeting Held in June of each year

Deloitte Touche Tohmatsu LLC **Independent Auditors** 

# **Financial Section**

Five-Year Summary	27
Financial Review	29
Consolidated Balance Sheet	31
Consolidated Statement of Income	32
Consolidated Statement of Comprehensive Income	33
Consolidated Statement of Changes in Equity	34
Consolidated Statement of Cash Flows	35
Notes to Consolidated Financial Statements	36
Independent Auditor's Report	71

**Five-Year Summary**AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
Year Ended March 31, 2016, Years Ended March 31, 2015 through 2013 and Year Ended February 20, 2012

					housands of S. Dollars(*1)				
_	20			<b>2016</b> <sup>(*2)</sup> 2015 <sup>(*2)</sup>					2016
For the Year:									
Total income	¥	360,932	¥	32	29,047	¥	286,181	\$	3,202,878
Total expenses		301,681		27	76,294		246,384		2,677,093
Income before income									
taxes		59,251		4	52,753		39,797		525,785
Net income attributable									
to owners of the parent		35,785			30,492		20,743		317,556
				Ye	1			<u>U.</u>	S. Dollars <sup>(*1)</sup>
Per Share Data:	<b>X</b> 7	1.465.21	17	1.0	77.56	17	1 216 00	Φ.	12.00
	¥	1,465.31	¥		377.56	¥	1,316.00	\$	13.00
Basic net income		180.09			152.55		104.62		1.60
Diluted net income		180.00			52.04		99.49	- COL	1.60
			Mi	llions	of Yen				housands of S. Dollars <sup>(*1)</sup>
At Year-End:									
Loans and bills									
discounted—net of									
allowance for possible credit losses	<b>1</b> 7	1 (4( 125	17	1.4	10.022	17	1 240 015	•	14 (10 217
Installment sales	¥	1,646,425	¥	1,44	18,023	¥	1,248,815	\$	14,610,217
receivables—net of									
allowance for possible		1 000 574		1.0	5 155		027.750		9 970 000
credit losses		1,000,574			15,155		937,759		8,879,000
Property and equipment Total assets		36,530			35,774		31,186		324,169
Total liabilities		3,745,546 3,404,660			39,496 54,548		3,163,117 2,855,825		33,237,612 30,212,621
Equity		340,886			24,948		307,292		3,024,991
Equity		340,000	1	Percen			301,272		3,024,991
Ratios:				01001					
Equity ratio		7.8%			7.6%		8.6%		
Return on assets		1.0			0.9		0.7		
Return on equity		12.7		1	1.2		8.2		
		Mi	llions	s of Y	en				
	-	2013(*3)		, 01 1	2012				
For the Year:									
Total operating revenues		¥ 205,9	72	¥	169,8	53			
Total operating expenses		172,8	92		145,5				
Income before income taxes		30,4	92		17,9	07			
Net income		13,6							
<b>D</b> 01			Y	en					
Per Share Data:		v 1005	20	*7	1.012	50			
Net assets		¥ 1,235.		¥	1,012.				
Basic net income			.12		57.				
Diluted net income			.25	CXZ	57.	30			
At Year-End:		Mı	mons	of Y	en				
Finance receivables—net of									
allowance for possible									
credit losses		¥ 891,5	56	¥	640,9	92			
Net property and equipment		20,0		-	13,8				
Total assets		2,534,2			907,6				
Total liabilities		2,275,3			725,8				
Equity		258,8			181,8				
Liquity				ntage	101,0	J J			

17.5%

1.0

5.7

Percentage

9.1%

0.8

7.0

Equity ratio

Return on assets

Return on equity

Ratios:

- (\*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 ¥112.69 to U.S.\$1, the approximate rate of exchange on March 31, 2016. 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, 2016, 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) 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, because the Company has changed its year-end from February 20 to March 31.

#### **Financial Review**

AEON Financial Service Co., Ltd. and Subsidiaries Years Ended March 31, 2016 and 2015

#### RESULTS OF OPERATIONS

	2016		2015		Amount Change		Percentage Change	
Consolidated gross profits(*):								
Net interest income	¥	117,504	¥	104,816	¥	12,688	12.1 %	
Net fees and commissions		160,405		146,445		13,960	9.5	
Net other operating income		18,322		17,944		378	2.1	
Total Consolidated gross profits		296,231		269,205		27,026	10.0	
General and administrative expenses		(203,553)		(186,474)		(17,079)	9.2	
Provision for possible credit losses and write-		,		, , ,		, , ,		
off of bad debts		(45,626)		(39,788)		(5,838)	14.7	
Net other income		12,199		9,810		2,389	24.4	
Income before income taxes		59,251		52,753		6,498	12.3	
Income taxes:								
Current		(15,193)		(15,001)		(192)	1.3	
Deferred		406		936		(530)	(56.6)	
Total income taxes		(14,787)		(14,065)		(722)	5.1	
Net income		44,464		38,688		5,776	14.9	
Net income attributable to non-controlling				Í		•		
interests		(8,679)		(8,196)		(483)	5.9	
Net income attributable to owners of						•		
the parent	¥	35,785	¥	30,492	¥	5,293	17.4 %	

<sup>(\*)</sup> Consolidated gross profits = (Interest income – Interest expenses) + (Fees and commissions (income) – Fees and commissions (expenses)) + (Other operating income – Other operating expenses)

#### **Consolidated Financial Summary**

For the first half of the current fiscal year, an improvement in capital investments backed by steady corporate earnings, increase in wages and reduction in oil price positively affected consumption, and as a result, domestic economic conditions showed signs of recovery. For the second half of the year, however, the risk of deterioration of the Chinese economy resulting from declines in the global stock market led to lower commodity prices, volatility in foreign currency exchange rates and introduction of the negative interest-rate policy in early 2016. As a result, consumer spending appeared to be sluggish and the economic conditions remained flat for the second half of the current fiscal year.

In Asia, the consumption environment remained stagnant, due to the deceleration of market conditions in China and Thailand and the decline in economic growth in Malaysia affected by the introduction of the Goods and Services Tax.

Under such circumstances, the Company and its subsidiaries (collectively, the "Group") have designated the current fiscal year as the year to build the foundation for future growth and thus focused on digital technologies to improve productivity and development of human resources to make full use of the technology. In addition, the Company improved corporate governance and its financial structure to strengthen its management bases.

#### Loans and Bills Discounted and Installment Sales Receivables

						Amount	Percentage
		2016		2015		Change	Change
Loans and bills discounted	¥	1,673,997	¥	1,474,236	¥	199,761	13.6 %
Allowance for possible credit losses		(27,572)		(26,213)		(1,359)	5.2
Total loans and bills discounted	¥	1,646,425	¥	1,448,023	¥	198,402	13.7 %

		2016		2015		Amount Change	Percentage Change
Installment sales receivables:							
Credit card purchase contracts	¥	687,501	¥	763,890	¥	(76,389)	(10.0) %
Hire purchase contracts		334,886		274,331		60,555	22.1
Subtotal		1,022,387		1,038,221		(15,834)	(1.5)
Allowance for possible credit losses		(21,813)		(23,066)		1,253	(5.4)
Total installment sales receivables	¥	1,000,574	¥	1,015,155	¥	(14,581)	(1.4) %

#### Cash flows

For the year ended March 31, 2016, net cash used in operating activities amounted to ¥9,650 million, net cash used in investing activities amounted to ¥5,782 million and net cash used in financing activities amounted to ¥15,806 million. As a result, the balance of cash and cash equivalents as at March 31, 2016 decreased by ¥33,925 million to ¥421,976 million compared to the end of the previous fiscal year.

#### BUSINESS PERFORMANCE BY REPORTABLE SEGMENT

Total assets and ordinary income by reportable segment

			M	illions of Yen				
	2016		2015			Amount Change	Percentage Change	
Total Assets:								
Credit	¥	1,425,959	¥	1,432,212	¥	(6,253)	(0.4) %	
Banking		1,778,958		1,651,661		127,297	7.7	
Overseas		529,443		549,466		(20,023)	(3.6)	
Fee Business and Other		170,882		149,679		21,203	14.2	
Reconciliations		(159,696)		(193,522)		33,826	(17.5)	
Total assets	¥	3,745,546	¥	3,589,496	¥	156,050	4.3 %	
Ordinary income(*):								
Credit	¥	161,348	¥	146,414	¥	14,934	10.2 %	
Banking		46,820		41,664		5,156	12.4	
Overseas		123,087		112,553		10,534	9.4	
Fee Business and Other		49,636		45,408		4,228	9.3	
Reconciliations		(21,240)		(16,993)		(4,247)	25.0	
Total ordinary income	¥	359,651	¥	329,046	¥	30,605	9.3 %	

<sup>(\*)</sup> 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, 2016 and 2015

March 31, 2016 and 2015		N (78)	CX			housands of J.S. Dollars
-	Millions of Yen				-	(Note 1)
ASSETS		2016		2015		2016
Cash and cash equivalents (Note 18)	¥	421,976	¥	455,901	\$	3,744,571
Deposits with banks (Notes 7 and 18)	*	22,893	+	11,826	Φ	203,147
Call loans (Note 18)		22,073		10,000		203,147
Monetary claims bought (Notes 3 and 18)		5,052		6,649		44,829
Securities (Notes 3, 7, and 18)		211,132		235,074		1,873,564
Loans and bills discounted—net of allowance for possible credit losses		ŕ		· ·		
(Notes 4, 7, 18, 20, and 24)		1,646,425		1,448,023		14,610,217
Installment sales receivables—net of allowance for possible credit losses (Notes 4, 7, and 18)		1,000,574		1,015,155		8,879,000
Lease receivables and investment assets (Note 17)		5,406				47,968
Other assets (Notes 7 and 24)		124,520		95,532		1,104,985
Property and equipment (Note 5)		36,530		35,774		324,169
Intangible assets (Note 6)		77,163		71,139		684,738
Deferred tax assets (Note 15)		20,433		20,790		181,321
Customers' liabilities for acceptances and guarantees		173,442		183,633		1,539,103
Total assets	¥	3,745,546	¥	3,589,496	\$	33,237,612
LIABILITIES AND EQUITY						
Liabilities:						
Deposits (Note 18)	¥	2,152,928	¥	1,963,025	\$	19,104,872
Accounts payable (Note 18)		204,845		190,221		1,817,778
Call money (Note 18)				76,300		
Commercial paper (Notes 8 and 18)		68,000				603,425
Borrowed money (Notes 7, 8, and 18)		535,989		591,586		4,756,316
Bonds (Notes 8 and 18)		122,075		114,311		1,083,280
Convertible bonds (Notes 8 and 18)		50		90		444
Other liabilities (Notes 8 and 9)		128,324		126,687		1,138,733
Allowance for point program		12,457		11,590		110,539
Allowance for loss on refund of interest received		4,206		4,848		37,327
Deferred tax liabilities (Note 15)		2,344		2,257		20,804
Acceptances and guarantees		173,442		183,633		1,539,103
Total liabilities		3,404,660		3,264,548		30,212,621
Commitments and contingent liabilities (Notes 17, 19, and 20)						
Equity (Notes 10, 11, and 26):						
Common stock—authorized, 540,000,000 shares;		20.442		20.422		270 125
issued, 208,527,801 shares in 2016		30,442		30,422		270,135
and 208,499,435 shares in 2015		107 220		106 220		042 (75
Capital surplus  Stock conviction rights—561 rights in 2016 and 450 rights in 2015		106,230		106,230		942,675
Stock acquisition rights—561 rights in 2016 and 450 rights in 2015 Retained earnings		111 177,766		73 154,519		981 1,577,481
Treasury stock—at cost, 9,807,144 shares in 2016 and 9,808,408 shares in 2015		(25,142)				(223,105)
		(25,142)		(25,145)		(223,105)
Accumulated other comprehensive income:  Unrealized gain on available-for-sale securities (Note 3)		5,890		4,244		52 266
Deferred loss on derivatives under hedge accounting		(3,515)		(3,468)		52,266 (31,188)
Foreign currency translation adjustments		122		7,446		1,087
Accumulated adjustments for retirement benefit (Note 9)		(607)		(539)		(5,391)
Total		291,297		273,782		2,584,941
Non-controlling interests		49,589		51,166		440,050
Total equity		340,886		324,948		3,024,991
Total liabilities and equity		3,745,546		J= 1,J=0		33,237,612

