

Six-Month Period Ended September 30, 2016 Consolidated Financial Results (Japanese GAAP)

November 11, 2016

Name of listed company: AEON Financial Service Co., Ltd.

Stock exchange listing: Tokyo Stock Exchange

Code number: 8570 URL: <http://www.aeonfinancial.co.jp/>

Representative: Kenji Kawahara, President and CEO

Official contact: Hideki Wakabayashi, Director, Senior Managing Executive Officer

Contact number: +81-3-5281-2057

Scheduled date for release of interim report: November 25, 2016

Trading accounts: None

Scheduled date of dividend payment commencement: December 9, 2016

Preparation of supplementary explanations of financial results: Yes

Financial results presentation to be held: Yes (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

1. Consolidated results for the six-month period ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(1) Consolidated operating results

(Percentages represent changes from the corresponding period of the previous year)

	Ordinary revenue		Ordinary profits		Net income attributable to owners of the parent	
Six-month period ended	(Millions of Yen)	%	(Millions of Yen)	%	(Millions of Yen)	%
September 30, 2016	180,991	4.1	27,426	5.8	17,005	20.5
September 30, 2015	173,830	15.0	25,913	33.0	14,109	28.4

(Note) Comprehensive income September 30, 2016: ¥11,592 million ((17.0)%) September 30, 2015: ¥13,962 million ((14.1)%)

	Net income per share	Net income per share (Diluted)
Six-month period ended	Yen	Yen
September 30, 2016	84.94	84.44
September 30, 2015	71.01	70.98

(2) Consolidated financial conditions

	Total assets	Total equity	Equity ratio	Net assets per share
As at	(Millions of Yen)	(Millions of Yen)	%	Yen
September 30, 2016	3,929,320	373,375	8.3	1,508.36
March 31, 2016	3,745,546	340,886	7.8	1,465.31

(Reference) Equity as at September 30, 2016: ¥325,312 million March 31, 2016: ¥291,186 million

(Note) "Equity ratio" = {(Total equity – stock acquisition rights – non-controlling interests) / total assets} X 100
This Equity ratio is different from the capital adequacy ratio prescribed by the Financial Service Agency.

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FYE 3/2016	-	28.00	-	38.00	66.00
FYE 3/2017	-	29.00			
FYE 3/2017 (forecast)			-	39.00	68.00

(Notes) Revisions to the dividend forecasts most recently announced: No

3. Forecasts of consolidated results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages represent changes from the corresponding period of the previous year)

	Ordinary revenue		Ordinary profits		Net income attributable to owners of the parent		Net income per share
	(Millions of Yen)	%	(Millions of Yen)	%	(Millions of Yen)	%	Yen
Full year	380,000	5.7	63,000	6.1	37,000	3.4	171.56

(Note) Revisions to the latest forecasts of consolidated results: No

*Notes

(1) Changes in significant subsidiaries during the period (status changes of specified subsidiaries due to changes in the scope of consolidation): No

Newly consolidated: - Excluded: -

(2) Changes in accounting policies and accounting estimates, and restatement of revisions

- ① Changes in accounting policies as a result of revision of accounting standards : No
- ② Changes in accounting policies other than ① : No
- ③ Changes in accounting estimates : No
- ④ Restatement of revisions : No

(3) Number of shares issued (Common stock)

- ① Shares issued at period-end (including treasury stock)
- ② Treasury stocks at period-end
- ③ Average number of shares during six-month period

(Shares)			
September 30, 2016	225,472,801	March 31, 2016	208,527,801
September 30, 2016	9,799,154	March 31, 2016	9,807,144
September 30, 2016	200,200,473	September 30, 2015	198,691,884

(The Company's financial information on a non-consolidated basis)

Non-consolidated results for the six-month period ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(1) Operating results

(Percentages represent changes from the corresponding period of the previous year)

	Operating revenues		Operating income		Ordinary income		Net income	
Six-month period ended	(Millions of Yen)	%	(Millions of Yen)	%	(Millions of Yen)	%	(Millions of Yen)	%
September 30, 2016	11,625	1.1	7,904	35.3	7,570	39.2	6,775	42.8
September 30, 2015	11,494	(4.7)	5,843	(26.2)	5,437	(28.1)	4,743	(35.8)

	Net income per share
Six-month period ended	Yen
September 30, 2016	33.84
September 30, 2015	23.87

(2) Financial conditions

	Total assets	Total equity	Equity ratio	Net assets per share
As at	(Millions of Yen)	(Millions of Yen)	%	Yen
September 30, 2016	348,946	222,749	63.8	1,032.20
March 31, 2016	331,946	192,973	58.1	970.52

(Reference) Equity as at September 30, 2016: ¥222,617 million March 31, 2016: ¥192,863 million

* Status of interim audit

The interim audit procedures of interim consolidated financial statements and interim non-consolidated financial statements as provided in the Financial Instruments and Exchange Act have not been completed as of the date of this report.

