

Brief Report of Financial Results (Unaudited)

(For the Fiscal 2018 Ended March 31, 2019)



May 10, 2019

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

Stock Listing: Tokyo Stock Exchange, First Section

Code No: 8570

URL: <http://www.aeonfinancial.co.jp/eng>

President and CEO: Kenji Kawahara

Contact: Hideki Wakabayashi, Director, CFO

1. Business performance (For the Fiscal 2018 ended March 31, 2019 and For the Fiscal 2017 ended March 31, 2018)

(1) Consolidated Operating Results

(Millions of yen truncated to the nearest million, %, yen)

	Ordinary income	Percentage Change	Ordinary profit	Percentage Change	Profit attributable to owners of parent	Percentage Change
Fiscal 2018 ended March 31, 2019	439,001	7.6	70,171	6.7	39,408	1.9
Fiscal 2017 ended March 31, 2018	407,970	8.7	65,746	6.7	38,677	△2.0

※Comprehensive income; Fiscal 2018; 55,384 million(8.0%) , Fiscal 2017; 51,284 million(9.1%)

	Profit attributable to owners of parent per Share(Yen)	Fully Diluted Profit attributable to owners of parent per Share(Yen)	Return on equity	Return on assets	Operating income/ Operating revenues
Fiscal 2018 ended March 31, 2019	182.64	173.20	10.5	1.4	16.0
Fiscal 2017 ended March 31, 2018	179.29	170.02	10.8	1.5	16.1

(Reference) Investment gains and losses on equity method; Fiscal 2018; 26 million , Fiscal 2017; 22 million

(2) Consolidated Financial Position

(Millions of yen truncated to the nearest million, %, yen)

	Total Assets	Net Assets	Capital Ratio	Net Assets per Share (Yen)
Fiscal 2018 ended March 31, 2019	5,342,228	448,705	7.1	1,764.05
Fiscal 2017 ended March 31, 2018	4,852,844	437,782	7.6	1,714.92

(Reference)1. Shareholder's equity; Fiscal 2018; 380,644million, Fiscal 2017; 370,016 million

2. Capital ratio = {(Net assets – stock acquisition right – minority interests) / total assets} X 100

(3) Consolidated cash flows

(Millions of yen truncated to the nearest million,yen)

	Net cash used in operating activities	Net cash used in Investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of period
Fiscal 2018 ended March 31, 2019	215,730	△194,595	△16,072	627,929
Fiscal 2017 ended March 31, 2018	198,941	△68,075	△15,237	622,598

2. Cash Dividends

(yen)

(Base date)	Dividend per share				
	First quarter Period	Interim Period	Third quarter period	Term end	Annual
March 2018 term	—	29.00	—	39.00	68.00
March 2019 term	—	29.00	—	39.00	68.00
February 2020 term (Estimated)	—	29.00	—	39.00	68.00

(%, yen)

(Base date)	Total dividends	Payout Ratio	Dividend on equity ratio
March 2018 term	14,668	37.9	4.1
March 2019 term	14,672	37.2	3.9
February 2020 term (Estimated)		38.6	

3.Projections (For the fiscal year ending March 31, 2020)

(Millions of yen truncated to the nearest million, %, yen)

	Ordinary income	YOY (%)	Ordinary profit	YOY (%)	Profit attributable to owners of parent	YOY (%)	Profit attributable to owners of parent per share
Interim	225,000	-	25,000	-	13,100	-	60.71
Full term	430,000	-	70,000	-	38,000	-	176.11

※We plan to change the accounting period from the end of March to the end of February from Fiscal 2020. As stated in the "Notice concerning the change in the fiscal year ending (the last day of the fiscal period)" as disclosed in today's event, the company shall be approved at the annual general meeting of shareholders scheduled to be held on June 25, 2019. We have changed the way of describing our earnings forecasts.

4.Others

(1) Change in significant subsidiary during the term (Change in specified subsidiary that caused a change in the scope of consolidation) ; No
(2)Change in accounting principle, procedure, disclosure , etc., concerning preparation of consolidated financial statements

(matters to be mentioned concerning the change of important items to be the bases for preparation of consolidated financial statements)

① Change by a newly issued accounting pronouncement ; Yes

② Change other than ① ; No

③ Change accounting quotation ; No

④ Restatement ; No

(3) Number of issued stocks and outstandings (Common stock)

① Number of issued stocks and outstandings at term end (including treasury stock)

Fiscal 2018; 225,510,128shares, Fiscal 2017; 225,510,128 shares

② Number of shares of treasury stock at end of term

Fiscal 2018; 9,732,022shares, Fiscal 2017; 9,746,639shares shares,

③ Average of the number of shares during the quarter(For the Fiscal 2018 ended March 31, 2019)

Fiscal 2018; 215,771,501shares, Fiscal 2017; 215,727,744shares

(Reference) : Report of Non-Consolidated Financial Results

Business performance (For the Fiscal 2018 ended March 31, 2019 and For the Fiscal 2017 ended March 31, 2018)

(1) Non-consolidated Operating Results

(Millions of yen truncated to the nearest million, %, yen)

	Operating revenues	YOY (%)	Operating income	YOY (%)	Ordinary profit	YOY (%)	Profit attributable to owners of parent	YOY (%)
Fiscal 2018 ended March 31, 2019	24,703	7.2	14,552	6.8	14,170	3.7	13,740	2.4
Fiscal 2017 ended March 31, 2018	23,035	△6.5	13,629	△14.1	13,658	△11.4	13,420	9.2

	Profit attributable to owners of parent per share	Fully Diluted Profit attributable to owners of parent per Share
Fiscal 2018 ended March 31, 2019	63.68	60.39
Fiscal 2017 ended March 31, 2018	62.21	58.99

(2) Financial position

(Millions of yen truncated to the nearest million, %, yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
Fiscal 2018 ended March 31, 2019	373,972	219,903	58.8	1,018.64
Fiscal 2017 ended March 31, 2018	347,690	221,342	63.6	1,025.37

(Reference) Shareholder's equity; Fiscal 2018; 219,800 million, Fiscal 2017; 221,237 million

※ The financial results are not audited by a certified public accountant or an audit corporation.

