Financial Section and Company Information

11-Year Summary

Former AEON Credit Service Co., Ltd. (current AEON Financial Service Co., Ltd.)	2008	2009	2010	2011	2012[1]
Consolidated cardholders (millions)					
Total	24.94	26.53	28.07	29.76	31.85
Domestic	17.90	19.05	20.00	21.01	22.24
For the year (millions of yen)					
Operating revenues	176,007	172,430	169,191	169,853	205,972
Operating expenses	149,396	151,869	148,473	145,572	172,892
Operating income	26,611	20,560	20,717	24,280	33,080
Ordinary income	26,805	20,424	20,823	24,268	33,367
Profit attributable to owners of parent	14,788	197	9,540	8,988	13,616
Per share information (yen)					
Book value per share	1,036.35	994.42	1,015.17	1,012.52	1,235.28
Earnings per share	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	483,527	423,324	293,427	255,704	421,196
Operating loans including securitized receivables	501,605	476,651	434,735	488,549	518,908
Accounts receivable–installment	245,378	300,782	384,261	427,634	507,315
Accounts receivable–installment including securitized receivables	395,776	443,290	504,001	552,749	740,027
Total assets	854,193	866,364	901,578	907,658	2,534,208
Net assets	181,901	176,717	180,199	181,852	258,872
Key indicators (%)					
Operating income ratio	15.1	11.9	12.2	14.3	16.1
Equity ratio (domestic standard)	19.0	18.0	17.7	17.5	9.1
Return on assets	3.1	2.4	2.4	2.7	1.9
Return on equity	9.1	0.1	6.1	5.7	7.0
Dividends					
Dividend per share (yen)	40	40	40	45	50
Payout ratio (%)	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 from the fiscal year ended March 31, 2014 onward 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	2018 (FY)
Consolidated cardholders (millions)						
Total	33.90	35.67	37.22	38.94	40.64	42.69
Domestic	23.45	24.64	25.88	26.92	27.75	28.40
For the year (millions of yen)						
Ordinary income	286,070	329,046	359,651	375,166	407,970	439,001
Ordinary expenses	244,978	275,965	300,270	313,559	342,223	368,830
Ordinary profit	41,092	53,080	59,380	61,606	65,746	70,171
Profit attributable to owners of parent	20,743	30,491	35,785	39,454	38,677	39,408
Per share information (yen)						
Book value per share	1,316.00	1,377.56	1,465.31	1,604.79	1,714.92	1,764.05
Earnings per share	104.62	152.55	180.09	189.75	179.29	182.64
Diluted earnings per share	99.49	152.04	180.00	183.96	170.02	173.20
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	2,429,740
Loans and bills discounted including securitized receivables	1,531,376	1,873,598	2,364,444	2,757,434	3,326,572	3,757,628
Accounts receivable–installment	957,403	1,038,221	1,022,387	1,182,193	1,294,632	1,453,160
Accounts receivable–installment including securitized receivables	1,085,969	1,185,191	1,314,385	1,523,981	1,779,143	1,970,668
Total assets	3,163,117	3,589,495	3,745,546	4,187,263	4,852,844	5,342,228
Net assets	307,291	324,948	340,886	401,170	437,782	448,705
Key indicators (%)						
Ordinary profit ratio	14.4	16.1	16.5	16.4	16.1	16.0
Equity ratio (domestic standard)	9.0	8.1	7.4	8.5	8.3	7.3
Return on assets	1.4	1.6	1.6	1.6	1.5	1.4
Return on equity	8.2	11.2	12.7	12.4	10.8	10.5
Dividends						
Dividend per share (yen)	60	60	66	68	68	68
Payout ratio (%)	57.4	39.3	36.6	35.8	37.9	37.2

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

Summary of Fiscal 2018 Results

Japan's economy continued a moderate recovery, backed by factors including improved corporate earnings and employment conditions. Overseas, the economies of Asia were generally firm, although several factors created uncertainty for government and economic policy. These included concerns about the direction of China's economy resulting from U.S.–China trade friction, and the impact of the slowing pace of U.S. interest rate increases on interest rate policy trends in Asian countries.

With regard to the financial and economic environment, in Japan, the shift toward cashless transactions has accelerated—the Ministry of Economy, Trade and Industry established the Commission for Promotion of Cashless Settlement, and new payment services have become available. At the same time, companies from other industries have entered the settlement services market and alliances among major players have resulted in the expansion of new business fields.

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 2018, domestic and overseas Group companies promoted digitalization, addressed customer needs and accelerated growth overseas.

In Japan, we introduced an app that enables users to execute transactions simply by holding a smartphone over an ATM, and conducted field tests of palm print biometric authentication technology for cardless settlement. In addition, we harnessed digital technologies to improve convenience for customers and raise labor productivity, including the introduction of a service that can repair credit card magnetic defects at ATMs, an AI-automated chatbot service that can handle inquiries 24 hours a day, 365 days a year to strengthen call center functions, and paperless procedures.

Overseas, we promoted cashless transactions in the countries we serve, including the introduction of QR code settlement via smartphone in Malaysia and Cambodia. As a key initiative in Malaysia, we consolidated our member base with the member bases of retailers AEON Malaysia and AEON Big Malaysia. Supported by a smartphone app, this consolidation enables us to deploy services that are better able to meet customer needs through marketing and product development that combines customer attribute and settlement information with purchase history. Our listed subsidiaries in Hong Kong, Thailand and Malaysia issued new cards targeting middle- and high-income demographics, and worked to enhance customer loyalty.

As a result, consolidated ordinary income increased 7.6% year on year to ¥439.0 billion and ordinary profit increased 6.7% to ¥70.1 billion. Profit attributable to owners of parent increased 1.9% to ¥39.4 billion.

Consolidated Operating Results

(Millions of yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Ordinary income	329,046	359,651	375,166	407,970	439,001
Ordinary profit	53,080	59,380	61,606	65,746	70,171
Profit attributable to owners of parent	30,491	35,785	39,454	38,677	39,408

Segment Results (Fiscal 2018)

(Millions of yen)

	Domestic Business Total*			Global Business Total*				Total
		Retail	Solutions		China Area	Mekong Area	Malay Area	
Ordinary income	298,446	188,982	181,772	139,213	19,610	72,543	47,058	439,001
Ordinary expenses	264,415	177,715	155,349	104,691	12,471	58,541	33,678	368,830
Ordinary profit	34,031	11,267	26,422	34,521	7,139	14,002	13,380	70,171

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

Consolidated Transaction Volume

(Millions of yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Credit card purchase contracts	4,015,129	4,315,454	4,711,676	5,191,707	5,618,378
Hire purchase contracts	250,248	296,112	315,497	334,790	346,550
Cash advances	448,306	469,741	475,851	508,336	540,997

Credit Card Purchase Contracts Transaction Volume

(Millions of yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Domestic	3,821,041	4,104,792	4,515,763	4,955,492	5,358,216
Global	194,088	210,662	195,913	236,215	260,161

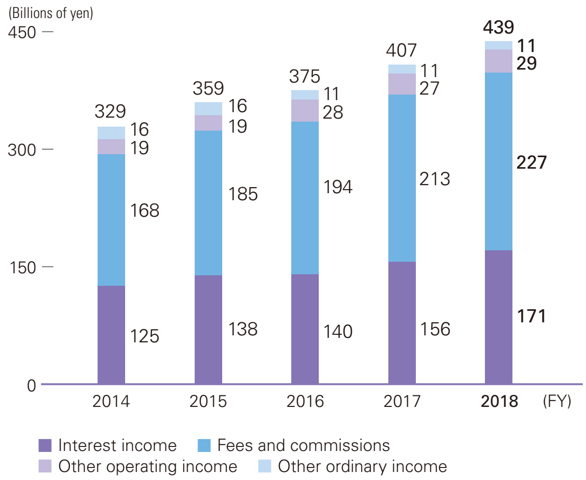
- We took measures to expand our customer base, issuing new co-branded cards targeting young and male customers in Japan, and issuing premium cards targeting middle- and high-income demographics at our overseas listed subsidiaries in Hong Kong, Thailand and Malaysia. In addition, credit card purchase contracts transaction volume increased steadily as a result of point sales promotions and reward programs that offer experiences, including invitations to exclusive theme park events, in Japan and overseas. In addition, cash advance transaction volume increased year on year due largely to expansion in Japan and Thailand.
- Hire purchase contracts transaction volume increased year on year mainly from growth in auto and motorcycle installment financing in Malaysia, as well as from auto loans in Japan and Thailand.

Ordinary Income

(Millions of yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Ordinary income	329,046	359,651	375,166	407,970	439,001
Interest income	125,493	138,810	140,240	156,161	171,243
Fees and commissions	168,283	185,072	194,641	213,390	227,014
Other operating income	19,053	19,759	28,621	27,125	29,233
Other ordinary income	16,215	16,010	11,663	11,292	11,510

- Ordinary income increased 7.6% year on year because of business expansion in Japan and overseas and the impact of the weaker yen, which had a positive effect of ¥2 billion.
- Interest income increased 9.7% year on year due to increased receivables, mainly in cash advances in Japan and personal loans in Thailand and Malaysia.
- Fees and commissions increased 6.4% year on year due to steady expansion of credit card purchase contracts and hire purchase contracts, in terms of both transaction volume and receivables, in Japan and overseas.
- Other operating income increased 7.8% because securitized receivables increased 15.0% year on year to ¥18.3 billion.

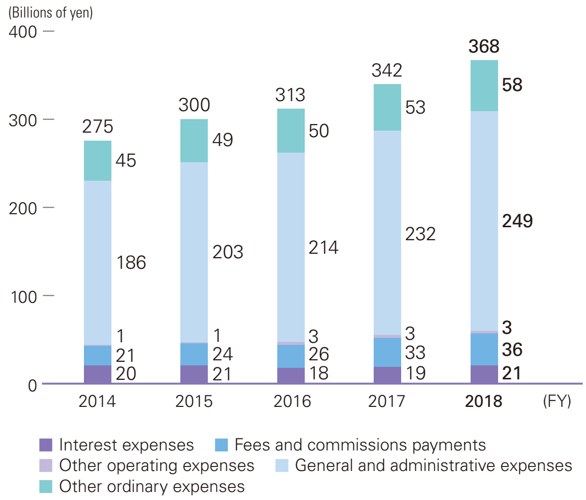


Ordinary Expenses

(Millions of yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Ordinary expenses	275,965	300,270	313,559	342,223	368,830
Interest expenses	20,677	21,305	18,996	19,479	21,448
Fees and commissions payments	21,838	24,667	26,372	33,307	36,018
Other operating expenses	1,109	1,437	3,452	3,585	3,824
General and administrative expenses	186,474	203,553	214,431	232,291	249,442
Other ordinary expenses	45,865	49,306	50,306	53,559	58,095

- Ordinary expenses increased 7.8% year on year. In Japan, expenses increased due to enhanced point sales promotions to increase transaction volume, and investments in systems and IT to increase labor productivity. Overseas, expenses increased largely as a result of hiring additional employees to accommodate business expansion.
- Interest expenses increased 10.1% 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 8.1% year on year, due to higher fee payments led by business expansion in Japan and overseas. Expenses associated with investments to enhance labor productivity also increased in Japan.
- Other operating expenses increased 6.7% year on year because leasing costs increased.
- General and administrative expenses increased 7.4% 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 8.5% year on year. In Japan, the bad debt allowance increased 12.6% year on year, primarily for credit card receivables, and allowance for loss on refund of interest received increased 16.2%. Overseas, the bad debt allowance increased because of business expansion and changes in accounting standards.