Consolidated Statement of Income AEON Financial Service Co., Ltd. and Subsidiaries Years Ended March 31, 2016 and 2015

			Thousands of U.S. Dollars
	Millio	ons of Yen	(Note 1)
	2016	2015	2016
Income:	2010	2013	2010
Interest income:			
Interest on loans and bills discounted (Note 24)	¥ 136,343	¥ 123,270	<b>\$ 1,209,894</b>
Interest and dividends on securities	1,864	,	16,539
Interest on call loans	1	,	4
Interest on due from banks and deposits	447	394	3,970
Other interest income	155		1,380
Total interest income	138,810		1,231,787
Fees and commissions (Note 4)	185,072	*	1,642,312
Other operating income	19,759	,	175,341
Other income (Note 12)	17,291	· · · · · · · · · · · · · · · · · · ·	153,438
Total income	360,932		3,202,878
Expenses:		,	-, - ,
Interest expenses:			
Interest on deposits	(3,759	(4,015)	(33,360
Interest on call money	(3	, , ,	(27
Interest on borrowed money	(15,128	, , ,	(134,239
Other interest expenses	(2,416	, , , ,	(21,439
Total interest expenses	(21,306	, , , ,	(189,065
Fees and commissions	(24,667		(218,894
Other operating expenses	(1,437	, , , ,	(12,757
General and administrative expenses (Notes 9, 13 and 17)	(203,553		(1,806,313
Provision for possible credit losses and write-off of bad debts	(45,626	, , , ,	(404,878
Other expenses (Note 14)	(5,092	, , , ,	(45,186
Total expenses	(301,681	/ / /	(2,677,093
Income before income taxes	59,251	, , ,	525,785
Income taxes (Note 15):		,,,,,,	,
Current	(15,193	(15,001)	(134,818
Deferred	406	, , , ,	3,599
Total income taxes	(14,787	(14,065)	(131,219
Net income	44,464	/ / /	394,566
Net income attributable to non-controlling interests	(8,679	· · · · · · · · · · · · · · · · · · ·	(77,010
Net income attributable to owners of the parent	¥ 35,785		\$ 317,556
	,		, , , , , , , , , , , , , , , , , , , ,
PER SHARE OF COMMON STOCK (Note 23):		Yen	U.S. Dollars
Basic net income	¥ 180.0		\$ 1.60
Diluted net income	180.0		1.60
Cash dividends applicable to the year	66.0		0.59
See notes to consolidated financial statements.	00.0	00.00	0.33

Consolidated Statement of Comprehensive Income AEON Financial Service Co., Ltd. and Subsidiaries Years Ended March 31, 2016 and 2015

					Th	ousands of
					U	.S. Dollars
	Millions of Yen					(Note 1)
		2016		2015		2016
Net income	¥	44,464	¥	38,688	\$	394,566
Other comprehensive income (Note 21):						
Unrealized gain on available-for-sale securities		1,625		219		14,425
Deferred gain (loss) on derivatives under hedge accounting		76		(2,116)		676
Foreign currency translation adjustments		(12,684)		12,462		(112,560)
Adjustments for retirement benefit (Note 9)		(68)		(168)		(606)
Total other comprehensive income		(11,051)		10,397		(98,065)
Comprehensive income:	¥	33,413	¥	49,085	\$	296,501
Total comprehensive income attributable to:						
Owners of the parent	¥	29,993	¥	36,550	\$	266,157
Non-controlling interests		3,420		12,535		30,344

# Consolidated Statement of Changes in Equity AEON Financial Service Co., Ltd. and Subsidiaries Years Ended March 31, 2016 and 2015

	Thousands		Millions of Yen Accumulated Other Comprehensive Income							come				
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus		ock isition ghts	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	Non- controlling Interests	Total Equity
ance, April 1, 2014	206,429	¥ 29,052	¥ 104,860	¥	55	¥ 136,271	¥ (146)	¥ 4,027	¥ (2,327)	¥ 295	¥ (371)	¥ 271,716	¥ 35,576	¥ 307,29
mulative effects of changes in						(54)						(54)		(5
ccounting policies stated balance	206,429	29,052	104,860	_	55	136,217	(146)	4,027	(2,327)	295	(371)	271,662	35,576	307,23
t income ttributable to wners of the parent						30,492						30,492		30,49
sh dividends, ¥60 per share						(12,188)						(12,188)		(12,18
nversion of convertible bonds	1,958	1,370	1,370									2,740		2,74
rchase of treasury stock	(9,697)						(25,001)					(25,001)		(25,00
posal of treasury stock t change in the year	1				18	(2)	2	217	(1,141)	7,151	(168)	6,077	15,590	21,6
lance, 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	¥ 324,9
t income ttributable to						35,785			-			35,785		35,7
wners of the parent sh dividends, ¥63						(12,518)						(12,518)		(12,5
ner share nversion of convertible bonds	28	20	20									40		
chase of treasury							(1)					(1)		
oosal of treasury tock	2					(2)	4					2		
nge in the parent's whership interest ising from insactions with			(20)									(20)	20	
on-controlling interests ange in scope of quity method						(18)						(18)		
t change in the year lance,	198,721	¥ 30,442	¥ 106,230	¥	111	¥ 177,766	¥ (25,142)	1,646 ¥ 5,890	¥ (3,515)	¥ 122	¥ (607)	(5,755) ¥ 291,297	(1,597) ¥ 49,589	(7,3 ¥ 340,8
March 31, 2016	Thousands								S. Dollars (Note					
								Accumulated Other Comprehensive Income		icome				
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus		ock isition ghts	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	Non- controlling Interests	Total Equity
nnce, March 31, 2015	198,691	\$ 269,958	\$ 942,677	s	652	\$ 1,371,186	\$ (223,131)	\$ 37,659	\$ (30,778)	\$ 66,078	S (4,787)	\$ 2,429,514	\$ 454,044	\$ 2,883,5
income tributable to wners of the parent						317,556						317,556		317,5
h dividends, \$0.56 er share						(111,083)						(111,083)		(111,0
nversion of onvertible bonds	28	177	177									354		3
chase of treasury							(6)					(6)		
	2					(18)	32					14		
osal of treasury ock														
osal of treasury ock nge in the parent's mership interest sing from nsactions with			(179)									(179)	179	
social of treasury social of treasury social meeting in the parent's whereship interest sising from unsactions with who-controlling interests nge in scope of quity method change in the year			(179)		329	(160)		14,607	(410)	(64,991)	(604)	(179) (160) (51,069)	(14,173)	(65,

**Consolidated Statement of Cash Flows** AEON Financial Service Co., Ltd. and Subsidiaries Years Ended March 31, 2016 and 2015

Years Ended March 31, 2016 and 2015			Thousands of U.S. Dollars
		s of Yen	(Note 1)
OPERATING ACTIVITIES:	2016	2015	2016
Income before income taxes	¥ 59,251	V 50.752	\$ 525,785
	¥ 59,251	¥ 52,753	\$ 525,785
Adjustments for:	15 005	14.522	140.060
Depreciation and amortization	15,885	14,533	140,960
Allowance for possible credit losses	2,448 866	(95) 577	21,726
Allowance for point program  Allowance for loss on refund of interest received	(642)	1,763	7,687 (5,699)
Interest income	(138,810)	(125,493)	(1,231,787)
Interest expenses	21,306	20,677	189,065
Net increase in loans and bills discounted		· · · · · · · · · · · · · · · · · · ·	(2,065,578)
Net increase in loans and only discounted  Net increase in installment sales receivables	(232,770)	(163,711)	
Decrease in lease receivables and investment assets	(16,159) 205	(62,513)	(143,391)
		245 255	1,823
Net increase in deposits  Net increase (decrease) in accounts payable	189,903 13,463	245,255 (37,296)	1,685,182
Net (decrease) in accounts payable  Net (decrease) increase in borrowed money	(24,199)	39,196	119,470
Net increase in deposits with banks			(214,740) (98,996)
Net decrease in deposits with banks  Net decrease (increase) in call loans and others	(11,156) 11,597	(3,150)	` ' '
Net (decrease) increase in call money	(76,300)	(4,530)	102,915
Net increase in commercial paper	68,000	71,400	(677,079)
Proceeds from sale and leaseback	11,109	11.404	603,425 98,578
Interest income received	· · · · · · · · · · · · · · · · · · ·	11,404	
Interest expenses paid	138,421	124,621 (20,796)	1,228,332
Other	(28,662) (383)	14,801	(254,348)
Subtotal	3,373	179,396	(3,400)
Income taxes—paid	(14,922)	(17,895)	(132,421)
Income taxes—refund	1,899	(17,073)	16,853
Net cash (used in) provided by operating activities	(9,650)	161,501	(85,638)
INVESTING ACTIVITIES:	(2,030)	101,301	(03,030)
Purchases of securities	(119,962)	(230,386)	(1,064,529)
Proceeds from sales of securities	74,450	143,136	660,658
Proceeds from redemption of securities	71,006	27,510	630,102
Purchases of property and equipment	(10,194)	(7,911)	(90,466)
Proceeds from sale of property and equipment	2,820	759	25,026
Purchases of intangible assets	(17,397)	(14,536)	(154,384)
Proceeds from sale of intangible assets	198	(11,000)	1,759
Payments for acquisition of business (Note 16)	(6,703)		(59,479)
Net cash used in by investing activities	(5,782)	(81,428)	(51,313)
FINANCING ACTIVITIES:	( ) )		
Financial costs paid for financing activities	(1)	(19)	(11)
Dividends paid to the Company's shareholders	(12,518)	(12,188)	(111,083)
Proceeds from stock issuance to non-controlling shareholders	247	5,829	2,192
Dividends paid to non-controlling shareholders	(3,533)	(3,163)	(31,351)
Purchase of treasury stock	(1)	(25,039)	(6)
Net cash used in by financing activities	(15,806)	(34,580)	(140,259)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH	•	2.227	<u> </u>
AND CASH EQUIVALENTS	(2,687)	2,237	(23,843)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(33,925)	47,730	(301,053)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	455,901	408,171	4,045,624
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 421,976	¥ 455,901	\$ 3,744,571

#### **Notes to Consolidated Financial Statements**

Years Ended March 31, 2016 and 2015

#### 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 2015 consolidated financial statements to conform to the classifications used in 2016.

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 ¥112.69 to \$1, the exchange rate at March 31, 2016. 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, 2016 include the accounts of the Company and its 35 subsidiaries and one company 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

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."

Effective from April 1, 2015, the Group has applied "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 issued on September 13, 2013) and "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7 issues on September 13, 2013). As a result, the difference arising from changes in the equity in subsidiaries under ongoing control of the Company recognized as expenses for the fiscal year in which they are incurred. Furthermore, with respect to any business combination entered into on or after April 1, 2015, it is required to reflect adjustments to the allocation of acquisition cost under the provisional accounting treatment retrospectively on the consolidated financial statements of the fiscal year in which the relevant business combination became effective. The term "minority interest" used in the consolidated statement of income and balance sheet was replaced with "non-controlling interests." In order to reflect the changes in the presentation, certain reclassifications have been made to the consolidated financial statements with respect to the previous fiscal year.

The Group applied the transitional treatments prescribed in Paragraph 58-2(4) of the Accounting Standard for Business Combinations, Paragraph 44-5(4) of the Accounting Standard for Consolidated Financial Statements and Paragraph 57-4(4) of the Accounting Standard for Business Divestitures, and accordingly, new accounting standards are applied prospectively on or after April 1, 2015.

The effects on ordinary profits and income before income taxes for the fiscal year ended March 31, 2016 and capital surplus as at March 31, 2016 are immaterial.