* Explanation of appropriate use of forecasts of business results and other important matters

The forecasts of consolidated results include the Company's future prospects, assumptions used for planning and projections as of the date of this report. The substance of this report does not show that the Company is committed to achieve those results. Actual results may differ from such forecasts for various reasons. Regarding information on the forecasts of consolidated results, please refer to "(4) Information on forecasts of consolidated operating results" in "1. Qualitative information for the six-month period ended September 30, 2016" on page 6.

The Company falls under the category of "Specified Business Corporation" under paragraph (2) of Article 17-15 of the Cabinet Office Ordinance Concerning Disclosure of Public Companies. Accordingly, the Company has prepared its interim consolidated financial statements and interim non-consolidated financial statements for the six-month period ended September 30, 2016.

Contents

1.	Qualitative information for the six-month period ended September 30, 2016.....	2
(1)	Description of operating results.....	2
(2)	Financial conditions.....	7
(3)	Capital adequacy ratio	7
(4)	Information on forecasts of consolidated operating results.....	7
2.	Other information regarding the financial results.....	8
(1)	Changes in significant subsidiaries during the six-month period ended September 30, 2016.....	8
(2)	Changes in accounting policies, changes in accounting estimates and restatement of revisions	8
(3)	Additional information	8
3.	Significant events regarding the going concern assumption.....	8
4.	Interim consolidated financial statements	9
(1)	Interim consolidated balance sheets.....	9
(2)	Interim consolidated statements of income and comprehensive income	11
(3)	Interim consolidated statements of changes in equity.....	13
(4)	Notes regarding the interim consolidated financial statements.....	17
	(Notes regarding the going concern assumption).....	17
	(Segment information)	17
5.	Interim non-consolidated financial statements	19
(1)	Interim balance sheets	19
(2)	Interim statements of income.....	21
(3)	Interim statements of changes in equity.....	22
(4)	Notes regarding the interim non-consolidated financial statements.....	24
	(Notes regarding the going concern assumption).....	24

1. Qualitative information for the six-month period ended September 30, 2016

(1) Description of operating results

For the six-month period ended September 30, 2016, the level of domestic consumer spending did not show much movement on the whole, and consumer sentiment seemed to stall. Corporate production activities and exports remained fairly steady for the most part, corporate earnings were maintained at a high level and employment situation was improved. In general, the domestic business environment remained on track of gradual recovery.

In the financial market, the Bank of Japan continued the negative interest-rate policy and yields on 10-year Japanese government bonds hovered below zero. Japanese Yen was in an appreciation trend due to effects of increased uncertainties of European economy resulting from Britain's exit from European Union.

Under such circumstances, AEON Financial Service Co., Ltd. (hereinafter, "the Company") and its subsidiaries (collectively, "the Group") continued to address global implementation of digital technologies to tighten operational efficiency, enhancement of convenience of products and services and improvement of profitability ratio by slimming down the balance sheet.

As a result of the above, the Group achieved record-high ordinary revenue, ordinary profits and net income attributable to owners of the parent for the six-month period ended September 30, 2016.

[Overview of business segments]

① Credit card business

In the credit card business, as part of customer service interactions at the shop counters in AEON Malls and in-store branches, the Group has continued to inform customers of various products and services such as AEON cards using tablets and promote sales through digital signage. The Group also continued to accept AEON card membership applications through Internet to improve efficiency of credit reviews for issuance of AEON cards and started services to award double Tokimeki points when using AEON cards at AEON Group's targeted stores. In addition, the Group launched "AEON Wallet," a smartphone application where customers can collectively confirm and manage usage and billing amounts for their AEON card, balances of deposit accounts of AEON Bank, Ltd. (hereinafter, AEON Bank) and WAON points, and receive coupons that can be used at affiliated merchants of AEON cards and information about campaigns.