※ Remarks on the projections, other issues

(Notes on future statements, etc.)

The forecasts include the future prospects, the assumptions and forecasts underlying the plan on the present date, and the achievement is not intended to be a promise to us .In addition, actual performance is different from the above forecast due to various factors in the future.

(How to obtain supplementary information on financial results) We provide supplementary explanatory materials on our website for business and performance.

Review of Operating Results and Financial Statements

(1) Analysis of Operating Results

1) Summary of Operating Results 1.

The business environment surrounding the company in the fiscal year ended with a moderate recovery trend, reflecting the improvement of corporate profits and employment conditions in Japan. In addition, while the Asian economy was steady, uncertainty on political and economic policies cast influence. Uncertainty includes such as the outlook for the Chinese economy, which has an edge over trade issues between the U.S. and China, and the trend of policy interest rates in Asian countries due to slow pace of interest rate increase in the United States.

In the financial and economic environment, cashless was promoted in Japan, including the establishment of the “Cashless Promotion Council” by METI and the commencement of new payment services. On the other hand, the expansion of new business fields is in progress through entering different industries into the Settlement service field and business alliance between major companies.

In such a business environment, Aeon Financial Service Co., Ltd. (hereinafter AFS) has built a wide range of sales networks centered on Asia including Japan, and is working to strengthen sales and marketing through the utilization of data. Through these efforts, AFS have made it a medium- to long-term management strategy to enrich our customers' daily lives by expanding our financial products and services in line with seamless payment functions and customer needs.

In the consolidated fiscal year, AFS have worked on promoting digital shift, responding to customer needs, and accelerating growth overseas, at domestic and foreign subsidiaries.

In Japan, AFS worked on the introduction of an app that can deal with the ATM corresponding a smartphone, and the verification experiment of the card-less settlement by the palm authentication which utilized biometric authentication technology. In addition, AFS have been striving to improve the convenience and productivity of customers using digital through the introduction of the service to restore the magnetic defect of the credit card by ATM, the response by AI automatic chat service that can be accepted 24 hours 365 days for the purpose of strengthening the function of the call center, and the promotion of paperless procedures etc.

Overseas, we have been promoting cashless in countries through the introduction of QR payments by smartphones in Malaysia and Cambodia. In particular, in Malaysia, ACS Malaysia introduced the integration of the IDs with the retailers Aeon Malaysia and Aeon Big Malaysia by utilizing smartphone app. ACS Malaysia is working to expand services to meet the needs of our customers by combining the purchasing information with the attribute information and the settlement information, to use it for marketing and product development. Listed companies in Hong Kong, Thailand and Malaysia issued new cards for the middle and high-income groups to improve their Loyalties.

As a result, ordinary income for the consolidated fiscal year was 439,001 million yen (up 7.6% year on year), ordinary income was 70,171 million yen (up 6.7% year on year), and net income attributable to owners of the parent was 39,408 million yen (up 1.9% year on year)

2) Business Segment Information

Domestic Retail Business

In the domestic retail business, Aeon Bank strengthen its domestic sales base by opening three new stores including the Tokyo Yaesu Branch which aims to capture the demand for housing loans in the metropolitan area which opened in December 2018, as well as by consolidating unprofitable stores. The number of stores at the end of March 2019 became 140. Since all branches were shifted to the direct operation under Aeon Bank in 2017, they continued to educate employee sales skills in order to be able to meet the customer needs for asset formation at all branches, while expanding the assortment of service line-ups including new handling of foreign currency deposits as well as iDeCo, Tsumitate NISA, etc. In addition, efforts were made to reduce the burden on our customers' procedures, such as paperless application of investment trusts. In the housing loan, the award promotions such as "Aeon Select Club" which offers 5% discount on the daily purchase at Aeon Group stores and the application of special interest rate plan were continued. In addition to these, the point program "AEON Bank My Stage", which offers preferential deposit rates and transfer fees according to the customer's usage of its services, started in April, which led to the penetration as the life account and to the acquisition of composite transactions.

In addition, AFS tried to improve the convenience of our customers through the smartphone app such as the introduction of the household account book app which enables asset management in August, and the start of app which enables cash withdrawal and deposit of money just by holding smartphone to Aeon Bank ATM in September,. In addition, the screen display of the Aeon Bank ATM has been revamped since October to make it easier to see by using the color universal design and by reviewing the size of buttons and letters. As a result, the main figures in the Domestic Retail Business were 6.56 million accounts (up 0.51 million accounts), and the total deposit balance of Aeon Bank was 3,483,437 million yen (increase of 429,629 million yen) The loan balance was 2,110,896 million yen (up 151,398 million yen from the beginning of the FY). As for segment performance, ordinary income was 188,982 million yen (up 6.6% year on year) and ordinary income was 11,267 million yen (up 22.2% year on year).

