Financial Section

11-Year Summary

Former AEON Credit Service Co., Ltd. (current AEON Financial Service Co., Ltd.)	2007	2008	2009	2010	2011	2012[1]
Consolidated cardholders (millions)						
Total	22.86	24.94	26.53	28.07	29.76	31.85
Domestic	16.73	17.90	19.05	20.00	21.01	22.24
For the year (millions of yen)						
Operating revenues	181,076	176,007	172,430	169,191	169,853	205,972
Operating expenses	148,212	149,396	151,869	148,473	145,572	172,892
Operating income	32,863	26,611	20,560	20,717	24,280	33,080
Ordinary income	33,014	26,805	20,424	20,823	24,268	33,367
Profit attributable to owners of parent	17,653	14,788	197	9,540	8,988	13,616
Per share information (yen)						
Book value per share	1,040.97	1,036.35	994.42	1,015.17	1,012.52	1,235.28
Earnings per share	112.52	94.29	1.26	60.83	57.30	88.12
Diluted earnings per share	—	94.28	1.26	—	57.30	78.25
At year-end (millions of yen)						
Operating loans	503,720	483,527	423,324	293,427	255,704	421,196
Operating loans including securitized receivables	532,097	501,605	476,651	434,735	488,549	518,908
Accounts receivable–installment	287,335	245,378	300,782	384,261	427,634	507,315
Accounts receivable–installment including securitized receivables	372,246	395,776	443,290	504,001	552,749	740,027
Total assets	862,061	854,193	866,364	901,578	907,658	2,534,208
Net assets	183,336	181,901	176,717	180,199	181,852	258,872
Key indicators (%)						
Operating income ratio	18.1	15.1	11.9	12.2	14.3	16.1
Equity ratio (domestic standard)	18.9	19.0	18.0	17.7	17.5	9.1
Return on assets	3.9	3.1	2.4	2.4	2.7	1.9
Return on equity	11.1	9.1	0.1	6.1	5.7	7.0
Dividends						
Dividend per share (yen)	40	40	40	40	45	50
Payout ratio (%)	35.5	42.4	3,174.6	65.8	78.5	56.9

Notes: 1. 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.
2. The consolidated amounts for the fiscal year ended March 31, 2013 include the results of AEON Bank, Ltd. and its one subsidiary, as AEON Bank, Ltd. became a wholly-owned subsidiary of the Company through a share exchange as of January 1, 2013.
3. 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 from the fiscal year ended March 31, 2014 onward in accordance with the Ordinance for 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.

AEON Financial Service Co., Ltd. [2]	2013 [3]	2014	2015	2016	2017 (FY)
Consolidated cardholders (millions)					
Total	33.90	35.67	37.22	38.94	40.64
Domestic	23.45	24.64	25.88	26.92	27.75
For the year (millions of yen)					
Ordinary income	286,070	329,046	359,651	375,166	407,970
Ordinary expenses	244,978	275,965	300,270	313,559	342,223
Ordinary profit	41,092	53,080	59,380	61,606	65,746
Profit attributable to owners of parent	20,743	30,491	35,785	39,454	38,677
Per share information (yen)					
Book value per share	1,316.00	1,377.56	1,465.31	1,604.79	1,714.92
Earnings per share	104.62	152.55	180.09	189.75	179.29
Diluted earnings per share	99.49	152.04	180.00	183.96	170.02
At year-end (millions of yen)					
Loans and bills discounted	1,276,741	1,474,236	1,673,997	1,864,904	2,271,666
Loans and bills discounted including securitized receivables	1,531,376	1,873,598	2,364,444	2,757,434	3,326,572
Accounts receivable–installment	957,403	1,038,221	1,022,387	1,182,193	1,294,632
Accounts receivable–installment including securitized receivables	1,085,969	1,185,191	1,314,385	1,523,981	1,779,143
Total assets	3,163,117	3,589,495	3,745,546	4,187,263	4,852,844
Net assets	307,291	324,948	340,886	401,170	437,782
Key indicators (%)					
Ordinary profit ratio	14.4	16.1	16.5	16.4	16.1
Equity ratio (domestic standard)	8.9	8.1	7.4	8.5	8.3
Return on assets	1.4	1.6	1.6	1.6	1.5
Return on equity	8.2	11.2	12.7	12.4	10.8
Dividends					
Dividend per share (yen)	60	60	66	68	68
Payout ratio (%)	57.4	39.3	36.6	35.8	37.9

Management's Discussion and Analysis of Operating Results and Financial Position

Summary of Fiscal 2017 Results

Japan's economy continued a steady recovery. The employment and income environment improved moderately because corporate earnings increased, and personal consumption remained firm.

Regarding the financial and economic environment, the yield on long-term government bonds remained low and stable due to the negative interest rate policy of the Bank of Japan and the continuation of quantitative and qualitative monetary easing. The Nikkei index continued to rise due to expectations of economic recovery both in Japan and overseas, and reached its highest point since the collapse of the bubble economy, registering a record 16 consecutive days of gains in October 2017. Expectations of improved corporate performance provided buying support, and the Nikkei index recovered to the ¥24,000 level in January 2018. However, the market experienced a correction and the yen strengthened from the latter part of January 2018 due to the sharp drop in the U.S. stock market caused by the sudden rise in long-term interest rates in the United States and concerns about trade friction, mainly between the United States and China.

In Asia, the overall economy continued to recover moderately, supported by strong infrastructure demand and expansion of personal consumption underpinned by low inflation. Growth remained stable in China, backed by solid exports and personal consumption. In Thailand, absent the economic downturn caused in part by the death of the king of Thailand in the previous year, improved consumer sentiment helped stabilize private consumption. Furthermore, consumer spending remained steady in Malaysia due to improvement in the employment environment.

The Company's medium-to-long-term management strategy is to enrich the daily lives of customers through financial services. We are enhancing seamless settlement functions and our lineup of financial products and services that meet the needs of customers. We are also strengthening sales and marketing by developing a broad sales network with a focus on Japan and the rest of Asia.

During fiscal 2017, we increased investment in IT systems and digitalization at domestic and overseas companies. We also consolidated overlapping functions within the Group to improve convenience, productivity and return on assets, and to start growing again overseas.

The increased investments in IT systems and digitalization included field-testing the approval and issue of credit cards using robotics and becoming the first Japanese bank to use a biometric authentication system to verify identity from just fingerprint information alone. Furthermore, we held a "hackathon" business contest and have been collaborating with external partners to improve customer convenience.

We also worked to increase return on assets by improving productivity through the consolidation of overlapping functions within the Group and introduction of robotic process automation (RPA).

Overseas, our three listed subsidiaries in Hong Kong, Thailand and Malaysia increased transaction volume and reduced bad debt expenses.

As a result, consolidated ordinary income increased 8.7% year on year to ¥407.9 billion and ordinary profit increased 6.7% to ¥65.7 billion. Profit attributable to owners of parent decreased 2.0% to ¥38.6 billion due to a larger share of profits held by non-controlling interests, which was the result of relatively strong performance in the three overseas listed subsidiaries.

Consolidated Operating Results

(Millions of yen)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Ordinary income	286,070	329,046	359,651	375,166	407,970
Ordinary profit	41,092	53,080	59,380	61,606	65,746
Profit attributable to owners of parent	20,743	30,491	35,785	39,454	38,677

Segment Results (Fiscal 2017)

(Millions of yen)

	Domestic Business Total*			Global Business Total*				Total
		Retail	Solutions		China Area	Mekong Area	Malay Area	
Ordinary income	279,174	177,302	171,006	123,795	19,462	63,953	40,379	407,970
Ordinary expenses	245,664	168,079	143,457	95,462	13,447	51,446	30,568	342,223
Ordinary profit	33,509	9,223	27,549	28,332	6,015	12,506	9,810	65,746

* Domestic Business and Global Business totals are after elimination of intersegment transactions.

Consolidated Transaction Volume

(Millions of yen)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Credit card purchase contracts	3,736,837	4,015,129	4,315,454	4,711,676	5,191,707
Hire purchase contracts	177,977	250,248	296,112	315,497	334,790
Cash advances	435,079	448,306	469,741	475,851	508,336

● Credit Card Purchase Contracts Transaction Volume (Domestic/Global)

(Millions of yen)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Domestic	3,581,836	3,821,041	4,104,792	4,515,763	4,955,492
Global	155,001	194,088	210,662	195,913	236,215

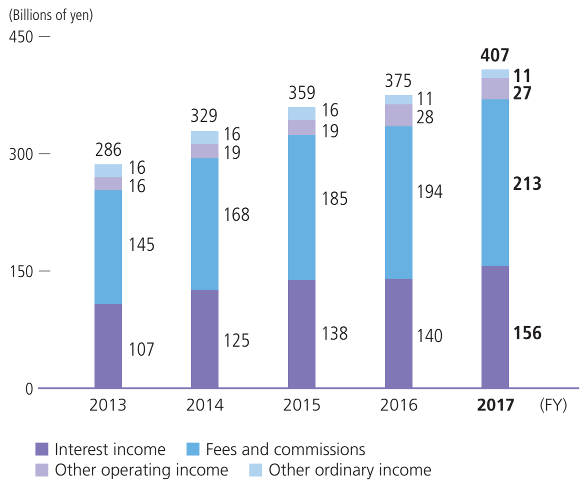
- Credit card purchase contracts transaction volume increased steadily, supported by point sales promotions in Japan and the success of co-branded cards overseas issued in conjunction with influential local companies or featuring of popular Japanese animation characters.
  In addition, cash advance transaction volume increased year on year due to the increase in the number of users in Japan.
- Hire purchase contracts increased year on year due to emphasis placed on auto loans in Japan.

● Ordinary Income

(Millions of yen)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Ordinary income	286,070	329,046	359,651	375,166	407,970
Interest income	107,452	125,493	138,810	140,240	156,161
Fees and commissions	145,782	168,283	185,072	194,641	213,390
Other operating income	16,796	19,053	19,759	28,621	27,125
Other ordinary income	16,038	16,215	16,010	11,663	11,292

- Ordinary income increased 8.7% year on year because businesses including credit cards and installment finance expanded in Japan and overseas.
- Interest income increased 11.4% year on year due mainly to growth in cash advances in Japan and the extension of credit limits for prime borrowers in response to a tightening of credit regulations in Thailand.
- Fees and commissions increased 9.6% year on year due to steady expansion of credit card purchase contracts and hire purchase contracts in Japan and overseas.
- Other operating income decreased 5.2% because securitized receivables decreased 5.5% year on year to ¥15.9 billion.