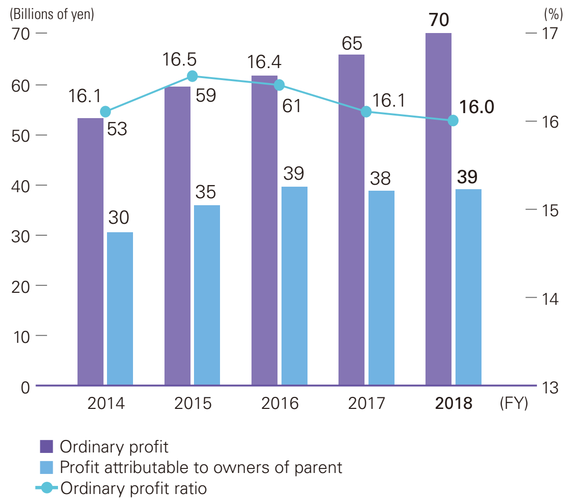


Ordinary Profit and Profit Attributable to Owners of Parent

(Millions of yen)

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
Ordinary profit	53,080	59,380	61,606	65,746	70,171
Ordinary profit ratio	16.1%	16.5%	16.4%	16.1%	16.0%
Income before income taxes	52,752	59,250	59,665	66,571	69,178
Total income taxes	14,065	14,787	12,065	17,697	17,998
Profit	38,687	44,463	47,599	48,873	51,180
Profit attributable to non-controlling interests	8,195	8,678	8,145	10,196	11,771
Profit attributable to owners of parent	30,491	35,785	39,454	38,677	39,408

- Ordinary profit increased 6.7% year on year because solid overseas performance more than compensated for the increase in proactive investments in Japan. However, as a result of up-front expenditures, the ordinary profit ratio decreased 0.1 percentage points year on year to 16.0%.
- Profit attributable to owners of parent increased 1.9% year on year. Extraordinary income decreased absent non-recurring gains of ¥1.4 billion on the sale of businesses owned by a Thai subsidiary in the previous fiscal year, and extraordinary losses increased due to store consolidation and disposal of assets due to changes in credit card regulations. In addition, earnings growth in the Global Business resulted in a larger share of profits held by non-controlling interests.

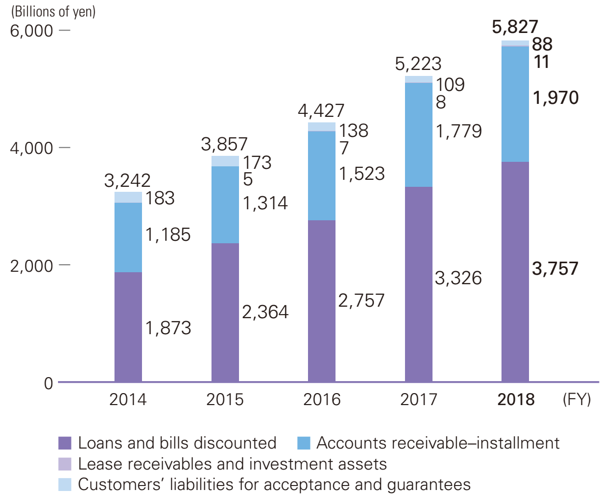


Finance Receivables

(Millions of yen)

	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Finance receivables	3,242,422	3,857,677	4,427,249	5,223,683	5,827,870
Loans and bills discounted	1,873,598	2,364,444	2,757,434	3,326,572	3,757,628
Accounts receivable–installment	1,185,191	1,314,385	1,523,981	1,779,143	1,970,668
Lease receivables and investment assets	—	5,405	7,103	8,506	11,425
Customers' liabilities for acceptance and guarantees	183,632	173,441	138,729	109,461	88,148

- Loans and bills discounted increased ¥431.0 billion from a year earlier. Housing loans, cash advances and other unsecured loans increased in Japan. Overseas, unsecured loans increased, primarily in Thailand and Malaysia.
- Accounts receivable–installment increased ¥191.5 billion from a year earlier. In Japan, credit card purchase contracts and hire purchase contracts increased. Overseas, credit card purchase contracts and hire purchase contracts increased, mainly because of higher demand for consumer durables as a result of a consumption tax holiday during tax code changes in Malaysia.

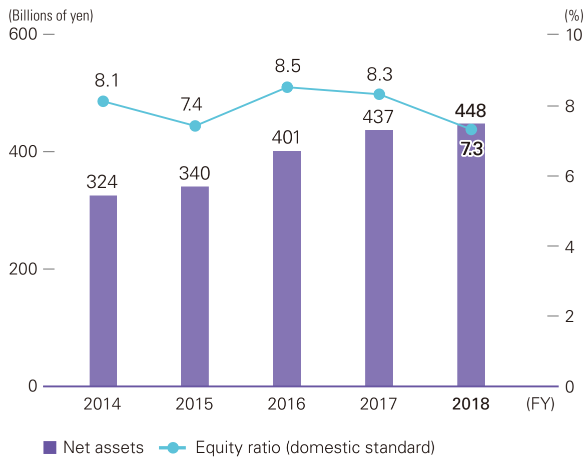


Net Assets and Equity Ratio (Domestic Standard)

(Millions of yen)

	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
Net assets	324,948	340,886	401,170	437,782	448,705
Equity ratio (domestic standard)	8.1%	7.4%	8.5%	8.3%	7.3%

- Net assets increased ¥10.9 billion from a year earlier. Profit attributable to owners of parent contributed to increased retained earnings.
- The equity ratio (domestic standard) decreased 1.02 percentage points from a year earlier. Finance receivables, primarily loans and bills discounted and accounts receivable–installment, increased ¥604.1 billion year on year.



Five-Year Summary

AEON Financial Service Co., Ltd. and Subsidiaries
Year Ended March 31, 2019 and Years Ended March 31, 2018 through 2015

	Millions of Yen					Thousands of U.S. Dollars (*1)
	2019 (*2)	2018 (*2)	2017 (*2)	2016 (*2)	2015 (*2)	2019
For the Year:						
Total income	¥ 439,012	¥ 409,426	¥ 375,272	¥ 360,932	¥ 329,047	$ 3,954,709
Total expenses	369,834	342,854	315,606	301,681	276,294	3,331,536
Income before income taxes	69,178	66,572	59,666	59,251	52,753	623,173
Net income attributable to owners of the parent	39,408	38,678	39,454	35,785	30,492	354,997
	Yen					U.S. Dollars (*1)
Per Share Data:						
Net assets	¥ 1,764.05	¥ 1,714.92	¥ 1,604.79	¥ 1,465.31	¥ 1,377.56	$ 15.89
Basic net income	182.64	179.29	189.75	180.09	152.55	1.65
Diluted net income	173.20	170.02	183.96	180.00	152.04	1.56
	Millions of Yen					Thousands of U.S. Dollars (*1)
At Year-End:						
Loans and bills discounted—net of allowance for possible credit losses	¥2,364,087	¥2,238,952	¥1,836,903	¥1,646,425	¥1,448,023	$21,296,167
Installment sales receivables—net of allowance for possible credit losses	1,416,054	1,268,584	1,159,839	1,000,574	1,015,155	12,756,090
Property and equipment	39,205	36,978	38,230	36,530	35,774	353,165
Total assets	5,342,229	4,852,844	4,187,264	3,745,546	3,589,496	48,123,851
Total liabilities	4,893,524	4,415,062	3,786,094	3,404,660	3,264,548	44,081,827
Equity	448,705	437,782	401,170	340,886	324,948	4,042,024
	Percentage					
Ratios:						
Equity ratio	7.1%	7.6%	8.3%	7.8%	7.6%	
Return on assets	0.8	0.9	1.0	1.0	0.9	
Return on equity	10.5	10.8	12.4	12.7	11.2	

(*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 ¥111.01 to U.S.$1, the exchange rate as at March 31, 2019. 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, 2019, 2018, 2017, 2016 and 2015 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, 2019 and 2018

RESULTS OF OPERATIONS

	Millions of Yen			
	2019	2018	Amount Change	Percentage Change
Consolidated gross profits(*):				
Net interest income	¥ 149,794	¥ 136,681	¥ 13,113	9.6%
Net fees and commissions	190,995	180,082	10,913	6.1
Net other operating income	25,409	23,541	1,868	7.9
Total consolidated gross profits	366,198	340,304	25,894	7.6
General and administrative expenses	(249,442)	(232,291)	(17,151)	7.4
Provision for possible credit losses and write-off of bad debts	(54,025)	(49,779)	(4,246)	8.5
Net other income	6,447	8,338	(1,891)	(22.7)
Income before income taxes	69,178	66,572	2,606	3.9
Income taxes:				
Current	(23,555)	(14,962)	(8,593)	57.4
Deferred	5,557	(2,736)	8,293	(303.1)
Total income taxes	(17,998)	(17,698)	(300)	1.7
Net income	51,180	48,874	2,306	4.7
Net income attributable to non-controlling interests	(11,772)	(10,196)	(1,576)	15.5
Net income attributable to owners of the parent	¥ 39,408	¥ 38,678	¥ 730	1.9%

(*) 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, 2019 was on the track of gradual recovery on the basis of improving corporate earnings and employment situations. The Asian economy showed a steady growth as a whole, while being affected by uncertainties about the political and economic policies including outlook for Chinese economy triggered by the trade dispute between China and the U.S. and trends of policy interest rates in Asian countries induced by the slowed pace in the U.S. interest rates hike.

As for the financial and economic environment, Ministry of Economy, Trade and Industry in Japan has established "Payments Japan Association" and new settlement services have been launched to further promote cashless settlements. More companies in different sectors are entering the settlement service business and the business is expanding to new areas through alliance among major companies.

Under such circumstances, AEON Financial Service Co., Ltd. (hereinafter, "the Company") has established a broad marketing network centered in Asia, including Japan, to strengthen sales and marketing capabilities with data utilization. Through these initiatives, the Company has set its medium to long term business strategy to enrich customers' daily lives, by providing seamless settlement functions, financial products and services that suit the needs of customers.

For the year ended March 31, 2019, the Company and its domestic and overseas subsidiaries (collectively, "the Group") have been actively engaged in achieving key action plans, i.e. "full implementation of digital technologies," "response to the needs of customers" and "acceleration of growth of overseas business."

In the domestic segments, the Group has launched a smartphone application which enables customers to transact on compatible ATMs with smartphones only and experimented on technologies for card-less settlements with authentication of customers' biometric information. In addition, the Group has strived to enhance customer convenience and productivity through digitalization, such as services to restore information contained in the magnetic stripes of credit cards at ATMs in case of demagnetization, around-the-clock artificial intelligence ("AI") empowered automated chat services that are accessible to customers 365 days a year to improve the call center operations and promote paperless operations.

In the global segments, the Group has introduced settlement services via QR codes on smartphones in Malaysia and Cambodia to promote cashless settlements. Particularly in Malaysia, the Group has unified the smartphone applications and consolidated the membership information of AEON Malaysia and AEON BiG Malaysia, which operate retail businesses in Malaysia. The Group aims to develop product and services offering that better suit customers' needs by analyzing customer information of attributes and settlements, combined with their purchase information. The listed subsidiaries in Hong Kong, Thailand and Malaysia have issued new cards targeting middle- and high-income earners to improve customer loyalty.

Loans and Bills Discounted and Installment Sales Receivables

	Millions of Yen			
	2019	2018	Amount Change	Percentage Change
Loans and bills discounted	¥2,429,740	¥2,271,667	¥158,073	7.0%
Allowance for possible credit losses	(65,653)	(32,715)	(32,938)	100.7
Total loans and bills discounted	¥2,364,087	¥2,238,952	¥125,135	5.6%

	Millions of Yen			
	2019	2018	Amount Change	Percentage Change
Installment sales receivables:				
Credit card purchase contracts	¥ 912,110	¥ 829,210	¥ 82,900	10.0%
Hire purchase contracts	541,050	465,422	75,628	16.2
Subtotal	1,453,160	1,294,632	158,528	12.2
Allowance for possible credit losses	(37,106)	(26,048)	(11,058)	42.5
Total installment sales receivables	¥1,416,054	¥1,268,584	¥147,470	11.6%

Cash flows

For the year ended March 31, 2019, the net cash provided by operating activities amounted to ¥215,730 million ($1,943,340 thousand), the net cash used in investing activities amounted to ¥194,595 million ($1,752,954 thousand) and the net cash used in financing activities amounted to ¥16,073 million ($144,785 thousand). As a result of the above, the balance of cash and cash equivalents as at March 31, 2019 increased by ¥5,331 million ($48,026 thousand) to ¥627,929 million ($5,656,513 thousand) as compared to that as at March 31, 2018.

BUSINESS PERFORMANCE BY REPORTABLE SEGMENT

Total assets and ordinary income by reportable segment

	Millions of Yen			
	2019	2018	Amount Change	Percentage Change
Total Assets:				
Retail	¥ 4,105,584	¥ 3,671,896	¥ 433,688	11.8%
Solutions	2,314,706	2,156,871	157,835	7.3
China Area	91,370	90,723	647	0.7
Mekong Area	296,513	284,069	12,444	4.4
Malay Area	248,972	221,390	27,582	12.5
Reconciliations	(1,714,916)	(1,572,105)	(142,811)	9.1
Total assets	¥ 5,342,229	¥ 4,852,844	¥ 489,385	10.1%
Ordinary income(*1):				
Retail	¥ 188,982	¥ 177,303	¥ 11,679	6.6%
Solutions	181,772	171,006	10,766	6.3
China Area	19,611	19,463	148	0.8
Mekong Area	72,544	63,954	8,590	13.4
Malay Area	47,059	40,379	6,680	16.5
Reconciliations	(70,966)	(64,135)	(6,831)	10.7
Total ordinary income	¥ 439,002	¥ 407,970	¥ 31,032	7.6%

(*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.