Domestic Solutions Business

In the domestic solutions business, AFS group continued the sales promotion which doubles the points of the Aeon Card users at the Aeon group stores, and further strengthened the promotion

measures in cooperation with AEON Group companies. In addition, new cards such as “Aeon Card (SKE48)” and “Aeon Card Select (Minions)” were issued for the purpose of acquiring new customer base with a focus on young and male customers. A customer experience-based project such as a charter event of the theme park as a privilege to use were implemented. In addition, a campaign to support the new life was carried out by appointing young female idol group, Keyakizaka 46, to target young people under the age of 25. Also, as an initiative with an external company, “Aeon NEXCO Nishi-nihon Card” was issued through a tie-up with the West Japan Expressway, and made efforts to expand the revenue base through collaboration to strengthen the product line-up of traffic-affiliated cards across Japan. In addition, the service to restore the magnetic defect of the credit card at the ATM and the AI automatic chat service that can accept 24 hours a day 365 days, were introduced first in Japan to improve the convenience for the customers and productivity. It has led to the efficiency of operations both in stores and in call centers.

In the individual installment business, Aeon Product Finance continued to promote sales promotion measures for the expansion of remodeling loans and auto loans.

As a result, as for the main figures in the Domestic Solution business, number of cardholders were 28.4 million (650,000 increase from the end of the previous fiscal year), 5,358,216 million yen for card shopping (up 8.1% year on year), and individual installment sales of 2,41,756 million yen (down 4.73% year on year), ordinary income was 26,422 million yen (down 4.1% year on year).

China

Aeon Credit Service (Asia) in Hong Kong began issuing “Aeon Premium Card” for the middle and high-income groups, and worked to enhance the benefits for existing members over a certain amount of annual use and to acquire new customers. In addition, ACSA continued to strengthen the point exchange program with the local airline and to recruit members of “ONE PIECE Mastercard” which collaborated with Japan anime characters aiming at the young people with a high willingness to purchase.

Moreover, ACSA were able to improve the convenience of our customers and productivity by advancing digitization, such as the delivery of electronic coupons using mobile apps and the start of online cashing.

As a result, as for the consolidated financial results for the China business, ordinary income was 19.61 billion yen (up 0.8% year on year) and ordinary income was 7,139 million yen (up 18.7% year on year).

Mekong Area

In November, Aeon Thana Sinsap (Thailand) issued “AEON J-Premier Platinum JCB Card” whose main benefit is a privilege at Aeon stores, in response to the high demand for Japan travel, and

worked to create further group synergies and strengthen its brand strength in Thailand. In addition, by introducing an “Aeon Happy Pay” program that grants comprehensive credit to each individual member at the time of issuance of a member card for purpose loan and personal loan, have enhanced the speedy review of the repeater member, which improved customers' convenience and productivity through the introduction of paperless procedure.

AFS have promoted the digitization efforts in emerging countries including QR settlement through the company prepaid account and using a smartphone in Cambodia, and promotional announcements by push notification through the app on the smartphone in Myanmar.

As a result, ordinary income of Mekong Area were 72,543 million yen (up 13.4% year on year) and ordinary income of 14,002 million yen (up 12.0% year on year).

Malay Area

In the Malay region, Aeon Credit Service (M) Berhad issued an “Aeon Member's Plus Card” with both electronic money and point card functions in Malaysia in November. Also, by cooperating with the smartphone app equipped with the QR code payment function, ACSM aimed to improve the convenience of customers and to promote cashless. In addition, ACSM have started issuing points jointly with the local AEON retailers and integrating the functions of electronic money into smartphones, so that customers can pay by QR code at VISA merchants. This makes it easier to accumulate points and at the same time increase the usable locations and provide customers with a timely and affordable information.

In India, Aeon Credit Service India Private Limited continued to use the instant review app to accept personal loans, which contributed to the expansion of the volume of handling. In addition, ACSI opened a store at one of the largest shopping malls in Mumbai as a base for accepting membership applications, so that ACSI can expand our sales base and strengthen its brand strength.

In Indonesia, a scheme which is similar to the auto loan business utilizing IoT technology launched in the Philippines in July 2017, was introduced. This effort has contributed to the stable income and the creation of employment by complementing the credit of commercial drivers who have not been able to obtain a loan and by allowing them to purchase vehicles by the loans. AFS is striving to contribute to the resolution of social issues in each country as well as increasing the profitability of each local subsidiary by developing such successful cases horizontally.

As a result, ordinary income for Malay region accounted for 47,058 million yen (up 16.5% year on year) and ordinary profit of 13,380 million yen (up 36.4% year on year).

3) Environmental conservation and social contribution activities

As a member of the AEON Group, AFS aims to be a corporate group that contributes to the sustainable development of society in response to the expectations of our stakeholders, based on our

management philosophy of “supporting the future and trust of customers through financial services”, and AFS is strengthening the promotion of business toward this goal.

In order to achieve this, AFS participate in the CSR activities of AEON, and not only comply with laws and regulations, but also to ensure that compliance awareness is widely penetrated to the forefront of business activities of group companies, including overseas subsidiaries, as well as working to further fulfill environmental conservation, responsibility for local community and corporate governance system.

In the consolidated fiscal year, AFS group promoted CSR activities in accordance with international targets such as the SDGs (Sustainable Development Goals) to achieve a sustainable society. AFS, Aeon Credit Service, and Aeon Bank jointly worked to foster a cardholders in the future through the implementation of financial literacy education for high school students (including credit cards and other money). Aeon Credit Service Malaysia, listed subsidiary of AFS, conducted education on “money” for elementary school students as well.

Aeon Credit Service opened a farm in June 2018 to provide a new workplace for people with a variety of disabilities. In this farm, they are actively working on social contribution activities, such as planning the delivery of harvests to neighboring facilities.