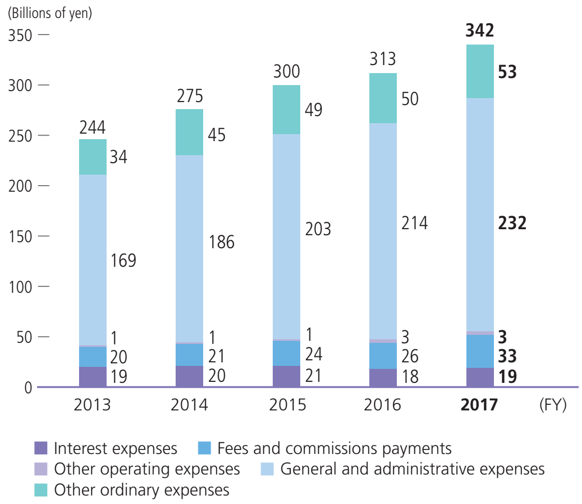


● Ordinary Expenses

(Millions of yen)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Ordinary expenses	244,978	275,965	300,270	313,559	342,223
Interest expenses	19,524	20,677	21,305	18,996	19,479
Fees and commissions payments	20,259	21,838	24,667	26,372	33,307
Other operating expenses	1,028	1,109	1,437	3,452	3,585
General and administrative expenses	169,568	186,474	203,553	214,431	232,291
Other ordinary expenses	34,596	45,865	49,306	50,306	53,559

- Ordinary expenses increased 9.1% year on year due to an increase in outlays for investment such as investment in IT systems and digitalization, structural reforms to increase productivity, and enhanced point sales promotions to increase transaction volume in Japan.
- Interest expenses increased 2.5% year on year. Funding interest decreased in Japan because AEON Bank sourced funding from ordinary deposits and through the securitization of finance receivables. However, interest-bearing debt increased because of growth in finance receivables overseas.
- Fees and commissions payments increased 26.3% year on year, due to higher fee payments led by business expansion in Japan and overseas. Outsourcing, consulting and other expenses associated with proactive investments also increased in Japan.
- Other operating expenses increased 3.9% year on year because foreign exchange losses increased due to the impact of the weaker yen.
- General and administrative expenses increased 8.3% year on year. This was due to an increase in advertising and promotion expenses resulting from intensified sales promotions in Japan and overseas, and an increase in depreciation expenses associated primarily with systems investment in Japan.
- Other ordinary expenses increased 6.5% year on year. Allowance for loss on refund of interest received decreased 28.8% year on year in Japan, but bad debt expenses increased because of business expansion in Japan and overseas.

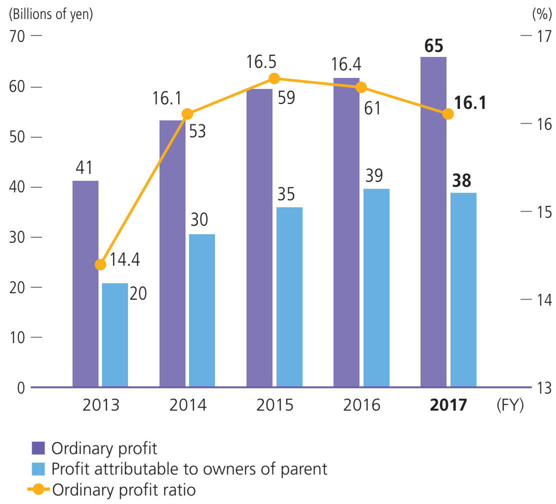


● Ordinary Profit and Profit Attributable to Owners of Parent

(Millions of yen)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Ordinary profit	41,092	53,080	59,380	61,606	65,746
Ordinary profit ratio	14.4%	16.1%	16.5%	16.4%	16.1%
Income before income taxes	39,797	52,752	59,250	59,665	66,571
Total income taxes	11,912	14,065	14,787	12,065	17,697
Profit	27,885	38,687	44,463	47,599	48,873
Profit attributable to non-controlling interests	7,142	8,195	8,678	8,145	10,196
Profit attributable to owners of parent	20,743	30,491	35,785	39,454	38,677

- Ordinary profit increased 6.7% year on year because solid performance overseas more than compensated for the increase in proactive investments in Japan. However, as a result of up-front expenditures, the ordinary profit ratio decreased 0.3 percentage points year on year to 16.1%.
- Profit attributable to owners of parent decreased 2.0% year on year. Total income taxes increased year on year absent the reduction of taxes following the introduction of tax effect accounting at consolidated subsidiaries AEON Bank, Inc. and AEON Product Finance Co., Ltd. in the previous fiscal year. In addition, a relatively strong performance in the Global Business segments resulted in a larger share of profits held by non-controlling interests.

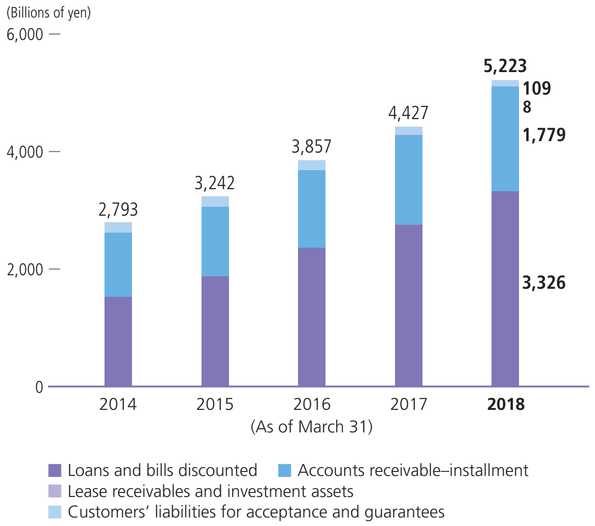


● Finance Receivables

(Millions of yen)

	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Finance receivables	2,793,768	3,242,422	3,857,677	4,427,249	5,223,683
Loans and bills discounted	1,531,376	1,873,598	2,364,444	2,757,434	3,326,572
Accounts receivable–installment	1,085,969	1,185,191	1,314,385	1,523,981	1,779,143
Lease receivables and investment assets	—	—	5,405	7,103	8,506
Customers' liabilities for acceptance and guarantees	176,421	183,632	173,441	138,729	109,461

- Loans and bills discounted increased ¥569.1 billion from a year earlier. Cash advances and other unsecured loans increased in Japan, as did housing loans. Overseas, unsecured loans increased, primarily in Thailand.
- Accounts receivable–installment increased ¥255.1 billion from a year earlier. Credit card purchase contracts and hire purchase contracts increased in Japan. Overseas, credit card purchase contracts increased, primarily in Thailand, and hire purchase contracts also increased, primarily in Malaysia.



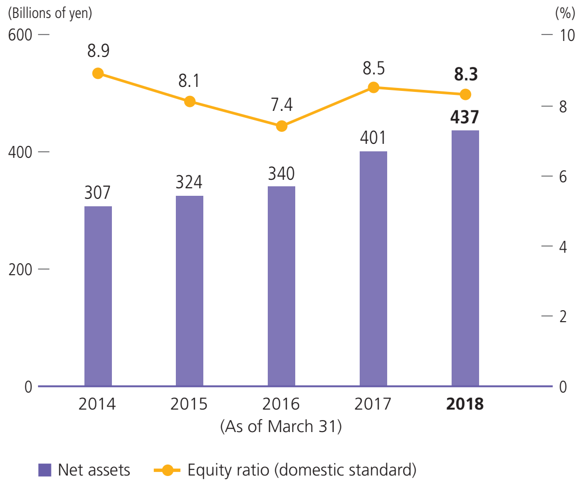
● Net Assets and Equity Ratio (Domestic Standard)

(Millions of yen)

	March 31, 2014	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
Net assets	307,291	324,948	340,886	401,170	437,782
Equity ratio (domestic standard)	8.9%	8.1%	7.4%	8.5%	8.3%

- Net assets increased ¥36.6 billion from a year earlier. Profit attributable to owners of parent contributed to increased retained earnings.
- The equity ratio (domestic standard) decreased 0.26 percentage points from a year earlier. Finance receivables primarily loans and bills discounted and accounts receivable–installment, increased ¥796.4 billion year on year.

Note: The Group has applied IFRS 9 and IFRS 15 from the first quarter of the year ending March 31, 2019.
As a result, allowance for possible credit losses and deferred tax assets as of April 1, 2018 increased by ¥35,017 million and ¥6,776 million, respectively. Non-controlling interests and retained earnings as of April 1, 2018 decreased by ¥11,536 million and ¥16,704 million, respectively.
Regarding IFRS 15, the effect of application of this standard on net income and per share information for the three-month period ended June 30, 2018 are immaterial.



Five-Year Summary

AEON Financial Service Co., Ltd. (formerly, AEON Credit Service Co., Ltd.) and Subsidiaries
Year Ended March 31, 2018 and Years Ended March 31, 2017 through 2014

	Millions of Yen					Thousands of U.S. Dollars (*1)
	2018 (*2)	2017 (*2)	2016 (*2)	2015 (*2)	2014 (*2)	2018
For the Year:						
Total income	¥ 409,426	¥ 375,272	¥ 360,932	¥ 329,047	¥ 286,181	$ 3,852,697
Total expenses	342,854	315,606	301,681	276,294	246,384	3,226,258
Income before income taxes	66,572	59,666	59,251	52,753	39,797	626,439
Net income attributable to owners of the parent	38,678	39,454	35,785	30,492	20,743	363,956
	Yen					U.S. Dollars (*1)
Per Share Data:						
Net assets	¥ 1,714.92	¥ 1,604.79	¥ 1,465.31	¥ 1,377.56	¥ 1,316.00	$ 16.14
Basic net income	179.29	189.75	180.09	152.55	104.62	1.69
Diluted net income	170.02	183.96	180.00	152.04	99.49	1.60
	Millions of Yen					Thousands of U.S. Dollars (*1)
At Year-End:						
Loans and bills discounted—net of allowance for possible credit losses	¥2,238,952	¥1,836,903	¥1,646,425	¥1,448,023	¥1,248,815	$21,068,524
Installment sales receivables—net of allowance for possible credit losses	1,268,584	1,159,839	1,000,574	1,015,155	937,759	11,937,373
Property and equipment	36,978	38,230	36,530	35,774	31,186	347,962
Total assets	4,852,844	4,187,264	3,745,546	3,589,496	3,163,117	45,665,233
Total liabilities	4,415,062	3,786,094	3,404,660	3,264,548	2,855,825	41,545,703
Equity	437,782	401,170	340,886	324,948	307,292	4,119,530
	Percentage					
Ratios:						
Equity ratio	7.6%	8.3%	7.8%	7.6%	8.6%	
Return on assets	0.9	1.0	1.0	0.9	0.7	
Return on equity	10.8	12.4	12.7	11.2	8.2	

(*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 ¥106.27 to U.S.$1, the approximate rate of exchange on March 31, 2018. 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) AEON Financial Service Co., Ltd. (the "Company") has prepared the consolidated financial statements for the fiscal years ended March 31, 2018, 2017, 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.

Financial Review

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2018 and 2017

▸ RESULTS OF OPERATIONS

	Millions of Yen			
	2018	2017	Amount Change	Percentage Change
Consolidated gross profits(*):				
Net interest income	¥ 136,681	¥ 121,244	¥ 15,437	12.7%
Net fees and commissions	180,082	168,268	11,814	7.0
Net other operating income	23,541	25,168	(1,627)	(6.5)
Total Consolidated gross profits	340,304	314,680	25,624	8.1
General and administrative expenses	(232,291)	(214,431)	(17,860)	8.3
Provision for possible credit losses and write-off of bad debts	(49,779)	(46,246)	(3,533)	7.6
Net other income	8,338	5,663	2,675	47.2
Income before income taxes	66,572	59,666	6,906	11.6
Income taxes:				
Current	(14,962)	(15,920)	958	(6.0)
Deferred	(2,736)	3,854	(6,590)	(171.0)
Total income taxes	(17,698)	(12,066)	(5,632)	46.7
Net income	48,874	47,600	1,274	2.7
Net income attributable to non-controlling interests	(10,196)	(8,146)	(2,050)	25.2
Net income attributable to owners of the parent	¥ 38,678	¥ 39,454	¥ (776)	(2.0)%

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

Consolidated Financial Summary

The domestic business environment for the year ended March 31, 2018 continued to be on the track of gradual recovery on the whole. Corporate earnings and employment showed an improving trend, consumer spending slowly picked up, and consumer prices remained stable.