Consolidated Balance Sheet

AEON Financial Service Co., Ltd. and Subsidiaries
March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
ASSETS			
Cash and cash equivalents (Note 17)	¥ 627,929	¥ 622,598	$ 5,656,513
Deposits with banks (Notes 7 and 17)	16,573	27,872	149,292
Call loans (Note 17)	30,497		274,720
Monetary claims bought (Notes 3 and 17)	13,316	5,096	119,953
Money held in trust (Notes 3 and 17)	22,406		201,841
Securities (Notes 3, 7, and 17)	344,684	210,862	3,104,980
Loans and bills discounted—net of allowance for possible credit losses (Notes 4, 7, 17, 19, and 22)	2,364,087	2,238,952	21,296,167
Foreign exchanges (Note 17)	1,635		14,732
Installment sales receivables—net of allowance for possible credit losses (Notes 4, 7, and 17)	1,416,054	1,268,584	12,756,090
Lease receivables and investment assets (Note 16)	11,425	8,507	102,919
Other assets (Note 7 and 22)	231,193	208,221	2,082,629
Property and equipment (Note 5)	39,205	36,978	353,165
Intangible assets (Note 6)	100,178	92,356	902,420
Deferred tax assets (Note 15)	34,898	23,357	314,367
Customers' liabilities for acceptances and guarantees	88,149	109,461	794,063
Total assets	¥5,342,229	¥4,852,844	$48,123,851
LIABILITIES AND EQUITY			
Liabilities:			
Deposits (Note 17)	¥3,469,134	¥3,049,733	$31,250,648
Accounts payable (Note 17)	329,068	312,649	2,964,306
Commercial paper (Notes 8 and 17)	102,080	60,500	919,555
Borrowed money (Notes 7, 8, and 17)	544,823	539,393	4,907,874
Bonds (Notes 8 and 17)	143,143	135,666	1,289,463
Convertible bonds with stock acquisition rights (Notes 8 and 17)	29,946	29,948	269,760
Other liabilities (Notes 8 and 9)	161,524	156,252	1,455,041
Allowance for point program	17,544	14,466	158,039
Allowance for loss on refund of interest received	4,177	3,125	37,624
Deferred tax liabilities (Note 15)	3,936	3,869	35,454
Acceptances and guarantees	88,149	109,461	794,063
Total liabilities	4,893,524	4,415,062	44,081,827
Commitments and contingent liabilities (Notes 16, 18, and 19)			
Equity (Notes 10 and 11):			
Common stock—authorized, 540,000,000 shares; issued, 225,510,128 shares in 2019 and 225,510,128 shares in 2018	45,698	45,698	411,658
Capital surplus	120,214	120,026	1,082,910
Stock acquisition rights—507 rights in 2019 and 648 rights in 2018	104	105	933
Retained earnings	235,414	227,387	2,120,654
Treasury stock—at cost, 9,732,022 shares in 2019 and 9,746,639 shares in 2018	(24,949)	(24,986)	(224,745)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 3)	5,151	3,556	46,399
Deferred loss on derivatives under hedge accounting	(1,676)	(1,877)	(15,096)
Foreign currency translation adjustments	1,472	870	13,261
Accumulated adjustments for retirement benefits (Note 9)	(680)	(658)	(6,123)
Total	380,748	370,121	3,429,851
Non-controlling interests	67,957	67,661	612,173
Total equity	448,705	437,782	4,042,024
Total liabilities and equity	¥5,342,229	¥4,852,844	$48,123,851

See notes to consolidated financial statements.

Consolidated Statement of Income

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Income:			
Interest income:			
Interest on loans and bills discounted (Note 22)	¥ 167,254	¥ 153,569	$ 1,506,653
Interest and dividends on securities	2,949	2,058	26,563
Interest on call loans	349	1	3,148
Interest on due from banks and deposits	599	451	5,395
Other interest income	92	82	833
Total interest income	171,243	156,161	1,542,592
Fees and commissions (Note 4)	227,014	213,390	2,044,989
Other operating income	29,234	27,126	263,341
Other income (Note 12)	11,521	12,749	103,787
Total income	439,012	409,426	3,954,709
Expenses:			
Interest expenses			
Interest on deposits	(3,775)	(3,210)	(34,005)
Interest on borrowed money	(15,013)	(13,823)	(135,244)
Interest on bonds	(2,089)	(2,042)	(18,814)
Other interest expenses	(572)	(405)	(5,150)
Total interest expenses	(21,449)	(19,480)	(193,213)
Fees and commissions	(36,019)	(33,308)	(324,466)
Other operating expenses	(3,825)	(3,585)	(34,455)
General and administrative expenses (Notes 9, 13 and 16)	(249,442)	(232,291)	(2,247,026)
Provision for possible credit losses and write-off of bad debts	(54,025)	(49,779)	(486,670)
Other expenses (Note 14)	(5,074)	(4,411)	(45,706)
Total expenses	(369,834)	(342,854)	(3,331,536)
Income before income taxes	69,178	66,572	623,173
Income taxes (Note 15):			
Current	(23,555)	(14,962)	(212,191)
Deferred	5,557	(2,736)	50,059
Total income taxes	(17,998)	(17,698)	(162,132)
Net income	51,180	48,874	461,041
Net income attributable to non-controlling interests	(11,772)	(10,196)	(106,044)
Net income attributable to owners of the parent	¥ 39,408	¥ 38,678	$ 354,997

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 21):			
Basic net income	¥ 182.64	¥ 179.29	$ 1.65
Diluted net income	173.20	170.02	1.56
Cash dividends applicable to the year	68.00	68.00	0.61

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
Net income	¥51,180	¥48,874	$461,041
Other comprehensive income (Note 20):			
Unrealized gain (loss) on available-for-sale securities	2,339	(1,398)	21,066
Deferred gain on derivatives under hedge accounting	426	595	3,839
Foreign currency translation adjustments	1,463	3,431	13,178
Adjustments for retirement benefits (Note 9)	(24)	(217)	(214)
Total other comprehensive income	4,204	2,411	37,869
Comprehensive income:	¥55,384	¥51,285	$498,910
Total comprehensive income attributable to:			
Owners of the parent	¥41,784	¥39,597	$376,395
Non-controlling interests	13,600	11,688	122,515

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

AEON Financial Service Co., Ltd. and Subsidiaries

Years Ended March 31, 2019 and 2018

	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, 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
Cumulative effects of changes in accounting policies					(16,704)						(16,704)	(11,537)	(28,241)
Restated balance	215,763	45,698	120,026	105	210,683	(24,986)	3,556	(1,877)	870	(658)	353,417	56,124	409,541
Net income attributable to owners of the parent					39,408						39,408		39,408
Cash dividends, ¥68 per share					(14,672)						(14,672)		(14,672)
Conversion of convertible bonds	1					2					2		2
Purchase of treasury stock	(1)					(1)					(1)		(1)
Disposal of treasury stock	15				(5)	36					31		31
Change in the parent's ownership interest arising from transactions with non-controlling interests			188								188	(188)	
Net change in the year				(1)			1,595	201	602	(22)	2,375	12,021	14,396
Balance, March 31, 2019	215,778	¥45,698	¥120,214	¥104	¥235,414	¥(24,949)	¥5,151	¥(1,676)	¥ 1,472	¥(680)	¥380,748	¥ 67,957	¥448,705

	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, 2018	215,763	$411,658	$1,081,216	$942	$2,048,350	$(225,084)	$32,035	$(16,906)	$ 7,842	$(5,928)	$3,334,125	$ 609,505	$3,943,630
Cumulative effects of changes in accounting policies					(150,473)						(150,473)	(103,927)	(254,400)
Restated balance	215,763	411,658	1,081,216	942	1,897,877	(225,084)	32,035	(16,906)	7,842	(5,928)	3,183,652	505,578	3,689,230
Net income attributable to owners of the parent					354,997						354,997		354,997
Cash dividends, $0.61 per share					(132,170)						(132,170)		(132,170)
Conversion of convertible bonds	1					18					18		18
Purchase of treasury stock	(1)					(5)					(5)		(5)
Disposal of treasury stock	15				(50)	326					276		276
Change in the parent's ownership interest arising from transactions with non-controlling interests			1,694								1,694	(1,694)	
Net change in the year				(9)			14,364	1,810	5,419	(195)	21,389	108,289	129,678
Balance, March 31, 2019	215,778	$411,658	$1,082,910	$933	$2,120,654	$(224,745)	$46,399	$(15,096)	$13,261	$(6,123)	$3,429,851	$ 612,173	$4,042,024

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

AEON Financial Service Co., Ltd. and Subsidiaries
Years Ended March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2019	2018	2019
OPERATING ACTIVITIES:			
Income before income taxes	¥ 69,178	¥ 66,572	$ 623,173
Adjustments for:			
Depreciation and amortization	20,852	19,221	187,837
Amortization of goodwill	1,835	1,836	16,532
Allowance for possible credit losses	8,991	7,812	80,998
Allowance for point program	3,078	(52)	27,724
Allowance for loss on refund of interest received	1,052	(682)	9,476
Allowance for contingent loss		(566)	
Interest income	(171,243)	(156,161)	(1,542,592)
Interest expenses	21,449	19,480	193,213
Net increase in loans and bills discounted	(150,661)	(401,564)	(1,357,186)
Net increase in installment sales receivables	(157,914)	(108,315)	(1,422,521)
Net increase in lease receivables and investment assets	(2,918)	(1,403)	(26,289)
Net increase in deposits	419,401	507,643	3,778,050
Net increase in accounts payable	16,926	87,210	152,479
Net increase in borrowed money	4,555	28,488	41,031
Net decrease in deposits with banks	11,277	580	101,584
Net (increase) decrease in call loans and others	(38,717)	28,850	(348,771)
Net increase in commercial paper	41,568	22,500	374,456
Proceeds from sale and leaseback	2,952	4,323	26,589
Interest income received	170,585	155,906	1,536,661
Interest expenses paid	(24,355)	(19,305)	(219,394)
Other	(15,969)	(46,938)	(143,851)
Subtotal	231,922	215,435	2,089,199
Income taxes—paid	(18,252)	(18,233)	(164,417)
Income taxes—refund	2,060	1,739	18,558
Net cash provided by operating activities	215,730	198,941	1,943,340
INVESTING ACTIVITIES:			
Purchases of securities	(887,709)	(370,505)	(7,996,658)
Proceeds from sales of securities	73,201	137,990	659,404
Proceeds from redemption of securities	676,344	189,183	6,092,637
Purchases of money held in trust	(22,844)		(205,781)
Proceeds from collection of money held in trust	437		3,940
Purchases of property and equipment	(11,142)	(8,623)	(100,365)
Proceeds from sale of property and equipment	10	18	87
Purchases of intangible assets	(22,892)	(22,415)	(206,218)
Proceeds from business divestitures		6,277	
Net cash used in investing activities	(194,595)	(68,075)	(1,752,954)
FINANCING ACTIVITIES:			
Proceeds from issuance of convertible bonds with stock acquisition rights		3,284	
Dividends paid to the Company’s shareholders	(14,672)	(14,669)	(132,170)
Proceeds from stock issuance to non-controlling shareholders	5,533	52	49,849
Repayments to non-controlling shareholders	(2,723)	(80)	(24,529)
Dividends paid to non-controlling shareholders	(4,207)	(3,620)	(37,899)
Purchase of treasury stock	(1)	(2)	(5)
Proceeds from disposal of treasury stock	1	1	1
Purchase of additional shares in subsidiaries that do not result in change in scope of consolidation	(4)	(204)	(32)
Net cash used in financing activities	(16,073)	(15,238)	(144,785)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	269	767	2,425
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,331	116,395	48,026
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	622,598	506,203	5,608,487
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 627,929	¥ 622,598	$ 5,656,513

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended March 31, 2019 and 2018

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 2018 consolidated financial statements to conform to the classifications used in 2019.

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 ¥111.01 to $1, the exchange rate at March 31, 2019. 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 CREDIT SERVICE (ASIA) CO., LTD.
AEON THANA SINSAP (THAILAND) PLC.
AEON CREDIT SERVICE (M) BERHAD and other 24 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 at March 31, 2019 include the accounts of the Company and its 32 subsidiaries and one affiliate company.

During the current fiscal year, AEON CREDIT GUARANTEE (CHINA) CO., LTD. has been excluded from the scope of consolidation due to completion of liquidation.

