

Fiscal Year Ended March 31, 2016 Consolidated Financial Results

(Japanese GAAP)

May 13, 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/>

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Scheduled date of ordinary general meeting of shareholders: June 28, 2016

Scheduled date of dividend payment commencement: June 8, 2016

Scheduled date for release of annual report: June 29, 2016

Preparation of supplementary explanations of financial results: Yes

Trading accounts: None

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

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

1. Consolidated financial results for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated operating results

(Percentages represent percentage changes compared to the previous fiscal year)

	Ordinary revenue		Ordinary profits		Net income	
	(Millions of Yen)	%	(Millions of Yen)	%	(Millions of Yen)	%
FYE 3/2016	359,651	9.3	59,380	11.9	35,785	17.4
FYE 3/2015	329,046	15.0	53,080	29.2	30,491	47.0

(Note) Comprehensive income FYE 3/2016 ¥33,412 million (31.9%) FYE 3/2015 ¥49,084 million (55.8%)

	Net income per share	Net income per share (Diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to operating revenues
	Yen	Yen	%	%	%
FYE 3/2016	180.09	180.00	12.7	1.6	16.5
FYE 3/2015	152.55	152.04	11.2	1.6	16.1

(Reference) Equity in earnings (losses) of affiliates FYE 3/2016 ¥53 million FYE 3/2015 ¥(71) million

(2) Consolidated financial condition

	Total assets	Total equity	Equity ratio	Net assets per share
	(Millions of Yen)	(Millions of Yen)	%	Yen
FYE 3/2016	3,745,546	340,886	7.8	1,465.31
FYE 3/2015	3,589,495	324,948	7.6	1,377.56

(Reference) Shareholders' Equity FYE 3/2016 ¥291,186 million FYE 3/2015 ¥273,708 million

(Note) "Equity ratio" = {(Net assets – 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.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents, end of year
	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)	(Millions of Yen)
FYE 3/2016	(9,650)	(5,782)	(15,805)	421,975
FYE 3/2015	161,500	(81,427)	(34,579)	455,901

2. Dividends

	Dividends per share					Total dividends (annual)	Dividend ratio (consolidated)	Dividend on equity ratio (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	(Millions of Yen)	%	%
FYE 3/2015	-	25.00	-	35.00	60.00	12,188	39.3	4.5
FYE 3/2016	-	28.00	-	38.00	66.00	12,517	36.6	4.6
FYE 3/2017 (forecast)	-	29.00	-	39.00	68.00		36.5	

(Note) The 2nd quarter-end dividend per share for the year ending March 31, 2017 (forecast) consists of a common dividend of ¥28 and a commemorative dividend for the 20th anniversary of listing of ¥1.

The year-end dividend per share for the year ending March 31, 2017 (forecast) consists of a common dividend of ¥38 and a commemorative dividend for the 20th anniversary of listing of ¥1.

3. Consolidated financial results forecast for the year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages represent percentage changes compared to the previous corresponding fiscal period or fiscal year, as applicable)

	Ordinary revenue		Ordinary profits		Net income attributable to shareholders of the parent		Net income per share
	(Millions of Yen)	%	(Millions of Yen)	%	(Millions of Yen)	%	Yen
First half	182,000	4.7	28,000	8.1	15,000	6.3	75.48
Full year	380,000	5.7	63,000	6.1	37,000	3.4	186.19

*Notes

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

Newly consolidated: -

Excluded: -

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

- ① Changes in accounting policies with revision of accounting standards : Yes
- ② Changes in accounting policies other than the above : No
- ③ Changes in accounting estimates : No
- ④ Restatement of revisions : No

(Note) Please refer to P35 "5. Consolidated financial statements; (5) Notes to consolidated financial statements; Changes in accounting policies" for detail.

(3) Number of issued shares (Common stock)

(Shares)

① Issued shares at period-end (including treasury stock)	FYE 3/2016	208,527,801	FYE 3/2015	208,499,435
② Treasury stocks at period-end	FYE 3/2016	9,807,144	FYE 3/2015	9,808,408
③ Average number of shares during period	FYE 3/2016	198,704,819	FYE 3/2015	199,875,767

(Reference) Summary of non-consolidated financial results

Non-consolidated results for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Non-consolidated operating results

(Percentages represent percentage changes compared to the previous fiscal year)

	Operating revenues		Operating income		Ordinary income		Net income	
	(Millions of Yen)	%	(Millions of Yen)	%	(Millions of Yen)	%	(Millions of Yen)	%
FYE 3/2016	22,740	8.6	12,031	(4.3)	11,203	(3.6)	9,585	4.1
FYE 3/2015	20,931	132.4	12,569	784.5	11,624	-	9,204	-

	Net income per share	Net income per share (Diluted)
	Yen	Yen
FYE 3/2016	48.24	48.21
FYE 3/2015	46.05	45.89

(2) Non-consolidated financial condition

	Total assets	Total equity	Equity ratio	Net assets per share
	(Millions of Yen)	(Millions of Yen)	%	Yen
FYE 3/2016	331,946	192,973	58.1	970.52
FYE 3/2015	328,499	195,667	59.5	984.41

(Reference) Shareholders' equity FYE 3/2016 ¥192,863 million FYE 3/2015 ¥195,593 million

*Applicability of audit requirements and completion of audit procedure

These financial results are not subject to audit requirements as provided in the Financial Instruments and Exchange Law. The audit procedures of financial statements as provided in the Financial Instruments and Exchange Law are yet to be completed as at the issue date of this report on financial results for the year ended March 31, 2016.