As a result, the number of active domestic cardholders was 26.44 million as at September 30, 2016, which increased by 0.56 million to compared to the beginning balance of the current fiscal year, and transaction value of credit card purchases was ¥2,160,795 million for the six-month period ended September 30, 2016, which increased by 8.8% compared to the corresponding period of the previous fiscal year, and transaction value of cash advances was ¥189,006 million for the six-month period ended September 30, 2016, which increased by 4.1%, compared to the corresponding period of the previous fiscal year. The balance of cash advances was ¥422,378 million as at September 30, 2016, which increased by ¥16,814 million compared

to the beginning balance of the current fiscal year, and the annual card usage rate was 66.7% as at September 30, 2016, which increased by 0.2% compared to the beginning balance of the current fiscal year.

AEON Product Finance Co., Ltd. (hereinafter, “AEON Product Finance”), which operates installment sales business, introduced an online consultation system for retailers of home solar panels through Internet to expand loans for home renovations. AEON Product Finance has also developed new affiliated merchants of automobile dealerships and simplified online application processes for auto loans. As a result, the transaction value was ¥111,529 million for the six-month period ended September 30, 2016 which increased by 23.5% compared to the corresponding period of the previous fiscal year.

As a result of the above, the financial results of the credit business for the current period were as follows: (a) ordinary revenue increased by 10.8% to ¥83,600 million, and (b) ordinary profits increased by 3.4% to ¥17,306 million, compared to the corresponding period of the previous fiscal year.

② Banking business

In the banking business, the Group newly opened bank stores at AEON TOWN Yukarigaoka (in Chiba prefecture) and AEON STYLE Higashitotsuka (in Kanagawa prefecture) to expand its marketing network. As a result, the total number of bank stores increased to 134.

As for customer deposit accounts, the Group has promoted marketing activities at newly established bank stores, offering of preferential interest rates on term deposit accounts for young people, campaign to award tickets for the world baseball matches of the Japanese national baseball team, SAMURAI JAPAN, and solicitation of holders of “AEON Card Select,” which provides an additional annual interest rate of 0.1% on ordinary deposit accounts. As a result, the number of customer deposit accounts held by AEON Bank was 5.25 million as at September 30, 2016 which increased by 0.32 million compared to the beginning balance of the current fiscal year, and the balance of total deposits of AEON Bank was ¥2,362,440 million as at September 30, 2016 which increased by ¥208,741 million compared to the beginning balance of the current fiscal year.

As for loan products, in addition to programs to offer competitive preferential interest rates on housing loans, the Group has enhanced promotion for “AEON Select Club,” which extends 5% off the price of shopping every day at AEON stores to borrowers of housing loans. The Group has also changed interest rates of unsecured loans such as collective loans and auto loans to be more competitive and enhanced advertisements for such loans using Internet. As a result, the balance of loans was ¥1,497,782 million as at September 30, 2016 which increased by ¥75,969 million compared to the beginning of the current fiscal year.

To respond to diversified customer needs, AEON Bank took over the Flat 35 housing loan business of AEON Housing Loan Service Co., Ltd. and started sales of Flat 35 housing loans at bank stores. In addition, AEON Bank has established its exclusive fund, “AEON Balance Strategic Fund (nicknamed “Future Palette”)” and started solicitation.

As a result of the above, the financial results of the banking business for the current period were as follows: (a) the ordinary revenue increased by 23.2% to ¥26,937 million and (b) ordinary profits increased by ¥1,280 million to ¥1,053 million, compared to the corresponding period of the previous fiscal year.

For the six-month period ended September 30, 2016, AEON Bank has turned into a positive retained earnings position.

③ Overseas business

In Hong Kong, the Group has offered free annual membership fee of AEON cards and reviewed criteria for selecting AEON Gold Card membership and credit card shopping benefits to make AEON cards more attractive. To explore new customer base, the Group has solicited membership of co-branded cards with Japan Airlines Co., Ltd., AEON Stores (Hong Kong) Co., Ltd. and AEON Credit Service (Asia) Co., Ltd. at stations, airports and business areas. In addition, the Group continued to reduce credit costs by restricting sales of loan products with high credit risk and implementing stricter credit reviews.

As a result, consolidated operating revenues of AEON Credit Service (Asia) were HK\$606 million for the current period which decreased by 3.6% compared to the corresponding period of the previous fiscal year, and consolidated ordinary profits were HK\$185 million for the current period which increased by 26.3% compared to the corresponding period of the previous fiscal year.

In Thailand, the Group has reinforced solicitation of AEON cardholder at local cities in addition to the central area of the country and promoted co-branded cards with Thai Airways International and Bangkok Skytrain. Furthermore, the Group has provided coupons that can be used at AEON Malls to overseas customers visiting Japan. In the division of credit review and debt collection functions, the Group continued to enhance credit review process based on characteristics of products and established an intensive debt collection system.