As for the financial and economic conditions, yields on long-term Japanese government bonds remained low and stable as a result of the Bank of Japan's continued negative interest-rate policy and its quantitative and qualitative monetary easing measures. Stock prices kept rising due to expectation of a world economic recovery. The Nikkei Stock Average had increased for 16 consecutive business days in October 2017, which was the longest growth streak in history, and marked record highs since the bubble economy. It then recovered to ¥24,000 in January 2018, attributable to continued demand for buying based on an expectation of increasing corporate earnings as a result of the world economic expansion. After late January 2018, however, it started declining and closed at ¥21,454 on March 31, 2018 due to the effects of the plunge of U.S. stock markets as a result of soaring U.S. long-term interest rates and concerns about trade disputes between China and the U.S.

In the Asia region, the economic environment in general was also on the track of gradual recovery driven by a strong demand for infrastructures and expansion of consumer spending supported by a low-inflation environment. In China, stable growth was maintained by solid exports and consumer spending. In Thailand, private consumption remained flat due to improvement in consumer confidence after relief from economic recession resulting from the death of the King of Thailand in the last fiscal year. In Malaysia, solid consumer spending based on improvement in the employment situation and sustained economic growth.

AEON Financial Service Co., Ltd. has established a broad marketing network mainly in Asia including Japan to reinforce sales and marketing capability utilizing data. Through this initiatives, the Company has set its medium to long term business strategy to support customers to enrich their daily lives, by providing seamless settlement functions, financial products and services that suit the needs of customers.

Under such circumstances, for the year ended March 31, 2018, the Company and its domestic and overseas subsidiaries (collectively, "the Group") strengthened their investment in IT systems and digital technologies and integrated overlapping functions within the Group to address "enhancement of convenience and productivity," "improvement of asset profitability" and "regrowth of overseas segment."

As for strengthening of investment in IT systems and digital technologies, the Group conducted experiments on processing new cardholder applications by robotic technologies only, introduced for the first time in Japan the "fingerprint authentication system," which enables identification of customers with their biological information only and held a business contest (hackathons) to collaborate with external companies to address the enhancement of customer convenience and services.

In addition, the Group increased productivity by integrating overlapping functions within the Group and introducing RPA (Robotic Process Automation) to address improvement of asset profitability.

The Group's overseas business, especially three major listed companies in Hong Kong, Thailand and Malaysia, engaged in expansion of the Group's transaction value and reduction in credit costs.

Loans and Bills Discounted and Installment Sales Receivables

	Millions of Yen			
	2018	2017	Amount Change	Percentage Change
Loans and bills discounted	¥2,271,667	¥1,864,904	¥406,763	21.8%
Allowance for possible credit losses	(32,715)	(28,001)	(4,714)	16.8
Total loans and bills discounted	¥2,238,952	¥1,836,903	¥402,049	21.9%

	Millions of Yen			
	2018	2017	Amount Change	Percentage Change
Installment sales receivables:				
Credit card purchase contracts	¥ 829,210	¥ 809,662	¥ 19,548	2.4%
Hire purchase contracts	465,422	372,532	92,890	24.9
Subtotal	1,294,632	1,182,194	112,438	9.5
Allowance for possible credit losses	(26,048)	(22,355)	(3,693)	16.5
Total installment sales receivables	¥1,268,584	¥1,159,839	¥108,745	9.4%

Cash flows

For the year ended March 31, 2018, the net cash provided by operating activities amounted to ¥198,941 million ($1,872,034 thousand), the net cash used in investing activities amounted to ¥68,075 million ($640,587 thousand) and the net cash used in financing activities amounted to ¥15,238 million ($143,386 thousand). As a result of the above, the balance of cash and cash equivalents as at March 31, 2018 increased by ¥116,395 million ($1,095,280 thousand) to ¥622,598 million ($5,858,644 thousand) compared to the end of the previous fiscal year.

BUSINESS PERFORMANCE BY REPORTABLE SEGMENT(*1)

Total assets and ordinary income by reportable segment

	Millions of Yen			
	2018	2017	Amount Change	Percentage Change
Total Assets:				
Retail	¥ 3,671,896	¥ 3,155,000	¥516,896	16.4%
Solutions	2,156,871	2,010,596	146,275	7.3
China Area	90,723	94,428	(3,705)	(3.9)
Mekong Area	284,069	239,290	44,779	18.7
Malay Area	221,390	195,011	26,379	13.5
Reconciliations	(1,572,105)	(1,507,061)	(65,044)	4.3
Total assets	¥ 4,852,844	¥ 4,187,264	¥665,580	15.9%
Ordinary income(*2):				
Retail	¥ 177,303	¥ 164,096	¥ 13,207	8.0%
Solutions	171,006	161,187	9,819	6.1
China Area	19,463	18,895	568	3.0
Mekong Area	63,954	56,819	7,135	12.6
Malay Area	40,379	35,429	4,950	14.0
Reconciliations	(64,135)	(61,260)	(2,875)	4.7
Total ordinary income	¥ 407,970	¥ 375,166	¥ 32,804	8.7%

(*1) For the year ended March 31, 2018, under the new management structure established as part of the structural reform conducted on April 1, 2017, the former four reportable segments, "Credit," "Banking," "Overseas" and "Fee Business and Other," have changed to the above new reportable segments. The segment information for the previous fiscal year is provided under the modified reportable segments.

(*2) 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 statement of income.

Consolidated Balance Sheet

AEON Financial Service Co., Ltd. and Subsidiaries
March 31, 2018 and 2017

	Millions of Yen 2018	Millions of Yen 2017	Thousands of U.S. Dollars (Note 1) 2018
ASSETS			
Cash and cash equivalents (Note 17)	¥ 622,598	¥ 506,203	$ 5,858,644
Deposits with banks (Notes 7 and 17)	27,872	28,454	262,276
Call loans (Note 17)		30,000	
Monetary claims bought (Notes 3 and 17)	5,096	3,945	47,950
Securities (Notes 3, 7, and 17)	210,862	170,635	1,984,208
Loans and bills discounted—net of allowance for possible credit losses (Notes 4, 7, 17, 19, and 22)	2,238,952	1,836,903	21,068,524
Installment sales receivables—net of allowance for possible credit losses (Notes 4, 7, and 17)	1,268,584	1,159,839	11,937,373
Lease receivables and investment assets (Note 16)	8,507	7,104	80,048
Other assets (Note 7)	208,221	155,160	1,959,356
Property and equipment (Note 5)	36,978	38,230	347,962
Intangible assets (Note 6)	92,356	87,054	869,070
Deferred tax assets (Note 15)	23,357	25,008	219,794
Customers' liabilities for acceptances and guarantees	109,461	138,729	1,030,028
Total assets	¥4,852,844	¥4,187,264	$45,665,233
LIABILITIES AND EQUITY			
Liabilities:			
Deposits (Note 17)	¥3,049,733	¥2,542,090	$28,697,968
Accounts payable (Note 17)	312,649	221,189	2,942,023
Commercial paper (Notes 8 and 17)	60,500	38,000	569,305
Borrowed money (Notes 7, 8, and 17)	539,393	514,947	5,075,688
Bonds (Notes 8 and 17)	135,666	140,121	1,276,615
Convertible bonds (Notes 8 and 17)	29,948	30,000	281,810
Other liabilities (Notes 8 and 9)	156,252	139,085	1,470,332
Allowance for point program	14,466	14,519	136,127
Allowance for loss on refund of interest received	3,125	3,807	29,404
Allowance for contingent loss		566	
Deferred tax liabilities (Note 15)	3,869	3,041	36,403
Acceptances and guarantees	109,461	138,729	1,030,028
Total liabilities	4,415,062	3,786,094	41,545,703
Commitments and contingent liabilities (Notes 16, 18, and 19)			
Equity (Notes 10, 11, and 24):			
Common stock—authorized, 540,000,000 shares; issued, 225,510,128 shares in 2018 and 225,510,128 shares in 2017	45,698	45,698	430,020
Capital surplus	120,026	121,211	1,129,442
Stock acquisition rights—648 rights in 2018 and 553 rights in 2017	105	112	984
Retained earnings	227,387	203,401	2,139,713
Treasury stock—at cost, 9,746,639 shares in 2018 and 9,791,194 shares in 2017	(24,986)	(25,100)	(235,123)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 3)	3,556	4,893	33,464
Deferred loss on derivatives under hedge accounting	(1,877)	(2,244)	(17,660)
Foreign currency translation adjustments	870	(1,235)	8,191
Accumulated adjustments for retirement benefits (Note 9)	(658)	(441)	(6,192)
Total	370,121	346,295	3,482,839
Non-controlling interests	67,661	54,875	636,691
Total equity	437,782	401,170	4,119,530
Total liabilities and equity	¥4,852,844	¥4,187,264	$45,665,233

See notes to consolidated financial statements.

Consolidated Statement of Income

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Income:			
Interest income:			
Interest on loans and bills discounted (Note 22)	¥ 153,569	¥ 138,169	$ 1,445,087
Interest and dividends on securities	2,058	1,509	19,367
Interest on call loans	1	1	7
Interest on due from banks and deposits	451	419	4,249
Other interest income	82	142	768
Total interest income	156,161	140,240	1,469,478
Fees and commissions (Note 4)	213,390	194,641	2,008,001
Other operating income	27,126	28,621	255,252
Other income (Note 12)	12,749	11,770	119,966
Total income	409,426	375,272	3,852,697
Expenses:			
Interest expenses			
Interest on deposits	(3,210)	(3,309)	(30,204)
Interest on borrowed money	(13,823)	(13,125)	(130,073)
Interest on bonds	(2,042)	(2,029)	(19,221)
Other interest expenses	(405)	(533)	(3,808)
Total interest expenses	(19,480)	(18,996)	(183,306)
Fees and commissions	(33,308)	(26,373)	(313,425)
Other operating expenses	(3,585)	(3,453)	(33,739)
General and administrative expenses (Notes 9, 13 and 16)	(232,291)	(214,431)	(2,185,859)
Provision for possible credit losses and write-off of bad debts	(49,779)	(46,246)	(468,416)
Other expenses (Note 14)	(4,411)	(6,107)	(41,513)
Total expenses	(342,854)	(315,606)	(3,226,258)
Income before income taxes	66,572	59,666	626,439
Income taxes (Note 15):			
Current	(14,962)	(15,920)	(140,791)
Deferred	(2,736)	3,854	(25,746)
Total income taxes	(17,698)	(12,066)	(166,537)
Net income	48,874	47,600	459,902
Net income attributable to non-controlling interests	(10,196)	(8,146)	(95,946)
Net income attributable to owners of the parent	¥ 38,678	¥ 39,454	$ 363,956