*Note for appropriate use of forecasts of business results; other important items

(Note regarding the information about projections)

The forecasts of business results and other forward-looking statements in this report are based on information available as at the date of this report and on certain assumptions that the Company viewed as reasonable as at the date of this report. Actual results may differ significantly from such forward-looking statements for a variety of reasons.

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1. Operating results

(1) Analysis of operating results

① Overview of consolidated financial results

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

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

Under such circumstances, AEON Financial Service Co., Ltd. (hereinafter, “the Company”) has designated the current fiscal year as the year to build the foundation for future growth and focused on digital technologies to improve productivity and development of human resources to make full use of the technology. In addition, the Company improved corporate governance and its financial structure to strengthen its management bases.

② Overview of business segments

Credit business

To increase the number of holders of AEON cards, the Company and its group companies (collectively, “the Group”) has actively offered limited time campaigns to customers who applied AEON cards through the internet to encourage online applications.

To improve productivity through digital technologies, the Group simplified the application process and improved the credit review process to shorten the processing time for card issuance using tablets at all store locations where promoting credit card membership.

The Group also started accepting membership applications using tablets at certain small stores such as My Basket.

At stores of the Group’s companies such as Peacock Stores, Ltd, and The Daiei, Inc., the

Group has actively promoted credit card membership by implementing campaigns such as “Customer Appreciation Day” that provides cardholders with 5% off the price of shopping on the 20th and 30th of every month.

As a result of the above efforts, the number of active cardholders increased by 1.24 million from the beginning of the current fiscal year to 25.88 million as at March 31, 2016.

As for credit card shopping, to expand opportunities for the use of credit card in recurring settlement scenes of customers, the Group has promoted credit card usage to settle public utility bills such as mobile-phone, electricity and gas charges and automobile taxes and conducted campaigns to use transportation facilities and ETC cards, charges of which are settled with AEON credit card.

As a collaborative effort of AEON Group, the Group has conducted campaigns to award points utilizing the network of AEON Group and sales projects at stores in AEON Mall exclusively offered to the cardholders to promote credit card usage in AEON Group.

In addition, the Group has enhanced announcement to promote credit card usage outside AEON Group. As a result, the transaction volume of credit card purchases increased by 7.4% to ¥4,104,793 million for the year ended March 31, 2016 compared to the previous fiscal year.

As for cash advances, in response to the various financial needs of customers, the Group has provided lending services at small amount utilizing the ATM network of AEON Bank to improve customer convenience.

Also, the Group has promoted effective marketing based on the analysis of historical credit card usage. As a result, the number of cardholders that use cash advances steadily increased, and the balance of cash advances as at March 31, 2016 increased by ¥35,089 million from the beginning of the current fiscal year to ¥405,563 million.

AEON Product Finance Co., Ltd. (hereinafter, “AEON Product Finance”), which operates installment sales business, continued to enforce development of affiliated merchants, mainly stores of vehicles and solar energy systems.

In addition, AEON Product Finance has promoted online credit approval for auto loans and enhanced support systems to handle customer inquiries to improve convenience of affiliated merchants. As a result, the transaction volume of domestic installment sales for the year ended March 31, 2016 increased by 27.4% to ¥201,269 million compared to the previous fiscal year.

As a result of the above, the financial results of the credit business were as follows: (a) ordinary revenue increased by 10.2% to ¥161,347 million, and (b) ordinary profits increased by 14.8% to ¥36,945 million, compared to the previous fiscal year.

Banking business

The Group has expanded its marketing network and newly established three bank stores and installed 136 ATMs of AEON Bank, Ltd. (hereinafter, “AEON Bank”) during the current fiscal year. As a result, the total number of bank stores and AEON Bank ATM increased to 132 and 5,730, respectively.

In terms of the number of customer deposit accounts, the Group has advertised for new members of “AEON Card Select,” which is a card equipped with the functions and benefits of a cash card, AEON card (credit card) and e-money WAON and offers an additional interest rate of 0.1% annually on ordinary deposit accounts, at newly established bank stores and branches of The Daiei, Inc. and increased the number of ordinary deposit accounts which are used for daily life. As a result, the number of customer deposit accounts held by AEON Bank increased by 0.61 million to 4.93 million and the balance of total deposits of AEON Bank increased by ¥190,448 million to ¥2,153,699 million as at March 31, 2016, compared to the beginning of the current fiscal year.

As for housing loans, the Group has enhanced announcement of programs to offer preferential interest rates via its website, improved credit review systems via digital signage installed at AEON Group and bank stores, and provided practical training to sales clerks to enhance their skills. As a result, the balance of housing loans (including securitized finance receivables) increased by ¥296,380 million to ¥1,156,112 million compared to the beginning of the current fiscal year.

Bank stores are deemed to be important contacts with customers. Accordingly, the Group has aimed to develop more convenient and user-friendly stores which integrate retail and banking businesses.