AFS Corporation Co., Ltd., a wholly-owned subsidiary of the Company, is also excluded from the scope of consolidation because the effect of the Company's share of its assets, ordinary revenue, net income, retained earnings and other comprehensive income on the Group's consolidated financial results is immaterial to the extent that the exclusion does not influence financial statement users' reasonable judgments on the Group's financial position and financial performance.

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 comprise cash in hand and 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 self assessments.

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

(g) Property and Equipment—Property and equipment are stated at cost, less accumulated depreciation and impairment. Depreciation of property and equipment is computed under the straight-line method based on the estimated useful lives of the assets. The range of useful lives is principally from 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, 2019 and 2018, which have been deferred and included in other assets, were ¥19 million ($170 thousand) and ¥64 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, 2019 and 2018, which have been deferred and included in other assets, were ¥209 million ($1,885 thousand) and ¥253 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 at the end of the fiscal year based on past experience.

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

(n) Retirement 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 not exceeding 10 years.

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

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

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

(i) Credit card purchase contracts and hire purchase contracts

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

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

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.

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

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

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

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

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)."

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

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

(u) Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates as at 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.

(v) Foreign Currency Financial Statements—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as at 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.

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

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

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

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

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

(i) Changes in accounting policies

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

(ii) Changes in presentation

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

(iii) Changes in accounting estimates

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

(iv) Correction of prior-period errors

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

Effective from April 1, 2018, overseas consolidated subsidiaries have applied the following accounting standards. In applying these accounting standards, they have adopted the method to recognize the cumulative effects of application of these accounting standards on the date of initial application, which is allowed as the transitional treatment.

(i) IFRS 9 "Financial Instruments"

This standard introduces new requirements for classification and measurement of financial instruments and hedge accounting. Overseas consolidated subsidiaries applied this standard and one of main effects is in change of the method for measurement of allowance for possible credit losses of loans and bills discounted and installment sales receivables.

As a result, allowance for possible credit losses and deferred tax assets as at April 1, 2018 have increased by ¥35,018 million ($315,448 thousand) and ¥6,777 million ($61,048 thousand), respectively. Non-controlling interests and retained earnings as at April 1, 2018 have decreased by ¥11,537 million ($103,927 thousand) and ¥16,704 million ($150,473 thousand), respectively.

The effects on net income and per share information for the year ended March 31, 2019 are immaterial.

(ii) IFRS 15 "Revenue from Contracts with Customers"

This standard introduces a single comprehensive model that entities use to account for revenues from contracts with customers.

The effects of application of this standard on net profit or loss and per share information for the year ended March 31, 2019 are immaterial.

(z) 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 February 28, 2023.

(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, 2019. The Group is currently evaluating the effects of adoption of these accounting standards.

Accounting Standard	Description	Effective date
"Leases" (IFRS 16)	IFRS 16 introduces a single accounting model that lessees recognize assets and liabilities for all types of leases.	Year ending February 29, 2020

(aa) Additional Information

(Litigation)

On December 12, 2017, AEON CREDIT SERVICE (M) BERHAD (hereinafter, "AEON Credit"), a consolidated subsidiary of the Company, received the notice of an additional tax levy related to income tax for the years of 2009 to 2015 to pay MYR 96 million from the Inland Revenue Board of Malaysia. AEON Credit believed that there were reasonable grounds to disagree with the notice and continued with the judiciary proceedings.

On April 5, 2019, the provisional stay order of enforcement of the notice was dismissed at the Court of Appeal. Currently, AEON Credit is preparing for a judicial review hearing to be held on July 1, 2019.

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.

(Reorganization through change in the Company's corporate structure and corporate split)

Effective from April 1, 2019, the Company has reorganized the Group's structure through absorption-type corporate split (hereinafter, "the corporate split") where shares of the Company's subsidiaries including AEON Bank, Ltd. being transferred to AFS Corporation Co., Ltd. (hereinafter, "AFS Corporation"), a wholly-owned subsidiary of the Company, based on the approval of the corporate split agreement and amendment of the Articles of Incorporation of the Company at the Extraordinary General Meeting of Shareholders held on March 15, 2019. Accordingly, the Company itself is no longer a bank holding company.

(i) Purpose

The Company operates in 11 countries in Asia including Japan. The Group is a comprehensive financial group originating from retail business and has 32 consolidated subsidiaries and one affiliate company ("AFS Group").

To become "the number one retail financial services company in Asia," the AFS Group aims to "construct the most customer-oriented ecosystems (an economic zone) in Asia by 2025" through the significant expansion of the Group's customer base from the current number of member IDs of 4.1 million to 300 million over the medium to long term.

The external environment is severely changing and the AFS Group is exposed to a declining population and rapid aging of the Japanese society in addition to new competition from IT Platform companies which hold enormous amount of personal data and other sectors possessing the latest technologies such as Fintech entering into the financial services industry.

Under such business environment, the AFS Group led the organizational structure with the Company, being a bank holding company on the top, thus were limited in scope of its businesses, as required under the relevant laws and regulations.

The Company determined that the reorganization was required to build more flexible business model while maintaining a sound governance system with banking business.

Specifically, the reorganization through establishment of AFS Corporation as a bank holding company and changing the Company's status allows the Company or Group to expand its business scope.

(ii) Summary of the reorganization

(1) Method of the reorganization

① Reallocation of assets within the Group to enable the Company to transit from a bank holding company

② Domestic subsidiaries and certain overseas subsidiaries of the Company, including AEON Bank, Ltd., were reorganized to fall directly under the management of AFS Corporation through the corporate split.

(2) Details of the corporate split

The Company received 9,999 shares of AFS Corporation as a consideration of the corporate split.

(3) Amount of assets and liabilities involved in the corporate split (as at March 31, 2019)

Total assets: ¥244,046 million ($2,198,419 thousand) (shares of related companies)

(4) Handling of share acquisition rights and convertible bonds with stock acquisition rights in the corporate split

There is no applicable information.

(5) Change in equity due to the corporate split

There is no change in the Company's equity due to the corporate split.

(6) Obligation to receive rights

AFS Corporation received the voting rights of its subsidiaries in the corporate split.

(7) Fulfillment of obligations

Liabilities and obligations of the Company and AFS Corporation are expected to be fulfilled effective from the date of the corporate split.

(iii) Subsidiaries involved in the corporate split

AEON Bank, Ltd., AEON Housing Loan Service Co., Ltd., AEON Credit Service (Philippines) Inc. and AEON Specialized Bank (Cambodia) Plc.

3. MONETARY CLAIMS BOUGHT, MONEY HELD IN TRUST AND SECURITIES

Monetary claims bought and securities as at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Marketable equity securities	¥ 7,429	¥ 6,730	$ 66,919
Marketable debt securities:			
Government bonds	13,932	12,041	125,501
Municipal bonds	22,919	20,314	206,459
Corporate bonds	70,098	64,075	631,462
Total marketable debt securities	106,949	96,430	963,422
Other securities			
Foreign securities	36,252	30,061	326,560
Other (*)	207,370	82,737	1,868,032
Total other securities	243,622	112,798	2,194,592
Total	¥358,000	¥215,958	$3,224,933

(*) Includes investments in associated companies of ¥194 million ($1,745 thousand) and ¥224 million as at March 31, 2019 and 2018, respectively.

The carrying amounts and aggregate fair values of monetary claims bought and securities as at March 31, 2019 and 2018, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2019				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,064	¥ 5,376	¥ (11)	¥ 7,429
Debt securities	105,001	1,949	(1)	106,949
Other securities	230,042	3,623	(2,322)	231,343
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
Other securities	103,788	976	(991)	103,773

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2019				
Securities classified as:				
Available-for-sale:				
Equity securities	$ 18,589	$48,430	$ (100)	$ 66,919
Debt securities	945,870	17,557	(5)	963,422
Other securities	2,072,263	32,639	(20,919)	2,083,983

Available-for-sale securities whose fair values are deemed to be difficult to determine as at March 31, 2019 and 2018 are disclosed in Note 17.

There was no loss on revaluation of securities for the years ended March 31, 2019 and 2018.

Money held in trust as at March 31, 2019 consisted of the following:

	Millions of Yen	
March 31, 2019	Consolidated Balance Sheet Amount	Unrealized Gains (Losses)
Trading purposes	¥ 22,406	

	Thousands of U.S. Dollars	
March 31, 2019	Consolidated Balance Sheet Amount	Unrealized Gains (Losses)
Trading purposes	$201,841	

Unrealized gain on available-for-sale securities on the consolidated balance sheets as at March 31, 2019 and 2018 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gain before deferred tax on:			
Available-for-sale securities (*)	¥ 8,683	¥ 5,407	$ 78,218
Deferred tax liabilities	(2,813)	(1,850)	(25,336)
Unrealized gain on available-for-sale securities (before adjustment)	5,870	3,557	52,882
Non-controlling interests	(719)	(1)	(6,483)
Unrealized gain on available-for-sale securities	¥ 5,151	¥ 3,556	$ 46,399

(*) 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 ¥68 million ($616 thousand) and ¥66 million for the years ended March 31, 2019 and 2018, respectively.

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

Loans and bills discounted as at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Loans and bills discounted	¥2,429,740	¥2,271,667	$21,887,584
Allowance for possible credit losses	(65,653)	(32,715)	(591,417)
Total	¥2,364,087	¥2,238,952	$21,296,167

Loans and bills discounted as at March 31, 2019 and 2018, included the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Loans to bankrupt borrowers (*1)	¥ 3,021	¥ 2,409	$ 27,208
Non-accrual delinquent loans (*2)	40,139	35,792	361,580
Restructured loans (*3)	24,075	21,641	216,875
Total	¥67,235	¥59,842	$605,663

(*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, 2019 and 2018. "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, 2019 and 2018 was ¥132 million ($1,188 thousand) and ¥231 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, 2019 and 2018 was ¥7,007 million ($63,124 thousand) and ¥7,013 million, respectively.

Installment sales receivables as at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Installment sales receivables:			
Credit card purchase contracts	¥ 912,110	¥ 829,210	$ 8,216,470
Hire purchase contracts	541,050	465,422	4,873,883
Subtotal	1,453,160	1,294,632	13,090,353
Allowance for possible credit losses	(37,106)	(26,048)	(334,263)
Total	¥1,416,054	¥1,268,584	$12,756,090

Fees and commissions for the years ended March 31, 2019 and 2018, included the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Credit card purchase contracts	¥125,917	¥116,249	$1,134,284

5. PROPERTY AND EQUIPMENT

Property and equipment as at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Structures	¥ 13,609	¥ 12,744	$ 122,590
Equipment	78,764	69,879	709,526
Construction in progress	343	494	3,091
Other property and equipment	160	142	1,441
Subtotal	92,876	83,259	836,648
Accumulated depreciation	(53,671)	(46,281)	(483,483)
Total	¥ 39,205	¥ 36,978	$ 353,165

6. INTANGIBLE ASSETS

Intangible assets as at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Software	¥ 74,612	¥64,555	$672,116
Goodwill	20,061	21,896	180,715
Other intangible assets	5,505	5,905	49,589
Total	¥100,178	¥92,356	$902,420

7. PLEDGED ASSETS

Assets pledged as collateral as at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Assets pledged as collateral:			
Deposits with banks	¥ 5,927	¥ 521	$ 53,392
Securities	27,617	27,433	248,776
Loans and bills discounted	17,771	16,335	160,087
Installment sales receivables	11,734	11,117	105,698
Total	¥63,049	¥55,406	$567,953
Liabilities corresponding to assets pledged as collateral:			
Borrowed money	¥43,159	¥46,636	$388,787

In addition to the assets presented above, the following assets were pledged as collateral for exchange settlements and other transactions as at March 31, 2019 and 2018:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Securities		¥19,305	
Other assets (Initial margins deposited at central counterparty clearing houses)	¥50,000	34,222	$450,410

Moreover, other assets included guarantee money deposits, and these amounts as at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Guarantee money deposits	¥56,116	¥40,094	$505,507

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, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars	Average interest rate(*1)	
	2019	2018	2019	2019	Due
Commercial paper	¥102,080	¥ 60,500	$ 919,555	0.17%	
Borrowed money	544,823	539,393	4,907,874	2.88%	From April 2019 to October 2025
Lease obligations	36,856	38,639	332,010	1.45%	From May 2019 to March 2029