- (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 equivalents 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 selfassessment 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 amount of write-down is accounted for as a 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.
- (i) Stock Issuance Costs—Stock issuance costs as at March 31, 2016 and 2015, which have been deferred and included in other assets, were ¥12 million (\$108 thousand) and ¥48 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, 2016 and 2015, which have been deferred and

included in other assets, were ¥374 million (\$3,322 thousand) and ¥316 million, respectively. These costs are amortized by the interest method through the maturity of the bonds.

- (I) 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.
- (m) Allowance for Loss on Refund of Interest Received—The allowance for loss on refund of interest received (the amount of interest that exceeds the ceiling rate imposed by the Interest Rate Restriction Law) is provided by certain domestic subsidiaries of the Group and is stated at the amount considered to be appropriate based on the Group's past refund experience. In October 2006, "Application of auditing for provision of allowance for loss for reclaimed refund of interest in the accounting of consumer finance companies" of Industry Audit Practice Committee Report No. 37 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.
- (n) Retirement Benefit and Pension Plans—The Company and its consolidated domestic subsidiaries have a funded defined benefit pension plan, advance payment plan, and defined contribution pension plan covering substantially all employees. 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.

În calculation of retirement benefit obligation, estimated amounts of retirement benefits are allocated to each period by the benefit formula 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 projected 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.

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

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

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

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

(p) Recognition of Income—The operations of the Group mainly comprise the following, 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.

(q) 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.

Finance lease assets that deem to transfer ownership of the leased property to the lessee are depreciated using the same method for property and equipment. Finance lease assets that do not deem to transfer ownership of the leased property to the lessee are depreciated using the straight-line method over the lease period, with zero residual

Certain consolidated domestic subsidiaries recognize revenue and related cost of sales for lease transactions upon receipt of lease payments.

- (r) Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is provided for any portion of the deferred tax assets that is not considered to be realizable.
- (s) Consumption Taxes—National and local consumption taxes of the Company and its domestic subsidiaries are accounted for using the tax-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.
- (t) Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the consolidated financial statements in the following year upon the Board of Directors' resolution or shareholders' approval.
- (u) Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as of each balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income to the extent that they are not hedged by forward exchange contracts.
- (v) Foreign Currency Financial Statements—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as of each balance sheet date, except for equity, which is translated at the historical rate. Differences arising from such translation 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 ven at the average exchange rate.
- (w) Derivative Financial Instruments—The Group uses derivative financial instruments to manage its exposures to market fluctuations in foreign currency exchange and interest rates. The Group enters into forward exchange contracts, currency swap contracts, and interest rate swap contracts to reduce its exposures to foreign currency and interest rate risk. The Group does not enter into any derivative contracts for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (i) all derivatives are recognized as either assets or liabilities and measured at fair value with gains or losses on

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

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

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

#### (y) Accounting Changes and Error Corrections

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

#### (i) Changes in accounting policies

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

#### (ii) Changes in presentation

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

#### (iii) Changes in accounting estimates

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

#### (iv) Correction of prior-period errors

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

#### (z) New Accounting Pronouncements

(i) The Company and its consolidated domestic subsidiaries

#### Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

The new guidance basically maintains the framework of the treatment of recoverability of deferred tax assets defined in the JICPA Audit Committee Report No. 66, "Audit Treatment of Judgments with Regard to Recoverability of Deferred Assets," with some changes to the current framework.

- (2) Effective date
  - The Group plans to apply this guidance at the beginning of the fiscal year ending March 31, 2017.
- Effects of adoption of this guidance
  - The Group is currently evaluating the effects of adoption of this guidance.
- (ii) Consolidated overseas subsidiaries

The Group has not applied the following new and revised accounting standards that have been issued but not yet effective as at March 31, 2016. The Group is currently evaluating the effects of adoption of these accounting standards.

Accounting Standard	Description	Effective date
"Financial instruments"	IFRS 9 introduces new requirements for classification and	Year ending March 31,
(IFRS 9)	measurement of financial instruments, impairment and	2019
	hedge accounting.	
"Revenue from contracts	IFRS 15 introduces a single comprehensive model that	Year ending March 31,
with customers" (IFRS	entities use to account for revenues from contracts with	2019
15)	customers.	
"Leases" (IFRS 16)	IFRS 16 introduces a single accounting model that lessees	Year ending March 31,
	recognize assets and liabilities for all types of leases.	2020

#### 3. MONETARY CLAIMS BOUGHT AND SECURITIES

Monetary claims bought and securities as at March 31, 2016 and 2015, consisted of the following:

					Th	nousands of
	Millions of Yen				U.S. Dollars	
		2016		2015		2016
Marketable equity securities	¥	6,484	¥	6,485	\$	57,536
Marketable debt securities:						
Government bonds		49,372		62,891		438,119
Corporate bonds		72,901		25,074		646,921
Total marketable debt securities		122,273		87,965		1,085,040
Other securities						
Foreign securities		68,395		128,138		606,929
Other <sup>(*)</sup>		19,032		19,135		168,888
Total other securities		87,427		147,273		775,817
Total	¥	216,184	¥	241,723	\$	1,918,393

<sup>(\*)</sup> Includes investments in associated companies of ¥201 million (\$1,780 thousand) and ¥342 million as at March 31, 2016 and 2015, respectively.

The carrying amounts and aggregate fair values of monetary claims bought and securities as at March 31, 2016 and 2015, were as follows:

•				Million	s of Yen			
	<u> </u>		_	realized		ealized		
		Cost		Gains	L	osses	F	air Value
March 31, 2016								
Securities classified as:								
Available-for-sale:								
Equity securities	¥	2,540	¥	3,946	¥	(2)	¥	6,484
Debt securities		119,034		3,239				122,273
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
				Thousands o	f U.S. D	ollars		
			Un	realized	Unı	ealized		
		Cost		Gains	L	osses	F	air Value
March 31, 2016								
Securities classified as:								
Available-for-sale:								
Equity securities	\$	22,537	\$	35,013	\$	(14)	\$	57,536
Debt securities		1,056,298		28,742				1,085,040

Available-for-sale securities whose fair values are deemed to be difficult to determine as at March 31, 2016 and 2015 are disclosed in Note 18.

Unrealized gain on available-for-sale securities on the consolidated balance sheets as at March 31, 2016 and 2015 consisted of the following:

					Tho	ousands of	
	Millions of Yen					U.S. Dollars	
	·	2016		2015		2016	
Unrealized gain before deferred tax on:							
Available-for-sale securities	¥	8,304	¥	5,929	\$	73,690	
Deferred tax liabilities		(2,346)		(1,596)		(20,817)	
Unrealized gain on available-for-sale securities		5,958		4.333		52,873	
(before adjustment)		3,930		4,333		52,073	
Non-controlling interests		(68)		(89)		(607)	
Unrealized gain on available-for-sale securities	¥	5,890	¥	4,244	\$	52,266	

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

Loans and bills discounted as at March 31, 2016 and 2015, consisted of the following:

		Millions	of Y	en	housands of J.S. Dollars
		2016		2015	2016
Loans and bills discounted	¥	1,673,997	¥	1,474,236	\$ 14,854,891
Allowance for possible credit losses		(27,572)		(26,213)	(244,674)
Total	¥	1,646,425	¥	1,448,023	\$ 14,610,217

Loans and bills discounted as at March 31, 2016 and 2015, included the following:

	Millions of Yen					S. Dollars
	2016			2015	2016	
Loans to bankrupt borrowers <sup>(*1)</sup>	¥	1,566	¥	1,413	\$	13,898
Non-accrual delinquent loans(*2)		27,422		24,852		243,339
Restructured loans (*3)		23,250		17,007		206,317
Total	¥	52,238	¥	43,272	\$	463,554

<sup>(\*1) &</sup>quot;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.

There were no loans categorized as past due loans (three months or more) as at March 31, 2016 and 2015. "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, 2016 and 2015 was ¥309 million (\$2,738 million) and ¥386 million, respectively.

<sup>(\*3) &</sup>quot;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)."

Installment sales receivables as at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen					Thousands of U.S. Dollars		
	2016			2015		2016		
Installment sales receivables:								
Credit card purchase contracts	¥	687,501	¥	763,890	\$	6,100,822		
Hire purchase contracts		334,886		274,331		2,971,745		
Subtotal		1,022,387		1,038,221		9,072,567		
Allowance for possible credit losses		(21,813)		(23,066)		(193,567)		
Total	¥	1,000,574	¥	1,015,155	\$	8,879,000		

Fees and commissions for the years ended March 31, 2016 and 2015, included the following:

		Millions	of Yer	1	U.S. Dollars	
	·	2016		2015	 2016	
Credit card purchase contracts	¥	102,701	¥	97,045	\$ 911,355	

### 5. PROPERTY AND EQUIPMENT

Property and equipment as at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen					Thousands of U.S. Dollars		
		2016		2015		2016		
Land	¥	4	¥	742	\$	36		
Structures		10,687		10,187		94,840		
Equipment		56,037		50,723		497,263		
Construction in progress		58		91		515		
Other property and equipment		7,943		9,875		70,490		
Subtotal		74,729		71,618		663,144		
Accumulated depreciation		(38,199)		(35,844)		(338,975)		
Total	¥	36,530	¥	35,774	\$	324,169		

#### 6. INTANGIBLE ASSETS

Intangible assets as at March 31, 2016 and 2015, consisted of the following:

	Millions of Yen					Thousands of U.S. Dollars		
Software	2016			2015	2016			
	¥	44,860	¥	36,883	\$	398,079		
Goodwill		25,597		27,064		227,148		
Other intangible assets		6,706		7,192		59,511		
Total	¥	77,163	¥	71,139	\$	684,738		

#### 7. PLEDGED ASSETS

Assets pledged as collateral as at March 31, 2016 and 2015, consisted of the following:

					Tho	ousands of
	Millions of Yen					S. Dollars
	·	2016		2015		2016
Assets pledged as collateral:						
Deposits with banks	¥	556			\$	4,930
Securities		5,160	¥	5,095		45,793
Loans and bills discounted		14,662		13,992		130,112
Installment sales receivables		11,687		13,949		103,706
Total	¥	32,065	¥	33,036	\$	284,541
Liabilities corresponding to assets pledged as collateral:						_
Borrowed money		24,947		16,588		221,373

In addition to the assets presented above, the following assets were pledged as collateral for exchange settlements and other transactions as at March 31, 2016 and 2015:

					The	ousands of			
		Millions of Yen				U.S. Dollars			
		2016		2015		2016			
Securities	¥	37,443	¥	37,060	\$	332,267			

Moreover, other assets included guarantee money deposits, and these amounts as at March 31, 2016 and 2015, were as follows:

					Tho	usands of
		Millions	of Yen		U.S	S. Dollars
		2016		2015		2016
Guarantee money deposits	¥	4,774	¥	4,605	\$	42,361

## 8. COMMERCIAL PAPER, BORROWED MONEY, BONDS, AND LEASE OBLIGATIONS

Commercial paper, borrowed money, bonds and lease obligations included in other liabilities as at March 31, 2016 and 2015, consisted of the following:

		Millions	s of Ye	en	ousands of .S. Dollars	Average interest rate <sup>(*1)</sup>	
		2016		2015	 2016	2016	Due
Commercial paper	¥	68,000			\$ 603,425	0.04 %	
Borrowed money		535,989	¥	591,586	4,756,316	2.71 %	From April 2016 to October 2025
Lease obligations		34,556		24,630	306,646	1.91 %	From April 2016 to September 2027

<sup>(\*1)</sup> 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, 2016 and 2015, consisted of the following:

Bonds and convention bonds as at ividion 51, 2010 and 2015, consisted to	Millions of Yen				Thousands of U.S. Dollars		
		2016		2015		2016	
Issued by the Company:							
Unsecured 1.02% Japanese yen notes due April 2015			¥	20,000			
¥15,000,000,000 Zero Coupon Convertible Bonds due 2016				40			
¥15,000,000,000 Zero Coupon Convertible Bonds due 2017	¥	50		50	\$	444	
Unsecured 0.349% pari passu Japanese yen notes due March 2019		10,000		10,000		88,739	
Unsecured 0.572% pari passu Japanese yen notes due March 2021		10,000		10,000		88,739	
Unsecured 0.83% callable subordinated Japanese yen notes due April 2024		30,000		30,000		266,217	
Unsecured 0.83% callable subordinated Japanese yen notes due April 2024		10,000		10,000		88,739	
Unsecured 0.402% pari passu Japanese yen notes due March 2020		20,000				177,478	
Unsecured 0.552% pari passu Japanese yen notes due March 2022		10,000				88,739	
Issued by AEON Thana Sinsap (Thailand) Plc.:							
Unsecured 3.28% Thai baht notes due July 2015				2,389			
Unsecured 4.06% Thai baht notes due July 2016		1,706		1,784		15,140	
Unsecured 3.85% Thai baht notes due December 2016		2,269		2,369		20,134	
Unsecured 4.44% Thai baht notes due August 2017		3,385		3,528		30,042	
Unsecured 4.77% Thai baht notes due September 2017		2,272		2,382		20,165	
Unsecured 4.14% Thai baht notes due July 2018		1,912		1,994		16,964	
Unsecured 5.45% Thai baht notes due November 2018		3,414		3,585		30,298	
Unsecured 4.06% Thai baht notes due March 2019		3,359		3,500		29,803	
Unsecured 4.43% Thai baht notes due July 2017		3,811		4,383		33,822	
Unsecured 2.99% Thai baht notes due September 2017		1,694		1,767		15,031	
Unsecured 3.54% Thai baht notes due September 2019		2,229				19,783	
Unsecured 2.87% Thai baht notes due September 2019		635				5,635	
Issued by AEON Credit Service (M) Berhad:							
Medium Term Note 3.95% Malaysia Ringgit due April 2017		1,347		1,658		11,953	
Medium Term Note 3.95% Malaysia Ringgit due April 2017		1,078		1,326		9,563	
Medium Term Note 3.95% Malaysia Ringgit due May 2017		1,482		1,823		13,148	
Medium Term Note 3.95% Malaysia Ringgit due July 2017		1,482		1,823		13,148	
Total	¥	122,125	¥	114,401	\$	1,083,724	

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

	Conversion Price (Yen)(*1)	Number of shares of Common Stock (thousands) <sup>(*2)</sup>	Exercise Period
¥15,000,000,000 Zero Coupon Convertible Bonds due 2017	¥ 1,386.6	36	From April 6, 2012 to March 9, 2017

<sup>(\*1)</sup> 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

The annual maturities of borrowed money as at March 31, 2016, were as follows:

			Tł	nousands of	
Years ended March 31	Mil	lions of Yen	U.S. Dollar		
2017	¥	289,390	\$	2,568,017	
2018		62,649		555,938	
2019		101,108		897,227	
2020		32,708		290,245	
2021		44,685		396,534	
2022 and thereafter		5,449		48,355	
Total	¥	535,989	\$	4,756,316	

converted as at March 31, 2016.

The annual maturities of bonds as at March 31, 2016, were as follows:

			Th	ousands of	
Years ended March 31	Millio	ons of Yen	U.S. Dollar		
2017	¥	4,025	\$	35,718	
2018		16,551		146,872	
2019		21,549		191,222	
2020					
2021		30,000		266,217	
2022 and thereafter		50,000		443,695	
Total	¥	122,125	\$	1,083,724	

The annual maturities of lease obligations as at March 31, 2016, were as follows:

			Tho	ousands of
Years ended March 31	Millio	ns of Yen	U.S	S. Dollars
2017	¥	3,015	\$	26,756
2018		3,629		32,207
2019		4,514		40,054
2020		4,313		38,270
2021		4,098		36,366
2022 and thereafter		14,987		132,993
Total	¥	34,556	\$	306,646

#### 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, 2016 and 2015, were as follows:

					Tho	ousands of	
	Millions of Yen					U.S. Dollars	
	-	2016		2015		2016	
Balance at beginning of year	¥	4,631	¥	3,969	\$	41,099	
Cumulative effects of changes in accounting policies				83			
Restated balance		4,631		4,052		41,099	
Current service cost		356		301		3,162	
Interest cost		91		56		808	
Actuarial gains and losses		257		126		2,279	
Benefits paid		(324)		(202)		(2,879)	
Other		15		298		137	
Balance at end of year	¥	5,026	¥	4,631	\$	44,606	

(b) The changes in plan assets for the years ended March 31,2016 and 2015 were as follows:

		Millions	of Yen		ousands of S. Dollars
		2016		2015	2016
Balance at beginning of year	¥	1,319	¥	1,179	\$ 11,701
Expected return on plan assets		31		18	277
Actuarial gains and losses		27		9	242
Contributions from the employer		202		179	1,791
Benefits paid		(83)		(67)	(733)
Balance at end of year	¥	1,496	¥	1,318	\$ 13,278

(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, 2016 and 2015

		Millions	of Yen	l	ousands of S. Dollars
		2016		2015	 2016
Funded defined benefit obligation	¥	2,106	¥	1,753	\$ 18,694
Plan assets		(1,496)		(1,318)	(13,278)
		610		435	5,416
Unfunded defined benefit obligation		2,920		2,878	25,912
Net liability arising from defined benefit obligation	¥	3,530	¥	3,313	\$ 31,328

		Millions	of Yen		usands of S. Dollars
		2016		2015	 2016
Liability for retirement benefits	¥	3,530	¥	3,313	\$ 31,328
Net liability arising from defined benefit obligation	¥	3,530	¥	3,313	\$ 31,328

<sup>(\*)</sup> Includes the obligation calculated by the simplified method.

(d) The components of net periodic benefit costs for the years ended March 31, 2016 and 2015, were as follows:

					Tho	usands of
		Millions	of Yen		U.S	. Dollars
	2	016	2	2015		2016
Service cost(*)	¥	356	¥	301	\$	3,162
Interest cost		91		56		808
Expected return on plan assets		(31)		(18)		(277)
Recognized actuarial losses		77		103		684
Amortization of past service costs		44		44		388
Other		(37)		3		(327)
Net periodic benefit costs	¥	500	¥	489	\$	4,438

<sup>(\*)</sup> 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, 2016 and 2015

			Thousands of U.S. Dollars			
		2016		2015		2016
Past service costs	¥	(44)	¥	(44)	\$	(388)
Actuarial gains and losses		132		266		1,175
Total	¥	88	¥	222	\$	787

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at March 31, 2016 and 2015

	Millions of Yen					usands of . Dollars
	2	2016		015	-	2016
Unrecognized past service costs	¥	87	¥	131	\$	777
Unrecognized actuarial gains and losses		799		667		7,089
Total	¥	886	¥	798	\$	7,866

### (g) Plan assets

(i) Components of plan assets

Plan assets consisted of the following:

	2016	2015
Debt securities	55.5%	58.5%
Equity securities	14.0%	14.6%
Assets in the life insurer's general account	14.7%	11.5%
Other <sup>(*)</sup>	15.8%	15.4%
Total	100.0%	100.0%

<sup>(\*)</sup> 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, 2016 and 2015, were set forth as follows:

	2016(*)	2015(*)
Discount rate	0.7%	1.3%
Expected rate of return on plan assets	2.37%	1.58%

(\*) 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, 2016 and 2015 are ¥445 million (\$3,950 thousand) and ¥311 million, respectively.

The amounts of benefits paid under the advance payment plan for the years ended March 31, 2016 and 2015 are ¥56 million (\$496 thousand) and ¥65 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:

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the yearend 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 the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

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.

### 11. STOCK-BASED COMPENSATION

The stock options outstanding as at March 31, 2016, were as follows:

		Number of									
	Persons	Options									
Stock Option	Granted	Granted	Date of (		Exerci	ise Pr			ise Period		
2012 Stock Option	12 directors	15,500 shares	April 21,	2011	¥	1			lay 21, 2011		
2012 Starta Ontian	( Ji t	12 100 -1	Ai1 2.1	2012	\$ ( ¥	0.01			May 20, 2026	)	
2013 Stock Option	6 directors	12,100 shares	April 21,	2012	_	1 0.01			lay 21, 2012 May 20, 2027	7	
2014 Stock Option	6 directors	12,000 shares	July 21,	2013	¥	0.01			gust 21, 2013		
2014 Stock Option	o directors	12,000 shares	July 21,	2013	_	0.01			ugust 20, 2013		
2015 Stock Option	8 directors	9,500 shares	July 21,	2014	¥	1			gust 21, 2014		
		.,			\$ (	0.01			ugust 20, 202		
2016 Stock Option	7 directors	12,600 shares	July 21,	2015	¥	1			gust 21, 2015		
					\$0	0.01	thro	ugh A	ugust 20, 203	30	
The summary of sto	ck option activi	ty is as follows:									
			2016		2015		2014		2013		2012
			Stock	1	Stock		Stock		Stock		Stock
			Option	(	Option		Option	(	Option		Option
Nonvested (Shares)											
Outstanding at be	ginning of year										
Granted	<i>c c</i> ,		12,600								
Expired			,								
Vested			12,600								
Outstanding at en	d of year		,								
Vested (Shares)											
Outstanding at be	ginning of year				9,500		12,000		10,500		13,000
Vested	8		12,600		- ,		,		,		,
Exercised			,						1,500		
Expired									-,		
Outstanding at en	d of year		12,600		9,500		12,000		9,000		13,000
Exercise price		¥	1	¥	1	¥	1	¥	1	¥	1
zatoroso prico		\$	0.01	\$	0.01	\$	0.01	\$	0.01	\$	0.01
Average stock price	unon exercise	Ψ	0.01	Ψ	0.01	Ψ	0.01	¥	2,460	¥	0.01
111 cruge stock price	apon exercise							\$	21.83	\$	
Fair value price at gr	ant date	¥	3,072	¥	2,006	¥	2,715	¥	1,081	¥	809
r an varae price at gr	uni uuic	\$	27.26	\$	17.80	\$	24.09	\$	9.59	\$	7.18
		Ψ	21.20	Ψ	17.00	Ψ	27.07	Ψ	7.57	Ψ	7.10

The assumptions used to measure fair value of stock options vested during fiscal year 2016 were as follows:

	Stock Option
Measurement method	Black-Scholes option-pricing model
Risk-free interest rate	0.23%
Expected life of option grants	7.5 years
Expected volatility of underlying stock	41.66%
Estimated dividend	¥66 per share

#### 12. OTHER INCOME

Other income for the years ended March 31, 2016 and 2015, consisted of the following:

		Millions of Yen					
	·	2016		2015		2016	
Gain on bad debts recovered	¥	6,432	¥	7,811	\$	57,079	
Other		10,859		8,405		96,359	
Total	¥	17,291	¥	16,216	\$	153,438	

#### 13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2016 and 2015, consisted of the following:

		Million	s of Y	en		housands of J.S. Dollars
		2016		2015		2016
Salaries and allowances	¥	(59,417)	¥	(53,870)	\$	(527,265)
Advertising expenses		(44,214)		(39,321)		(392,351)
Other		(99,922)		(93,283)		(886,697)
Total	¥	(203,553)	¥	(186,474)	\$	(1,806,313)

### 14. OTHER EXPENSES

Other expenses for the years ended March 31, 2016 and 2015, consisted of the following:

	Millions of Yen					U.S. Dollars		
	2016		2015			2016		
Provision for loss on refund of interest received	¥	(3,343)	¥	(5,822)	\$	(29,666)		
Other		(1,749)		(584)		(15,520)		
Total	¥	(5,092)	¥	(6,406)	\$	(45,186)		