The Group has enhanced services from the customers’ standpoint. Such services included paperless operations by utilizing tablets and digital signage, improvement of operational efficiency through introducing a reservation system and expanding internet banking functions and enhancement of internet services for customers who do not have a bank store in their neighborhood and have limited access to stores.

The Group has also encouraged development of young sales clerks by sharing best practices of operations and services at stores and enhancing sales trainings.

In February 2016, the Group revised charges for using ATMs of Japan Post Bank Co., Ltd (“JPB”). Now, the service fee at JPB ATM is completely free for AEON cards. For the cash cards of AEON Bank, the fee is also free for daytime of weekdays.

As a result, the Group has significantly improved customer convenience through the expansion of free affiliate ATM network throughout Japan.

To improve the efficiency of transaction process, the Group has continued to replace ATMs with the new model introduced in 2015. In March 2016, the Group launched demonstration experiments of the “fingerprint authentication system” for the first time in Japan. The system enables to identify customers using services at bank stores or ATMs only with their fingerprint information.

As for sales of investment trusts, the Group has offered packaged products combining a term deposit with popular investment trusts and services to propose portfolios of investment trusts based on each customer’s risk appetites. These services and products are provided through the internet to enhance customer convenience.

The Group will continue to offer scrupulous services that suit customer needs by combining sales at the stores and through the internet.

To broadly and timely respond to diversified customer needs, AEON Bank has been considering integration of the housing loan business of AEON Housing Loan Service Co., Ltd. Starting in 2016, Flat 35 housing loan has been handled at certain branches of AEON Bank (Shinjuku, Yokohama, Nagoya and Osaka), where this product has been transferred from AEON Housing Loan Services Co., Ltd. It is planned to gradually expand the number of branch locations which handle this product.

As a result of the above, the financial results of the banking business were as follows: (a) the ordinary revenue increased by 12.4% to ¥46,820 million, and (b) ordinary profits increased by ¥1,200 million to ¥1,162 million, compared to the previous fiscal year.

Overseas segment

In Hong Kong, while the economy has remained flat, the Group has promoted sales campaigns by distributing collaborative sales vouchers with airline companies at the airport counter.

To capture the outbound demand, the Group has expanded the transaction volume of credit card shopping by award points for shopping at stores in Japan in response to the increase of foreign tourists visiting Japan.

In addition, the Group has promoted credit card usage to settle recurring payments of rent and outstanding balance on credit cards at ATMs of member banks of the banking network.

Furthermore, the Group has promoted application processes using tablets which enable to

shorten the processing time for card issuance to improve customer convenience.

In China business, the Group has enhanced collaborative promotions with affiliated merchants to expand its alliance network and collaborated with alliance partners to implemented campaigns at store of alliance partners to promote hire purchase sales in Tianjin and Shenzhen.

As a result of stricter credit reviews and streamlining debt collection functions, the Group has reduced credit costs.

As a result, consolidated operating revenues of AEON Credit Service (Asia) decreased by 2.9% to HK\$1,258 million and ordinary profits decreased by 11.3% to HK\$307 million, compared to the previous fiscal year.

The Group will continue to reduce costs by implementing digital technologies in back office operations to improve productivity and strengthening operations of credit review and debt collection.

In Thailand, despite some signs of recovery, the economic conditions have remained difficult.

Under such circumstances, to enhance customer bases, the Group has continued to promote the membership of “AEON Rabbit Member Card,” which combines functions of railway ticket and e-money in the Group’s IC-imbedded credit card and improved convenience of members by rewarding benefits in leisure facilities including movie theaters.

The Group has also implemented collaborative sales campaigns with alliance partners and promotion to inactive cardholders to expand the transaction volume of credit card shopping.

In addition, the Group has strengthened operations of credit review and debt collection and improved credit approval policies for each affiliated merchant and region.

As a result, consolidated operating revenues of AEON Thana Sinsap (Thailand) increased by 3.6% to THB17,835 million, while operating profits increased by 8.0% to THB3,270 million, compared to the previous fiscal year.

In Malaysia, the Group has promoted collaborative sales campaigns with AEON Group companies such as AEON BIG (M) Sdn. Bhd. and AEON Index Living Sdn. Bhd. in response to a negative effect on consumer spending from the adoption of commodity and service tax and reduction in commodity price.

The Group has also conducted collaborative campaigns of prepaid cards for expressways in Malaysia and promoted hire purchases of motorcycles and automobiles.

In addition, the Group has continued to strengthen operations of credit review and debt collection.

As a result of expansion of card shopping and hire purchase businesses, operating revenue of AEON Credit Service (Malaysia) increased by 13.7% to MYR1,055 million, and operating profits increased by 4.3% to MYR301 million, compared to the previous fiscal year.

*AEON Credit Service (Asia) and AEON Credit Service (Malaysia) have changed its fiscal year-end since 2014 and the above comparison with the previous fiscal year represents the percentage changes derived from a simple comparison between the current fiscal year (from March 1, 2015 to February 29, 2016) and the previous fiscal year (from February 21, 2014 to February 28, 2015).

*AEON Thana Sinsap (Thailand) has changed its fiscal year-end since 2015 and the above comparison with the previous fiscal year represents the percentage changes derived from a simple comparison between the current fiscal year (from February 21, 2015 to February 29, 2016) and the previous fiscal year (from February 21, 2014 to February 20, 2015).