(*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 with stock acquisition rights as at March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Issued by the Company:			
¥30,000 million Zero Coupon Callable Convertible Bonds due 2019	¥ 29,946	¥ 29,948	$ 269,760
Unsecured 0.349% pari passu Japanese yen notes due March 2019		10,000	
Unsecured 0.572% pari passu Japanese yen notes due March 2021	10,000	10,000	90,082
Unsecured 0.83% callable subordinated Japanese yen notes due April 2019	30,000	30,000	270,246
Unsecured 0.83% callable subordinated Japanese yen notes due April 2019	10,000	10,000	90,082
Unsecured 0.402% pari passu Japanese yen notes due March 2020	20,000	20,000	180,164
Unsecured 0.552% pari passu Japanese yen notes due March 2022	10,000	10,000	90,082
Issued by AEON Product Finance Co., Ltd.:			
Unsecured 0.38% Japanese yen notes due April 2023	5,000		45,041
Unsecured 0.4% Japanese yen notes due October 2023	5,000		45,041
Issued by AEON Thana Sinsap (Thailand) Plc.:			
Unsecured 1.936% Thai baht notes due July 2018		1,835	
Unsecured 2.535% Thai baht notes due November 2018		3,245	
Unsecured 2.594% Thai baht notes due March 2019	3,349	3,224	30,171
Unsecured 0.486% Thai baht notes due March 2019	2,233	2,234	20,120
Unsecured 2.87% Thai baht notes due February 2019		684	
Unsecured 3.242% Thai baht notes due March 2020	7,791	7,522	70,180
Unsecured 3.094% Thai baht notes due March 2020	1,670	1,613	15,044
Unsecured 3.543% Thai baht notes due August 2021	1,664	1,607	14,989
Unsecured 2.5% Thai baht notes due July 2019	1,412	1,367	12,718
Unsecured 2.73% Thai baht notes due December 2019	3,528	3,415	31,778
Unsecured 3.48% Thai baht notes due December 2021	3,525	3,414	31,755
Unsecured 3.544% Thai baht notes due December 2021	3,324	3,211	29,941
Unsecured 2.5% Thai baht notes due August 2020	705	683	6,356
Unsecured 2.5% Thai baht notes due September 2020	1,058	1,025	9,534
Unsecured 2.5% Thai baht notes due September 2020	353	341	3,177
Unsecured 2.37% Thai baht notes due December 2020	7,054	6,831	63,542
Unsecured 2.93% Thai baht notes due December 2022	3,526	3,415	31,762
Unsecured 2.96% Thai baht notes due November 2020	7,051		63,517
Unsecured 3.26% Thai baht notes due November 2021	2,820		25,404
Issued by AEON CREDIT SERVICE (PHILIPPINES) INC.:			
Unsecured 7.299% Philippine peso notes due November 2021	1,869		16,836
Unsecured 7.695% Philippine peso notes due November 2023	211		1,901
Total	¥173,089	¥165,614	$1,559,223

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	11,707	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, 2019.

The annual maturities of borrowed money as at March 31, 2019, were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥226,439	$2,039,808
2021	106,332	957,862
2022	68,866	620,353
2023	46,424	418,197
2024	65,499	590,029
2025 and thereafter	31,263	281,625
Total	¥544,823	$4,907,874

The annual maturities of bonds as at March 31, 2019, were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 89,929	$ 810,098
2021	46,221	416,372
2022	13,202	118,926
2023	13,526	121,844
2024	10,211	91,983
2025 and thereafter		
Total	¥173,089	$1,559,223

The annual maturities of lease obligations as at March 31, 2019, were as follows:

Years ended March 31	Millions of Yen	Thousands of U.S. Dollars
2020	¥ 8,153	$ 73,442
2021	8,401	75,680
2022	5,449	49,085
2023	4,277	38,530
2024	3,245	29,230
2025 and thereafter	7,331	66,043
Total	¥36,856	$332,010

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 allows them to calculate their benefit obligations as the amount of benefits that would be payable if they voluntarily retire or terminate at fiscal year-end.

(a) The changes in defined benefit obligation (including the obligation calculated by the simple method) for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥5,891	¥5,109	$53,063
Current service cost	535	416	4,817
Interest cost	36	53	324
Actuarial gains and losses	(6)	452	(54)
Benefits paid	(396)	(107)	(3,566)
Other	118	(32)	1,069
Balance at end of year	¥6,178	¥5,891	$55,653

(b) The changes in plan assets for the years ended March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Balance at beginning of year	¥1,944	¥1,693	$17,510
Expected return on plan assets	55	45	496
Actuarial gains and losses	(174)	(13)	(1,570)
Contributions from the employer	248	220	2,236
Benefits paid	(15)	(1)	(136)
Balance at end of year	¥2,058	¥1,944	$18,536

(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, 2019 and 2018(*)

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Funded defined benefit obligation	¥ 2,692	¥ 2,480	$ 24,254
Plan assets	(2,058)	(1,944)	(18,536)
	634	536	5,718
Unfunded defined benefit obligation	3,486	3,411	31,399
Net liability arising from defined benefit obligation	¥ 4,120	¥ 3,947	$ 37,117

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Liability for retirement benefits	¥4,120	¥3,947	$37,117
Net liability arising from defined benefit obligation	¥4,120	¥3,947	$37,117

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

(d) The components of net periodic benefit costs for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Service cost(*)	¥535	¥416	$4,817
Interest cost	36	53	324
Expected return on plan assets	(55)	(45)	(496)
Recognized actuarial losses	141	218	1,274
Amortization of past service costs	228	46	2,055
Other	7	24	61
Net periodic benefit costs	¥892	¥712	$8,035

(*) 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, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Past service costs		¥ (44)	
Actuarial gains and losses	¥29	357	$259
Total	¥29	¥313	$259

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at March 31, 2019 and 2018

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrecognized actuarial gains and losses	¥980	¥952	$8,830
Total	¥980	¥952	$8,830

(g) Plan assets

(i) Components of plan assets

Plan assets consisted of the following:

	2019	2018
Debt securities	42.6%	53.1%
Equity securities	23.7%	21.1%
Assets in the life insurer's general account	13.3%	13.2%
Other(*)	20.4%	12.6%
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, 2019 and 2018, were set forth as follows:

	2019(*)	2018(*)
Discount rate	0.6%	0.7%
Expected rate of return on plan assets	2.83%	2.67%

(*) In addition to the above, salary increase rate by age calculated as at the base date of March 31, 2016 was used as an assumption.

The required contribution amounts to the defined contribution pension plan for the years ended March 31, 2019 and 2018 are ¥565 million ($5,092 thousand) and ¥539 million, respectively.

The amounts of benefits paid under the advance payment plan for the years ended March 31, 2019 and 2018 are ¥63 million ($565 thousand) and ¥63 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.

11. STOCK-BASED COMPENSATION

The stock options outstanding as at March 31, 2019, 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
2019 Stock Option	7 directors	16,300 shares	July 21, 2018	¥ 1 $0.01	From August 21, 2018 through August 20, 2033

The summary of stock option activity is as follows:

	2019 Stock Option	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	16,300							
Expired								
Vested	16,300							
Outstanding at end of year								
Vested (Shares)								
Outstanding at beginning of year		9,900	10,800	9,000	6,800	7,000	3,500	1,500
Vested	16,300							
Exercised	8,200			3,600	2,300			
Expired								
Outstanding at end of year	8,100	9,900	10,800	5,400	4,500	7,000	3,500	1,500
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Average stock price upon exercise	¥2,263			¥2,172	¥2,465			
	$20.39			$19.57	$22.21			
Fair value price at grant date	¥1,808	¥1,856	¥1,940	¥3,072	¥2,006	¥2,715	¥1,081	¥ 809
	$16.29	$16.72	$17.48	$27.67	$18.07	$24.46	$ 9.74	$ 7.29

The assumptions used to measure fair value of stock options vested during fiscal year 2019 were as follows:

	2019 Stock Option
Measurement method	Black-Scholes option-pricing model
Risk-free interest rate	(0.0510)%
Expected life of option grants	7.5 years
Expected volatility of underlying stock	34.21%
Estimated dividend	¥68 per share

12. OTHER INCOME

Other income for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Gain on bad debts recovered	¥ 7,605	¥ 6,691	$ 68,507
Group life insurance	1,833	1,611	16,515
Gain on transfer from business divestitures		1,452	
Other	2,083	2,995	18,765
Total	¥11,521	¥12,749	$103,787

13. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Salaries and allowances	¥ (68,241)	¥ (65,415)	$ (614,730)
Advertising expenses	(57,856)	(51,510)	(521,175)
Other	(123,345)	(115,366)	(1,111,121)
Total	¥(249,442)	¥(232,291)	$(2,247,026)

14. OTHER EXPENSES

Other expenses for the years ended March 31, 2019 and 2018, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Provision for loss on refund of interest received	¥(3,231)	¥(2,780)	$(29,108)
Business structure reform expenses(*)		(217)	
Other	(1,843)	(1,414)	(16,598)
Total	¥(5,074)	¥(4,411)	$(45,706)

(*) These expenses were incurred in the absorption-type corporate 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 30.6% and 30.9% for the years ended March 31, 2019 and 2018, respectively. The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as at March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Deferred tax assets:			
Allowance for possible credit losses	¥19,811	¥ 9,988	$178,463
Loans and bills discounted and installment sales receivables	100	117	900
Allowance for point program	5,529	4,641	49,808
Allowance for loss on refund of interest received	1,279	961	11,521
Accrued income	440	447	3,959
Property and equipment	481	509	4,329
Intangible assets	487	393	4,385
Liability for retirement benefits	1,179	1,145	10,625
Tax loss carryforwards	740	1,569	6,670
Unrealized loss on acquisition of subsidiaries	38	46	340
Other	8,669	6,880	78,095
Less valuation allowance	(2,889)	(3,142)	(26,024)
Total deferred tax assets	¥35,864	¥23,554	$323,071
Deferred tax liabilities:			
Depreciation in consolidated foreign subsidiaries	¥ 239	¥ 239	$ 2,150
Unrealized gain on available-for-sale securities	2,873	1,940	25,877
Unrealized gain on acquisition of subsidiaries	1,685	1,808	15,180
Other	105	79	951
Total deferred tax liabilities	¥ 4,902	¥ 4,066	$ 44,158
Net deferred tax assets	¥30,962	¥19,488	$278,913

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, 2019 and 2018, were as follows:

	2019	2018
Effective statutory tax rate	30.6%	30.9%
Per capita portion of inhabitants tax	0.4	0.5
Lower income tax rates applicable to income in certain foreign countries	(5.3)	(4.9)
Influence of elimination in consolidation	2.2	2.6
Influence of changes in the statutory tax rate		0.1
Tax loss carryforwards	(1.2)	(1.0)
Valuation allowance	0.7	0.2
Other	(1.4)	(1.8)
Actual effective tax rate	26.0%	26.6%

16. LEASES

(Lessee side)

The Group leases equipment, software, and other assets.

Total rental expenses for the years ended March 31, 2019 and 2018 were ¥17,259 million ($155,475 thousand) and ¥15,716 million, respectively.

The minimum rental commitments under noncancelable operating leases as at March 31, 2019 and 2018 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Due within one year	¥4,243	¥3,899	$38,219
Due after one year	4,695	4,454	42,299
Total	¥8,938	¥8,353	$80,518

(Lessor side)

(a) Breakdown of lease receivables and investment assets

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Lease payments receivables	¥12,298	¥9,374	$110,781
Unearned interest income	(873)	(867)	(7,862)
Lease receivables and investment assets	¥11,425	¥8,507	$102,919

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

	Millions of Yen					
	2019					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Lease receivables and investment assets	¥3,084	¥2,536	¥1,551	¥1,355	¥1,420	¥2,352

	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

	Thousands of U.S. Dollars					
	2019					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Lease receivables and investment assets	$27,775	$22,847	$13,974	$12,207	$12,794	$21,184

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 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. Financial liabilities are also exposed to interest rate risk and foreign exchange risk.

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, 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 market risk of financial instruments held by the Company's major consolidated domestic subsidiaries, the Monte-Carlo simulation (holding period: 120 days, historical observation period: three year, and confidence interval: 99%) is applied to calculate VaR. From the current fiscal year, methods of calculating VaR are unified to the Monte-Carlo simulation and major assumptions such as holding period and historical observation period are reassessed. The amount of VaR as at March 31, 2019 was ¥10,657 million ($96,000 thousand) (2018: ¥2,020 million for interest rate risk and ¥27,085 million for security price risk, as calculated by the previous method). Although foreign subsidiaries and certain domestic 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.