As part of the efforts to support the reconstruction of the Great East Japan earthquake, AFS conducted a cotton harvesting volunteer in Iwaki City, Fukushima Prefecture with the cooperation of The People, the specified nonprofit organization, and officers and their families participated from each group company. This year, AFS and Aeon Credit Service have delivered donations to The People as part of sponsorship of the Cotton Summit (started in Osaka in 2011) taken place in Iwaki, Fukushima in 2018.

In 2018, AFS sponsored the event held in Iwaki City, Fukushima prefecture.

As an effort taken by overseas subsidiaries, the three listed subsidiaries including Hong Kong, Thailand, and Malaysia continued to work on social contribution activities in the Asian region in which AFS are operating, as well as scholarship support for students from Asia who study in the Japan and those who study in Asian countries.

As an environmental conservation initiative, AFS Group employees actively participated in tree planting activities sponsored by the Aeon Environmental Foundation. In Japan, the “Watari-machi Tree planting” (Miyagi Prefecture), which was held in October 2018. In abroad, AFS joined “Indonesia Jakarta Tree Planting” together with our business partners with the director of AFS as a project leader in September 2018. Aeon Bank participated in the “Tokyo Bay Cleanup Operation”, a large-scale cleanup activity sponsored by Minato-ward in Tokyo. Officers and employees joined the activity second year in row.

4) Outlook for the Fiscal Year ending February 29, 2020

In order to comprehensively respond to customer needs in an environment where change is intense, AFS will promote digitization and expand its products and customer base. AFS will strengthen cashless efforts in Japan. It will strive to promote cashless through campaigns in cooperation with Aeon group companies, and offer convenient experience of cashless to its customers. In addition, AFS will strive to expand its customer base and transaction through collaboration with our partners through the issuance of partner cards, depending on the diverse preferences of our customers. Also, AFS will expand the function of the smartphone app “Aeon Wallet”, such as enrollment and settlement, in order to provide services that meet the needs of individual customers in a timely manner. In the first half of fiscal year 2019, AFS plans to spend on advertising costs ahead of time, so ordinary profit for the first half of the fiscal year is expected to fall below the previous year's figure. However, in the second half of the fiscal year, the results of these measures are expected to be picked up and increase in terms of membership acquisition and sales, which will result in the ordinary profit for the fiscal year 2019 to be forecasted to exceed the performance of the previous year.

Overseas subsidiaries will work to improve profitability through the promotion of digitalization. By using AI, they will promote efficiency of the audit and receivables management by speeding up screening process with the automated process and by improving the accuracy of the screening with data analysis. AFS will also continue to expand its earnings while reviewing our credit portfolios by strengthening our products and services initiatives toward middle and high-income customers. In addition, AFS will expand the customer IDs that is centered on mobile devices such as smartphones. By providing a variety of products and services on mobile app, such as prepaid and credit card payment services, individual installment, personal loan, insurance, etc., AFS accumulate financial and retail databases and connect them to more sophisticated marketing in order to provide proposals and products according to the needs of our customers.

As of April 1, 2019, AFS transitioned from a bank holding company to a business company and reorganized the group's organizational structure. Prior to the reorganization, AFS adopted a group system with AFS, the bank holding company, the top of the structure, and the business scope regulations were applied under the Bank Law, but the group is now able to adopt a more flexible business model and respond to the expansion of the scope of operations through the reorganization.

In the future, AFS will work to promote new businesses so that AFS can provide more comprehensive financial and peripheral services.

With regard to sustainable growth through resolving social issues, AFS will expand its auto loan business using IoT by adopting more countries and increasing different types of vehicles.

AFS will continue to strive to improve corporate governance, and provide comprehensive financial products and services that are safe, secure, and convenient in cooperation with and outside the group to ensure that more customers can use its services in their daily lives.

5.Consolidated Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Cash and due from banks	650,470	644,502
Call loans	—	30,496
Monetary claims bought	5,095	13,316
Money held in trust	—	22,406
Securities	210,861	344,683
Loans and bills discounted	2,271,666	2,429,740
Foreign exchanges	—	1,635
Accounts receivable - installment	1,294,632	1,453,160
Lease receivables and investment assets	8,506	11,425
Other assets	208,280	231,264
Tangible fixed assets	36,977	39,204
Buildings, net	6,170	6,240
Tools, furniture and fixtures	30,258	32,570
Construction in progress	494	343
Other tangible fixed assets	54	51
Intangible fixed assets	92,356	100,177
Software	64,554	74,611
Goodwill	21,896	20,061
Other intangible fixed assets	5,904	5,504
Deferred tax assets	23,357	34,897
Customers' liabilities for acceptances and guarantees	109,461	88,148
Allowance for loan losses	△58,822	△102,831
Total assets	4,852,844	5,342,228
Liabilities		
Deposits	3,049,733	3,469,134
Accounts payable - trade	258,444	285,653
Commercial papers	60,500	102,079
Borrowed money	539,393	544,823
Bonds payable	135,665	143,143
Convertible bond-type bonds with share acquisition rights	29,948	29,946
Other liabilities	202,531	196,470
Provision for bonuses	3,661	4,015
Retirement benefit liability	3,946	4,120
Provision for point card certificates	14,466	17,543
Provision for loss on interest repayment	3,124	4,176
Other provision	316	331
Deferred tax liabilities	3,868	3,935
Acceptances and guarantees	109,461	88,148
Total liabilities	4,415,061	4,893,523