In Cambodia, the Group obtained a specialized banking license in October 2015 and started preparing for credit card business.

The Group will develop its credit card business by utilizing its business know-how cultivated in the hire purchase business and promoting cardholder solicitations and collaborative sales campaigns at AEON Group's retail outlets.

Fee business and other

In the e-money business, the Group has developed affiliated merchants of WAON card services, targeting companies that provide goods and services closely related to daily life and have strong needs for settlement of small payments. Also, the Group has implemented collaborative sales campaigns to award points with alliance partners to expand transaction volume.

In December 2015, the Group launched services of over-the-counter settlement and recharge of e-money WAON at stores of Lawson, Inc. to further improve customer convenience.

In addition, the Group has promoted "Local WAON," award points of which are partially donated to municipal governments. The Group also issued "Soccer Daisuki WAON" cards to promote regional development through soccer. Featured by these efforts, the Group continued to promote community-based activities.

As a result of the above efforts, the total settlement amount of the e-money business including WAON (from April 1, 2015 to March 31, 2016) increased by 7.2% to ¥2,130,754 million compared to the previous fiscal year.

AEON Housing Loan Service Co., Ltd. that operates housing loan business continued to enhance collaboration with home builders.

AEON Insurance Service Co., Ltd., which operates insurance agency business, has raised customer-awareness of insurance shops and enhanced sales through activities which connect customers to actual stores through online reservation system, and holding insurance seminars that suit customers' life events.

As for sales of insurance products, the Group has introduced popular products, provided training to sales clerks to improve service quality and enhanced the ability of suggesting products to match customers' life plans.

In December 2015, the Group took over the leasing business from Japan Distribution Leasing Corporation, a subsidiary of The Daiei, Inc., and established ACS Leasing Co., Ltd. to launch its leasing business.

As a result of the above, the financial results of the fee business and other were as follows: (a) ordinary revenue increased by 9.3% to ¥49,636 million, and (b) ordinary profits increased by 118.0% to ¥4,068 million, compared to the previous fiscal year.

③ 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 cooperating with customers.

The Group has been promoting paperless application for credit cards by shifting from paper application to online application using tablets.

As an example of paperless operation cooperated with customers, the Group has been promoting “web statements (ecology declaration)” where detailed statements can be viewed on the internet instead of receiving paper statements by mail.

The Group has been promoting environment-conscious products and printing techniques such as recycled papers, vegetable-based ink and waterless printing for posters and CSR reports, and environment-friendly materials are used for products such as leaflets.

In addition, the Group has actively joined domestic and overseas tree-planting activities conducted by “AEON Environmental Foundation,” including “The planting of trees in Phnom Penh City, Cambodia” in June 2015, “The planting of trees in Atsuma Town, Hokkaido” in June 2015 and “The planting of trees in Aya Town, Miyazaki Prefecture” in November 2015.

Furthermore, the Group has sponsored “AEON 1% Club” to open the donation account of “Support Fund for Crafts Made by Disabled People” and raised funds to expand production capacity and market for crafts made by disabled people who live in facilities for the disabled damaged by the Great East Japan Earthquake.

All funds raised from customers will help those who live in facilities for the disabled to make crafts.

In September 2015, the Group has engaged in support activities for those who suffered from the flood disaster caused by the heavy rainfall in the Kanto and Tohoku Regions of Japan. These activities include raising disaster relief funds, implementing the “Disaster Restoration Program for Housing Loans,” which can be used by victims when they purchase a home, and offering an extension of repayment date for AEON card.

The Group’s overseas business, especially the Company’s three listed subsidiaries in Hong Kong, Thailand and Malaysia, has engaged in the social contribution activities such as donating school supplies to children and promoting donations to support building and renovating schools in Asia.

④ Outlook for the next fiscal year

As for the next fiscal year, the Group will consistently promote further implementation of digital technologies for marketing, providing financial products and services and debt collection to improve convenience and productivity of its products and services.

At stores, the Group will promote introduction of products and trial of internet transactions through tablets. At website, the Group will enhance the functions of internet and smartphones. Accordingly, the Group will promote merging online stores and brick-and-mortar stores to rapidly and smoothly deliver its products and services through multiple channels.

By utilizing local characteristics and customer information held by each operating segment, the Group will provide financial products and services to match customer needs and lifestyle in a timely and appropriate manner.

In addition, the Group will improve its productivity, reduce credit costs and streamline its businesses by promoting paperless operations at stores and developing a common debt collection system.

The Group will implement the following key measures for each operating segment during the next fiscal year.

Credit card business

The Group will grow its business operations and reduce credit costs through enhancing the credit approval and debt collection process that forms the base from which the number of cardholders, card usage rate and expansion of the network of affiliated merchants will increase.

To increase the number of cardholders and improve productivity, the Group will standardize paperless processes of membership recruitment, sales promotion and debt collection to achieve rapid service delivery to customers.

To increase the card usage rate, the Group will exploit use of smartphones in addition to promotions at stores. To expand sales, the Group will enhance database marketing by elaborating the analysis of customer information and purchase history.