As a result, consolidated operating revenues of AEON Thana Sinsap (Thailand) were THB8,776 million for the current period which increased by 2.5% compared to the corresponding period of the previous fiscal year, and consolidated ordinary profits were THB1,376 million for the current period which decreased by 12.3% compared to the corresponding period of the previous fiscal year.

In Malaysia, the Group has promoted implementation of digital technologies and paperless operations by utilizing tablets and digital signage at stores to enhance customer service and achieve low cost operation. In

addition, the Group concentrated its management resources in and around Kuala Lumpur, which has a larger market size, to increase the number of AEON cardholders. The Group has also improved the speed of credit reviews by accepting application for various products through Internet and reconsidering criteria and process for credit reviews. In the hire purchase business of home appliances, the Group has implemented stricter credit reviews to reduce allowance for credit costs.

As a result, operating revenue of AEON Credit Service (Malaysia) was MYR583 million for the current period which increased by 15.5% compared to the corresponding period of the previous fiscal year, and ordinary profits were MYR157 million for the current period which increased by 11.9% compared to the corresponding period of the previous fiscal year.

As a result of the above, the overseas segment for the current period showed the following financial results: (a) ordinary revenue decreased by 10.5% to ¥55,772 million, and (b) ordinary profits decreased by 9.6% to ¥10,296 million, compared to the corresponding period of the previous fiscal year.

④ Fee business and other

In the fee business, the Group has developed affiliated merchants of WAON card services, targeting companies that provide goods and services closely related to daily life in the e-money business. To further improve customer convenience, the Group launched services of over-the-counter settlement and recharge of e-money WAON at stores of Circle K Sunkus Co., Ltd. As a result, the total settlement amount of the e-money business including e-money for the six-month period ended September 30, 2016 increased by 6.3% to ¥1,094,279 million compared to the corresponding period of the previous fiscal year. In addition, ACS Leasing Co., Ltd., which became a consolidated subsidiary of the Company from the previous fiscal year, has grown its business operations by increasing the Group's assets, such as AEON Bank ATMs, in the Group records.

As a result of the above, the financial results of the fee business and other for the current period were as follows: (a) ordinary revenue increased by 10.1% to ¥26,714 million, and (b) ordinary profits increased by 0.8% to ¥1,933 million, compared to the corresponding period of the previous fiscal year.

[Environmental conservation and social contribution activities]

The Company aims to increase its corporate value continuously by proactively engaging in environmental conservation and social contribution activities. Also, the Company has made efforts to contribute to the development of local society as a good corporate citizen.

For the six-month period ended September 30, 2016, the Company established consultation desks for customers who suffered from the 2016 Kumamoto Earthquakes in Kumamoto and Oita prefectures around

AEON Malls to rapidly and politely respond to consultation and requests by them. At the beginning of the Earthquakes, most of AEON Bank ATMs installed in Kumamoto prefecture became unavailable, and therefore the Company dispatched “moving ATM vehicles” for those affected to use ATMs. Immediately after the Earthquakes, more than 200 employees outside Kumamoto prefecture participated in the disaster restoration program in Kumamoto to restore businesses there as promptly as possible.

(2) Financial conditions

(Assets)

As at September 30, 2016, the balance of loans and bills discounted increased by ¥62,982 million compared to March 31, 2016, due to an expansion of the transaction value of cash advances and housing loans, and the balance of installment sales receivables increased by ¥82,177 million compared to March 31, 2016, due to an expansion of the transaction value of credit card shopping, while the balance of securities decreased by ¥53,463 million compared to March 31, 2016 due to redemptions. As a result, the balance of total assets of the Group as at September 30, 2016 was ¥3,929,320 million which increased by ¥183,774 million compared to the end of the previous fiscal year.

(Liabilities)

The balance of total liabilities of the Group as at September 30, 2016 was ¥3,555,945 million which increased by ¥151,285 million compared to the end of the previous fiscal year, mainly due to an increase in deposits by ¥207,296 million resulting from an increase in the balance of ordinary deposit accounts, while the domestic borrowed money decreased by ¥34,448 million.

(Equity)

The balance of total equity as at September 30, 2016 was ¥373,375 million which increased by ¥32,489 million compared to the end of the previous fiscal year, mainly due to an increase in each common stock and capital surplus by ¥15,231 million resulting from the issuance of new shares through public offering and third-party allotment, while foreign currency translation adjustments decreased by ¥5,557 million due to an effect of appreciation of Japanese Yen.