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Net assets		
Capital stock	45,698	45,698
Capital surplus	120,025	120,213
Retained earnings	227,387	235,413
Treasury shares	△24,986	△24,948
Total shareholders' equity	368,124	376,376
Valuation difference on available-for-sale securities	3,556	5,150
Deferred gains or losses on hedges	△1,876	△1,675
Foreign currency translation adjustment	870	1,472
Remeasurements of defined benefit plans	△658	△679
Total accumulated other comprehensive income	1,891	4,267
Share acquisition rights	104	103
Non-controlling interests	67,661	67,957
Total net assets	437,782	448,705
Total liabilities and net assets	4,852,844	5,342,228

(2)Consolidated Quarterly Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Ordinary income	407,970	439,001
Interest income	156,161	171,243
Interest on loans and discounts	153,569	167,253
Interest and dividends on securities	2,058	2,948
Interest on call loans	0	349
Interest on deposits with banks	451	598
Other interest income	81	92
Fees and commissions	213,390	227,014
Other ordinary income	27,125	29,233
Other income	11,292	11,510
Recoveries of written off claims	6,690	7,604
Other	4,602	3,905
Ordinary expenses	342,223	368,830
Interest expenses	19,479	21,448
Interest on deposits	3,209	3,774
Interest on borrowings and rediscounts	13,822	15,013
Interest on bonds	2,042	2,088
Other interest expenses	404	571
Fees and commissions payments	33,307	36,018
Other ordinary expenses	3,585	3,824
General and administrative expenses	232,291	249,442
Other expenses	53,559	58,095
Provision of allowance for loan losses	47,411	51,316
Other	6,147	6,778
Ordinary profit	65,746	70,171
Extraordinary income	1,455	10
Gain on disposal of non-current assets	4	10
Gain on transfer from business divestitures	1,451	—
Extraordinary losses	630	1,003
Loss on disposal of non-current assets	278	594
Losses for business structure reforms	217	—
Loss on liquidation of subsidiaries	—	45
Card XXX	—	298
Other	135	63
Profit before income taxes	66,571	69,178
Income taxes - current	14,961	23,555
Income taxes - deferred	2,736	△5,557
Total income taxes	17,697	17,998
Profit	48,873	51,180
Profit attributable to non-controlling interests	10,196	11,771
Profit attributable to owners of parent	38,677	39,408

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	48,873	51,180
Other comprehensive income	2,410	4,203
Valuation difference on available-for-sale securities	△1,397	2,338
Deferred gains or losses on hedges	594	426
Foreign currency translation adjustment	3,431	1,462
Remeasurements of defined benefit plans, net of tax	△217	△23
Comprehensive income	51,284	55,384
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	39,597	41,783
Comprehensive income attributable to non-controlling interests	11,687	13,600

(3) (Summary) Consolidated Statements of Changes in net assets
(For the Fiscal 2017 ended March 31, 2018)

(Millions of yen truncated the nearest million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	45,698	121,211	203,401	△25,100	345,210
Changes of items during period					
Convert of Convertible bond-type bonds with subscription rights to shares				52	52
Dividends from surplus			△14,668		△14,668
Profit attributable to owners of parent			38,677		38,677
Purchase of treasury shares				△1	△1
Disposal of treasury shares			△22	63	41
Change in ownership interest of parent due to transactions with non-controlling interests		△1,185			△1,185
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	△1,185	23,985	114	22,914
Balance at end of current period	45,698	120,025	227,387	△24,986	368,124

	Other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income			
Balance at beginning of current period	4,893	△2,244	△1,235	△440	972	112	54,875	401,170
Changes of items during period								
Convert of Convertible bond-type bonds with subscription rights to shares								52
Dividends from surplus								△14,668
Profit attributable to owners of parent								38,677
Purchase of treasury shares								△1
Disposal of treasury shares								41
Change in ownership interest of parent due to transactions with non-controlling interests							1,185	—
Net changes of items other than shareholders' equity	△1,337	367	2,106	△217	919	△7	11,600	12,512
Total changes of items during the period	△1,337	367	2,106	△217	919	△7	12,785	36,612
Balance at end of current period	3,556	△1,876	870	△658	1,891	104	67,661	437,782

(For the Fiscal 2018 ended March 31, 2019)

(Millions of yen truncated the nearest million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	45,698	120,025	227,387	△24,986	368,124
Cumulative effects of changes in accounting policies			△16,704		△16,704
Restated balance	45,698	120,025	210,683	△24,986	351,420
Changes of items during period					
Convert of Convertible bond-type bonds with subscription rights to shares				1	1
Dividends from surplus			△14,672		△14,672
Profit attributable to owners of parent			39,408		39,408
Purchase of treasury shares				△0	△0
Disposal of treasury shares			△5	36	30
Change in ownership interest of parent due to transactions with non-controlling interests		188			188
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	188	24,730	37	24,956
Balance at end of current period	45,698	120,213	235,413	△24,948	376,376

	Other comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other comprehensive income			
Balance at beginning of current period	3,556	△1,876	870	△658	1,891	104	67,661	437,782
Cumulative effects of changes in accounting policies							△11,536	△28,240
Restated balance	3,556	△1,876	870	△658	1,891	104	56,124	409,541
Changes of items during period								
Convert of Convertible bond-type bonds with subscription rights to shares								1
Dividends from surplus								△14,672
Profit attributable to owners of parent								39,408
Purchase of treasury shares								△0
Disposal of treasury shares								30
Change in ownership interest of parent due to transactions with non-controlling interests							△188	—
Net changes of items other than shareholders' equity	1,594	200	601	△21	2,375	△1	12,021	14,395
Total changes of items during the period	1,594	200	601	△21	2,375	△1	11,833	39,163
Balance at end of current period	5,150	△1,675	1,472	△679	4,267	103	67,957	448,705