To enlarge the local network of affiliated merchants, the Group will strengthen service delivery to affiliated merchants and promote sales by utilizing award points and leasing service in each area.

Banking business

To increase the number of deposit accounts and enhance deposit-raising capability, the Group will

issue branded debit cards to acquire new young and senior customers. To provide loans to various age groups of customers, the Group will have an assortment of housing loan products. In addition, the Group will promote cross-selling of loan products, investment trusts and insurance by suggesting financial products to match each customer's life plan and life style based on analysis of their financial assets and transaction history.

For the smooth service delivery, the Group will consolidate customer information by promoting service delivery through multiple channels including stores, call center operations, internet and smartphones.

Overseas segment

In order to expand its business across Asia, the Group will appropriately allocate management resources based on growth and regulations of each country and geographic area, especially among the three major overseas subsidiaries that control the Group's local companies in Hong Kong, Thailand and Malaysia, and provide comprehensive financial services to suit local market and customer needs.

Based on the situation of each country and characteristics of customers, the Group will improve credit approval policies, reorganize loan portfolios and enhance its debt collection business to reduce credit costs. The Group will also develop a common debt collection system to streamline its debt collection business.

At stores, the Group will proceed with paperless operations such as product promotion by using tablets.

In addition to the above, as a bank holding company, the Company will further improve corporate governance and comprehensively provide safe, secure, convenient and valuable financial products and services.

Fee business and other

To develop and provide financial services and products that meet customer needs, the Group will analyze customer information and their purchase history and enhance its marketing capacity. In addition, the Group will enhance linkage between online stores and brick-and-mortar stores to promote services through multiple channels. Through this strategy, the Group will increase the transaction volume of e-money business, insurance products and housing loan for studio apartments.

(2) Analysis of financial position

① Analysis of assets, liabilities and equity

(Assets)

Total assets of the Group as at March 31, 2016 increased by ¥156,050 million to ¥3,745,546 million compared to the end of the previous fiscal year, due to an increase in loans and bills discounted of ¥199,761 million as a result of expansion of the transaction volume of cash advances.

(Liabilities)

Total liabilities of the Group as at March 31, 2016 increased by ¥140,112 million to ¥3,404,660 million compared to the end of the previous fiscal year, due to an increase in deposits of ¥189,903 million resulting from enhanced solicitation for ordinary deposits.

(Equity)

Total equity as at March 31, 2016 increased by ¥15,938 million to ¥340,886 million compared to the end of the previous fiscal year, mainly due to an increase in retained earnings of ¥23,247 million resulting from an increase in net income attributable to owners of the parent, which exceeded a decrease in foreign currency translation adjustments of ¥7,323 million due to an effect of appreciation of Japanese Yen.

② Analysis of cash flows

[Consolidated results of cash flows for the fiscal years ended March 31]

(Millions of Yen)

	Previous fiscal year	Current fiscal year
Net cash provided by (used in) operating activities	161,500	(9,650)
Net cash used in investing activities	(81,427)	(5,782)
Net cash used in financing activities	(34,579)	(15,805)
Foreign currency translation adjustments on cash and cash equivalents	2,237	(2,686)
Net increase (decrease) in cash and cash equivalents	47,730	(33,925)
Cash and cash equivalents, beginning of year	408,170	455,901
Cash and cash equivalents, end of year	455,901	421,975

For the year ended March 31, 2016, net cash used in operating activities amounted to ¥9,650 million, net cash used in investing activities amounted to ¥5,782 million and net cash used in financing activities amounted to ¥15,805 million. As a result of the above, the balance of cash and cash equivalents as at March 31, 2016 decreased by ¥33,925 million to ¥421,975 million compared to the end of the previous fiscal year.

(3) Description of equity ratio

Consolidated equity ratio of AEON Financial Service Co., Ltd. (Japanese GAAP)

	As at March 31, 2015	As at March 31, 2016 (Preliminary figures)
Consolidated equity ratio	8.1%	7.4%

(4) Basic policy of appropriations of retained earnings and dividends for the years ended March 31, 2016 and 2017

Maximizing returns to shareholder is a key management policy of the Company and the Company intends to distribute an appropriate portion of profits to shareholders. At the same time, it is the basic policy of the Company to maintain adequate funds for business expansion and improvement of productivity in the future, which will result in the enhancement of the Group's competitiveness.

[Forecast of appropriations of retained earnings]

Year-end cash dividends for the fiscal year ended March 31, 2016 have been resolved by the board meeting held on May 13, 2016 to be ¥38 per share. As a result, including the 2nd quarter-end cash dividends of ¥28 per share, total cash dividends for the fiscal year ended March 31, 2016 are to be ¥ 66 per share.

Estimated cash dividends for the 2nd quarter-end and year-end and estimated commemorative dividends for the Company's 20th anniversary of listing for the fiscal year ending March 31, 2017 are ¥28, ¥38 and ¥2 per share, respectively. Total cash dividends for the fiscal year ended March 31, 2016 are expected to be ¥68 per share.