#### 15. 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 33.1% and 35.3% for the years ended March 31, 2016 and 2015, respectively. The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as at March 31, 2016 and 2015, were as follows:

carry for wards, which resulted in deferred tax dissets and			,	,	The	ousands of		
	Millions of Yen					U.S. Dollars		
		2016		2015		2016		
Deferred tax assets:								
Allowance for possible credit losses	¥	11,234	¥	11,092	\$	99,691		
Loans and bills discounted and installment sales receivables		56		37		493		
Allowance for point program		3,848		4,077		34,142		
Allowance for loss on refund of interest received		1,297		1,596		11,510		
Accrued income		595		723		5,283		
Property and equipment		388		364		3,445		
Intangible assets		286		57		2,539		
Liability for retirement benefits		896		1,038		7,953		
Tax loss carryforwards		5,067		6,799		44,961		
Unrealized loss on acquisition of subsidiaries		814		1,254		7,224		
Other		4,924		4,648		43,693		
Less valuation allowance		(5,714)		(7,904)		(50,706)		
Total deferred tax assets	¥	23,691	¥	23,781	\$	210,228		
Deferred tax liabilities:								
Depreciation in consolidated foreign subsidiaries	¥	388	¥	485	\$	3,439		
Unrealized gain on available-for-sale securities		2,444		1,807		21,686		
Unrealized gain on acquisition of subsidiaries		2,532		2,748		22,471		
Other		238		208		2,115		
Total deferred tax liabilities	¥	5,602	¥	5,248	\$	49,711		
Net deferred tax assets	¥	18,089	¥	18,533	\$	160,517		

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, 2016 and 2015, were as follows:

	2016	2015
Effective statutory tax rate	33.1%	35.3%
Earnings not taxable and expenses not deductible for income tax purposes—net	(6.6)	(7.1)
Per capita portion of inhabitants tax	0.6	0.7
Lower income tax rates applicable to income in certain foreign countries	(5.4)	(6.4)
Influence of elimination in consolidation	7.1	7.5
Influence of changes in the statutory tax rate	3.1	6.2
Tax loss carryforwards	(1.2)	(5.4)
Valuation allowance	(5.6)	(4.2)
Other	(0.1)	0.1
Actual effective tax rate	25.0%	26.7%

#### **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. 15, 2016) and "Act on Partial Revision of the Local Taxation Act, etc." (Law No. 13, 2016) on March 29, 2016, the corporate tax rate will decrease from the fiscal years beginning on or after April 1, 2016. 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 years beginning on April 1, 2016 and 2017 will decrease from 32.3% to 30.9% and to 30.6% for temporary differences that are expected to reverse during the fiscal year beginning on April 1, 2018. The effect of this change was to decrease deferred tax assets, net of deferred tax liabilities, by ¥511 million (\$4,536 thousand) and accumulated adjustments for retirement benefit by ¥18 million (\$157 thousand), and increase unrealized gain on available-for-sale securities by ¥136 million (\$1,209 thousand) in the consolidated balance sheet as at March 31, 2016, and to increase income taxes—deferred in the consolidated statement of income for the year then ended by ¥630 million (\$5,587 thousand).

In addition, effective from fiscal years beginning on or after April 1, 2016, the use of tax loss carryforwards will be limited to the equivalent of 60% 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 55% of taxable income before deducting tax loss carryforwards. As a result, deferred tax assets decreased by ¥51 million (\$449 thousand) and income taxes—deferred increased by ¥51 million (\$449 thousand).

#### 16. SUPPLEMENTAL CASH FLOW INFORMATION

#### Acquisition of business

For the year ended March 31, 2016, the Group took over the leasing business from Japan Distribution Leasing Corporation, a subsidiary of The Daiei, Inc., and established ACS Leasing Co., Ltd. to launch its leasing business. Assets and liabilities of ACS Leasing Co., Ltd. at the time of the acquisition were as follows:

			The	ousands of U.S.			
	Milli	ons of Yen	Dollars				
Total assets	¥	8,418	\$	74,698			
Of which: installment sales receivables		1,139		10,104			
Of which: lease receivables and investment assets		5,611		49,791			
Total liabilities		1,715		15,219			
Of which: accounts payable		1,340		11,890			
Payments for acquisition of business	¥	(6,703)	\$	(59,479)			

#### 17. LEASES

The Group leases equipment, software, and other assets.

Total rental expenses for the years ended March 31, 2016 and 2015 were \(\frac{\pma}{2}\)12,992 million (\(\frac{\pma}{1}\)15,288 thousand) and ¥11,485 million, respectively.

The minimum rental commitments under noncancelable operating leases as at March 31, 2016 and 2015 were as follows:

					Tho	ousands of	
		Millions	of Yen		U.S. Dollars		
		2016		2015		2016	
Due within one year	¥	2,403	¥	2,349	\$	21,325	
Due after one year		2,579		3,251		22,882	
Total	¥	4,982	¥	5,600	\$	44,207	
(Lessor side) (a) Breakdown of lease receivables and investment assets				llions of Yen		ousands of S. Dollars	
				2016		2016	
Lease payments receivables			¥	6,102	\$	54,146	
Estimated residual value							
Unearned interest income				(696)		(6,178)	

(b) The scheduled collections of lease payments receivables related to lease receivables and investment assets are as follows:

-	Millions of Yen 2016											
-	Up	to 1 year	1-	2 years	2-	-3 years		4 years	4-5	5 years	Ove	r 5 years
Lease receivables and investment assets	¥	1,922	¥	1,535	¥	1,191	¥	728	¥	415	¥	310
					Т	housands o	f U.S. E	ollars				
•						20	16					
•	Up	to 1 year	1-	-2 years	2	-3 years	3-	4 years	4-:	5 years	Ove	r 5 years
Lease receivables and investment assets	\$	17,057	\$	13,624	\$	10,573	\$	6,462	\$	3,683	\$	2,748

#### 18. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### (a) Conditions of financial instruments

Lease receivables and investment assets

(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.

47,968

5,406

#### (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 decisionmaking 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 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 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 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, 2016 was \(\frac{4}{4}\),337 million (\(\frac{5}{8}\),486 thousand) (2015: ¥1,037 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, 2016 was ¥37,210 million (\$330,202 thousand) (2015: ¥41,783 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

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 19 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, 2016 and 2015 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									
				2016						
		Carrying Amount	I	Fair Value	Ι	Difference				
(1) Cash and cash equivalents	¥	421,976	¥	421,976						
(2) Deposits with banks		22,893		22,893						
(4) Monetary claims bought		5,052		5,052						
(5) Securities		200,872		200,872						
<ul><li>(6) Loans and bills discounted—net of allowance for possible credit losses</li><li>(7) Installment sales receivables—net of allowance</li></ul>		1,646,425		1,764,975	¥	118,550				
for possible credit losses		1,000,574		1,013,502		12,928				
Total	¥	3,297,792	¥	3,429,270	¥	131,478				
(8) Deposits	¥	2,152,928	¥	2,153,903	¥	97:				
(9) Accounts payable		204,845		204,845						
(11) Commercial paper		68,000		68,000						
(12) Borrowed money		535,989		538,542		2,553				
(13) Bonds		122,075		122,949		874				
(14) Convertible bonds		50		97		47				
Total	¥	3,083,887	¥	3,088,336	¥	4,449				
(15) Derivative financial instruments (Note 19):										
Hedge accounting not applied	¥	(16)	¥	(16)						
Hedge accounting applied		14,057		14,057						
Total	¥	14,041	¥	14,041						

			Mi	illions of Yen		
				2015		
		Carrying Amount	I	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		
(12) Borrowed money		591,586		593,873		2,287
(13) Bonds		114,311		114,356		45
(14) Convertible bonds		90		195		105
Total	¥	2,935,533	¥	2,938,508	¥	2,975
(15) Derivative financial instruments (Note 19):						
Hedge accounting not applied	¥	(244)	¥	(244)		
Hedge accounting applied		(8,007)		(8,007)		
Total	¥	(8,251)	¥	(8,251)		

Thousands	OFILC	Dollara
Thougands	$\alpha - 1 - 5$	Domars

			2016			
	Carrying					
	Amount		Fair Value	Difference		
(1) Cash and cash equivalents	\$ 3,744,571	\$	3,744,571			
(2) Deposits with banks	203,147		203,147			
(4) Monetary claims bought	44,829		44,829			
(5) Securities	1,782,516		1,782,516			
<ul><li>(6) Loans and bills discounted—net of allowance for possible credit losses</li><li>(7) Installment sales receivables—net of allowance</li></ul>	14,610,217		15,662,218	\$	1,052,00	
for possible credit losses	8,879,000		8,993,718		114,71	
Total	\$ 29,264,280	\$	30,430,999	\$	1,166,71	
(8) Deposits	\$ 19,104,872	\$	19,113,520	\$	8,64	
(9) Accounts payable	1,817,778		1,817,778			
(11) Commercial paper	603,425		603,425			
(12) Borrowed money	4,756,316		4,778,973		22,65	
(13) Bonds	1,083,280		1,091,039		7,759	
(14) Convertible bonds	444		857		413	
Total	\$ 27,366,115	\$	27,405,592	\$	39,47	
(15) Derivative financial instruments (Note 19):			_			
Hedge accounting not applied	\$ (139)	\$	(139)			
Hedge accounting applied	124,736		124,736			
Total	\$ 124,597	\$	124,597			

#### (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) Commercial paper

The carrying amount of commercial paper is considered to approximate fair value because of its short maturity of less than one year.

#### (12) 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.

#### (13) Bonds and (14) Convertible bonds

The fair values of bonds and convertible bonds are determined with reference to quoted market prices.

#### (15) Derivative financial instruments

Information on the fair values of derivative financial instruments is included in Note 19.

#### (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	s of Ye	n	ousands of S. Dollars
		2016	2015		 2016
Stock with no active market quotations	¥	1,270	¥	1,360	\$ 11,275
Trust beneficiary rights		8,990		9,054	79,773

### (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										
						201	16					
	Up to 1 year		1-3 years		3-5 years		5-7 years		7-10 years		Ove	r 10 years
Due from banks	¥	396,189										
Monetary claims bought		,	¥	101	¥	214	¥	1,000			¥	3,659
Securities:												
Available-for-sale securities: Government bonds						45,000		5,000				3,000
						,		,				,
Corporate bonds		5,000		2,000		11,200		5,000	¥	3,000		39,843
Other		60,000						8,000				
Total		65,000		2,000		56,200		18,000		3,000		42,843
Loans and bills discounted <sup>*1,*2)</sup> Installment sales		791,132		293,127		105,222		41,450		49,056		325,842
receivables(*1)		703,763		107,281		81,977		69,625		15,483		16,519
Total	¥	1,956,084	¥	402,509	¥	243,613	¥	130,075	¥	67,539	¥	388,863

	Millions of Yen												
						20	15						
	Up to 1 year		1-3 years		3-5 years		5-7 years		7-10 years		Ov	er 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						57,000						5,500	
bonds						37,000						3,300	
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 <sup>(*1)</sup>		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	

TT 1	CT	ra	D 1	1
Thousands	of L	- N	1001	larc

		2016										
<del></del>	Up to 1 year		1-3 years			3-5 years		5-7 years	7-10 years		Over 10 years	
Due from banks	\$	3,515,747										
Monetary claims bought			\$	895	\$	1,897	\$	8,874			\$	32,471
Securities:			Ψ	073	Ψ	1,007	Ψ	0,074			Ψ	52,471
Available-for-sale securities:												
Government bonds						399,325		44,369				26,622
Corporate bonds		44,369		17,748		99,388		44,370	\$	26,622		353,562
Other		532,434						70,991				
Total		576,803		17,748		498,713		159,730		26,622		380,184
Loans and bills discounted <sup>(*1, *2)</sup> Installment sales		7,020,430		2,601,177		933,736		367,828		435,316		2,891,490
receivables(*1)		6,245,121		952,002		727,453		617,843		137,393		146,591
Total	\$	17,358,101	\$	3,571,822	\$	2,161,799	\$	1,154,275	\$	599,331	\$	3,450,736

<sup>(\*1)</sup> Loans and bills discounted and installment sales receivables for the years ended March 31, 2016 and 2015 exclude ¥51,728 million (\$459,025 thousand) and ¥54,715 million, respectively, which have no specific contractual maturity date due to late payments or being under negotiations.