(4) (Summary) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	66,571	69,178
Depreciation	19,221	20,851
Amortization of goodwill	1,835	1,835
Share of loss (profit) of entities accounted for using equity method	△22	△26
Increase (decrease) in allowance for loan losses	7,812	8,991
Increase (decrease) in provision for bonuses	342	331
Increase (decrease) in retirement benefit liability	259	231
Increase (decrease) in provision for point card certificates	△52	3,077
Increase (decrease) in provision for loss on interest repayment	△682	1,051
Increase (decrease) in provision for contingent loss	△565	—
Increase (decrease) in other provision	△49	26
Gain on fund management	△156,161	△171,243
Financing expenses	19,479	21,448
Gain on transfer from business divestitures	△1,451	—
Loss (gain) related to securities	—	3
Loss (gain) on disposal of non-current assets	273	584
Loss (gain) on liquidation of subsidiaries	—	45
Net decrease (increase) in loans and bills discounted	△401,563	△150,661
Decrease (increase) in accounts receivable - installment	△108,315	△157,914
Net decrease (increase) in lease receivables and investment assets	△1,402	△2,918
Net increase (decrease) in deposit	507,642	419,401
Increase (decrease) in notes and accounts payable - trade	69,068	27,193
Net increase (decrease) in borrowed money	28,488	4,554
Net decrease (increase) in deposit (excluding deposit paid to Bank of Japan)	1,697	12,703
Net decrease (increase) in deposit (over 3 months)	△1,117	△1,426
Net decrease (increase) in call loans	28,849	△38,717
Net increase (decrease) in commercial papers	22,500	41,568
Net decrease (increase) in foreign exchanges - assets	—	△1,635
Increase (decrease) in straight bonds - issuance and redemption	△4,113	5,861
Proceeds from sales and leasebacks	4,322	2,951
Proceeds from fund management	155,906	170,584
Payments for finance	△19,305	△24,354
Other, net	△24,034	△31,656
Subtotal	215,435	231,922
Income taxes paid	△18,233	△18,251
Income taxes refund	1,739	2,060
Net cash provided by (used in) operating activities	198,941	215,730

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from investing activities		
Purchase of securities	△370,504	△887,709
Proceeds from sales of securities	137,989	73,200
Proceeds from redemption of securities	189,183	676,343
Increase in money held in trust	—	△22,843
Decrease in money held in trust	—	437
Purchase of tangible fixed assets	△8,623	△11,141
Proceeds from sales of tangible fixed assets	17	9
Purchase of intangible assets	△22,415	△22,892
Proceeds from business divestitures	6,277	—
Net cash provided by (used in) investing activities	△68,075	△194,595
Cash flows from financing activities		
Proceeds from issuance of convertible bond-type bonds with subscription rights to shares	3,284	—
Cash dividends paid	△14,668	△14,672
Proceeds from share issuance to non-controlling shareholders	52	5,533
Repayments to non-controlling shareholders	△80	△2,723
Dividends paid to non-controlling interests	△3,620	△4,207
Purchase of treasury shares	△1	△0
Proceeds from disposal of treasury shares	0	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	△203	△3
Net cash provided by (used in) financing activities	△15,237	△16,072
Effect of exchange rate change on cash and cash equivalents	767	269
Net increase (decrease) in cash and cash equivalents	116,395	5,331
Cash and cash equivalents at beginning of period	506,202	622,598
Cash and cash equivalents at end of period	622,598	627,929

(5) Notice on consolidated financial statements
(Notes on the Going-concern Assumption)
N/A

(Change of accounting policy)

From the fiscal year ended February 28, 2019, foreign consolidated subsidiaries have adopted the following accounting standards.

For the adoption of these standards, the Company applied transitional measures which recognize the cumulative effects of adoption of these standards as of the date of adoption, as is permitted for a first-time adopter.

1. IFRS No. 9 "Financial Instruments"

IFRS 9 introduces new requirements for classification, measurement and hedge accounting of financial instruments.

Due to the adoption of IFRS 9 by foreign consolidated, the measurement method has been changed mainly for accounts receivables as well as allowance for doubtful accounts for operating loan.

As a result, as of the beginning of the fiscal year ended February 28, 2019, allowance for doubtful accounts and deferred tax assets increased by 35,017 million yen and 6,776 million yen, respectively, while non-controlling interests and retained earnings decreased 11,536 million yen and 16,704 million yen, respectively.

For reference, this change has little impact on profit/loss and per share information for the fiscal year ended February 28, 2019.

2. IFRS No. 15 "Revenue from Contracts with Customers"

IFRS No. 15 introduces an entity's single and comprehensive model for accounting revenue from contracts with customers. Due to the adoption of IFRS 15 by foreign consolidated subsidiaries, from the fiscal year ended February 28, 2019, some promotion expenses that were previously accounted for as selling, general and administrative expenses have been deducted from net sales.

For reference, this change has little impact on profit/loss and per share information for the fiscal year ended February 28, 2019.

(Segment information)

1 Overview of Reportable Segments

The group's reportable segments are subject to periodic review of the group's constituent units to obtain separate financial information, and to evaluate the allocation and performance of management resources by the Board of Directors.

"Domestic" business is divided into "Retail" and "Solution" to clarify the supporter of the function by the target customer. The "Global" business divides the area centering on three listed companies and divides it into "China Area" (Hong Kong S.A.R. etc.), "Mekong Area" (Thailand, etc.), and "Malay Area" (Malaysia, etc.) so that the horizontal development of the business model can be smoothly promoted.