(Yen)

	FYE3/2016 Dividends per share	FYE3/2017 Estimated dividends per share
2nd quarter-end cash dividends	28	28
Commemorative dividends for the 20th anniversary of listing	-	1
Year-end cash dividends	38	38
Commemorative dividends for the 20th anniversary of listing	-	1
Total annual cash dividends	66	66
Commemorative dividends for the 20th anniversary of listing	-	2

(5) Risks related to the Group's business

Items set out below are risk factors concerning the Group's business, which may significantly affect investors' decisions. These items were assessed as at the end of the current fiscal year and may not cover all the risks associated with the Group's business, although they include future matters.

① Deterioration of economic conditions and financial market turmoil

(A) The Group operates in various areas of Japan and in Asian countries and regions including, among others, Hong Kong, Thailand and Malaysia. Deterioration of economic conditions and financial market turmoil in Japan and foreign countries and regions may cause a downturn in operations and the value of assets held by the Group.

(B) The Group provides financial services to individual customers. If changes in economic conditions cause long-term downturn in employment environment, household income and consumer spending in the countries and regions where the Group operates its business, the business volume and operating revenue may be negatively affected. In addition, more debtors of retail loans may become delinquent in their payments or declare bankruptcy. Such economic deterioration may cause a greater amount of credit related costs than expected, and consequently, negatively impact on the Group's operating results.

(C) The Group holds various assets traded in market. Should the value of these assets decline due to disturbance of the financial markets, impairment or revaluation losses could be incurred or increased, and thus, the Group's financial condition and operating results may be adversely affected.

② Laws and regulations

(A) For domestic business, the Group is subject to the Companies Act, other general laws and regulations concerning company management as well as the Installment Sales Act, the Banking Act, the Insurance Business Act, the Money Lending Business Act, the Act on Special Measures Concerning Claim Management and Collection Business, and the Financial Instruments and Exchange Law. Furthermore, the Group is under supervision of the Japanese Financial Service Agency. For overseas business operation, the Group is also subject to laws and regulations of each country and region and under the supervision of the respective financial services authorities. These laws and regulations may be newly enacted, amended or repealed, which may have an impact on the

Group's business, results of operations and financial condition, including the possibility of restrictions on delivery of products and services.

(B) The Group and AEON Bank are subject to the capital adequacy ratio requirements under the Banking Act. Although the Group and AEON Bank have implemented controls to monitor the capital adequacy ratio, should the capital adequacy ratio of the Group or AEON Bank fall below the minimum capital requirements, administrative measures may be imposed including ceasing part or the entirety of the business operations.

(C) While the effective interest rates of all the financing products currently provided by the Company are equal to or lower than the ceiling required by the Interest Rate Restriction Act, any interest charged in the past by the Company in Japan at a rate exceeding the interest rate ceiling is claimable by customers. Although the Company has recorded an allowance for losses on future claims for interest refund, if the amount of such claims exceeds the Group's current projections, it may have an adverse impact on the Group's results of operations.

③ Increased competition

In the industries where the Group operates its business, if competition intensifies due to developments of technologies and new entrants from other industries and the Group is not able to respond to such competition appropriately, the Group's business, results of operations and financial condition may be adversely affected.

④ Natural disasters such as earthquakes and floods and terrorist activities

The Group operates in various areas of Japan and in Asian countries and regions including, among others, Hong Kong, Thailand and Malaysia. The Group's results of operations may be affected if severe disasters occur in these area where the Groups operates its business, including earthquakes, tsunami, massive power outages, outbreak of a new strain of influenza, riots and terrorist activities, and lead to physical damage of the Group's premises, other facilities, infrastructure for fund transfers and ATMs or harm the Group's employees or customers. Moreover, these risks could negatively impact local economies, and may affect the Group's results of operations.

⑤ Circulation of unfounded rumors

Credibility from customers, investors, supervisory authorities, local society, etc. is one of the vital

elements to the Group's business. Accordingly, if unfounded rumors, which could lead to incorrect perception of the Group or the financial services industry, are spread by the media or posted to message boards on the internet, reliability in the Group may be deteriorated and the Group's results of operations and financial conditions may be negatively affected.

⑥ Drastic decline in financial market and economic situation

The Group's funding sources for its business operation consist of deposits, borrowings from financial institutions or direct financing such as bonds, commercial papers and securitization of receivables. Although the Group diversifies its sources of funding, any deterioration in the Group's credibility or credit ratings, possibly caused by a drastic decline in financial markets or economic situations, would have an adverse impact on the Company's funding.

⑦ Changes in interest rate

In the banking business, the Group has implemented Asset Liability Management (ALM) and manages the interest reprising term of its assets and liabilities. However, significant fluctuations in market interest rates beyond the level that can be controlled by ALM of the banking business or inappropriate implementation of ALM may affect the Group's results of operations and financial conditions.

⑧ Changes in foreign exchange rate

In the overseas business, the Group uses the local currency of each region where the Company operates. The value of assets and liabilities held in the overseas business segment are translated into Japanese Yen and fluctuates due to changes in foreign currency exchange rates, which may affect the Group's results of operations and financial conditions.

⑨ Deferred tax assets

The Group has recorded deferred tax assets on the consolidated balance sheet in compliance with current accounting standards. In the cases that the Group determines that all or part of the deferred tax assets will not be recoverable due to a change in forecasts of future taxable income or a tax reform such as a decrease in the corporate tax rate is enacted, the deferred tax assets of the Group will decrease, and thus, the Group's results of operations, financial conditions and capital adequacy ratio may be affected.