(3) Capital adequacy ratio

Consolidated equity ratio of AEON Financial Service Co., Ltd. (domestic standard prescribed by the Financial Service Agency)

	As at March 31, 2016	As at September 30, 2016 (Preliminary figures)
Consolidated capital adequacy ratio	7.4%	8.3%

(4) Information on forecasts of consolidated operating results

As of the date of this report, there is no change in the forecast of consolidated results released on May 13, 2016.

2. Other information regarding the financial results

(1) Changes in significant subsidiaries during the six-month period ended September 30, 2016

None

(2) Changes in accounting policies, changes in accounting estimates and restatement of revisions

None

(3) Additional information

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).”

3. Significant events regarding the going concern assumption

None

4. Interim consolidated financial statements

(1) Interim consolidated balance sheets

	(Millions of Yen)	
	As at March 31, 2016	As at September 30, 2016
(Assets)		
Cash and due from banks	444,868	543,071
Monetary claims bought	5,051	4,444
Securities	211,131	157,668
Loans and bills discounted	1,673,997	1,736,980
Installment sales receivables	1,022,387	1,104,564
Lease receivables and investment assets	5,405	6,399
Other assets	124,594	127,847
Property and equipment	36,530	36,380
Intangible assets	77,163	83,060
Goodwill	25,597	24,664
Other intangible assets	51,565	58,395
Deferred tax assets	20,433	21,428
Customers' liabilities for acceptances and guarantees	173,441	157,627
Allowance for possible credit losses	(49,458)	(50,153)
Total assets	3,745,546	3,929,320
(Liabilities)		
Deposits	2,152,928	2,360,224
Accounts payable	173,568	153,523
Commercial paper	68,000	37,543
Borrowed money	535,989	501,540
Bonds	122,074	129,623
Convertible bonds	50	30,050
Other liabilities	152,845	160,386
Allowance for bonuses	2,828	2,844
Retirement benefit liability	3,530	3,437
Allowance for point program	12,456	14,315
Allowance for loss on refund of interest received	4,206	2,189
Allowance – other	396	250
Deferred tax liabilities	2,344	2,386
Acceptances and guarantees	173,441	157,627
Total liabilities	3,404,660	3,555,945

	(Millions of Yen)	
	As at March 31, 2016	As at September 30, 2016
(Equity)		
Common stock	30,441	45,673
Capital surplus	106,230	121,461
Retained earnings	177,766	187,207
Treasury stock	(25,141)	(25,121)
Total shareholders' equity	289,296	329,221
Unrealized gain on available-for-sale securities	5,889	5,292
Deferred loss on derivatives under hedge accounting	(3,514)	(3,213)
Foreign currency translation adjustments	122	(5,435)
Accumulated adjustments for retirement benefit	(607)	(552)
Total accumulated other comprehensive income	1,890	(3,909)
Stock acquisition rights	110	131
Non-controlling interests	49,589	47,930
Total equity	340,886	373,375
Total liabilities and equity	3,745,546	3,929,320

(2) Interim consolidated statements of income and comprehensive income

(Interim consolidated statements of income)

	(Millions of Yen)	
	Six-month period ended September 30, 2015	Six-month period ended September 30, 2016
Ordinary revenue	173,830	180,991
Interest income	68,427	69,234
(of which: Interest on loans and bills discounted)	67,166	68,112
(of which: Interest and dividends on securities)	946	846
Fees and commissions	91,969	91,131
Other operating income	5,079	11,871
Other income	8,353	8,753
Ordinary expenses	147,916	153,565
Interest expenses	11,023	9,708
(of which: Interest on deposits)	2,130	1,758
Fees and commissions	11,795	12,358
Other operating expenses	425	1,584
General and administrative expenses	100,981	106,463
Other ordinary expenses	23,690	23,449
Ordinary profits	25,913	27,426
Extraordinary income	0	1
Gain on disposal of property and equipment and intangible assets	0	1
Extraordinary loss	1,101	146
Loss on disposal of property and equipment and intangible assets	1,022	117
Other extraordinary loss	78	28
Income before income taxes and non-controlling interests	24,813	27,280
Income taxes - current	7,699	7,470
Income taxes - deferred	(1,222)	(959)
Total income taxes	6,477	6,510
Net income	18,335	20,769
Net income attributable to non-controlling interests	4,225	3,764
Net income attributable to owners of the parent	14,109	17,005

(Interim consolidated statements of comprehensive income)