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 21):			
Basic net income	¥ 179.29	¥ 189.75	$1.69
Diluted net income	170.02	183.96	1.60
Cash dividends applicable to the year	68.00	68.00	0.64

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
Net income	¥48,874	¥47,600	$459,902
Other comprehensive income (Note 20):			
Unrealized loss on available-for-sale securities	(1,398)	(1,003)	(13,153)
Deferred gain on derivatives under hedge accounting	595	2,268	5,595
Foreign currency translation adjustments	3,431	(2,023)	32,286
Adjustments for retirement benefits (Note 9)	(217)	167	(2,043)
Total other comprehensive income	2,411	(591)	22,685
Comprehensive income:	¥51,285	¥47,009	$482,587
Total comprehensive income attributable to:			
Owners of the parent	¥39,597	¥38,536	$372,608
Non-controlling interests	11,688	8,473	109,979

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2018 and 2017

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Accumulated adjustments for retirement benefits	Total	Non-controlling Interests	Total Equity
Balance, April 1, 2016	198,720	¥30,442	¥106,230	¥111	¥177,766	¥(25,142)	¥ 5,890	¥(3,515)	¥ 122	¥(607)	¥291,297	¥49,589	¥340,886
Net income attributable to owners of the parent					39,454						39,454		39,454
Cash dividends, ¥67 per share					(13,806)						(13,806)		(13,806)
Issuance of new shares	16,945	15,231	15,231								30,464		30,464
Conversion of convertible bonds	37	25	25								50		50
Purchase of treasury stock	1					1					1		1
Disposal of treasury stock	16				(13)	41					28		28
Change in the parent's ownership interest arising from transactions with non-controlling interests			(275)								(275)	275	
Net change in the year				1			(997)	1,271	(1,357)	166	(918)	5,011	4,093
Balance, March 31, 2017	215,719	¥45,698	¥121,211	¥112	¥203,401	¥(25,100)	¥ 4,893	¥(2,244)	¥(1,235)	¥(441)	¥346,295	¥54,875	¥401,170
Net income attributable to owners of the parent					38,678						38,678		38,678
Cash dividends, ¥68 per share					(14,669)						(14,669)		(14,669)
Conversion of convertible bonds	20					52					52		52
Purchase of treasury stock	(1)					(2)					(2)		(2)
Disposal of treasury stock	25				(23)	64					41		41
Change in the parent's ownership interest arising from transactions with non-controlling interests			(1,185)								(1,185)	1,185	
Net change in the year				(7)			(1,337)	367	2,105	(217)	911	11,601	12,512
Balance, March 31, 2018	215,763	¥45,698	¥120,026	¥105	¥227,387	¥(24,986)	¥ 3,556	¥(1,877)	¥ 870	¥(658)	¥370,121	¥67,661	¥437,782

	Thousands	Thousands of U.S. Dollars (Note 1)											
							Accumulated Other Comprehensive Income						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Accumulated adjustments for retirement benefits	Total	Non-controlling Interests	Total Equity
Balance, March 31, 2017	215,719	$430,020	$1,140,599	$1,055	$1,914,006	$(236,198)	$ 46,046	$(21,116)	$(11,628)	$(4,149)	$3,258,635	$516,376	$3,775,011
Net income attributable to owners of the parent					363,956						363,956		363,956
Cash dividends, $0.64 per share					(138,034)						(138,034)		(138,034)
Conversion of convertible bonds	20					490					490		490
Purchase of treasury stock	(1)					(15)					(15)		(15)
Disposal of treasury stock	25				(215)	600					385		385
Change in the parent's ownership interest arising from transactions with non-controlling interests			(11,157)								(11,157)	11,157	
Net change in the year				(71)			(12,582)	3,456	19,819	(2,043)	8,579	109,158	117,737
Balance, March 31, 2018	215,763	$430,020	$1,129,442	$ 984	$2,139,713	$(235,123)	$ 33,464	$(17,660)	$ 8,191	$(6,192)	$3,482,839	$636,691	$4,119,530

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2018	2017	2018
OPERATING ACTIVITIES:			
Income before income taxes	¥ 66,572	¥ 59,666	$ 626,439
Adjustments for:			
Depreciation and amortization	19,221	17,583	180,873
Allowance for possible credit losses	7,812	1,110	73,514
Allowance for point program	(52)	2,062	(494)
Allowance for loss on refund of interest received	(682)	(400)	(6,418)
Allowance for contingent loss	(566)	566	(5,323)
Interest income	(156,161)	(140,240)	(1,469,478)
Interest expenses	19,480	18,996	183,306
Net increase in loans and bills discounted	(401,564)	(191,083)	(3,778,711)
Net increase in installment sales receivables	(108,315)	(167,691)	(1,019,244)
Net increase in lease receivables and investment assets	(1,403)	(1,698)	(13,200)
Net increase in deposits	507,643	389,162	4,776,917
Net increase in accounts payable	87,210	19,426	820,648
Net increase (decrease) in borrowed money	28,488	(13,765)	268,078
Net decrease (increase) in deposits with banks	580	(5,586)	5,457
Net decrease (increase) in call loans and others	28,850	(28,894)	271,477
Net increase (decrease) in commercial paper	22,500	(30,000)	211,725
Proceeds from sale and leaseback	4,323	8,021	40,678
Interest income received	155,906	139,410	1,467,077
Interest expenses paid	(19,305)	(17,717)	(181,664)
Other	(45,102)	(8,555)	(424,412)
Subtotal	215,435	50,373	2,027,245
Income taxes—paid	(18,233)	(16,338)	(171,576)
Income taxes—refund	1,739	1,874	16,365
Net cash provided by operating activities	198,941	35,909	1,872,034
INVESTING ACTIVITIES:			
Purchases of securities	(370,505)	(314,365)	(3,486,450)
Proceeds from sales of securities	137,990	7,620	1,298,480
Proceeds from redemption of securities	189,183	345,876	1,780,213
Purchases of property and equipment	(8,623)	(8,605)	(81,144)
Proceeds from sale of property and equipment	18	957	169
Purchases of intangible assets	(22,415)	(26,125)	(210,925)
Proceeds from business divestitures	6,277		59,070
Net cash (used in) provided by investing activities	(68,075)	5,358	(640,587)
FINANCING ACTIVITIES:			
Financial costs paid for financing activities		(1)	
Proceeds from issuance of convertible bonds	3,284	29,968	30,909
Proceeds from issuance of common shares		30,328	
Dividends paid to the Company's shareholders	(14,669)	(13,806)	(138,034)
Proceeds from stock issuance to non-controlling shareholders	52		493
Repayments to non-controlling shareholders	(80)		(755)
Dividends paid to non-controlling shareholders	(3,620)	(3,100)	(34,068)
Purchase of treasury stock	(2)	(1)	(15)
Proceeds from disposal of treasury stock	1	1	1
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation		98	(3)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(204)		(1,917)
Net cash (used in) provided by financing activities	(15,238)	43,487	(143,386)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	767	(527)	7,219
NET INCREASE IN CASH AND CASH EQUIVALENTS	116,395	84,227	1,095,280
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	506,203	421,976	4,763,364
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 622,598	¥ 506,203	$ 5,858,644

See notes to consolidated financial statements.

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 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥106.27 to $1, the exchange rate at March 31, 2018. 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.

The balance sheet date of the consolidated subsidiaries excluding the companies below corresponds with the consolidated closing date.

AEON THANA SINSAP (THAILAND) PLC. and other 27 companies

The above companies are consolidated with appropriate adjustments to material transactions during the periods between their respective balance sheet dates and the consolidated closing date. Certain subsidiaries are consolidated using their provisional financial statements as at certain dates within three months prior to the consolidated closing date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation—The consolidated financial statements as of March 31, 2018 include the accounts of the Company and its 33 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 occurs.

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

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

(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."

In April 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 should be accounted for as capital surplus. In addition, under the new standard, acquisition-related costs are 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."

(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 from 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 provided 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 for the amount management determines is required out of the following: credit amount, less the expected amount recoverable through the disposal of collateral or execution of guarantee. For credits classified as substantial bankruptcy or legal bankruptcy, the allowance for possible credit losses is provided for the full amounts of such credits, deducting the expected amount recoverable through the disposal of collateral or execution of guarantee.

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

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 2 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.

(j) Stock Issuance Costs—Stock issuance costs as at March 31, 2018 and 2017, which have been deferred and included in other assets, were ¥64 million ($602 thousand) and ¥109 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, 2018 and 2017, which have been deferred and included in other assets, were ¥253 million ($2,377 thousand) and ¥329 million, respectively. These costs are amortized by the interest method through the maturity of the bonds.

(l) 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) Allowance for Contingent Loss—The allowance for contingent loss is provided for losses from contingency that are likely to be incurred in the future and is stated at the amount of loss reasonably estimated based on individual risks for each contingency.

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

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

(p) Stock Options—ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance are applicable to stock options granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of the grant and over the vesting period as consideration for receiving 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 services received. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

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

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

(i) Credit card purchase contracts and hire purchase contracts

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

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

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

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

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 value.

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

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

Effective from April 1, 2016, the Group has applied "Guidance on Recoverability of Deferred Tax Assets (Accounting Standards Board of Japan Guidance No. 26, March 28, 2016)."

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

(u) Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the consolidated financial statements in the following year upon the Board of Directors' resolution or shareholders' approval.

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

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

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

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

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

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

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

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

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

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

(iv) Correction of prior-period errors
When an error in prior-period financial statements is discovered, those statements are restated.

On April 1, 2017, the Company conducted a structural reform under the newly established management structure to change its business model through investing in IT systems and digital technologies. For the year ended March 31, 2018, certain operating revenues, which had previously been included in "Other income," have been presented in "Fees and commissions" and "Other operating income." In addition, certain operating expenses, which had previously been included in "General and administrative expenses," have been presented in "Other operating expenses."

As a result, for the year ended March 31, 2017, an amount which had previously been included in "Other income" of ¥7,524 million was reclassified into "Fees and commissions" by ¥7,129 million, and the remainder of ¥395 million to "Other operating income." An amount which had previously been included in "General and administrative expenses" of ¥226 million was reclassified into "Other operating expenses."

(aa) New Accounting Pronouncements

(i) The Company and its consolidated domestic subsidiaries

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

(1) Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive accounting standards for revenue recognition and released the "Revenue from Contracts with Customers" (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. Given that IFRS 15 will be effective from a fiscal year starting on or after January 1, 2018 and that Topic 606 will be effective from a fiscal year starting after December 15, 2017, the ASBJ has developed comprehensive accounting standards for revenue recognition and published them in step with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is to set accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15. It is also intended to provide alternative accounting treatments to the extent not to compromise comparability, if there is any commonly accepted practice in Japan that should be taken into account.

(2) Effective date

The Group plans to apply these accounting standards at the beginning of the fiscal year ending March 31, 2022.

(3) Effects of adoption of these accounting standards

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

(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, 2018. The Group is currently evaluating the effects of adoption of these accounting standards.

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

(ab) Additional Information

On December 12, 2017, AEON CREDIT SERVICE (M) BERHAD, a consolidated subsidiary of the Company, (hereinafter, "AEON Credit") received the notice of an additional tax levy related to income tax for the years of 2009 to 2015 to pay MYR96 million from the Inland Revenue Board of Malaysia.