Therefore, the group has five reporting segments: "Retail" and "Solution" in domestic, "China Area", "Mekong Area" and "Malay Area" in global

"Retail" is a banking and insurance business that focuses mainly on individual customers.

"Solution" is a business that provides the group's financial services through the use of databases, such as processing business and individual installment business, mainly for merchants.

"China Area", "Mekong Area", and "Malay Area" are businesses that provide financial services tailored to their needs, including credit cards and loans, to individual customers and merchants in each region.

2 Calculation method of ordinary income, profit or loss, assets and other items per reportable segment

The accounting methods of the reported business segments are identical to the accounting methods used to create consolidated financial statements. The profit of the reporting segment is a figure based on ordinary profit. Internal ordinary revenues and transfers between segments are based on market prevailing prices.

6. Segment Information

	For the fiscal 2017 ended March 31, 2018							
	Domestic		Global			Total	Adjustments (※2)	Consolidated financial statements appropriation (※3)
	Retail	Solution	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external customer	175,297	103,817	19,462	63,911	40,379	402,867	5,102	407,970
The internal operating income between segments	2,005	67,189	0	41	-	69,237	△69,237	-
Total	177,302	171,006	19,462	63,953	40,379	472,105	△64,134	407,970
Segment Profit/ Loss	9,223	27,549	6,015	12,506	9,810	65,105	641	65,746
Segment assets	3,671,895	2,156,871	90,722	284,069	221,390	6,424,949	△1,572,105	4,852,844
Other								
Depreciation	5,653	9,473	642	1,943	865	18,578	642	19,221
Amortization of goodwill	1,407	428	-	-	-	1,835	-	1,835
Interest income	89,376	1,029	10,930	46,493	8,550	156,381	△219	156,161
Interest expenses	3,567	1,013	1,230	6,919	6,363	19,093	386	19,479
Provision of allowance for loan losses	932	18,131	1,631	15,859	10,453	47,009	402	47,411
Increase in property, plant and equipment and intangible assets	10,048	21,233	427	1,407	1,655	34,772	900	35,672

(Remarks) Content of each Segment

※1 The amounts of generally indicated as net sales are herein stated as operating revenue.

※2 Adjustments details are as follows.

(1)The adjustment of 5,102 million yen to Operating revenue from external customer represents corporate income that are not allocated to each reportable segment.

(2)The adjustment of 641 million yen to Segment Profit mainly represents corporate income that are not allocated to each reportable segment and intersegment elimination.

(3)The adjustment of △1,572,105 million yen to Segment assets represents total corporate assets that are not allocated to each reportable segment and adjustment of intersegment elimination.

※3 Segment income is adjusted to ordinary income of consolidated statement.

(Millions of yen)

	For the fiscal 2018 ended March 31, 2019							
	Domestic		Global			Total	Adjustments (※2)	Consolidated financial statements appropriation (※3)
	Retail	Solution	China Area	Mekong Area	Malay Area			
Ordinary income								
Operating revenue from external customer	185,631	112,767	19,603	72,518	47,058	437,579	1,422	439,001
The internal operating income between segments	3,351	69,004	7	25	-	72,388	△72,388	-
Total	188,982	181,772	19,610	72,543	47,058	509,968	△70,966	439,001
Segment Profit/ Loss	11,267	26,422	7,139	14,002	13,380	72,210	△2,039	70,171
Segment assets	4,105,583	2,314,705	91,370	296,512	248,972	7,057,144	△1,714,915	5,342,228
Other								
Depreciation	6,449	10,243	575	1,930	1,174	20,373	478	20,851
Amortization of goodwill	1,406	428	-	-	-	1,835	-	1,835
Interest income	95,956	1,520	10,647	53,040	10,547	171,712	△469	171,243
Interest expenses	4,084	1,208	1,155	7,437	7,286	21,171	276	21,448
Provision of allowance for loan losses	544	21,528	484	19,471	9,602	51,631	△314	51,316
Increase in property, plant and equipment and intangible assets	11,898	17,420	346	2,486	2,005	34,156	843	35,000

(Remarks) Content of each Segment

※1 The amounts of generally indicated as net sales are herein stated as operating revenue.

※2 Adjustments details are as follows.

(1)The adjustment of 1,422 million yen to Operating revenue from external customer represents corporate income that are not allocated to each reportable segment.

(2)The adjustment of △2,039 million yen to Segment Profit mainly represents corporate income that are not allocated to each reportable segment and intersegment elimination.

(3)The adjustment of △1,714,915 million yen to Segment assets represents total corporate assets that are not allocated to each reportable segment and adjustment of intersegment elimination.

※3 Segment income is adjusted to ordinary income of consolidated statement.

7. (Summary) Non-consolidated financial statements

(1) (Summary) Non-consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	3,071	16,390
Advances paid	222	331
Prepaid expenses	355	461
Accounts receivable - other	7,244	7,574
Accrued income	4	5
Short-term loans receivable	1,500	12,800
Income taxes receivable	1,846	1,975
Other	0	0
Total current assets	14,244	39,537
Non-current assets		
Property, plant and equipment		
Buildings	499	521
Accumulated depreciation	△118	△178
Buildings, net	381	342
Tools, furniture and fixtures	675	728
Accumulated depreciation	△283	△422
Tools, furniture and fixtures, net	391	306
Total property, plant and equipment	772	649
Intangible assets		
Software	1,320	1,348
Total intangible assets	1,320	1,348
Investments and other assets		
Investment securities	7,641	7,614
Shares of subsidiaries and associates	311,272	311,994
Long-term prepaid expenses	77	73
Deferred tax assets	11,098	11,371
Guarantee deposits	942	945
Other	3	240
Total investments and other assets	331,036	332,241
Total non-current assets	333,129	334,239
Deferred assets		
Share issuance cost	64	18
Bond issuance cost	252	176
Total deferred assets	316	195
Total assets	347,690	373,972