These figures represent the amounts of market risk calculated statistically 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 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, 2019 and 2018 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		
	2019		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	¥ 627,929	¥ 627,929	
(2) Deposits with banks	16,573	16,573	
(3) Call loans	30,497	30,497	
(4) Monetary claims bought	13,316	13,316	
(5) Money held in trust	22,406	22,406	
(6) Securities	332,406	332,406	
(7) Loans and bills discounted—net of allowance for possible credit losses	2,364,087	2,481,222	¥117,135
(8) Foreign exchanges	1,635	1,635	
(9) Installment sales receivables—net of allowance for possible credit losses	1,416,054	1,431,130	15,076
Total	¥4,824,903	¥4,957,114	¥132,211
(10) Deposits	¥3,469,134	¥3,472,233	¥ 3,099
(11) Accounts payable	329,068	329,068	
(12) Commercial paper	102,080	102,080	
(13) Borrowed money	544,823	543,540	(1,283)
(14) Bonds	143,143	143,236	93
(15) Convertible bonds with stock acquisition rights	29,946	30,155	209
Total	¥4,618,194	¥4,620,312	¥ 2,118
(16) Derivative financial instruments (Note 18):			
Hedge accounting not applied	¥ 3	¥ 3	
Hedge accounting applied	(12,080)	(12,080)	
Total	¥ (12,077)	¥ (12,077)	

	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	
(6) Securities	201,837	201,837	
(7) Loans and bills discounted—net of allowance for possible credit losses	2,238,952	2,328,699	¥ 89,747
(9) 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
(10) Deposits	¥3,049,733	¥3,055,895	¥ 6,162
(11) Accounts payable	312,649	312,649	
(12) Commercial paper	60,500	60,500	
(13) Borrowed money	539,393	538,968	(425)
(14) Bonds	135,666	136,006	340
(15) Convertible bonds with stock acquisition rights	29,948	32,550	2,602
Total	¥4,127,889	¥4,136,568	¥ 8,679
(16) Derivative financial instruments (Note 18):			
Hedge accounting not applied			
Hedge accounting applied	¥ (9,412)	¥ (9,412)	
Total	¥ (9,412)	¥ (9,412)	

	Thousands of U.S. Dollars		
	2019		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	$ 5,656,513	$ 5,656,513	
(2) Deposits with banks	149,292	149,292	
(3) Call loans	274,720	274,720	
(4) Monetary claims bought	119,953	119,953	
(5) Money held in trust	201,841	201,841	
(6) Securities	2,994,371	2,994,371	
(7) Loans and bills discounted—net of allowance for possible credit losses	21,296,167	22,351,339	$1,055,172
(8) Foreign exchanges	14,732	14,732	
(9) Installment sales receivables—net of allowance for possible credit losses	12,756,090	12,891,897	135,807
Total	$43,463,679	$44,654,658	$1,190,979
(10) Deposits	$31,250,648	$31,278,563	$ 27,915
(11) Accounts payable	2,964,306	2,964,306	
(12) Commercial paper	919,555	919,555	
(13) Borrowed money	4,907,874	4,896,315	(11,559)
(14) Bonds	1,289,463	1,290,299	836
(15) Convertible bonds with stock acquisition rights	269,760	271,648	1,888
Total	$41,601,606	$41,620,686	$ 19,080
(16) Derivative financial instruments (Note 18):			
Hedge accounting not applied	$ 32	$ 32	
Hedge accounting applied	(108,820)	(108,820)	
Total	$ (108,788)	$ (108,788)	

(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) Money held in trust

The fair value of money held in trust, which comprises trust assets, is determined by the same method as "(7) Loans and bills discounted—net of allowance for possible credit losses" described below.

(6) 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.

(7) 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 at 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 that reflect credit risk adjustments for the type and maturity of loan receivables with a discount rate consisting of a risk-free rate and collection costs of each product (expense ratio).

(8) Foreign exchanges

Foreign exchanges are foreign currency deposits with other banks (due from foreign banks). The carrying amount of foreign exchanges is considered to approximate fair value because these deposits have no maturities.

(9) Installment sales receivables—net of allowance for possible credit losses

The fair value of installment sales receivables is determined by discounting expected cash flows that reflect credit risk adjustments for the type and maturity of installment sales receivables with a discount rate consisting of a risk-free rate and collection costs of each product (expense ratio).

(10) Deposits

For demand deposits, the amount payable on demand as at 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.

(11) 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.

(12) Commercial paper

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

(13) Borrowed money

The fair value of borrowed money with fixed-interest rates is determined by discounting the total amounts of principal and interest payments into certain periods using 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 not exceeding one year.

(14) Bonds and (15) Convertible bonds with stock acquisition rights

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

(16) 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
	2019	2018	2019
Stock with no active market quotations	¥2,323	¥1,655	$20,924
Trust beneficiary rights	5,757	5,797	51,867
Investments in limited partnerships	4,198	1,573	37,818

(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					
	2019					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	¥ 579,815					
Call loans	30,497					
Monetary claims bought			¥ 126			¥ 13,145
Money held in trust	2,529	¥ 4,235	3,326	¥ 2,600	¥ 2,917	6,799
Securities:						
Available-for-sale securities:						
Government bonds	2,500					11,000
Municipal bonds			400		22,190	
Corporate bonds	3,000	18,000	800			47,246
Other	20,111	8,000			800	7,236
Total	25,611	26,000	1,200		22,990	65,482
Loans and bills discounted(*1, *2)	584,221	448,076	204,978	102,043	157,200	837,860
Installment sales receivables(*1)	979,964	211,143	118,883	45,996	33,049	34,050
Total	¥2,202,637	¥689,454	¥328,513	¥150,639	¥216,156	¥957,336

	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				
Municipal bonds			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

	Thousands of U.S. Dollars					
	2019					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Due from banks	$ 5,223,087					
Call loans	274,720					
Monetary claims bought			$ 1,140			$ 118,414
Money held in trust	22,782	$ 38,151	29,962	$ 23,422	$ 26,274	61,250
Securities:						
Available-for-sale securities:						
Government bonds	22,520					99,090
Municipal bonds			3,603		199,892	
Corporate bonds	27,025	162,147	7,207			425,601
Other	181,164	72,066			7,206	65,181
Total	230,709	234,213	10,810		207,098	589,872
Loans and bills discounted(*1, *2)	5,262,786	4,036,361	1,846,483	919,221	1,416,096	7,547,605
Installment sales receivables(*1)	8,827,708	1,902,018	1,070,919	414,347	297,710	306,734
Total	$19,841,792	$6,210,743	$2,959,314	$1,356,990	$1,947,178	$8,623,875

(*1) Loans and bills discounted and installment sales receivables for the years ended March 31, 2019 and 2018 exclude ¥65,400 million ($589,139 thousand) and ¥55,298 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, 2019 and 2018 exclude loans of ¥4,262 million ($38,397 thousand) and ¥4,067 million with no specific recoverable amounts, such as loans to borrowers classified as legal bankruptcy, substantial bankruptcy, or possible bankruptcy, and ¥55,863 million ($503,221 thousand) and ¥57,096 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					
	2019					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥3,124,115	¥286,083	¥ 58,936			
Commercial paper	102,080					
Borrowed money	226,439	175,198	111,923	¥31,263		
Bonds	59,983	59,423	23,737			
Convertible bonds with stock acquisition rights	29,946					
Lease obligations	8,153	13,850	7,522	4,496	¥2,835	
Total	¥3,550,716	¥534,554	¥202,118	¥35,759	¥2,835	

	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 with stock acquisition rights		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	

	Thousands of U.S. Dollars					
	2019					
	Up to 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	$28,142,642	$2,577,095	$ 530,911			
Commercial paper	919,555					
Borrowed money	2,039,808	1,578,215	1,008,227	$281,624		
Bonds	540,339	535,298	213,826			
Convertible bonds with stock acquisition rights	269,760					
Lease obligations	73,442	124,765	67,760	40,503	$25,540	
Total	$31,985,546	$4,815,373	$1,820,724	$322,127	$25,540	

(*) 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, 2019 and 2018 consisted of the following:

	Millions of Yen		
	2019		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	¥34,617	¥(2,631)	¥(2,631)
Receive USD/Pay HKD	5,480	188	188
Receive USD/Pay MYR	67,690	(2,352)	(2,352)
Receive USD/Pay THB	93,064	(6,622)	(6,622)
Interest rate swap contracts:			
Receive floating/Pay fixed	62,160	(663)	(663)

	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)

	Thousands of U.S. Dollars		
	2019		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay THB	$311,837	$(23,698)	$(23,698)
Receive USD/Pay HKD	49,361	1,696	1,696
Receive USD/Pay MYR	609,767	(21,189)	(21,189)
Receive USD/Pay THB	838,342	(59,657)	(59,657)
Interest rate swap contracts:			
Receive floating/Pay fixed	559,945	(5,972)	(5,972)

Derivative financial instruments not qualifying for hedge accounting as at March 31, 2019 consisted of the following:

	Millions of Yen		
	2019		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency forward contracts:			
Short position	¥ 29	¥ (1)	¥ (1)
Long position	860	4	4

	Thousands of U.S. Dollars		
	2019		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency forward contracts:			
Short position	$ 260	$ (1)	$ (1)
Long position	7,748	33	33

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

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

(Lender side)

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
	2019	2018	2019
Total loan limits	¥9,124,554	¥8,752,115	$82,195,785
Loan executed	594,913	565,132	5,359,094
Unexercised portion of loan commitments	¥8,529,641	¥8,186,983	$76,836,691

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, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unutilized commitments	¥30,140	¥36,906	$271,509
Of which: those expiring within one year	20,109	12,940	181,145

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, credit maintenance, 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 for credit maintenance.

(Borrower side)
The Group has entered into overdraft facility and loan commitment contracts with four (2018: 16) financial institutions. The unexercised portion of overdraft facilities and loan commitments was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Total loan limits	¥51,800	¥70,000	$466,625
Loan executed	1,800		16,215
Unutilized portion of overdraft facilities and loan commitments	¥50,000	¥70,000	$450,410

20. OTHER COMPREHENSIVE INCOME

Reclassification adjustments to profit or loss and tax effects of other comprehensive income for the years ended March 31, 2019 and 2018, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2019	2018	2019
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	¥3,279	¥ (927)	$29,538
Reclassification adjustments to profit or loss	(298)	(1,088)	(2,684)
Amount before income tax effect	2,981	(2,015)	26,854
Income tax effect	(642)	617	(5,788)
Total	¥2,339	¥(1,398)	$21,066
Deferred gain on derivatives under hedge accounting:			
Losses arising during the year	¥ (898)	¥(3,232)	$ (8,090)
Reclassification adjustments to profit or loss	1,399	3,978	12,602
Amount before income tax effect	501	746	4,512
Income tax effect	(75)	(151)	(673)
Total	¥ 426	¥ 595	$ 3,839
Foreign currency translation adjustments:			
Gains arising during the year	¥1,417	¥ 3,431	$12,764
Reclassification adjustments to profit or loss	46		414
Amount before income tax effect	1,463	3,431	13,178
Total	¥1,463	¥ 3,431	$13,178
Adjustments for retirement benefit:			
Losses arising during the year	¥ (179)	¥ (465)	$ (1,610)
Reclassification adjustments to profit or loss	150	152	1,351
Amount before income tax effect	(29)	(313)	(259)
Income tax effect	5	96	45
Total	¥ (24)	¥ (217)	$ (214)
Total other comprehensive income	¥4,204	¥ 2,411	$37,869

21. NET INCOME PER SHARE

Basic and diluted EPS for the years ended March 31, 2019 and 2018, were as follows:

	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
For the year ended March 31, 2019:				
Basic EPS				
Net income	¥39,408			
Net income available to common shareholders	¥39,408	215,771	¥182.64	$1.65
Effect of dilutive securities				
—Warrants of the Company		51		
—Convertible bonds with stock acquisition rights of the Company		11,707		
Diluted EPS				
—Net income for computation	¥39,408	227,529	¥173.20	$1.56
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	
Effect of dilutive securities				
—Warrants of the Company		59		
—Convertible bonds with stock acquisition rights of the Company		11,708		
Diluted EPS				
—Net income for computation	¥38,678	227,495	¥170.02	

22. RELATED PARTY TRANSACTIONS

There were no transactions between the Company and related parties for the years ended March 31, 2019 and 2018.

Transactions between the Company's consolidated subsidiaries and related parties for the years ended March 31, 2019 and 2018, 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)	2019	2018	2019
Loans and bills discounted	¥35,000	¥37,000	$315,287
Other assets	2		16
Lending of loans	36,885	38,490	332,267
Interest income	357	351	3,220

(*) 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	2019	2019	2019	2019
Housing loans (Loans and bills discounted)			¥232	$2,091

	Transaction Amount	Balance at End
	Millions of Yen	Millions of Yen
Directors, executive officers and their close relatives of the Company and its subsidiaries	2018	2018
Housing loans (Loans and bills discounted)		¥138

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.