AEON Credit believed that there were reasonable grounds to disagree with the notice and filed a request for judicial review for a stay of enforcement of the notice on December 14, 2017.

On March 5, 2018, the judicial review was dismissed. Accordingly, AEON Credit immediately filed an appeal to the Court of Appeal and at the same time initiated proceedings for a provisional stay of enforcement of the notice at the High Court.

On May 8, 2018, afterward, the provisional stay was dismissed. Accordingly, AEON Credit immediately filed an appeal to the Court of Appeal.

The Company and AEON Credit's assertions are reasonable based on the external professional advices obtained. The effect of the notice of the additional tax levy on the Group's financial results is considered to depend on the subsequent proceedings. Therefore, the notified amount of additional tax is not reflected in the Group's consolidated financial statements for the current fiscal year.

3. MONETARY CLAIMS BOUGHT AND SECURITIES

Monetary claims bought and securities as at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Marketable equity securities	¥ 6,730	¥ 6,677	$ 63,328
Marketable debt securities:			
Government bonds	12,041	45,826	113,304
Municipal bonds	20,314		191,156
Corporate bonds	64,075	96,038	602,945
Total marketable debt securities	96,430	141,864	907,405
Other securities			
Foreign securities	30,061	8,323	282,876
Other (*)	82,737	17,716	778,549
Total other securities	112,798	26,039	1,061,425
Total	¥215,958	¥174,580	$2,032,158

(*) Includes investments in associated companies of ¥224 million ($2,104 thousand) and ¥203 million as at March 31, 2018 and 2017, respectively.

The carrying amounts and aggregate fair values of monetary claims bought and securities as at March 31, 2018 and 2017, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2018				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,052	¥4,678		¥ 6,730
Debt securities	95,619	813	¥(2)	96,430
March 31, 2017				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,516	¥4,161		¥ 6,677
Debt securities	139,880	1,987	¥(3)	141,864

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2018				
Securities classified as:				
Available-for-sale:				
Equity securities	$ 19,310	$44,018		$ 63,328
Debt securities	899,777	7,650	$(22)	907,405

Available-for-sale securities whose fair values are deemed to be difficult to determine as at March 31, 2018 and 2017 are disclosed in Note 17.

There was no loss on revaluation of securities for the years ended March 31, 2018 and 2017.

Unrealized gain on available-for-sale securities on the consolidated balance sheets as at March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized gain before deferred tax on:			
Available-for-sale securities(*)	¥ 5,407	¥ 6,850	$ 50,881
Deferred tax liabilities	(1,850)	(1,895)	(17,409)
Unrealized gain on available-for-sale securities (before adjustment)	3,557	4,955	33,472
Non-controlling interests	(1)	(62)	(8)
Unrealized gain on available-for-sale securities	¥ 3,556	¥ 4,893	$ 33,464

(*) Includes a loss on revaluation of available-for-sale securities that comprise assets in investment limited partnerships whose fair values are deemed to be difficult to determine of ¥66 million ($623 thousand) for the year ended March 31, 2018.

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

Loans and bills discounted as at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Loans and bills discounted	¥2,271,667	¥1,864,904	$21,376,370
Allowance for possible credit losses	(32,715)	(28,001)	(307,846)
Total	¥2,238,952	¥1,836,903	$21,068,524

Loans and bills discounted as at March 31, 2018 and 2017, included the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Loans to bankrupt borrowers(*1)	¥ 2,409	¥ 1,512	$ 22,666
Non-accrual delinquent loans(*2)	35,792	29,875	336,805
Restructured loans(*3)	21,641	19,935	203,644
Total	¥59,842	¥51,322	$563,115

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

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

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

There were no loans categorized as past due loans (three months or more) as at March 31, 2018 and 2017. "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, 2018 and 2017 was ¥231 million ($2,171 thousand) and ¥330 million, respectively.

The principal amount of loan participation accounted for as loans to original obligors in accordance with "Accounting Treatment and Representation of Loan Participation" (JICPA Accounting Committee Report No. 3, November 28, 2014) as at March 31, 2018 and 2017 was ¥10,814 million ($101,763 thousand) and ¥6,015 million, respectively.

Installment sales receivables as at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Installment sales receivables:			
Credit card purchase contracts	¥ 829,210	¥ 809,662	$ 7,802,865
Hire purchase contracts	465,422	372,532	4,379,616
Subtotal	1,294,632	1,182,194	12,182,481
Allowance for possible credit losses	(26,048)	(22,355)	(245,108)
Total	¥1,268,584	¥1,000,574	$11,937,373

Fees and commissions for the years ended March 31, 2018 and 2017, included the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Credit card purchase contracts	¥116,249	¥104,204	$1,093,900

5. PROPERTY AND EQUIPMENT

Property and equipment as at March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Structures	¥ 12,744	¥ 11,580	$ 119,919
Equipment	69,879	62,465	657,560
Construction in progress	494	116	4,653
Other property and equipment	142	6,425	1,335
Subtotal	83,259	80,586	783,467
Accumulated depreciation	(46,281)	(42,356)	(435,505)
Total	¥ 36,978	¥ 38,230	$ 347,962

6. INTANGIBLE ASSETS

Intangible assets as at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Software	¥64,555	¥57,017	$607,462
Goodwill	21,896	23,732	206,046
Other intangible assets	5,905	6,305	55,562
Total	¥92,356	¥87,054	$869,070

7. PLEDGED ASSETS

Assets pledged as collateral as at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Assets pledged as collateral:			
Deposits with banks	¥ 521	¥ 2,655	$ 4,906
Securities	27,433	28,238	258,142
Loans and bills discounted	16,335	13,923	153,714
Installment sales receivables	11,117	10,190	104,611
Total	¥55,406	¥55,006	$521,373
Liabilities corresponding to assets pledged as collateral:			
Borrowed money	46,636	45,760	438,845

In addition to the assets presented above, the following assets were pledged as collateral for exchange settlements and other transactions as at March 31, 2018 and 2017:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Securities	¥19,305	¥33,246	$181,656
Other assets (Initial margins deposited at central counterparty clearing houses)	34,222	8,396	322,028

Moreover, other assets included guarantee money deposits, and these amounts as at March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Guarantee money deposits	¥40,094	¥13,998	$377,283

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, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	Average interest rate(*1)	
	2018	2017	2018	2018	Due
Commercial paper	¥ 60,500	¥ 38,000	$ 569,305	0.03%	
Borrowed money	539,393	514,947	5,075,688	2.62%	From April 2018 to October 2025
Lease obligations	38,639	35,969	363,594	1.43%	From May 2018 to March 2028

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

Bonds and convertible bonds as at March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Issued by the Company:			
¥30,000 million Zero Coupon Callable Convertible Bonds due 2019	¥ 29,948	¥ 30,000	$ 281,810
Unsecured 0.349% pari passu Japanese yen notes due March 2019	10,000	10,000	94,100
Unsecured 0.572% pari passu Japanese yen notes due March 2021	10,000	10,000	94,100
Unsecured 0.83% callable subordinated Japanese yen notes due April 2024	30,000	30,000	282,300
Unsecured 0.83% callable subordinated Japanese yen notes due April 2024	10,000	10,000	94,100
Unsecured 0.402% pari passu Japanese yen notes due March 2020	20,000	20,000	188,200
Unsecured 0.552% pari passu Japanese yen notes due March 2022	10,000	10,000	94,100
Issued by AEON Thana Sinsap (Thailand) Plc.:			
Unsecured 1.054% Thai baht notes due August 2017		3,386	
Unsecured 1.157% Thai baht notes due September 2017		2,262	
Unsecured 1.368% Thai baht notes due July 2018	1,835	1,910	17,267
Unsecured 1.340% Thai baht notes due November 2018	3,245	3,395	30,537
Unsecured 1.244% Thai baht notes due March 2019	3,224	3,356	30,337
Unsecured 4.43% Thai baht notes due July 2017		3,875	
Unsecured 1.248% Thai baht notes due September 2017		1,693	
Unsecured 1.340% Thai baht notes due March 2019	2,234	2,224	21,020
Unsecured 2.87% Thai baht notes due February 2019	684	645	6,433
Unsecured 1.898% Thai baht notes due March 2020	7,522	7,852	70,780
Unsecured 1.744% Thai baht notes due March 2020	1,613	1,684	15,179
Unsecured 2.207% Thai baht notes due August 2021	1,607	1,679	15,126
Unsecured 2.5% Thai baht notes due July 2019	1,367	1,291	12,866
Unsecured 2.73% Thai baht notes due December 2019	3,415	3,223	32,135
Unsecured 3.48% Thai baht notes due December 2021	3,414	3,222	32,122
Unsecured 1.968% Thai baht notes due December 2021	3,211	3,354	30,212
Unsecured 2.5% Thai baht notes due August 2020	683		6,431
Unsecured 2.5% Thai baht notes due September 2020	1,025		9,646
Unsecured 2.5% Thai baht notes due September 2020	341		3,213
Unsecured 2.37% Thai baht notes due December 2020	6,831		64,276
Unsecured 2.93% Thai baht notes due December 2022	3,415		32,135
Issued by AEON Credit Service (M) Berhad:			
Medium Term Note 3.95% Malaysia Ringgit due April 2017		1,268	
Medium Term Note 3.95% Malaysia Ringgit due April 2017		1,014	
Medium Term Note 3.95% Malaysia Ringgit due May 2017		1,394	
Medium Term Note 3.95% Malaysia Ringgit due July 2017		1,394	
Total	¥165,614	¥170,121	$1,558,425

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)(*2)	Exercise Period
¥30,000 million Zero Coupon Callable Convertible Bonds due 2019	¥2,558.0	11,708	From November 1, 2016 to September 11, 2019

(*1) The conversion price is subject to adjustment for certain subsequent events, such as the issue of common stock at less than market value and stock splits.
(*2) The number of shares of common stock is calculated on the assumption that all convertible bonds with stock acquisition rights are converted as at March 31, 2018.