	(Millions of Yen)	
	Six-month period ended September 30, 2015	Six-month period ended September 30, 2016
Net income	18,335	20,769
Other comprehensive income	(4,373)	(9,177)
Unrealized loss on available-for-sale securities	(225)	(598)
Deferred (loss) profit on derivatives under hedge accounting	(159)	538
Foreign currency translation adjustments	(4,035)	(9,171)
Adjustments for retirement benefit	47	54
Comprehensive income	13,962	11,592
Total comprehensive income attributable to:		
Owners of the parent	11,585	11,205
Non-controlling interests	2,377	386

(3) Interim consolidated statements of changes in equity

For the six-month period ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	30,421	106,230	154,518	(25,144)	266,026
Change of items during the period					
Issuance of new shares					
Conversion of convertible bonds	10	10			20
Cash dividends			(6,954)		(6,954)
Net income attributable to owners of the parent			14,109		14,109
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock					
Change in the parent's ownership interest arising from transactions with non-controlling interests		15			15
Change of scope of equity method			(18)		(18)
Net change in items other than shareholders' equity					
Total change of items during the period	10	25	7,137	(0)	7,172
Balance at end of period	30,431	106,255	161,656	(25,145)	273,198

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income			
Balance at beginning of period	4,243	(3,468)	7,446	(539)	7,682	73	51,166	324,948
Change of items during the period								
Issuance of new shares								
Conversion of convertible bonds								20
Cash dividends								(6,954)
Net income attributable to owners of the parent								14,109
Purchase of treasury stock								(0)
Disposal of treasury stock								
Change in the parent's ownership interest arising from transactions with non-controlling interests							(15)	-
Change of scope of equity method								(18)
Net change in items other than shareholders' equity	(217)	(108)	(2,246)	47	(2,524)	38	(422)	(2,908)
Total change of items during the period	(217)	(108)	(2,246)	47	(2,524)	38	(438)	4,248
Balance at end of period	4,026	(3,577)	5,199	(491)	5,157	112	50,727	329,196

For the six-month period ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of period	30,441	106,230	177,766	(25,141)	289,296
Change of items during the period					
Issuance of new shares	15,231	15,231			30,463
Conversion of convertible bonds					
Cash dividends			(7,551)		(7,551)
Net income attributable to owners of the parent			17,005		17,005
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		0	(12)	20	8
Change in the parent's ownership interest arising from transactions with non-controlling interests					
Change of scope of equity method					
Net change in items other than shareholders' equity					
Total change of items during the period	15,231	15,231	9,441	20	39,925
Balance at end of period	45,673	121,461	187,207	(25,121)	329,221

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total equity
	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Foreign currency translation adjustments	Accumulated adjustments for retirement benefit	Total accumulated other comprehensive income			
Balance at beginning of period	5,889	(3,514)	122	(607)	1,890	110	49,589	340,886
Change of items during the period								
Issuance of new shares								30,463
Conversion of convertible bonds								
Cash dividends								(7,551)
Net income attributable to owners of the parent								17,005
Purchase of treasury stock								(0)
Disposal of treasury stock								8
Change in the parent's ownership interest arising from transactions with non-controlling interests								
Change of scope of equity method								
Net change in items other than shareholders' equity	(596)	300	(5,557)	54	(5,799)	21	(1,658)	(7,436)
Total change of items during the period	(596)	300	(5,557)	54	(5,799)	21	(1,658)	32,489
Balance at end of period	5,292	(3,213)	(5,435)	(552)	(3,909)	131	47,930	373,375

(4) Notes regarding the interim consolidated financial statements

(Notes regarding the going concern assumption)

None

(Segment information)

For the six-month period ended September 30, 2015 (From April 1, 2015 to September 30, 2015)

(Millions of Yen)

	Credit card	Banking	Overseas	Fee Business and Other	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Ordinary revenue							
Ordinary revenue from customers	74,645	19,835	62,336	17,013	173,830	-	173,830
Intersegment revenues or transfers	822	2,031	0	7,256	10,111	(10,111)	-
Total ordinary revenue	75,467	21,866	62,336	24,270	183,941	(10,111)	173,830
Segment profit (loss)	16,740	(226)	11,386	1,918	29,819	(3,905)	25,913
Segment assets	1,421,929	1,589,238	549,267	152,903	3,713,338	(175,753)	3,537,584
Other items							
Depreciation and amortization	1,716	829	2,392	2,718	7,656	182	7,838
Amortization of goodwill	89	451	14	359	914	-	914
Interest income	28,542	7,645	31,936	877	69,002	(574)	68,427
Interest expenses	2,222	819	7,609	181	10,832	190	11,023
Provision for possible credit losses	6,248	174	14,786	750	21,960	-	21,960
Increase in tangible and intangible assets	5,340	1,381	2,180	2,698	11,601	661	12,263