#### (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 <b>2016</b>												
	-									C	Over 10			
	Up to 1 year		1-3 years		3-5 years		5-7 years		7-10 years		years			
Deposits(*)	¥	1,449,386	¥	551,057	¥	150,606								
Commercial paper		68,000												
Borrowed money		289,390		163,757		77,393	¥	3,772	¥	1,677				
Bonds		3,975		38,100		30,000		10,000		40,000				
Convertible bonds		50												
Lease obligations		3,015		8,143		8,411		5,844		6,088	¥	3,055		
Total	¥	1.813.816	¥	761,057	¥	266,410	¥	19,616	¥	47,765	¥	3,055		

		Millions of Yen												
												Over 10		
	U	p to 1 year	1	-3 years	3	-5 years	5-	-7 years	7-	10 years		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		

		Thousands of U.S. Dollars											
	J	Jp to 1 year		1-3 years		3-5 years	5	i-7 years	7	-10 years		Over 10 years	
Deposits(*)	\$	12,861,708	\$	4,890,028	\$	1,336,469							
Commercial paper		603,425											
Borrowed money		2,568,017		1,453,165		686,779	\$	33,476	\$	14,879			
Bonds		35,274		338,094		266,217		88,739		354,956			
Convertible bonds		444											
Lease obligations		26,756		72,261		74,636		51,863		54,023		27,107	
Total	\$	16,095,624	\$	6,753,548	\$	2,364,101	\$	174,078	\$	423,858	\$	27,107	

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

<sup>(\*2)</sup> Loans and bills discounted for the years ended March 31, 2016 and 2015 exclude loans of ¥4,256 million (\$37,772 thousand) and ¥3,958 million with no specific recoverable amounts, such as loans to borrowers classified as legal bankruptcy, substantial bankruptcy, or possible bankruptcy, and ¥38,474 million (\$341,417 thousand) and ¥24,445 million, respectively, which have no fixed

#### 19. 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, 2016 and 2015 consisted of the following:

<u> </u>			Mill	ions of Yen		
				2016		
		Contract Amount	Fa	air Value		Unrealized Gain/Loss
Currency swap contracts: Receive JPY/Pay THB Receive USD/Pay HKD Receive USD/Pay MYR Receive USD/Pay THB Receive USD/Pay IDR Currency forward contracts:	¥	53,452 5,684 62,667 67,787 509	¥	(3,096) 4 12,896 6,189 (61)	¥	(3,096) 4 12,896 6,189 (61)
Receive USD/Pay MYR		1,366		(13)		(13)
Interest rate swap contracts: Receive floating/Pay fixed		65,845		(1,862)		(1,862)
			Mill	ions of Yen		
				2015		
		Contract				Unrealized
		Amount	Fa	air Value		Gain/Loss
Currency swap contracts: Receive JPY/Pay THB Receive USD/Pay HKD Receive USD/Pay MYR Receive USD/Pay THB Currency forward contracts:	¥	55,855 5,979 54,761 77,985	¥	(13,721) (12) 7,035 859	¥	(13,721) (12) 7,035 859
Receive USD/Pay MYR Interest rate swap contracts:		1,048		23		23
Receive floating/Pay fixed		77,465		(2,191)		(2,191)
		The	ousand	ls of U.S. Dol	llars	
		<u> </u>		2016		** 1: 1
		Contract	E	air Walue		Unrealized
Currency swap contracts:		Amount	Fa	air Value		Gain/Loss
Receive JPY/Pay THB Receive USD/Pay HKD Receive USD/Pay MYR Receive USD/Pay THB Receive USD/Pay IDR Currency forward contracts:	\$	474,329 50,435 556,102 601,539 4,518	\$	(27,476) 31 114,441 54,919 (544)	\$	(27,476) 31 114,441 54,919 (544)
Receive USD/Pay MYR Interest rate swap contracts:		12,120		(115)		(115)
Receive floating/Pay fixed		584,301		(16,520)		(16,520)

Derivative financial instruments not qualifying for hedge accounting as at March 31, 2016 and 2015, consisted of the following:

			Millio	ns of Yen	ļ						
			2	2016							
		Contract			7	Unrealized					
	A	Amount	Fair '	Value		Gain/Loss					
Credit default swap contracts:											
Short position	¥	3,000	¥	(16)	¥	1,252					
	<u></u>	Millions of Yen									
			2	2015							
		ontract				Unrealized					
	A	Amount	Fai	r Value		Gain/Loss					
Credit default swap contracts:											
Short position	¥	3,000	¥	(254)	3	¥ 1,014					
Currency swap contracts:											
Receive USD/Pay THB		4,364		10		10					
		The	ousands	of U.S. De	ollars	S					
			2	2016							
		ontract				Unrealized					
	A	Amount	Fai	r Value		Gain/Loss					
Credit default swap contracts:			•	_							
Short position	\$	26,622	\$	(139)	5	\$ 11,111					

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.

#### 20. 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 Y	en	housands of J.S. Dollars
		2016		2015	2016
Total loan limits	¥	7,983,549	¥	7,547,436	\$ 70,845,235
Loan executed		481,416		447,824	4,272,042
Unexercised portion of loan commitments	¥	7,502,133	¥	7,099,612	\$ 66,573,193

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, 2016 and 2015, were as follows:

		Millions	of Yer	1	 ousands of S. Dollars
		2016		2015	 2016
Unutilized commitments	¥	18,437	¥	11,930	\$ 163,605
Of which: those expiring within one year		6,973		6,682	61,882

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.

#### 21. OTHER COMPREHENSIVE INCOME

Reclassification adjustments to profit or loss and tax effects of other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

		Millions	of Ver	1	 ousands of .S. Dollars
		2016	01 1 01	2015	 2016
Unrealized gain on available-for-sale securities:					
Gains arising during the year	¥	2,534	¥	2,425	\$ 22,488
Reclassification adjustments to profit or loss		(191)		(2,101)	(1,697)
Amount before income tax effect		2,343		324	20,791
Income tax effect		(718)		(105)	(6,366)
Total	¥	1,625	¥	219	\$ 14,425
Deferred gain (loss) on derivatives under hedge					
accounting:					
Losses arising during the year	¥	(788)	¥	(3,034)	\$ (6,996)
Reclassification adjustments to profit or loss		825		417	7,327
Amount before income tax effect		37		(2,617)	331
Income tax effect		39		501	345
Total	¥	76	¥	(2,116)	\$ 676
Foreign currency translation adjustments:					
Gains (losses) arising during the year	¥	(12,684)	¥	12,462	\$ (112,560)
Amount before income tax effect		(12,684)		12,462	(112,560)
Total	¥	(12,684)	¥	12,462	\$ (112,560)
Adjustments for retirement benefit:					
Losses arising during the year	¥	(229)	¥	(356)	\$ (2,037)
Reclassification adjustments to profit or loss		141		135	1,250
Amount before income tax effect		(88)		(221)	(787)
Income tax effect		20		53	181
Total	¥	(68)	¥	(168)	\$ (606)
Total other comprehensive income	¥	(11,051)	¥	10,397	\$ (98,065)

#### 22. BUSINESS COMBINATION

# Transactions under common control Acquisition of business

- (a) Overview of transaction
  - (i) Name of transferor

Japan Distribution Leasing Corporation

- (ii) Description of business transferred Leasing and related businesses
- (iii) Major reason for acquisition of business

To strengthen the Group's operating bases by developing new businesses and expanding its revenue.

(iv) Date of acquisition of business

December 1, 2015

(v) Other profile of transaction including legal form of acquisition

Acquisition of business with consideration being made only in cash and similar assets

(vi) Name of company after business combination

ACS Leasing Co., Ltd.

(b) Outline of accounting method applied

This transaction was accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

#### 23. NET INCOME PER SHARE

Basic and diluted EPS for the years ended March 31, 2016 and 2015, were as follows:

attributable to owners of the parent Millions of Yen		Weighted- Average Shares Thousands of Shares		EP Yen	U.S. Dollar		
¥	35 785						
¥		198,705	¥	180.09	\$	1.60	
	,	52 51			7		
¥	35,785	198,808	¥	180.00	\$	1.60	
¥	30,942						
¥	30,942	199,876	¥	152.55			
V	20.042	41 640	v	152.04			
	attri owr Mi	owners of the parent  Millions of Yen    ¥ 35,785  ¥ 35,785   ¥ 35,785   ¥ 30,942  ¥ 30,942	attributable to owners of the parent         Weighted-Average Shares           Millions of Yen         Thousands of Shares           ¥ 35,785         198,705           \$ 25 51         \$ 35,785           ¥ 35,785         198,808           ¥ 30,942         \$ 199,876           41 640         640	attributable to owners of the parent         Weighted-Average Shares           Millions of Yen         Thousands of Shares           ¥ 35,785         198,705         ¥           \$ 252 51         51         \$ 35,785         \$ 4           ¥ 30,942         \$ 199,876         \$ 4         \$ 41 640	attributable to owners of the parent Shares EP  Millions of Yen Shares Yen        ** 35,785**    ** 35,785**   ** 35,785**   ** 35,785**   ** 35,785**   ** 35,785**   ** 35,785**  ** 198,705**  ** 180.09**   ** 30,942**   ** 30,942**  ** 30,942**  ** 30,942**  ** 30,942**  ** 41 640**   ** 41 640**	attributable to owners of the parent         Weighted-Average Shares         EPS           Millions of Yen         Thousands of Shares         Yen         U.S.           ¥ 35,785         198,705 ¥ 180.09 \$           \$ 52 51         \$ 198,808 ¥ 180.00 \$           ¥ 30,942         \$ 199,876 ¥ 152.55           41 640         \$ 41 640	

#### 24. RELATED PARTY TRANSACTIONS

There were no transactions between the Company and related parties for the years ended March 31, 2016 and 2015.

Transactions between the Company's consolidated subsidiaries and related parties for the years ended March 31, 2016 and 2015, were as follows:

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

		Millions	of Yen	l	ousands of S. Dollars
AEON Retail Co., Ltd. (subsidiary of the parent company)		2016		2015	2016
Loans and bills discounted	¥	41,000	¥	41,000	\$ 363,830
Other assets		35		36	309
Lending of loans		13,779		40,836	122,271
Interest income		446		408	3,957

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

	Transact	ion amount		Balanc	e at end		
	Millions of	Thousands of U.S. Dollars		ons of		usands of	
	Yen	I	en	U.S. Dollars			
Directors, executive officers and their close relatives of the Company and its subsidiaries	2016	2016	20	016	2	2016	
Housing loans (Loans and bills discounted)			¥	167	\$	1,478	

	Transaction amount	Balan	ce at end
	Millions of		ions of
	Yen		Yen
Directors and executive officers of the Company, its subsidiaries and AEON Co., Ltd. <sup>(*)</sup>	2015	2	015
Housing loans			
(Loans and bills discounted in		¥	122
banking business)			
(*) A EON Co. I td. in listed on the Televic Ct.			

(\*) 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.

#### 25. 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, "Banking" business dealing in banking services in the domestic markets, "Overseas" business dealing in credit extensions and lending in foreign markets and "Fee Business and Other" providing services including e-money in the domestic market. The Group formulates comprehensive strategies for each business. Accordingly, the Group has four reportable segments, "Credit," "Banking," "Overseas," and "Fee Business and Other."

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

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

For the fiscal year ended March 31, 2016, ACS Leasing Co., Ltd. has been established and included in the "Fee Business" segment. Accordingly, the term of "Fee Business" previously used in the reportable segment has been replaced with "Fee Business and Other." The segment information for the previous fiscal year is presented under the new term.