⑩ Information system operation

The Group utilizes information systems and processes a large amount of data. These information systems comprise software, systems and communication networks with external technologies. The Group maintains business centers and core data servers in multiple locations to minimize risks of incidents resulting from defects in hardware and software, interruption of networks by natural disasters or accidents, and system failures by cyber attacks. However, any unexpected disruptions caused by a widespread and significant disaster or other unforeseeable events, could cause significant failures in data processing and deterioration of customer confidence in the Group's business, which may adversely affect the Group's results of operations.

⑪ Materialization of administrative risks

In the Group's business operations, various types of administrative affairs are handled. Although the Group sets internal policies and procedures for these administrative affairs and trains employees accordingly, should employees fail to process these administrative affairs as instructed, cause an accident or commit fraud, they could result in financial losses, regulatory penalties and reputational damage, and thus, the Group's results of operations may be affected.

⑫ Security of personal information

The Group regularly acquires and maintains a large amount of information about individuals who have business relationships with the Group and is subject to the Personal Information Protection Act as a business operator handling personal information. The Group assigns managers to control and secure personal information at each business office which deals with personal information, provide information security education, training and self-checks to all employees and implement physical and technical personal information security measures for business facilities and information systems. In addition, the Group works on introducing systems strengthened against cyber attacks and raising employee awareness of personal information protection, as well as implementing recovery programs to minimize damages should infection occur. Moreover, the Group takes strict security measures to monitor and supervise third-party vendors and others who deal with personal information. However, improper use or disclosure of, or a failure to protect or properly control personal information could cause violations of the Personal Information Protection Act, resulting in sanctions being imposed including business improvement recommendations, orders, or criminal punishments. Any such violation would have an adverse impact on the Group's reputation and its results of operations.

⑬ Violation of laws and regulations

In order to comply with laws and regulations, the Group strictly disseminates compliance requirements to its officers and employees. However, these measures may not always be effective. In the case of a violation of laws or regulations, regulatory penalties or reputational damage may impact on the Group's results of operations and financial conditions.

⑭ Failure of strategies and measures

The Group is carrying out various strategies and measures. However, it is possible that these strategies and measures cannot be implemented or the expected results are not achieved, and thus, the Group may need to modify the strategies and measures.

⑮ Business expansion

The Group provides various products and services including credit card and banking services. In addition, the Group exploits various opportunities such as entering into new business areas, business partnerships, capital alliances and M&As, in response to the sophisticated and diversified needs of customers and the progress of deregulation. The Group has established an organizational structure to appropriately manage various risks arising from the aforementioned operations. However, materialization of risks beyond estimation may affect the Group's business, results of operations and financial condition.

⑯ Establishment of internal controls

The Group places compliance and risk management as one of the key management concerns and establishes specific policies and procedures and maintains internal controls. However, if internal controls are not effectively designed, operated or monitored due to human factors or rapid changes in the economic environment, the Group may not be able to adequately manage various business risks, and its results of operations may be adversely affected.

⑰ Retaining quality human resources

The Group conducts its business in a wide range of areas that require high levels of expertise. In order to provide high quality services to customers, the Group actively recruits officers and employees and provides continuous training to them, and costs related to human resource may

increase. On the other hand, if skilled personnel cannot be continuously hired and retained, the Group's business and financial condition may be adversely affected.

⑱ Customer solicitations through AEON Group

In the Group's business, acquiring new cardholders is an essential source of its operating revenue. The Group solicits a significant number of cardholders through the retail outlets operated by the AEON Group companies. Utilizing the close relationship with the AEON Group companies, the Group is allowed to preferentially solicit new cardholders. However, AEON Group's future strategies of opening and closing retail outlets could affect the Group's new cardholder solicitations and transaction volume.

⑲ Distributable amount as holding company

The Group's revenue comes from dividends and management fees from its directly-held subsidiaries. Under certain circumstances, the Companies Act and other regulations could restrict the amount of dividends the subsidiaries could pay to the Company. In addition, in case that the subsidiaries cannot generate adequate profit and are not able to pay dividends to the Company, it may not be able to pay dividends to its shareholders.

⑳ Release of parent company's financial results prior to the Group

The Group's parent company, AEON Co., Ltd. releases its financial results prior to the Group. As the Group's results of operations constitute a significant part of AEON Co., Ltd.'s consolidated results of operations, announcement by AEON Co., Ltd. of the consolidated results of operations and forecasts may affect transactions of the Company's stocks. The difference in the timing of release of financial results may increase the volatility of the Company's common stock price.

2. Overview of the Group companies

(1) The Group has 35 consolidated subsidiaries and one affiliate accounted for using the equity method. The Group companies are led by AEON Co., Ltd., the parent company, and collaboratively operate comprehensive financial business which primarily consists of the credit card business in their respective geographic areas.

(2) Following is an overview of the Group's business structure.