(Notes)

- For the segment revenue, the Group uses ordinary revenue instead of sales that are used by normal commercial companies.
- Details of the reconciliations are as follows:
 - ¥ (3,905) million of reconciliations to segment profit represents the corporate expenses unallocated to any reportable segment. The corporate expenses are mainly general and administrative expenses unattributable to any reportable segment.
 - ¥ (175,753) million of reconciliations to segment assets represents the corporate assets unallocated to any reportable segment and the eliminations of intersegment transactions.
- Segment profit is reconciled with ordinary profits on the consolidated statements of income for the six-month period ended September 30, 2015.

For the six-month period ended September 30, 2016 (From April 1, 2016 to September 30, 2016)

(Millions of Yen)

	Credit card	Banking	Overseas	Fee Business and Other	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Ordinary revenue							
Ordinary revenue from customers	81,952	24,696	55,772	18,569	180,991	-	180,991
Intersegment revenues or transfers	1,647	2,241	0	8,144	12,033	(12,033)	-
Total ordinary revenue	83,600	26,937	55,772	26,714	193,024	(12,033)	180,991
Segment profit	17,306	1,053	10,296	1,933	30,590	(3,164)	27,426
Segment assets	1,495,500	1,923,650	508,325	168,817	4,096,294	(166,974)	3,929,320
Other items							
Depreciation and amortization	1,911	895	2,265	3,050	8,122	370	8,493
Amortization of goodwill	89	481	14	377	962	(30)	932
Interest income	31,165	9,103	28,754	881	69,904	(669)	69,234
Interest expenses	1,513	914	6,944	173	9,546	162	9,708
Provision for (reversal of) possible credit losses	8,034	(63)	13,498	738	22,206	-	22,206
Increase in tangible and intangible assets	7,941	2,093	1,885	4,878	16,799	733	17,532

(Notes)

- For the segment revenue, the Group uses ordinary revenue instead of sales that are used by normal commercial companies.
- Details of the reconciliations are as follows:
 - ¥ (3,164) million of reconciliations to segment profit represents the corporate expenses unallocated to any reportable segment. The corporate expenses are mainly general and administrative expenses unattributable to any reportable segment.
 - ¥ (166,974) million of reconciliations to segment assets represents the corporate assets unallocated to any reportable segment and the eliminations of intersegment transactions.
- Segment profit is reconciled with ordinary profits on the consolidated statements of income for the six-month period ended September 30, 2016.
- Information on changes in reportable segments
For the fiscal year ended March 31, 2016, ACS Leasing Co., Ltd. has been established and included in the “Fee business” segment. Accordingly, the term of “Fee business” previously used in the reportable segment has been replaced with “Fee business and other.” The segment information for the previous fiscal year is presented under the new term.

5. Interim non-consolidated financial statements

(1) Interim balance sheets

	(Millions of Yen)	
	As at March 31, 2016	As at September 30, 2016
(Assets)		
Current assets		
Cash and deposits	2,676	2,420
Accounts receivable - other	4,056	7,469
Income taxes receivable	2,129	970
Other current assets	544	15,227
Total current assets	9,406	26,087
Non-current assets		
Property and equipment	719	834
Intangible assets	926	1,123
Investments and other assets		
Investments in subsidiaries and associated companies	301,541	301,541
Other assets	19,589	19,856
Allowance for investment loss	(623)	(998)
Total investments and other assets	320,507	320,399
Total non-current assets	322,153	322,357
Deferred charges	386	501
Total assets	331,946	348,946
(Liabilities)		
Current liabilities		
Short-term borrowings	1,200	1,500
Commercial paper	43,000	-
Current portion of convertible bonds	50	50
Accrued income taxes	22	90
Allowance for directors' bonuses	66	30
Other current liabilities	4,234	3,465
Total current liabilities	48,573	5,135
Long-term liabilities		
Bonds payable	90,000	90,000
Convertible bonds	-	30,000
Other liabilities	398	1,060
Total long-term liabilities	90,398	121,060
Total liabilities	138,972	126,196