The annual maturities of borrowed money as at March 31, 2018, were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥302,351	$2,845,117
2020	47,841	450,188
2021	74,552	701,533
2022	45,814	431,113
2023	32,831	308,942
2024 and thereafter	36,004	338,795
Total	¥539,393	$5,075,688

The annual maturities of bonds as at March 31, 2018, were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 21,222	$ 199,694
2020	43,865	412,771
2021	38,880	365,865
2022	8,232	77,461
2023	13,415	126,234
2024 and thereafter	40,000	376,400
Total	¥165,614	$1,558,425

The annual maturities of lease obligations as at March 31, 2018, were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2019	¥ 7,481	$ 70,398
2020	7,277	68,472
2021	7,529	70,847
2022	4,581	43,105
2023	3,416	32,147
2024 and thereafter	8,355	78,625
Total	¥38,639	$363,594

9. RETIREMENT BENEFITS 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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥5,109	¥5,027	$48,071
Current service cost	416	383	3,915
Interest cost	53	46	502
Actuarial gains and losses	452	(151)	4,248
Benefits paid	(107)	(243)	(1,006)
Other	(32)	46	(300)
Balance at end of year	¥5,891	¥5,108	$55,430

(b) The changes in plan assets for the years ended March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Balance at beginning of year	¥1,693	¥1,496	$15,931
Expected return on plan assets	45	38	425
Actuarial gains and losses	(13)	(63)	(128)
Contributions from the employer	220	237	2,067
Benefits paid	(1)	(15)	(4)
Balance at end of year	¥1,944	¥1,693	$18,291

(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, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Funded defined benefit obligation	¥ 2,480	¥ 2,187	$ 23,339
Plan assets	(1,944)	(1,693)	(18,291)
	536	494	5,048
Unfunded defined benefit obligation	3,411	2,921	32,091
Net liability arising from defined benefit obligation	¥ 3,947	¥ 3,415	$ 37,139

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Liability for retirement benefits	¥3,947	¥3,415	$37,139
Net liability arising from defined benefit obligation	¥3,947	¥3,415	$37,139

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

(d) The components of net periodic benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Service cost(*)	¥416	¥383	$3,915
Interest cost	53	47	501
Expected return on plan assets	(45)	(38)	(425)
Recognized actuarial losses	218	157	2,053
Amortization of past service costs	46	44	429
Other	24	(18)	228
Net periodic benefit costs	¥712	¥575	$6,701

(*) 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, 2018 and 2017

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Past service costs	¥ (44)	¥ (44)	$ (412)
Actuarial gains and losses	357	(204)	3,359
Total	¥313	¥(248)	$2,947

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at March 31, 2017 and 2016

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrecognized past service costs		¥ 44	
Unrecognized actuarial gains and losses	¥952	594	$8,954
Total	¥952	¥638	$8,954

(g) Plan assets

(i) Components of plan assets

Plan assets consisted of the following:

	2018	2017
Debt securities	53.1%	53.8%
Equity securities	21.1%	18.7%
Assets in the life insurer's general account	13.2%	14.2%
Other(*)	12.6%	13.3%
Total	100.0%	100.0%

(*) Includes mainly cash and alternative investments.

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

The expected rate of return on plan assets is determined considering the current and future allocations of plan assets and 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, 2018 and 2017, were set forth as follows:

	2018(*)	2017(*)
Discount rate	0.7%	0.8%
Expected rate of return on plan assets	2.67%	2.51%

(*) 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, 2018 and 2017 are ¥539 million ($5,068 thousand) and ¥495 million, respectively.

The amounts of benefits paid under the advance payment plan for the years ended March 31, 2018 and 2017 are ¥63 million ($596 thousand) and ¥60 million, respectively.

10. EQUITY

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as (i) having a Board of Directors, (ii) having independent auditors, (iii) having an Audit & Supervisory Board, and (iv) the term of service of the directors being prescribed as one year rather than 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.

(d) Increase in common stock and capital surplus

On September 14, 2016, the Company issued 7,840,000 shares of common stock through public offering. On September 14 and 29, 2016, the Company also issued 9,105,000 shares of common stock through third-party allotment. As a result, common stock and capital surplus of the Group increased by ¥15,231 million and ¥15,231 million, respectively.

11. STOCK-BASED COMPENSATION

The stock options outstanding as at March 31, 2018, were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option	12 directors	15,500 shares	April 21, 2011	¥ 1 $0.01	From May 21, 2011 through May 20, 2026
2013 Stock Option	6 directors	12,100 shares	April 21, 2012	¥ 1 $0.01	From May 21, 2012 through May 20, 2027
2014 Stock Option	6 directors	12,000 shares	July 21, 2013	¥ 1 $0.01	From August 21, 2013 through August 20, 2028
2015 Stock Option	8 directors	9,500 shares	July 21, 2014	¥ 1 $0.01	From August 21, 2014 through August 20, 2029
2016 Stock Option	7 directors	12,600 shares	July 21, 2015	¥ 1 $0.01	From August 21, 2015 through August 20, 2030
2017 Stock Option	9 directors	15,300 shares	July 21, 2016	¥ 1 $0.01	From August 21, 2016 through August 20, 2031
2018 Stock Option	8 directors	18,100 shares	July 21, 2017	¥ 1 $0.01	From August 21, 2017 through August 20, 2032

The summary of stock option activity is as follows:

	2018 Stock Option	2017 Stock Option	2016 Stock Option	2015 Stock Option	2014 Stock Option	2013 Stock Option	2012 Stock Option
Nonvested (Shares)							
Outstanding at beginning of year							
Granted	18,100						
Expired							
Vested	18,100						
Outstanding at end of year							
Vested (Shares)							
Outstanding at beginning of year		10,800	9,000	9,500	11,000	9,000	6,000
Vested	18,100						
Exercised	8,200			2,700	4,000	5,500	4,500
Expired							
Outstanding at end of year	9,900	10,800	9,000	6,800	7,000	3,500	1,500
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Average stock price upon exercise	¥ 2,464			¥2,442	¥ 2,385	¥2,432	¥2,442
	$ 23.19			$22.98	$ 22.44	$22.89	$22.98
Fair value price at grant date	¥ 1,856	¥ 1,940	¥3,072	¥2,006	¥ 2,715	¥1,081	¥ 809
	$ 17.46	$ 18.26	$28.91	$18.88	$ 25.55	$10.17	$ 7.61

The assumptions used to measure fair value of stock options vested during fiscal year 2018 were as follows:

	2018 Stock Option
Measurement method	Black-Scholes option-pricing model
Risk-free interest rate	(0.0025)%
Expected life of option grants	7.5 years
Expected volatility of underlying stock	35.48%
Estimated dividend	¥68 per share

12. OTHER INCOME

Other income for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Gain on bad debts recovered	¥ 6,691	¥ 7,120	$ 62,961
Group life insurance	1,611	1,222	15,164
Gain on transfer from business divestitures	1,452		13,659
Other	2,995	10,951	28,182
Total	¥12,749	¥19,293	$119,966

13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Salaries and allowances	¥ (65,415)	¥ (61,746)	$ (615,559)
Advertising expenses	(51,510)	(44,884)	(484,709)
Other	(115,366)	(108,028)	(1,085,591)
Total	¥(232,291)	¥(214,658)	$(2,185,859)

14. OTHER EXPENSES

Other expenses for the years ended March 31, 2018 and 2017, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Provision for loss on refund of interest received	¥(2,780)	¥(3,906)	$(26,160)
Business structure reform expenses(*)	(217)		(2,047)
Other	(1,414)	(2,201)	(13,306)
Total	¥(4,411)	¥(6,107)	$(41,513)

(*) These expenses were incurred in the absorption-type company split between the Group's consolidated subsidiaries effective as at October 1, 2017.

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 30.9% and 30.9% for the years ended March 31, 2018 and 2017, respectively. The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as at March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Deferred tax assets:			
Allowance for possible credit losses	¥ 9,988	¥11,345	$ 93,990
Loans and bills discounted and installment sales receivables	117	67	1,104
Allowance for point program	4,641	4,461	43,675
Allowance for loss on refund of interest received	961	1,171	9,045
Accrued income	447	463	4,201
Property and equipment	509	384	4,788
Intangible assets	393	411	3,698
Liability for retirement benefits	1,145	708	10,777
Tax loss carryforwards	1,569	453	14,764
Unrealized loss on acquisition of subsidiaries	46	354	435
Other	6,880	8,342	64,744
Less valuation allowance	(3,142)	(1,356)	(29,574)
Total deferred tax assets	¥23,554	¥26,803	$221,647
Deferred tax liabilities:			
Depreciation in consolidated foreign subsidiaries	¥ 239	¥ 322	$ 2,248
Unrealized gain on available-for-sale securities	1,940	1,989	18,258
Unrealized gain on acquisition of subsidiaries	1,808	2,317	17,010
Other	79	208	740
Total deferred tax liabilities	¥ 4,066	¥ 4,836	$ 38,256
Net deferred tax assets	¥19,488	¥21,967	$183,391

Reconciliations between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended March 31, 2018 and 2017, were as follows:

	2018	2017
Effective statutory tax rate	30.9%	30.9%
Earnings not taxable and expenses not deductible for income tax purposes—net	(5.9)	(7.6)
Per capita portion of inhabitants tax	0.5	0.5
Lower income tax rates applicable to income in certain foreign countries	(4.9)	(4.2)
Influence of elimination in consolidation	8.5	8.9
Influence of changes in the statutory tax rate	0.1	0.2
Tax loss carryforwards	(1.0)	(4.0)
Valuation allowance	0.2	(3.3)
Other	(1.8)	(1.2)
Actual effective tax rate	26.6%	20.2%

16. LEASES

(Lessee side)

The Group leases equipment, software, and other assets.

Total rental expenses for the years ended March 31, 2018 and 2017 were ¥15,716 million ($147,888 thousand) and ¥14,288 million, respectively.

The minimum rental commitments under noncancelable operating leases as at March 31, 2018 and 2017 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Due within one year	¥3,899	¥3,528	$36,689
Due after one year	4,454	4,756	41,908
Total	¥8,353	¥8,284	$78,597

(Lessor side)

(a) Breakdown of lease receivables and investment assets

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Lease payments receivables	¥9,374	¥8,087	$88,208
Unearned interest income	(867)	(983)	(8,160)
Lease receivables and investment assets	¥8,507	¥7,104	$80,048

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

	Millions of Yen					
	2018					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Lease receivables and investment assets	¥2,555	¥2,003	¥1,276	¥911	¥722	¥1,907

	Millions of Yen					
	2017					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Lease receivables and investment assets	¥1,998	¥1,663	¥1,209	¥899	¥639	¥1,679

	Thousands of U.S. Dollars					
	2018					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Lease receivables and investment assets	$24,046	$18,846	$12,006	$8,568	$6,793	$17,949

17. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(a) Conditions of financial instruments

(i) Group policy for financial instruments

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

The Group raises funds for these businesses mainly through customer deposits, borrowings from financial institutions, issuance of bonds and commercial paper, and securitization of receivables in the view of the markets conditions and short-term/long-term balance. The Group also manages and raises funds through money market in response to temporary financial surplus or deficit.

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

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

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

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

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

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

(iii) Risk management for financial instruments

The Company considers the Group's risk management to be one of the most important issues for the Group's management. The Board of Directors resolves the fundamental matters on risk management as the highest decision-making body. Information concerning risk management is regularly reported to the Board. In addition, the Company has established the Internal Control Promotion 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 Management Audit Department, which is independent from the audited departments, to verify their effectiveness and appropriateness.

• Credit risk management

The Group manages credit risk through appropriate credit assessment and management in accordance with the Group's credit risk control policies and structures. This credit assessment and management is conducted by the following divisions: the credit assessment division monitors the credit status of customers at the time of and after credit extension and the credit management division conducts analysis and research on credit risk and collaborates with the credit assessment division. In addition, Value at Risk (an estimated amount of loss on financial instruments held by the Group for a certain future time period based on the historical data at a certain confidence level, hereafter "VaR") is mainly measured to quantify credit risk and regularly reported to the Internal Control Promotion 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 Internal Control Promotion 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 Internal Control Promotion 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, 2018 was ¥2,020 million ($19,007 thousand) (2017: ¥4,656 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, 2018 was ¥27,085 million ($254,870 thousand) (2017: ¥38,744 million).

These figures represent the amounts of market risk statistically calculated based on a probability-based approach that takes into account historical market fluctuations. Accordingly, the market risk may not be captured properly in the event of an extreme market movement beyond normal expectations.