#### (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 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

								Million		Yen				
						n			16					
						Reportable	_				-			
		Credit		Banking		Overseas		ee Business and Other		Subtotal	Re	econciliations (*2)		Total
Ordinary income(*1) Ordinary income from customers	¥	159,129	¥	42,797	¥	123,087	¥	34,638	¥	359,651			¥	359,651
Intersegment income or transfers		2,219		4,023				14,998		21,240	¥	(21,240)		
Total ordinary income		161,348		46,820		123,087		49,636		380,891		(21,240)		359,651
Segment profit	¥	36,946	¥	1,163	¥	24,034	¥	4,068	¥	66,211	¥	(6,830)	¥	59,381
Segment assets	¥	1,425,959	¥	1,778,958	¥	529,443	¥	170,882	¥	3,905,242	¥	(159,696)	¥	3,745,546
Other items														
Depreciation and amortization	¥	3,557	¥	1,669	¥	4,744	¥	5,476	¥	15,446	¥	439	¥	15,885
Amortization of goodwill		178		904		28		731		1,841				1,841
Interest income		58,527		16,095		63,518		1,713		139,853		(1,043)		138,810
Interest expenses		4,400		1,176		15,025		371		20,972		334		21,306
Provision for possible credit losses Increases in		12,481		238		28,507		1,462		42,688				42,688
tangible and intangible assets		14,355		3,114		4,570		5,560		27,599		2,028		29,627
								Million	s of	Yen				
									)15					
						Reportable					-			
		Credit		Banking		Overseas		ee Business and Other		Subtotal	Re	econciliations (*2)		Total
Ordinary income(*1)		Credit		Dunking		Overseus	•	and Other		Subtotal				Total
Ordinary income from customers Intersegment	¥	146,030	¥	38,923	¥	112,553	¥	31,540	¥	329,046			¥	329,046
income or transfers		384		2,741				13,868		16,993	¥	(16,993)		
Total ordinary income		146,414		41,664		112,553		45,408		346,039		(16,993)		329,046
Segment profit/(loss) (*3)	¥	32,177	¥	(38)		22,144	¥	1,866	¥	56,149	¥	(3,068)		53,081
Segment assets	¥	1,432,212	¥	1,651,661	¥	549,466	¥	149,679	¥	3,783,018	¥	(193,522)	¥	3,589,496
Other items														
Depreciation and amortization	¥	3,509	¥	1,386	¥	4,360	¥	5,141	¥	14,396	¥	137	¥	14,533
Amortization of goodwill		178		904		44		713		1,839				1,839
Interest income		51,604		14,178		58,407		1,606		125,795		(302)		125,493
Interest expenses Provision		3,573		2,532		13,754		337		20,196		481		20,677
/(reversal) for possible credit losses Increases in		8,849		(6)		26,310		1,217		36,370				36,370
tangible and intangible assets		18,237		1,788		6,456		7,338		33,819		1,317		35,136

Thousands of U.S. Dollars

					20	16				
	•		Reportable	Seg	ment		•			
•				_	ee Business			R	Reconciliations	
	Credit	Banking	Overseas		and Other		Subtotal		(*2)	Total
Ordinary income(*1)										
Ordinary income from customers	\$ 1,412,096	\$ 379,778	\$ 1,092,261	\$	307,376	\$	3,191,511			\$ 3,191,511
Intersegment income or transfers	19,686	35,699	3		133,091		188,479	\$	(188,479)	
Total ordinary income	1,431,782	415,477	1,092,264		440,467		3,379,990		(188,479)	3,191,511
Segment profit(*3)	\$ 327,851	\$ 10,317	\$ 213,277	\$	36,102	\$	587,547	\$	(60,606)	\$ 526,941
Segment assets	\$ 12,653,824	\$ 15,786,300	\$ 4,698,229	\$	1,516,388	\$	34,654,741	\$	(1,417,129)	\$ 33,237,612
Other items										
Depreciation and amortization	\$ 31,564	\$ 14,812	\$ 42,103	\$	48,590	\$	137,069	\$	3,891	\$ 140,960
Amortization of goodwill	1,581	8,019	250		6,485		16,335			16,335
Interest income	519,367	142,822	563,653		15,200		1,241,042		(9,255)	1,231,787
Interest expenses	39,045	10,434	133,334		3,292		186,105		2,960	189,065
Provision for possible credit losses	110,753	2,114	252,967		12,977		378,811			378,811
Increases in tangible and intangible assets	127,389	27,635	40,553		49,335		244,912		17,999	262,911

- (\*1) For segment revenue, the Group uses ordinary income instead of sales, which are used by normal commercial companies. Ordinary
- (\*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) \(\frac{4}{6}\),830\) million (\(\frac{5}{6}\),666\) thousand) of reconciliations to segment profit/(loss) for the year ended March 31, 2016 and \(\frac{4}{3}\),068\) million of reconciliations to segment profit for the year ended March 31, 2015 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, \(\frac{4}{1}\),159,696\) million (\(\frac{5}{1}\),417,129\) thousand) of reconciliations to segment assets for the year ended March 31, 2015 represent the corporate expense. 2016 and ¥(193,522) million of reconciliations to segment assets for the year ended March 31, 2015 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 less certain extraordinary items in the accompanying consolidated statements of income.

#### (d) Information about geographic areas

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

3 6 1	1.	CTT
VI1	lions	of Yen

			201	.6			
·	Japan	Tł	nailand	(	Other		Total
¥	236,564	¥	64,090	¥	58,997	¥	359,651

#### Millions of Yen

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

#### Thousands of U.S. Dollars

2016									
Japan	T	hailand	(	Other		Total			
\$ 2,099,250	\$	568,729	\$	523,532	\$	3,191,511			

- (\*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 location of the customers.

#### (ii) Property and equipment

#### Millions of Yen

	2016										
	Japan	Th	ailand	О	ther	-	Гotal				
¥	26,995	¥	7,783	¥	1,752	¥	36,530				

#### Millions of Yen

	2015										
J	lapan	Th	ailand	C	Other		Total				
¥	23,653	¥	10,230	¥	1,891	¥	35,774				

### Thousands of U.S. Dollars

2016										
Japan	Tł	nailand	C	Other		Total				
\$ 239,548	\$	\$ 69,069		15,552	\$	324,169				

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

2 5:11:	
Millions of Ye	n

2016

							Fee	Business		
	$\mathbf{C}_{1}$	redit	Ва	anking	Over	rseas	and	d Other		Total
Goodwill at March 31, 2016(*1)	¥	1,292	¥	14,232	¥	28	¥	10,045	¥	25,597

#### Millions of Yen 2015

							Fee	Business		
	C	redit	В	anking	Ov	erseas	and	d Other		Total
Goodwill at March 31, 2015(*1)	¥	1,470	¥	15,135	¥	56	¥	10,403	¥	27,064

#### Thousands of U.S. Dollars

			2016								
		Fee Business									
	Credit	it Banking Overseas and Other									
Goodwill at March 31, 2016(*1)	\$ 11,464	\$ 126,292	\$ 249	\$ 89,143	\$ 227,148						

<sup>(\*1)</sup> 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."

#### 26. SUBSEQUENT EVENTS

#### (a) Appropriations of retained earnings

The following appropriation of retained earnings as at March 31, 2016, was approved at the Company's Board of Directors' meeting held on May 13, 2016:

	Millions of Yen		Thousands of U.S. Dollars	
Year-end cash dividends, ¥38.00 (\$0.34) per share	¥	7,551	\$	67,010

#### (b) Issuance of new shares

The Board of Directors of the Company resolved at the meeting held on August 30, 2016 to issue and offer new shares. The Company issued new shares as follows and all payments were completed on September 29, 2016.

#### (i) Issuance of new shares through public offering

(1) Class and number of shares to be offered	7,840,000 shares of common stock
(2) Issue price	¥1,838 (\$16.31) per share
(3) Total amount of issue price	¥14,410 million (\$127,872 thousand)
(4) Amount paid in	¥1,762.20 (\$15.64) per share
(5) Total amount paid in	¥13,816 million (\$122,598 thousand)
(6) Common stock and capital surplus	Increase in common stock: ¥6,908 million (\$61,299 thousand)
increased	Increase in capital surplus: ¥6,908 million (\$61,299 thousand)
(7) Subscription period	From September 8, 2016 to September 9, 2016
(8) Payment date	September 14, 2016

#### (ii) Issuance of new shares through third-party allotment being allotted to AEON Co., Ltd.

(1) Class and number of shares to be offered	7,954,000 shares of common stock
(2) Amount paid in	¥1,838 (\$16.31) per share
(3) Total amount paid in	¥14,620 million (\$129,732 thousand)
(4) Common stock and capital surplus	Increase in common stock: ¥7,310 million (\$64,866 thousand)
increased	Increase in capital surplus: ¥7,310 million (\$64,866 thousand)
(5) Subscription period	From September 8, 2016 to September 9, 2016
(6) Payment date	September 14, 2016

#### (iii) Issuance of new shares through over-allotment being allotted to Nomura Securities Co., Ltd.

· ,	· ·
(1) Class and number of shares to be	1,151,000 shares of common stock
offered	
(2) Amount paid in	¥1,762.20 (\$15.64) per share
(3) Total amount paid in	¥2,028 million (\$17,998 thousand)
(4) Common stock and capital surplus	Increase in common stock: ¥1,014 million (\$8,999 thousand)
increased	Increase in capital surplus: ¥1,014 million (\$8,999 thousand)
(5) Subscription date	September 28, 2016
(6) Payment date	September 29, 2016

#### (iv) Use of proceeds

¥13,000 million (\$115,361 thousand) of the total proceeds (¥30,464 million; \$270,328 thousand) will be applied to part of the redemption of outstanding commercial paper and the remaining amount will be applied to loans to AEON Product Finance Co., Ltd., the Company's subsidiary, by the end of March 2017.

AEON Product Finance Co., Ltd will use the borrowing for repayment of its outstanding borrowing debts.

(c) Issuance of Callable Convertible Bonds
The Board of Directors of the Company resolved at the meeting held on August 30, 2016 to issue Series One Zero Coupon Callable Convertible Bonds due 2019 (the "Series One CC Bonds"). All payments were completed on September 14, 2016.

eptember 14, 2016.	
(i) Securities offered	¥30,000 million Zero Coupon Callable Convertible Bonds due 2019
(ii) Issue prices	100.0 percent of the principal amount of the Bonds
(iii) Offer prices	102.5 percent of the principal amount of the Bonds
(iv) Coupons	Zero
(v) Security or guarantee	None
(vi) Closing and issue date	September 14, 2016
(vii) Redemption at maturity	Unless the Bonds of the relevant Series have previously been redeemed, acquired or purchased and cancelled, and unless the stock acquisition rights incorporated therein have previously been exercised, the Company will redeem the Bonds at 100 percent of their principal amount on September 13, 2019.
(viii) Information about the stock	
acquisition rights	
(1) Total number of the stock acquisition rights	The total number of the stock acquisition rights is determined by dividing the aggregate principal amount of the Bonds by the denomination of the Bonds (¥1 million).
(2) Class and number of shares to be issued or transferred upon exercise of the stock acquisition rights	Upon exercise of the stock acquisition rights, shares of the Company's common stock (100 shares constitute one unit of shares) shall be issued or transferred. The number of shares of the Company to be issued or transferred upon exercise of the stock acquisition rights shall be determined by dividing the aggregate principal amount of the Bonds by the conversion price described at (6) below. Fractions of a share will not be issued upon exercise of any stock acquisition right and no adjustment or cash payment will be made in respect thereof.
(3) Exercise periods of the stock acquisition rights	From November 1, 2016 to September 11, 2019
(4) Amount to be paid upon exercise of the stock acquisition rights	Upon exercise of each stock acquisition right, the relevant bond shall be deemed to be acquired by the Company as a capital contribution in kind by such bondholder at the price equal to the principal amount of the bond. The bond acquired upon exercise of the stock acquisition right shall forthwith be retired.
(5) Initial conversion prices	¥2,558 (\$22.70)
(6) Amount of common stock and capital surplus	One-half of the "maximum capital and other increase amount", as calculated pursuant to Article 17 of the Rules of Account Settlement of Corporations (Ordinance of Ministry of Justice No. 13 of 2006, as amended) in respect of the exercise of the stock acquisition rights (with any fraction of less than one yen being rounded up) shall be accounted for as common stock, and the rest of such amount shall be accounted for as capital surplus.
(7) Transfer of the stock acquisition rights following a corporate event	The terms and conditions of the Bonds provide certain provisions.
(8) Reason for no requirement of cash amounts to be paid in respect of the stock acquisition rights	The stock acquisition rights are incorporated in the Bonds and may not be transferred or dealt with separately from each other. The Bonds would forthwith be retired if the stock acquisition rights were exercised, and the stock acquisition rights would cease to be exercisable if the Bonds were redeemed. In light of such close relationship between the Bonds and the stock acquisition rights as well as the value of the stock acquisition rights and the economic benefits the Company can obtain based on the terms and conditions of the Bonds, such as the interest rates and amounts to be paid upon issuance of the Bonds, no cash amounts will be payable in respect of the stock acquisition rights.