(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

	2019							
	Reportable Segment							
	Domestic		Global					
	Retail	Solutions	China Area	Mekong Area	Malay Area	Subtotal	Reconciliations(*2)	Total
Ordinary income(*1)								
Ordinary income from customers	¥ 185,631	¥ 112,767	¥19,604	¥ 72,518	¥ 47,059	¥ 437,579	¥ 1,423	¥ 439,002
Intersegment income or transfers	3,351	69,005	7	26		72,389	(72,389)	
Total ordinary income	188,982	181,772	19,611	72,544	47,059	509,968	(70,966)	439,002
Segment profit (*3)	¥ 11,267	¥ 26,422	¥ 7,139	¥ 14,003	¥ 13,380	¥ 72,211	¥ (2,039)	¥ 70,172
Segment assets	¥4,105,584	¥2,314,706	¥91,370	¥296,513	¥248,972	¥7,057,145	¥(1,714,916)	¥5,342,229
Other items								
Depreciation and amortization	¥ 6,449	¥ 10,244	¥ 576	¥ 1,930	¥ 1,175	¥ 20,374	¥ 478	¥ 20,852
Amortization of goodwill	1,407	428				1,835		1,835
Interest income	95,957	1,521	10,647	53,041	10,547	171,713	(470)	171,243
Interest expenses	4,084	1,209	1,156	7,437	7,286	21,172	277	21,449
Provision for possible credit losses	545	21,528	485	19,471	9,602	51,631	(314)	51,317
Increases in tangible and intangible assets	11,899	17,420	346	2,109	2,005	33,779	844	34,623

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

	Thousands of U.S. Dollars							
	2019							
	Reportable Segment							
	Domestic		Global					
	Retail	Solutions	China Area	Mekong Area	Malay Area	Subtotal	Reconciliations(*2)	Total
Ordinary income(*1)								
Ordinary income from customers	$ 1,672,205	$ 1,015,829	$176,592	$ 653,261	$ 423,915	$ 3,941,802	$ 12,812	$ 3,954,614
Intersegment income or transfers	30,188	621,610	66	229		652,093	(652,093)	
Total ordinary income	1,702,393	1,637,439	176,658	653,490	423,915	4,593,895	(639,281)	3,954,614
Segment profit (*3)	$ 101,496	$ 238,016	$ 64,310	$ 126,136	$ 120,531	$ 650,489	$ (18,369)	$ 632,120
Segment assets	$36,983,908	$20,851,327	$823,082	$2,671,042	$2,242,792	$63,572,151	$(15,448,300)	$48,123,851
Other items								
Depreciation and amortization	$ 58,095	$ 92,280	$ 5,188	$ 17,387	$ 10,580	$ 183,530	$ 4,307	$ 187,837
Amortization of goodwill	12,674	3,858				16,532		16,532
Interest income	864,397	13,700	95,913	477,801	95,011	1,546,822	(4,230)	1,542,592
Interest expenses	36,791	10,888	10,409	66,999	65,634	190,721	2,492	193,213
Provision for possible credit losses	4,909	193,929	4,369	175,399	86,500	465,106	(2,834)	462,272
Increases in tangible and intangible assets	107,188	156,925	3,117	18,998	18,065	304,293	7,600	311,893

(*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 ¥1,423 million ($12,812 thousand) and ¥5,103 million represent ordinary revenue of holding company and others included in consolidation unattributable to any reportable segment for the years ended March 31, 2019 and 2018, respectively.

(2) A reconciliation to segment profit of ¥(2,039) million ($(18,369) thousand) and ¥641 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, 2019 and 2018, respectively.

(3) A reconciliation to segment assets of ¥(1,714,916) million ($(15,448,300) thousand) and ¥(1,572,105) 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, 2019 and 2018, 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			
2019			
Japan	Thailand	Other	Total
¥299,391	¥67,395	¥72,216	¥439,002

Millions of Yen			
2018			
Japan	Thailand	Other	Total
¥283,449	¥60,994	¥63,527	¥407,970

Thousands of U.S. Dollars			
2019			
Japan	Thailand	Other	Total
$2,696,972	$607,110	$650,532	$3,954,614

(*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			
2019			
Japan	Thailand	Other	Total
¥33,874	¥2,775	¥2,556	¥39,205

Millions of Yen			
2018			
Japan	Thailand	Other	Total
¥31,882	¥2,788	¥2,308	¥36,978

Thousands of U.S. Dollars			
2019			
Japan	Thailand	Other	Total
$305,145	$24,994	$23,026	$353,165

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

	Millions of Yen					
	2019					
	Domestic		Global			
	Retail	Solutions	China Area	Mekong Area	Malay Area	Total
Goodwill at March 31, 2019(*1)	¥17,877	¥2,184				¥20,061

	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

	Thousands of U.S. Dollars					
	2019					
	Domestic		Global			
	Retail	Solutions	China Area	Mekong Area	Malay Area	Total
Goodwill at March 31, 2019(*1)	$161,044	$19,671				$180,715

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

24. SUBSEQUENT EVENTS

Issuance of unsecured bonds

The Company issued unsecured bonds pursuant to the resolution at the Company's Board of Directors' meeting held on April 26, 2019. The key information of the unsecured bonds is summarized as follows:

(i)	(1) Name	5th Unsecured Bonds (with limited inter-bond pari passu clause)
	(2) Total amount of issue	¥30 billion ($270,246 thousand)
	(3) Interest rate	0.23% per annum
	(4) Issue price	100% of the principal amount of the bonds
	(5) Issue date	May 28, 2019
	(6) Maturity date	May 27, 2022
	(7) Method of redemption	Bullet redemption at maturity Retirement by purchase of the bonds can be made at any time from the day following the closing date.
	(8) Closing date	May 28, 2019
	(9) Use of proceeds	To be applied toward the partial repayment of borrowed money.
(ii)	(1) Name	6th Unsecured Bonds (with limited inter-bond pari passu clause)
	(2) Total amount of issue	¥30 billion ($270,246 thousand)
	(3) Interest rate	0.35% per annum
	(4) Issue price	100% of the principal amount of the bonds
	(5) Issue date	May 28, 2019
	(6) Maturity date	May 28, 2024
	(7) Method of redemption	Bullet redemption at maturity Retirement by purchase of the bonds can be made at any time from the day following the closing date.
	(8) Closing date	May 28, 2019
	(9) Use of proceeds	To be applied toward the partial repayment of borrowed money.
(iii)	(1) Name	7th Unsecured Bonds (with limited inter-bond pari passu clause)
	(2) Total amount of issue	¥25 billion ($225,205 thousand)
	(3) Interest rate	0.19% per annum
	(4) Issue price	100% of the principal amount of the bonds
	(5) Issue date	September 20, 2019
	(6) Maturity date	March 20, 2023
	(7) Method of redemption	Bullet redemption at maturity Retirement by purchase of the bonds can be made at any time from the day following the closing date.
	(8) Closing date	September 20, 2019
	(9) Use of proceeds	To be applied toward the partial repayment of borrowed money.
(iv)	(1) Name	8th Unsecured Bonds (with limited inter-bond pari passu clause)
	(2) Total amount of issue	¥25 billion ($225,205 thousand)
	(3) Interest rate	0.30% per annum
	(4) Issue price	100% of the principal amount of the bonds
	(5) Issue date	September 20, 2019
	(6) Maturity date	September 20, 2024
	(7) Method of redemption	Bullet redemption at maturity Retirement by purchase of the bonds can be made at any time from the day following the closing date.
	(8) Closing date	September 20, 2019
	(9) Use of proceeds	To be applied toward the partial repayment of borrowed money.
(v)	(1) Name	9th Unsecured Bonds (with limited inter-bond pari passu clause)
	(2) Total amount of issue	¥20 billion ($180,164 thousand)
	(3) Interest rate	0.38% per annum
	(4) Issue price	100% of the principal amount of the bonds
	(5) Issue date	September 20, 2019
	(6) Maturity date	September 18, 2026
	(7) Method of redemption	Bullet redemption at maturity Retirement by purchase of the bonds can be made at any time from the day following the closing date.
	(8) Closing date	September 20, 2019
	(9) Use of proceeds	To be applied toward the partial repayment of borrowed money.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of AEON Financial Service Co., Ltd. and its subsidiaries as of March 31, 2019, 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, 2019, 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

June 25, 2019
(October 31, 2019 as to Note 24)

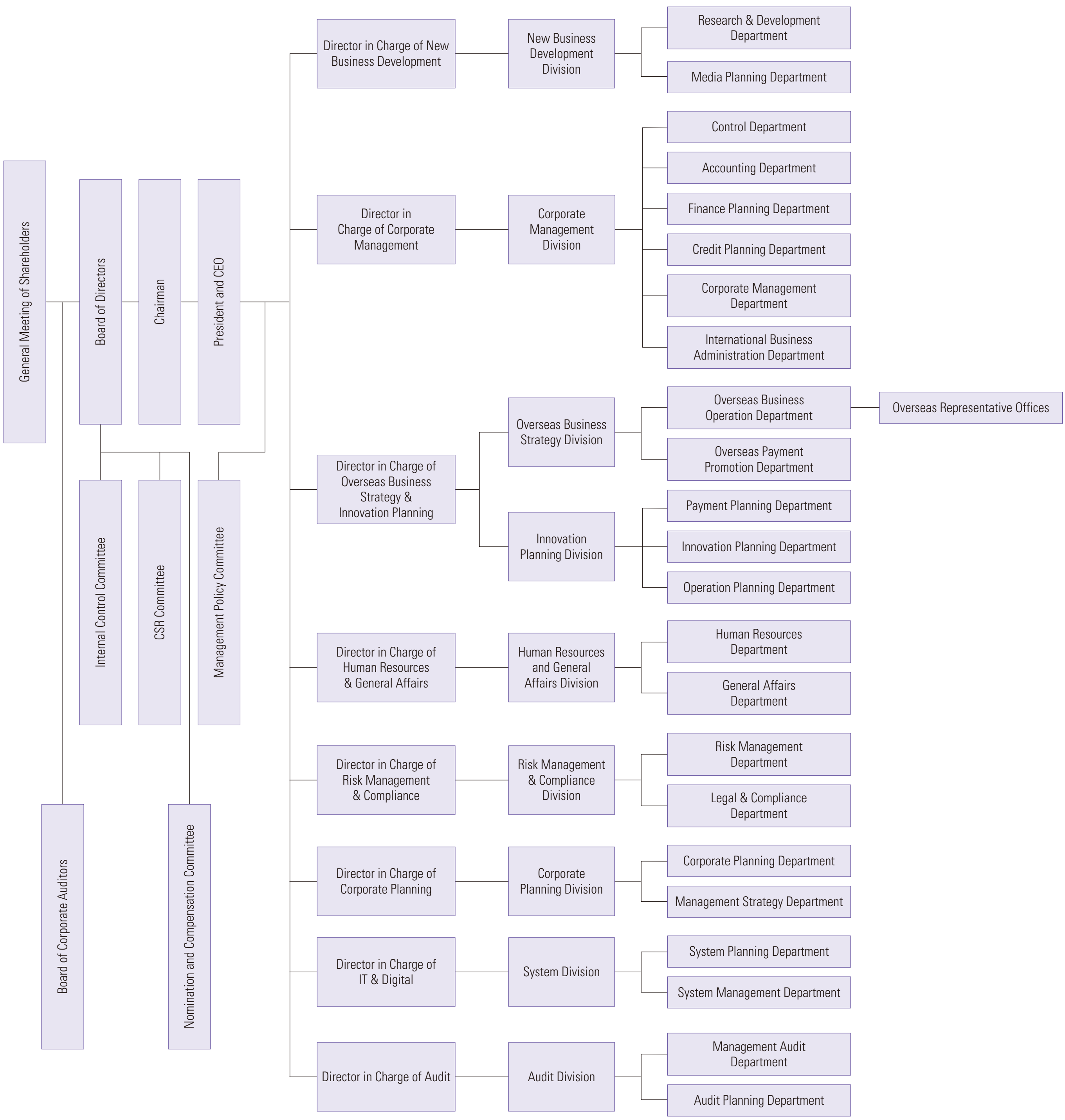
Member of
Deloitte Touche Tohmatsu Limited

Company Information

Corporate Data

Company Name	AEON Financial Service Co., Ltd.	Head Office	Terrace Square, 3-22, Kandanishiki-cho, Chiyoda-ku, Tokyo 101-0054, Japan
Established	June 20, 1981		
Representatives	Masaki Suzuki, Chairman Kenji Kawahara, President and CEO	Telephone Number	+81-(0)3-5281-2080
Capital Stock	¥45,698 million		