• Liquidity risk management

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

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

(iv) Supplementary information on fair value of financial instruments

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

See Note 18 for the details regarding fair value for derivatives.

(b) Fair value of financial instruments

The carrying amount of financial instruments in the consolidated balance sheet, the fair value, and the difference between the two as at March 31, 2018 and 2017 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		
	2018		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	¥ 622,598	¥ 622,598	
(2) Deposits with banks	27,872	27,872	
(4) Monetary claims bought	5,096	5,096	
(5) Securities	201,837	201,837	
(6) Loans and bills discounted—net of allowance for possible credit losses	2,238,952	2,328,699	¥89,747
(7) Installment sales receivables—net of allowance for possible credit losses	1,268,584	1,270,195	1,611
Total	¥4,364,939	¥4,456,297	¥91,358
(8) Deposits	¥3,049,733	¥3,055,895	¥ 6,162
(9) Accounts payable	312,649	312,649	
(10) Commercial paper	60,500	60,500	
(11) Borrowed money	539,393	538,968	(425)
(12) Bonds	135,666	136,006	340
(13) Convertible bonds	29,948	32,550	2,602
Total	¥4,127,889	¥4,136,568	¥ 8,679
(14) Derivative financial instruments (Note 18):			
Hedge accounting not applied			
Hedge accounting applied	¥ (9,412)	¥ (9,412)	
Total	¥ (9,412)	¥ (9,412)	

	Millions of Yen		
	2017		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	¥ 506,203	¥ 506,203	
(2) Deposits with banks	28,454	28,454	
(3) Call loans	30,000	30,000	
(4) Monetary claims bought	3,945	3,945	
(5) Securities	161,416	161,416	
(6) Loans and bills discounted—net of allowance for possible credit losses	1,836,903	1,930,272	¥ 93,369
(7) Installment sales receivables—net of allowance for possible credit losses	1,159,839	1,171,943	12,104
Total	¥3,726,760	¥3,832,233	¥105,473
(8) Deposits	¥2,542,090	¥2,548,285	¥ 6,195
(9) Accounts payable	221,189	221,189	
(10) Commercial paper	38,000	38,000	
(11) Borrowed money	514,947	521,726	6,779
(12) Bonds	140,121	140,700	579
(13) Convertible bonds	30,000	31,770	1,770
Total	¥3,486,347	¥3,501,670	¥ 15,323
(14) Derivative financial instruments (Note 18):			
Hedge accounting not applied			
Hedge accounting applied	¥ 13,466	¥ 13,466	
Total	¥ 13,466	¥ 13,466	

	Thousands of U.S. Dollars		
	2018		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	$ 5,858,644	$ 5,858,644	
(2) Deposits with banks	262,276	262,276	
(4) Monetary claims bought	47,950	47,950	
(5) Securities	1,899,288	1,899,288	
(6) Loans and bills discounted—net of allowance for possible credit losses	21,068,524	21,913,046	$844,522
(7) Installment sales receivables—net of allowance for possible credit losses	11,937,373	11,952,529	15,156
Total	$41,074,055	$41,933,733	$859,678
(8) Deposits	$28,697,968	$28,755,956	$ 57,988
(9) Accounts payable	2,942,023	2,942,023	
(10) Commercial paper	569,305	569,305	
(11) Borrowed money	5,075,688	5,071,682	(4,006)
(12) Bonds	1,276,615	1,279,818	3,203
(13) Convertible bonds	281,810	306,295	24,485
Total	$38,843,409	$38,925,079	$ 81,670
(14) Derivative financial instruments (Note 18):			
Hedge accounting not applied			
Hedge accounting applied	$ (88,570)	$ (88,570)	
Total	$ (88,570)	$ (88,570)	

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

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

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

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

(ii) Financial instruments whose fair values are deemed to be difficult to determine

The financial instruments below are not included in the fair value disclosure due to difficulties in the determination of fair values:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Stock with no active market quotations	¥1,655	¥1,254	$15,571
Trust beneficiary rights	5,797	7,965	54,550
Investments in limited partnerships	1,573		14,799

(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					
	2018					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 596,731					
Call loans						
Monetary claims bought			¥ 304			¥ 4,726
Securities:						
Available-for-sale securities:						
Government bonds		¥ 12,000	200		¥ 20,050	
Corporate bonds	15,000	19,700	1,300		1,500	25,847
Other	20,000		8,000			1,799
Total	35,000	31,700	9,500		21,550	27,646
Loans and bills discounted(*1, *2)	527,271	430,064	208,255	¥100,494	141,197	773,614
Installment sales receivables(*1)	856,084	188,947	114,245	46,970	29,683	33,016
Total	¥2,015,086	¥650,711	¥332,304	¥147,464	¥192,430	¥839,002

	Millions of Yen					
	2017					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 484,447					
Call loans	30,000					
Monetary claims bought			¥ 63	¥ 590		¥ 3,209
Securities:						
Available-for-sale securities:						
Government bonds		¥ 45,000	5,000			500
Corporate bonds	32,000	3,000	20,500	5,000	¥ 3,000	25,967
Other			8,000			
Total	32,000	48,000	33,500	5,000	3,000	26,467
Loans and bills discounted(*1, *2)	431,417	361,438	159,676	64,512	83,852	678,145
Installment sales receivables(*1)	771,866	149,541	127,907	48,998	28,905	27,024
Total	¥1,749,730	¥558,979	¥321,146	¥119,100	¥115,757	¥734,845

	Thousands of U.S. Dollars					
	2018					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	$ 5,615,232					
Call loans						
Monetary claims bought			$ 2,858			$ 44,470
Securities:						
Available-for-sale securities:						
Government bonds		$ 112,920	1,882		$ 188,670	
Corporate bonds	141,150	185,377	12,233		14,115	243,224
Other	188,200		75,280			16,925
Total	329,350	298,297	89,395		202,785	260,149
Loans and bills discounted(*1, *2)	4,961,616	4,046,897	1,959,678	$ 945,646	1,328,660	7,279,706
Installment sales receivables(*1)	8,055,748	1,777,990	1,075,046	441,987	279,321	310,683
Total	$18,961,946	$6,123,184	$3,126,977	$1,387,633	$1,810,766	$7,895,008

(*1) Loans and bills discounted and installment sales receivables for the years ended March 31, 2018 and 2017 exclude ¥55,298 million ($520,354 thousand) and ¥57,417 million, respectively, which have no specific contractual maturity date due to late payments or being under negotiations.
(*2) Loans and bills discounted for the years ended March 31, 2018 and 2017 exclude loans of ¥4,067 million ($38,275 thousand) and ¥3,104 million with no specific recoverable amounts, such as loans to borrowers classified as legal bankruptcy, substantial bankruptcy, or possible bankruptcy, and ¥57,096 million ($537,277 thousand) and ¥52,619 million, respectively, which have no fixed maturity.

(iv) Maturity analysis of financial liabilities with contractual maturities

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

	Millions of Yen					
	2018					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits(*)	¥2,755,036	¥260,010	¥ 34,687			
Commercial paper	60,500					
Borrowed money	302,351	122,393	78,646	¥31,517	¥4,486	
Bonds	21,222	52,798	21,646	40,000		
Convertible bonds		29,948				
Lease obligations	7,481	14,805	7,997	4,489	3,867	
Total	¥3,146,590	¥479,954	¥142,976	¥76,006	¥8,353	

	Millions of Yen					
	2017					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits(*)	¥1,927,596	¥509,765	¥103,923			
Commercial paper	38,000					
Borrowed money	258,098	168,788	82,009	¥ 3,404	¥ 2,648	
Bonds	16,286	35,579	38,256	10,000	40,000	
Convertible bonds		30,000				
Lease obligations	5,111	10,002	8,522	5,426	6,052	¥856
Total	¥2,245,091	¥754,134	¥232,710	¥18,830	¥48,700	¥856

	Thousands of U.S. Dollars					
	2018					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits(*)	$25,924,873	$2,446,696	$ 326,400			
Commercial paper	569,305					
Borrowed money	2,845,117	1,151,721	740,055	$296,580	$42,215	
Bonds	199,694	496,825	203,696	376,400		
Convertible bonds		281,810				
Lease obligations	70,398	139,319	75,252	42,239	36,386	
Total	$29,609,387	$4,516,371	$1,345,403	$715,219	$78,601	

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

18. DERIVATIVES

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

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

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

Derivative financial instruments qualifying for hedge accounting as at March 31, 2018 and 2017 consisted of the following:

	Millions of Yen		
	2018		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	¥52,276	¥(5,000)	¥(5,000)
Receive USD/Pay HKD	5,321	216	216
Receive USD/Pay MYR	77,512	3,880	3,880
Receive USD/Pay THB	85,878	(7,636)	(7,636)
Interest rate swap contracts:			
Receive floating/Pay fixed	61,220	(872)	(872)

	Millions of Yen		
	2017		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	¥50,848	¥ (3,108)	¥ (3,108)
Receive USD/Pay HKD	5,619	137	137
Receive USD/Pay MYR	67,080	14,702	14,702
Receive USD/Pay THB	86,897	2,766	2,766
Receive USD/Pay IDR	503	(68)	(68)
Interest rate swap contracts:			
Receive floating/Pay fixed	51,367	(963)	(963)

	Thousands of U.S. Dollars		
	2018		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	$491,915	$(47,055)	$(47,055)
Receive USD/Pay HKD	50,066	2,036	2,036
Receive USD/Pay MYR	729,390	36,515	36,515
Receive USD/Pay THB	808,108	(71,862)	(71,862)
Interest rate swap contracts:			
Receive floating/Pay fixed	576,078	(8,204)	(8,204)

There were no derivative financial instruments not qualifying for hedge accounting as at March 31, 2018 and 2017.

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

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

19. LOAN COMMITMENTS

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

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Total loan limits	¥8,752,115	¥8,344,957	$82,357,344
Loan executed	565,132	537,083	5,317,890
Unexercised portion of loan commitments	¥8,186,983	¥7,807,874	$77,039,454

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 has entered into overdraft facility and loan commitment contracts with corporate customers. 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, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unutilized commitments	¥36,906	¥32,090	$347,285
Of which: those expiring within one year	12,940	11,475	121,761

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

20. OTHER COMPREHENSIVE INCOME

Reclassification adjustments to profit or loss and tax effects of other comprehensive income for the years ended March 31, 2018 and 2017, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2018	2017	2018
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (927)	¥ (358)	$ (8,718)
Reclassification adjustments to profit or loss	(1,088)	(1,088)	(10,240)
Amount before income tax effect	(2,015)	(1,446)	(18,958)
Income tax effect	617	443	5,805
Total	¥(1,398)	¥(1,003)	$(13,153)
Deferred gain on derivatives under hedge accounting:			
Gains (losses) arising during the year	¥(3,232)	¥ 732	$(30,416)
Reclassification adjustments to profit or loss	3,978	2,064	37,437
Amount before income tax effect	746	2,796	7,021
Income tax effect	(151)	(528)	(1,426)
Total	¥ 595	¥ 2,268	$ 5,595
Foreign currency translation adjustments:			
Losses arising during the year	¥ 3,431	¥(2,023)	$ 32,286
Amount before income tax effect	3,431	(2,023)	32,286
Total	¥ 3,431	¥(2,023)	$ 32,286
Adjustments for retirement benefit:			
Gains (losses) arising during the year	¥ (465)	¥ 88	$ (4,381)
Reclassification adjustments to profit or loss	152	160	1,434
Amount before income tax effect	(313)	248	(2,947)
Income tax effect	96	(81)	904
Total	¥ (217)	¥ 167	$ (2,043)
Total other comprehensive income	¥ 2,411	¥ (591)	$ 22,685

21. NET INCOME PER SHARE

Basic and diluted EPS for the years ended March 31, 2018 and 2017, were as follows:

	Net income attributable to owners of the parent	Weighted-Average Shares	EPS	
	Millions of Yen	Thousands of Shares	Yen	U.S. Dollar
For the year ended March 31, 2018:				
Basic EPS				
Net income	¥38,678			
Net income available to common shareholders	¥38,678	215,728	¥179.29	$1.69
Effect of dilutive securities				
—Warrants of the Company		59		
—Convertible bonds of the Company		11,708		
Diluted EPS				
—Net income for computation	¥38,678	227,495	¥170.02	$1.60
For the year ended March 31, 2017:				
Basic EPS				
Net income	¥39,454			
Net income available to common shareholders	¥39,454	207,931	¥189.75	
Effect of dilutive securities				
—Warrants of the Company		57		
—Convertible bonds of the Company		6,480		
Diluted EPS				
—Net income for computation	¥39,454	214,468	¥183.96	

22. RELATED PARTY TRANSACTIONS

There were no transactions between the Company and related parties for the years ended March 31, 2018 and 2017.