	(Millions of Yen)	
	As at March 31, 2016	As at September 30, 2016
(Equity)		
Shareholders' equity		
Common stock	30,441	45,673
Capital surplus		
Additional paid-in capital	106,250	121,481
Other capital surplus	-	0
Total capital surplus	106,250	121,482
Retained earnings		
Legal reserve	3,687	3,687
Other retained earnings		
General reserve	63,995	63,995
Retained earnings carried forward	10,915	10,127
Total retained earnings	78,597	77,809
Treasury stocks	(25,141)	(25,121)
Total shareholders' equity	190,147	219,843
Valuation and translation adjustments		
Unrealized gain on available-for-sale securities	2,715	2,774
Total valuation and translation adjustments	2,715	2,774
Stock acquisition rights	110	131
Total equity	192,973	222,749
Total liabilities and equity	331,946	348,946

(2) Interim statements of income

	(Millions of Yen)	
	Six-month period ended September 30, 2015	Six-month period ended September 30, 2016
Operating revenues	11,494	11,625
Operating expenses		
Selling, general and administrative expenses	5,650	3,721
Total operating expenses	5,650	3,721
Operating income	5,843	7,904
Non-operating revenues	109	175
Non-operating expenses	515	508
Ordinary profits	5,437	7,570
Extraordinary loss	587	377
Income before income taxes	4,849	7,193
Income taxes - current	133	327
Income taxes - deferred	(27)	90
Total income taxes	106	418
Net income	4,743	6,775

(3) Interim statements of changes in equity

For the six-month period ended September 30, 2015 (from April 1, 2015 to September 30, 2015)

(Millions of Yen)

	Shareholders' equity							
	Common stock	Capital surplus			Legal reserve	Retained earnings		
		Additional paid-in capital	Other capital surplus	Total capital surplus		General reserve	Retained earnings carried forward	Total retained earnings
Balance at beginning of period	30,421	106,230	-	106,230	3,687	63,995	13,849	81,531
Change of items during the period								
Issuance of new shares								
Conversion of convertible bonds	10	10		10				
Cash dividends							(6,954)	(6,954)
Net income							4,743	4,743
Purchase of treasury stock								
Disposal of treasury stock								
Net change in items other than shareholders' equity								
Total change of items during the period	10	10	-	10	-	-	(2,210)	(2,210)
Balance at end of period	30,431	106,240	-	106,240	3,687	63,995	11,639	79,321

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total equity
	Treasury stocks	Total shareholders' equity	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(25,144)	193,039	2,554	2,554	73	195,667
Change of items during the period						
Issuance of new shares						
Conversion of convertible bonds		20				20
Cash dividends		(6,954)				(6,954)
Net income		4,743				4,743
Purchase of treasury stock	(0)	(0)				(0)
Disposal of treasury stock						
Net change in items other than shareholders' equity			401	401	38	440
Total change of items during the period	(0)	(2,191)	401	401	38	(1,750)
Balance at end of period	(25,145)	190,848	2,956	2,956	112	193,916

For the six-month period ended September 30, 2016 (from April 1, 2016 to September 30, 2016)

(Millions of Yen)

	Shareholders' equity							
	Common stock	Capital surplus			Legal reserve	Retained earnings		
		Additional paid-in capital	Other capital surplus	Total capital surplus		General reserve	Other retained earnings Retained earnings carried forward	Total retained earnings
Balance at beginning of period	30,441	106,250	-	106,250	3,687	63,995	10,915	78,597
Change of items during the period								
Issuance of new shares	15,231	15,231		15,231				
Conversion of convertible bonds								
Cash dividends							(7,551)	(7,551)
Net income							6,775	6,775
Purchase of treasury stock								
Disposal of treasury stock			0	0			(12)	(12)
Net change in items other than shareholders' equity								
Total change of items during the period	15,231	15,231	0	15,231	-	-	(787)	(787)
Balance at end of period	45,673	121,481	0	121,482	3,687	63,995	10,127	77,809

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total equity
	Treasury stocks	Total shareholders' equity	Unrealized gain on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(25,141)	190,147	2,715	2,715	110	192,973
Change of items during the period						
Issuance of new shares		30,463				30,463
Conversion of convertible bonds						
Cash dividends		(7,551)				(7,551)
Net income		6,775				6,775
Purchase of treasury stock	(0)	(0)				(0)
Disposal of treasury stock	20	8				8
Net change in items other than shareholders' equity			58	58	21	79
Total change of items during the period	20	29,696	58	58	21	29,775
Balance at end of period	(25,121)	219,843	2,774	2,774	131	222,749

(4) Notes regarding the interim non-consolidated financial statements

(Notes regarding the going concern assumption)

None