(ix) Use of proceeds	All proceeds from the offering of the Bonds will be applied to part of the redemption of the Company's commercial paper.
(x) Listing	The Tokyo Stock Exchange
(xi) 120% Call option clause	The call option will be exercisable after March 14, 2018, when the closing price of the Company's share at Tokyo Stock Exchange equals or exceeds 120% of the conversion price for twenty consecutive business days. Entire Series One CC Bonds will be redeemed at 100% of the principal amount of the Bonds. After the conditions stated above are met, the Company will release an announcement within fifteen days and specify the exercise date which will be scheduled between thirty days to sixty days after the release of the announcement. The entire Series One CC Bonds will be called on the exercise date.



#### INDEPENDENT AUDITOR'S REPORT

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

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

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, 2016, 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.

#### **Emphasis of Matter**

As discussed in Note 26(b) and (c) to the consolidated financial statements, the Board of Directors of the Company resolved at the meeting held on August 30, 2016 to issue and offer new shares and issue Series One Zero Coupon Callable Convertible Bonds due 2019. All payments were completed on September 29, 2016. Our opinion is not modified in respect of this matter.

#### 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, 2016, 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.

Delotte Touche Tok motson LLC

(September 30, 2016 as to Note 26(b) and (c))

**Deloitte Touche Tohmatsu Limited** 

### **Principal Members of AEON Group**

#### <Listed Companies>

## U.S.M.H

### United Super Markets

Holdings Inc.
Listed on (1). A joint holding company comprised of The Maruetsu, Inc., KASUMI CO. LTD., MAXVALU KANTO CO. LTD., operating supermarkets in the Metropolitan area



Inageya Co.,Ltd. Listed on (1). Operates supermarkets in the Kanto Region mainly in Western Tokyo



Belc CO.,LTD. community-based supermarke mainly in Saitama and Gunma







Maxvalu Nishinihon Co., Ltd. Listed on (2). Operates supermarkets in Western Japan

Maxvalu Tohoku Co., Ltd. Listed on (2). Operates supermarkets in the Tohoku Region

Maxvalu Tokai Co., Ltd. Listed on (2). Operates supermarkets in the Chubu and Western Kanto Region Maxvalu Chubu Co., Ltd. Listed on (4). Operates supermarkets in the Chubu Region

Maxvalu Hokkaido Co., Ltd. Listed on (3). Operates supermarkets in Hokkaido

Maxvalu Kyushu Co., Ltd. Listed on (3). Operates supermarkets in the Kyushu Region

AEON CO., LTD. Listed on (1). A holding company operating various businesses with retailing as its core



AEON KYUSHU CO., LTD. Listed on (3). Operates mainly general merchandise stores in the Kyushu Region



SUNDAY CO., LTD. Listed on (3). Operates home centers in the Tohoku Region mainly in Aomori Prefecture



MINISTOP CO., LTD. Listed on (1). Operates convenience stores, MINISTOP in Japan and overseas



GFOOT CO., LTD. es specialty Listed on (1). Operates stores offering footwear



COX CO., LTD. Listed on (3). Operates specialty stores offering casual daily

T A K A X Q

Taka:Q Co., Ltd. Listed on (1). Operates specialty stores offering mainly men's apparel



WELCIA HOLDINGS
CO., LTD.
Listed on (1). A holding
company comprised of business
companies operating dispensary
type drugstores such as
WELCIA YAKKYOKU Co., Ltd.
and others



TSURUHA HOLDINGS Inc. Listed on (1). A holding company operating drugstores in Japan, mainly in Hokkaido, and overseas



Medical Ikkou Co., Ltd. Listed on (3). Operates dispensing pharmacies in the Chubu and the Kinki Region mainly in Mie Prefecture



クスリの**アオキ** KUSURI NO AOKI CO., LTD. Listed on (1). Operates drugstores in the Hokuriku and the Joetsu Region based in Ishikawa Prefecture

## **AEON Financial Service**

Co., Ltd.
Listed on (1). A bank holding company offering financial services including credit businesses and others in Japan and overseas

## AEON CREDIT SERVICE

AEON CREDIT SERVICE (ASIA) CO., LTD. Listed on the Hong Kong Stock Exchange. An overseas subsidiary of AEON Financial Service Co., Ltd.

## AFON THANA SINSAP

AEON THANA SINSAP (THAILAND) PLC. Listed on the Thai Stock Exchange. An overseas subsidiary of AEON Financial Service Co., Ltd.

## AEON CREDIT SERVICE

AEON CREDIT SERVIC (M)BERHAD Listed on the Malaysia Stock Exchange. An overseas subsidiary of AEON Financial Service Co., Ltd.



AEON Ma∎ Co., Ltd. Listed on (1). A commercial developer that develops and operates multifunctiona shopping facilities



ÆON delight

AEON DELIGHT CO., LTD. Listed on (1). Offers comprehensive facility management services, including security and cleaning services in Japan and overseas



AEON Fantasy Co., Ltd. Listed on (1). Operates indoor amusement parks and playgrounds for children and





AEON CO. (M) BHD.

Listed on the main board of kuala Lumpur Stock Exchange. Operates mainly general merchandise stores in Malaysia

### AEON Stores (Hong Kong)

Co., Limited Listed on the Hong Kong Stock Exchange.
Operates mainly general merchandise stores in Hong Kong



YAMAYA CORPORATION Listed on (1). Operates spe stores offering liquors and related products

(1) The 1st section of Tokyo Stock Exchange

(2) The 2nd section of Tokyo Stock Exchange (3) The JASDAQ (4) The 2nd section of Nagoya Stock Exchange

#### Pure holding company

AEON CO., LTD.

#### General Merchandise Store Business Small-sized Store Business

AEON Retail Co., Ltd. **AEON Hokkaido Corporation** SUNDAY CO., LTD. AEON KYUSHU CO., LTD.

AEON SUPERCENTER Co., Ltd. AEONBIKE CO.,LTD. AEON Bakery Co., Ltd. AEON LIQUOR CO.,LTD.

AFON BYLIKYLL CO. LTD. TOPVALU COLLECTION CO., LTD. Bon Belta Co., Ltd.

#### Supermarket & Discount Store Business

United Super Markets Holdings Inc. Maxvalu Nishinihon Co., Ltd. Maxvalu Tohoku Co., Ltd. Maxvalu Tokai Co., Ltd. Maxvalu Chubu Co., Ltd. Maxvalu Hokkaido Co., Ltd.

Maxvalu Kyushu Co., Ltd. ○ Inageya Co.,Ltd. ○ Belc CO.,LTD. A •Colle CO., LTD. AEON BIG CO., LTD. AEON MARKET CO., LTD. KASUMI CO.,LTD. KOHYO CO., LTD. SANYO MARUNAKA CO.,LTD. The Daiei, Inc. BIG-A CO..LTD. BIG-A KANSAI JAPAN CO.,LTD. MAXVALU KANTO CO., LTD. MAXVALU NAGANO CO., LTD. MAXVALU HOKURIKU CO., LTD.

The Maruetsu,Inc.

MAXVALU MINAMI TOHOKU CO., LTD.

marunaka CO.,LTD. Red Cabbage Co., Ltd.

MINISTOP CO., LTD. ORIGIN TOSHU CO., LTD. My Basket CO.,LTD

#### **Drugstore & Pharmacy Business**

WELCIA HOLDINGS CO., LTD.

Medical Ikkou Co., Ltd. TSURUHA HOLDINGS Inc.

● KUSURI NO AOKI CO., LTD. WELCIA YAKKYOKU Co., Ltd.

SHIMIZU YAKUHIN CO.,LTD. CFS Corporation

Welpark Co., Ltd. ZAG ZAG Co., Ltd.

\*Above companies constitute Hapycom, an alliance operating drugstores and despendsing pharmacies

#### **Financial Services Business**

AEON Financial Service Co., Ltd. AEON CREDIT SERVICE(ASIA)CO., LTD. AEON THANA SINSAP (THAILAND) PLC. AEON CREDIT SERVICE(M)BERHAD

AEON REIT Investment Corporation AFON BANK, LTD

AEON CREDIT SERVICE CO., LTD. AEON HOUSING LOAN SERVICE CO.,LTD. AFON Product Finance Co. Ltd. AEON INSURANCE SERVICE CO., LTD. AEON Reit Management Co.,Ltd. FeliCa Pocket Marketing Inc.

#### **Shopping Center Development Business**

AEON Mall Co., Ltd. AEON TOWN Co.,Ltd.

#### Services & Specialty Store Business

[Service Business] AEON DELIGHT CO., LTD. AEON Fantasy Co., Ltd. ZWEI CO., LTD.

AEON Eaheart Co., LTD. AEON ENTERTAINMENT CO.,LTD. AEON CULTURE CO.,LTD. AEON COMPASS CO., LTD. AEON LIFE CO.,LTD.

KAJITAKU Co., Ltd. Reform Studio Co., Ltd. [Specialty Store Business] GFOOT CO., LTD.

COX CO., LTD.

O Taka:Q Co., Ltd.
Abilities JUSCO Co., Ltd. AEON FOREST CO., LTD. AEON PET CO..LTD AEON BODY Co., Ltd.

Claire's Nippon Co., Ltd. Cosmeme CO., LTD. Talbots Japan Co., Ltd. Branshes Co. Ltd MIRAIYA SHOTEN CO., LTD.

Mega Sports Co., Ltd. MEGA PETRO Co., Ltd. LAURA ASHLEY JAPAN CO., LTD. AT Japan Co., Ltd. R.O.U CO., LTD.

#### **Digital Business**

AEON Link Co., Ltd. The company name was changed to AEON.com Co., Ltd. on April 1, 2016.

#### International Business

[China]

AEON (CHINA) CO., LTD. AEON Stores (Hong Kong) Co., Limited AEON EAST CHINA (SUZHOU) CO., LTD.

AEON South China Co., Limited AEON (HUBEI) CO., LTD. BELING AFON CO. LTD. GUANGDONG AEON TEEM CO., LTD. QINGDAO AEON DONGTAI CO., LTD.

[ASEAN] AEON ASIA SDN. BHD. AEON CO. (M) BHD. AEON BIG (M) SDN. BHD. AEON INDEX LIVING SDN. BHD. AEON VIETNAM Co., LTD

AEON (CAMBODIA) Co., Ltd. AEON(Thailand) CO., LTD. DONG HUNG INVESTMENT DEVELOPMENT CONSULTANCY JOINT STOCK COMPANY LIMITED

PT.AEON INDONESIA O FIRST VIETNAM INVESTMENT JOINT STOCK COMPANY

#### **Shared function companies**

O YAMAYA CORPORATION

AEON Integrated Business Service Co., Ltd. AFON AGRI CREATE Co., Ltd. AEON GLOBAL SCM CO., LTD. AEON TOPVALU CO., LTD. AFON FOOD SUPPLY Co., Ltd. AEON MARKETING CO., LTD. Cordon Vert CO., LTD. Research Institute For Quality Living Co., Ltd. Tasmania Feedlot Pty. Ltd. O AEON Demonstration Service Inc

■ AEON 1% Club Foundation

■ AEON Environmental Foundation

The Cultural Foundation of Okada

Listed Companies are shown in bold print,

○ Equity-method Affiliate

Affiliated Companies

[As of February 29, 2016]



# **ÆON Financial Service**