Organization (As of July 1, 2019)



Affiliated Companies

Company Name	Location	Capital (millions of yen)	Main Business[1]	Voting Rights (%)[2]	Relationship to the Company: Concurrently Serving Officers	Financial Assistance	Business Transactions	Facility Leasing
(Parent) AEON Co., Ltd.[3]	Mihama-ku, Chiba	220,007	Pure holding company	Ownership: 49.9 (2.5)	2	—	Outsourcing fees	Rental of office premises
(Consolidated Subsidiaries) ACS Credit Management Co., Ltd.	Mihama-ku, Chiba	600	Solutions	99.5	—	—	Management fees, outsourcing fees	—
AEON S.S. Insurance Co., Ltd.	Chiyoda-ku, Tokyo	280	Solutions	100.0 (10.0)	—	—	Management fees, outsourcing fees	Subletting of office premises
AEON Housing Loan Service Co., Ltd.	Chiyoda-ku, Tokyo	3,340	Solutions	100.0 (49.0)	—	Loans of capital	Management fees, outsourcing fees	Subletting of office premises
AEON Bank, Ltd.[4,5]	Koto-ku, Tokyo	51,250	Retail	100.0	7	—	Management fees, outsourcing fees	Subletting of office premises
AEON Insurance Service Co., Ltd.	Mihama-ku, Chiba	250	Retail	99.0 (99.0)	1	—	Management fees, outsourcing fees	Subletting of office premises
AEON Credit Service Co., Ltd.[4,5]	Chiyoda-ku, Tokyo	500	Solutions	100.0	6	—	Management fees, outsourcing fees	Subletting of office premises
AEON Product Finance Co., Ltd.	Chiyoda-ku, Tokyo	3,910	Solutions	100.0	1	Loans of capital	Management fees, outsourcing fees	Subletting of office premises
ACS Leasing Co., Ltd.	Chiyoda-ku, Tokyo	250	Solutions	100.0 (100.0)	—	Loans of capital	Management fees, outsourcing fees	—
AEON Credit Service (Asia) Co., Ltd.[6]	Hong Kong	HKD 269 million	China Area	52.8 (52.8)	1	—	Management fees	—
AEON Thana Sinsap (Thailand) Plc.[4,7]	Thailand	THB 250 million	Mekong Area	54.3 (19.2)	1	—	Management fees	—
AEON Credit Service (M) Berhad[5,8]	Malaysia	MYR 534 million	Malay Area	62.6	—	—	Management fees	—
AEON Credit Service (Taiwan) Co., Ltd.	Taiwan	TWD 22 million	China Area	100.0 (7.1)	—	—	—	—
AEON Credit Card (Taiwan) Co., Ltd.	Taiwan	TWD 615 million	China Area	100.0 (100.0)	—	—	—	—
AEON Information Service (Shenzhen) Co., Ltd.	Shenzhen, China	RMB 2 million	China Area	100.0 (50.0)	—	—	—	—
ACS Capital Corporation Ltd.	Thailand	THB 30 million	Holding Company or Other	29.0 [47.5]	—	—	Management fees	—
PT. AEON Credit Service Indonesia	Indonesia	IDR 200,400 million	Malay Area	85.0 (10.4)	—	—	Management fees	—
ACS Servicing (Thailand) Co., Ltd.	Thailand	THB 148 million	Mekong Area	100.0 (100.0)	—	—	Management fees	—
AEON Credit Service Systems (Philippines) Inc.	Philippines	PHP 300 million	Holding Company or Other	100.0 (10.0)	1	—	—	—
ACS Trading Vietnam Co., Ltd.	Vietnam	VND 50,000 million	Mekong Area	100.0 (60.0)	—	—	Management fees	—
AEON Insurance Brokers (HK) Ltd.	Hong Kong	HKD 1 million	China Area	100.0 (100.0)	—	—	—	—
AEON Micro Finance (Shenyang) Co., Ltd.	Shenyang, China	HKD 123 million	China Area	100.0 (100.0)	—	—	—	—
AEON Credit Service India Pvt. Ltd.	India	INR 2,500 million	Malay Area	100.0 (7.3)	—	—	—	—
AEON Specialized Bank (Cambodia) Plc.	Cambodia	USD 20 million	Mekong Area	100.0 (50.0)	1	—	Management fees	—
AEON Financial Service (Hong Kong) Co., Ltd.[5]	Hong Kong	RMB 740 million	Holding Company or Other	100.0	1	—	Management fees	Subletting of office premises
AEON Micro Finance (Tianjin) Co., Ltd.	Tianjin, China	RMB 100 million	China Area	100.0 (100.0)	—	—	—	—
AEON Leasing Service (Lao) Co., Ltd.	Laos	LAK 28,000 million	Mekong Area	100.0 (100.0)	—	—	—	—
AEON Credit Service (Philippines) Inc.	Philippines	PHP 390 million	Malay Area	78.9 (5.3)	—	—	Management fees	—
AEON Microfinance (Myanmar) Co., Ltd.	Myanmar	MMK 8,259 million	Mekong Area	100.0 (100.0)	—	—	Management fees	—
AEON Insurance Service (Thailand) Co., Ltd.	Thailand	THB 100 million	Mekong Area	100.0 (100.0)	—	—	Management fees	—
AEON Micro Finance (Shenzhen) Co., Ltd.	Shenzhen, China	RMB 150 million	China Area	100.0 (100.0)	—	—	—	—
ATS Rabbit Special Purpose Vehicle Co., Ltd.	Thailand	THB 0 million	Mekong Area	48.7 (48.7)	—	—	—	—
Horizon Master Trust (AEON 2006-1)	Hong Kong	—	China Area	—	—	—	—	—
(Equity-Method Affiliate) Fujitsu Credit Service Systems (Tianjin) Co., Ltd.	Tianjin, China	RMB 20 million	Holding Company or Other	49.0	—	—	—	—

Notes: 1. Segment names are in the Main Business column.
2. Figures in parentheses in the Voting Rights column indicate percentage of directly or indirectly owned voting rights. Figures in square brackets indicate percentage of voting rights held by entities that are close to and agree with the Company as indicated in external documents.
3. AEON Co., Ltd. is a company that submits annual securities reports.
4. AEON Bank, Ltd., AEON Credit Service Co., Ltd., and AEON Thana Sinsap (Thailand) Plc. each account for more than 10% of consolidated ordinary income (excluding intersegment transactions).
5. Specified subsidiary
6. Shares of AEON Credit Service (Asia) Co., Ltd. are listed on the Hong Kong Stock Exchange.
7. Shares of AEON Thana Sinsap (Thailand) Plc. are listed on the Stock Exchange of Thailand.
8. Shares of AEON Credit Service (M) Berhad are listed on Bursa Malaysia.

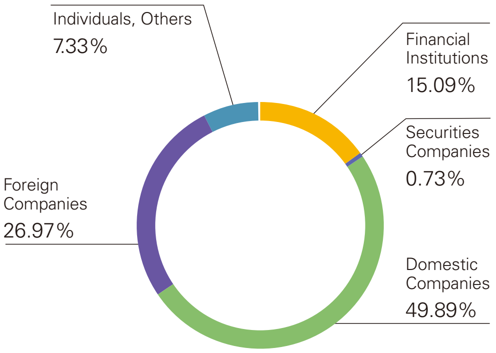
Share Information

Basic Share Information

(As of March 31, 2019)

Stock Listing	Tokyo Stock Exchange
Industry Sector	Other Financing Business
Securities Code	8570
Share Unit	100
Fiscal Year	April 1 to March 31 of the following year
Dividend Record Date	March 31 (interim dividend: September 30)
Authorized Shares	540,000,000
Issued Shares	225,510,128
Shareholders	13,086

Shareholding Ratio by Type of Shareholder (As of March 31, 2019)

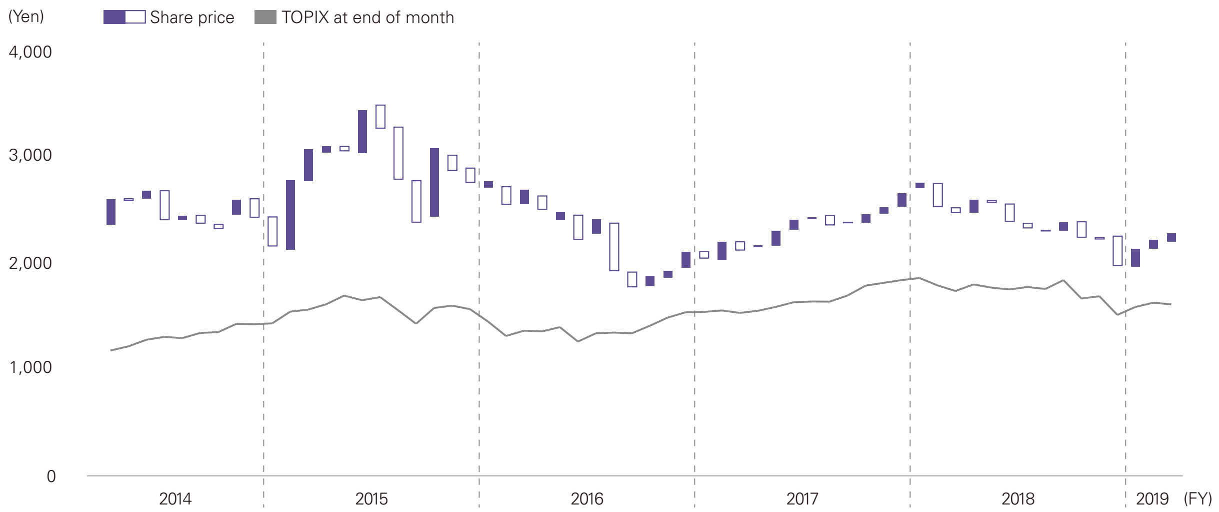


Major Shareholders (As of March 31, 2019)

Shareholder Name	Shares Held (thousands)	Percentage of Total Shares Held (Excluding Treasury Stock) (%)
AEON Co., Ltd.	102,166	47.35
State Street Bank and Trust Company 505223	9,421	4.37
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,032	3.26
State Street Bank and Trust Company 505001	6,826	3.16
Japan Trustee Services Bank, Ltd. (Trust Account)	4,900	2.27
The Chase Manhattan Bank, Ltd 385036	2,929	1.36
Maxvalu Nishinihon Co., Ltd.	2,646	1.23
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,478	1.15
The Bank of New York Mellon 140044	2,255	1.05
SSBTC CLIENT OMNIBUS ACCOUNT	1,997	0.93

Notes: In addition to the above, the Company holds 9,732,000 shares of treasury stock.

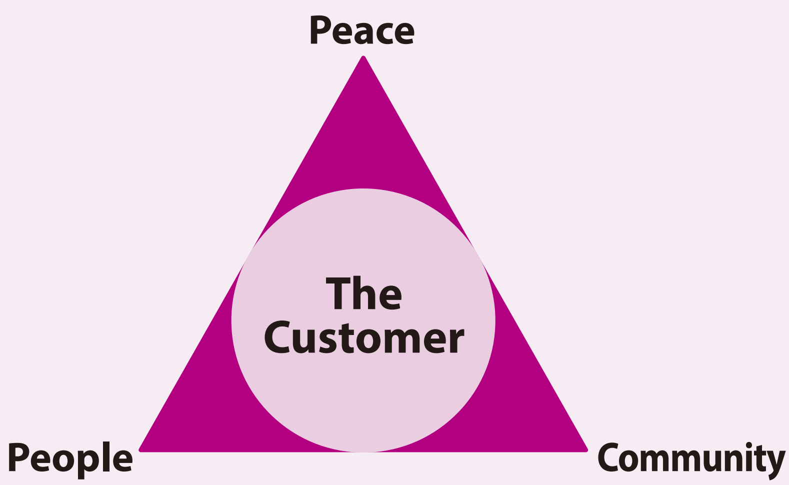
Share Price and Tokyo Stock Price Index (TOPIX)



	2014	2015	2016	2017	2018	(FY)
Market capitalization (Billions of yen)	6,327.9	5,538.4	4,728.9	5,513.7	5,080.7	
High (Yen)	3,145	3,620	2,790	2,914	2,785	
Low (Yen)	1,982	2,091	1,689	2,067	1,849	

AEON Basic Principles

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



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

Aeon Basic Principles are the following:

"Peace" Aeon is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.

"People" Aeon is a corporate group that respects human dignity and values personal relationships.

"Community" Aeon is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

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