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Short-term loans payable	600	3,250
Commercial papers	—	35,000
Current portion of bonds	10,000	40,000
Current portion of convertible bond-type bonds with subscription rights to shares	—	29,946
Accounts payable - other	2,218	2,146
Accrued expenses	395	426
Income taxes payable	147	109
Unearned revenue	219	203
Deposits received	1,481	1,434
Provision For Directors Remuneration Based On Performance	52	55
Other	90	53
Total current liabilities	15,205	112,625
Non-current liabilities		
Bonds payable	80,000	40,000
Convertible bond-type bonds with share acquisition rights	29,948	—
Long-term loans payable	—	300
Other	1,195	1,143
Total non-current liabilities	111,143	41,443
Total liabilities	126,348	154,069
Net assets		
Shareholders' equity		
Capital stock	45,698	45,698
Capital surplus		
Legal capital surplus	121,506	121,506
Total capital surpluses	121,506	121,506
Retained earnings		
Legal retained earnings	3,687	3,687
Other retained earnings		
General reserve	63,995	63,995
Retained earnings brought forward	8,115	7,177
Total retained earnings	75,798	74,860
Treasury shares	△24,986	△24,948
Total shareholders' equity	218,016	217,116
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,221	2,683
Total valuation and translation adjustments	3,221	2,683
Share acquisition rights	104	103
Total net assets	221,342	219,903
Total liabilities and net assets	347,690	373,972

(2) (Summary) Non-consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Operating revenue		
Dividends from subsidiaries and associates	11,823	13,244
Commissions from subsidiaries and associates	11,212	11,459
Total operating revenue	23,035	24,703
Operating expenses		
Selling, general and administrative expenses	9,405	10,150
Total operating expenses	9,405	10,150
Operating profit	13,629	14,552
Non-operating income		
Interest and dividend income	190	248
Gain on sales of investment securities	606	—
Other	176	151
Total non-operating income	973	399
Non-operating expenses		
Interest expenses	561	560
Commitment fee	153	75
Foreign exchange losses	90	21
Loss on valuation of investment securities	18	3
Other	121	120
Total non-operating expenses	944	782
Ordinary profit	13,658	14,170
Extraordinary income		
Gain on liquidation of subsidiaries	94	8
Total extraordinary income	94	8
Extraordinary losses		
Loss on disposal of non-current assets	0	7
Loss on valuation of shares of subsidiaries and associates	—	174
Losses for business structure reforms	63	—
Total extraordinary losses	63	182
Profit before income taxes	13,689	13,996
Income taxes - current	275	304
Income taxes - deferred	△7	△47
Total income taxes	268	256
Profit	13,420	13,740

(3) (Summary) Non-consolidated of Changes in net assets
(For the Fiscal 2017 ended March 31, 2018)

(Millions of yen truncated the nearest million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Beginning balance	45,698	121,506	121,506	3,687	63,995	9,386	77,068
Changes of items during the period							
Convert of Convertible bond-type bonds with subscription rights to shares							
Dividends from surplus						△14,668	△14,668
Profit						13,420	13,420
Purchase of treasury stock							
Disposal of treasury stock						△22	△22
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	—	—	—	—	△1,270	△1,270
Ending balance	45,698	121,506	121,506	3,687	63,995	8,115	75,798

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Beginning balance	△25,100	219,173	2,935	2,935	112	222,220
Changes of items during the period						
Convert of Convertible bond-type bonds with subscription rights to shares	52	52				52
Dividends from surplus		△14,668				△14,668
Profit		13,420				13,420
Purchase of treasury stock	△1	△1				△1
Disposal of treasury stock	63	41				41
Net changes of items other than shareholders' equity			285	285	△7	278
Total changes of items during the period	114	△1,156	285	285	△7	△878
Ending balance	△24,986	218,016	3,221	3,221	104	221,342

(For the Fiscal 2018 ended March 31, 2019)

(Millions of yen truncated the nearest million yen)

(millions of yen truncated the nearest million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		
		Legal capital surplus	Total capital surplus		Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward	
Beginning balance	45,698	121,506	121,506	3,687	63,995	8,115	75,798
Changes of items during the period							
Convert of Convertible bond-type bonds with subscription rights to shares							
Dividends from surplus						△14,672	△14,672
Profit						13,740	13,740
Purchase of treasury stock							
Disposal of treasury stock						△5	△5
Net changes of items other than shareholders' equity							
Total changes of items during the period	—	—	—	—	—	△937	△937
Ending balance	45,698	121,506	121,506	3,687	63,995	7,177	74,860

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Beginning balance	△24,986	218,016	3,221	3,221	104	221,342
Changes of items during the period						
Convert of Convertible bond-type bonds with subscription rights to shares	1	1				1
Dividends from surplus		△14,672				△14,672
Profit		13,740				13,740
Purchase of treasury stock	△0	△0				0
Disposal of treasury stock	36	30				30
Net changes of items other than shareholders' equity			△537	△537	△1	△538
Total changes of items during the period	37	△900	△537	△537	△1	△1,438
Ending balance	△24,948	217,116	2,683	2,683	103	219,903

(4) Notice on consolidated financial statements
(Notes on the Going-concern Assumption)
N/A