Transactions between the Company's consolidated subsidiaries and related parties for the years ended March 31, 2018 and 2017, were as follows:

(1) Transactions with a subsidiary of the parent company(*) and the Company's other subsidiaries

	Millions of Yen		Thousands of U.S. Dollars
AEON Retail Co., Ltd. (subsidiary of the parent company)	2018	2017	2018
Loans and bills discounted	¥37,000	¥39,000	$348,170
Lending of loans	38,490	40,995	362,195
Interest income	351	405	3,306

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

The terms of the above transactions were set on an arm's-length basis and in the normal course of business.

The transaction amounts of "lending of loans" represent the average outstanding balance for each fiscal year. The above amounts do not include consumption taxes.

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

	Transaction amount		Balance at end	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Directors, executive officers and their close relatives of the Company and its subsidiaries	2018	2018	2018	2018
Housing loans (Loans and bills discounted)			¥138	$1,298

	Transaction amount	Balance at end
	Millions of Yen	Millions of Yen
Directors, executive officers and their close relatives of the Company and its subsidiaries	2017	2017
Housing loans (Loans and bills discounted)		¥184

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

23. SEGMENT INFORMATION

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

(a) Description of reportable segments

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

As for the "Domestic" business, the Group has classified it into "Retail" and "Solutions" segments to clarify the responsibilities for their respective functions for domestic customers. As for the "Global" business, the Group has classified it into "China Area" (such as Hong Kong), "Mekong Area" (such as Thailand) and "Malay Area" (such as Malaysia) segments focusing on the Group's three listed companies to facilitate the horizontal development of the Group's business models.

Accordingly, the Group has five reportable segments, "Retail" and "Solutions" in "Domestic" segment and "China Area," "Mekong Area" and "Malay Area" in "Global" segment.

"Retail" consists of the banking and insurance businesses where individual customers are the main targets.

"Solutions" consists of the businesses which provide the Group's financial services to member shops through database utilization such as processing and hire purchase businesses.

"China Area," "Mekong Area" and "Malay Area" consist of the businesses which provide financial services focus on the needs from individual customers of each area and member shops such as credit card and loan businesses.

For the year ended March 31, 2018, under the new management structure established as part of the structural reform conducted on April 1, 2017, the former four reportable segments, "Credit," "Banking," "Overseas" and "Fee Business and Other," have changed to the above new reportable segments. The segment information for the previous fiscal year is provided under the modified reportable segments.

(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 statement 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							
	2018							
	Reportable Segment							
	Domestic		Global					
	Retail	Solutions	China Area	Mekong Area	Malay Area	Subtotal	Reconciliations(*2)	Total
Ordinary income(*1)								
Ordinary income from customers	¥ 175,297	¥ 103,817	¥19,462	¥ 63,912	¥ 40,379	¥ 402,867	¥ 5,103	¥ 407,970
Intersegment income or transfers	2,006	67,189	1	42		69,238	(69,238)	
Total ordinary income	177,303	171,006	19,463	63,954	40,379	472,105	(64,135)	407,970
Segment profit(*3)	¥ 9,223	¥ 27,549	¥ 6,015	¥ 12,507	¥ 9,811	¥ 65,105	¥ 641	¥ 65,746
Segment assets	¥3,671,896	¥2,156,871	¥90,723	¥284,069	¥221,390	¥6,424,949	¥(1,572,105)	¥4,852,844
Other items								
Depreciation and amortization	¥ 5,654	¥ 9,473	¥ 643	¥ 1,944	¥ 865	¥ 18,579	¥ 642	¥ 19,221
Amortization of goodwill	1,408	428				1,836		1,836
Interest income	89,377	1,029	10,930	46,494	8,551	156,381	(220)	156,161
Interest expenses	3,567	1,014	1,231	6,919	6,363	19,094	386	19,480
Provision for possible credit losses	933	18,131	1,632	15,860	10,453	47,009	403	47,412
Increases in tangible and intangible assets	10,048	21,233	428	1,408	1,655	34,772	901	35,673

	Millions of Yen							
	2017							
	Reportable Segment							
	Domestic		Global					
	Retail	Solutions	China Area	Mekong Area	Malay Area	Subtotal	Reconciliations(*2)	Total
Ordinary income(*1)								
Ordinary income from customers	¥ 161,178	¥ 98,702	¥18,895	¥ 56,782	¥ 35,429	¥ 370,986	¥ 4,180	¥ 375,166
Intersegment income or transfers	2,918	62,485		37		65,440	(65,440)	
Total ordinary income	164,096	161,187	18,895	56,819	35,429	436,426	(61,260)	375,166
Segment profit(*3)	¥ 11,127	¥ 26,973	¥ 4,934	¥ 9,559	¥ 8,766	¥ 61,359	¥ 248	¥ 61,607
Segment assets	¥3,155,000	¥2,010,596	¥94,428	¥239,290	¥195,011	¥5,694,325	¥(1,507,061)	¥4,187,264
Other items								
Depreciation and amortization	¥ 4,776	¥ 7,915	¥ 771	¥ 1,812	¥ 772	¥ 16,046	¥ 1,537	¥ 17,583
Amortization of goodwill	1,409	428	28			1,865		1,865
Interest income	81,359	1,448	10,586	40,881	6,577	140,851	(611)	140,240
Interest expenses	3,915	1,036	1,275	6,408	5,655	18,289	707	18,996
Provision for possible credit losses	(501)	17,495	1,961	16,296	8,834	44,085	(39)	44,046
Increases in tangible and intangible assets	10,464	21,137	405	2,038	1,024	35,068	1,503	36,571

	Thousands of U.S. Dollars							
	2018							
	Reportable Segment							
	Domestic		Global					
	Retail	Solutions	China Area	Mekong Area	Malay Area	Subtotal	Reconciliations(*2)	Total
Ordinary income(*1)								
Ordinary income from customers	$ 1,649,546	$ 976,919	$183,138	$ 601,411	$ 379,969	$ 3,790,983	$ 48,015	$ 3,838,998
Intersegment income or transfers	18,873	632,253	6	392		651,524	(651,524)	
Total ordinary income	1,668,419	1,609,172	183,144	601,803	379,969	4,442,507	(603,509)	3,838,998
Segment profit(*3)	$ 86,791	$ 259,239	$ 56,605	$ 117,688	$ 92,320	$ 612,643	$ 6,033	$ 618,676
Segment assets	$34,552,515	$20,296,148	$853,700	$2,673,089	$2,083,280	$60,458,732	$(14,793,499)	$45,665,233
Other items								
Depreciation and amortization	$ 53,199	$ 89,144	$ 6,049	$ 18,293	$ 8,143	$ 174,828	$ 6,045	$ 180,873
Amortization of goodwill	13,244	4,031				17,275		17,275
Interest income	841,037	9,687	102,854	437,507	80,460	1,471,545	(2,067)	1,469,478
Interest expenses	33,566	9,537	11,582	65,109	59,879	179,673	3,633	183,306
Provision for possible credit losses	8,777	170,615	15,354	149,241	98,369	442,356	3,790	446,146
Increases in tangible and intangible assets	94,554	199,804	4,026	13,245	15,577	327,206	8,474	335,680

(*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 statement of income.

(*2) Details of the reconciliations are as follows:

(1) A reconciliation to ordinary revenue from customers of ¥5,103 million ($48,015 thousand) and ¥4,181 million represent ordinary revenue of holding company and others included in consolidation unattributable to any reportable segment for the years ended March 31, 2018 and 2017, respectively.

(2) A reconciliation to segment profit of ¥641 million ($6,033 thousand) and ¥248 million represent the ordinary profits of holding company and others included in consolidation unallocated to any reportable segment and the eliminations of intersegment transactions for the years ended March 31, 2018 and 2017, respectively.

(3) A reconciliation to segment assets of ¥(1,572,105) million ($(14,793,499) thousand) and ¥(1,507,061) million represent the corporate assets of holding company and others included in consolidation unallocated to any reportable segment and the eliminations of intersegment transactions for the years ended March 31, 2018 and 2017, respectively.

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

(d) Information about geographic areas

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

Millions of Yen			
2018			
Japan	Thailand	Other	Total
¥283,449	¥60,994	¥563,527	¥407,970

Millions of Yen			
2017			
Japan	Thailand	Other	Total
¥261,868	¥55,855	¥57,443	¥3,838,998

Thousands of U.S. Dollars			
2018			
Japan	Thailand	Other	Total
$2,667,251	$573,957	$597,790	$3,838,998

(*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			
2018			
Japan	Thailand	Other	Total
¥31,882	¥2,788	¥2,308	¥36,978

Millions of Yen			
2017			
Japan	Thailand	Other	Total
¥29,433	¥7,219	¥1,578	¥38,230

Thousands of U.S. Dollars			
2018			
Japan	Thailand	Other	Total
$300,012	$26,235	$21,715	$347,962

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

	Millions of Yen					
	2018					
	Domestic		Global			
	Retail	Solutions	China Area	Mekong Area	Malay Area	Total
Goodwill at March 31, 2018(*1)	¥19,284	¥2,612				¥21,896

	Millions of Yen					
	2017					
	Domestic		Global			
	Retail	Solutions	China Area	Mekong Area	Malay Area	Total
Goodwill at March 31, 2017(*1)	¥20,692	¥3,040				¥23,732

	Thousands of U.S. Dollars					
	2018					
	Domestic		Global			
	Retail	Solutions	China Area	Mekong Area	Malay Area	Total
Goodwill at March 31, 2018(*1)	$181,466	$24,580				$206,046

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

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of AEON Financial Service Co., Ltd. and its subsidiaries as of March 31, 2018, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEON Financial Service Co., Ltd. and its subsidiaries as of March 31, 2018, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 20, 2018

Member of
Deloitte Touche Tohmatsu Limited