AEON Financial Service Co., Ltd.			
[Domestic Business]		[Overseas Business]	
Segment	Credit	Banking	Fee business and other
AEON CREDIT SERVICE CO., LTD.	○		○
AEON PRODUCT FINANCE CO., LTD.	○		
AEON BANK, LTD.	○	○	
AEON HOUSING LOAN SERVICE CO., LTD.			○
ACS CREDIT MANAGEMENT CO., LTD.			○
AEON INSURANCE SERVICE CO., LTD.			○
AEON S.S. Insurance CO., LTD.			○
ACS LEASING CO., LTD.			○
		AEON Financial Service (Hong Kong) Co., Ltd. AEON CREDIT SERVICE (ASIA) CO., LTD.* Others in Hong Kong, China and Taiwan AEON THANA SINSAP (THAILAND) PLC.* Others in Thailand, Vietnam, Cambodia, Myanmar and Laos AEON CREDIT SERVICE (M) BERHAD* Others in Indonesia, Philippines and India *listed companies	

3. Management policies

(1) Basic management policies of the Company

The unchanging -“AEON”- corporate mission of the Company is to constantly benefit its customers through quality financial services as “the customers’ supporter for assisting their future and credit”, with basic management policies of “customer-first philosophy”, “providing carefully tailored financial services by paying attentions to customers’ needs”, “living up to the trust and expectation of the society” and “establishing vibrant corporate culture”. As a comprehensive financial group fusing retail and financial services, the Group aims to be a retail bank holding company that is the most customer-friendly in Japan and in Asian countries by providing safe, convenient and economical financial services.

(2) Objective of performance indicators

The Company considers its capital adequacy ratio and returns on equity to be key performance indicators and seeks to build corporate value. In addition, while fostering the growth of the domestic business, the Company will expand its business in Asia to improve the profitability of the overseas business.

(3) Medium to long term business strategies and issues to deal with

As a bank holding company engaged in credit, banking, fee business including e-money and overseas business, the Company aims to achieve four strategic synergies; “improvement of convenience of financing services”, “enhancement of marketing capacity”, “expansion of overseas business”, and “improvement of productivity and strengthening of sales capability”. In addition, the Company strives for structural reform of the existing business and “acceleration of four shifts”; “shift to Asia”, “shift to cities”, “shift to senior citizens”, “shift to digital” under the Medium-term Management Plan (from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2017) of AEON Group, which is placed as the second phase of the Group’s rapid growth plan to year 2020.

Accordingly, the Company aims to build an economic sphere of comprehensive financial services with credit, banking, insurance and e-money in each domestic and overseas operating region. Also, the Company aims to enhance services with affiliated merchants and expand its business network in each region to build a platform to link customers’ needs to the services with affiliated merchants.

The Company aims to further improve its corporate value as a one of a kind comprehensive financial group that integrates retail and financial services.

Key Action Points

① Improvement of convenience of lending services

The Group will promote cross-selling of lending services with not only credit card, but all other financial products including housing loan, bank deposit, and insurance as a start by strengthening linkage between its products and services in order to increase the balance of loans and expand the lending business.

② Enhancement of marketing capacity

To provide products and services from the customers' stand point, the Group will enhance its marketing capacity by utilizing the purchase history and financial asset information of customers accumulated in the Group and analyzing regional characteristics based on combination of geographic database and demographic information. Accordingly, the Group will promote common services in domestic and overseas operating regions.

③ Expansion of overseas business

The Company will provide financial services and infrastructures to individual customers that suit the needs in each country and region by leveraging business know-how cultivated in Japan and other Asian countries. In addition, to respond to enhanced competition and changes in market condition including rapidly advancing digitalization, the Group will establish new revenue streams such as obtaining a banking license. The Group also pursues the development of a common debt collection and other information system for the overseas operations and globally competent personnel to accelerate business development in Asian countries.

④ Improvement of productivity and reinforcement of sales capability

The Group will promote paperless operations by introducing IT and digital equipments into its stores and ATMs to rapidly respond to customers and improve their convenience. Also, the Group will optimize management resources of each subsidiary including appropriate allocation of personnel through the review and automation of the business processes to improve productivity. In addition,

in order to deliver comprehensive financial services to customers smoothly and timely, the Group will promote diversity such as active employment of local resources and promotion of females to executive positions and improve consulting skill of employees through enriched education and training courses.

To achieve these key action points, the Group will strengthen its functions to manage and support its subsidiaries in its holding company. The Group will also emphasize capital investment in information systems and development of human resources and establish a common management system within and outside the Group to reinforce the corporate governance of the domestic and overseas operations.

4. Basic Policy for selecting accounting principles

The Group has adopted Japanese accounting standards.

The Group plans to appropriately deal with the application of International Financial Reporting Standards concerning the relevant conditions of adoption in and outside Japan.

5. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of Yen)

	As at March 31, 2015	As at March 31, 2016
(Assets)		
Cash and due from banks	467,726	444,868
Call loans	10,000	-
Monetary claims bought	6,649	5,051
Securities	235,074	211,131
Loans and bills discounted	1,474,236	1,673,997
Installment sales receivables	1,038,221	1,022,387
Lease receivables and investment assets	-	5,405
Other assets	95,533	124,594
Property and equipment	35,774	36,530
Structures	5,217	5,449
Equipment	22,793	25,955
Land	742	4
Construction in progress	90	58
Other property and equipment	6,929	5,063
Intangible assets	71,138	77,163
Software	36,882	44,859
Goodwill	27,064	25,597
Other intangible assets	7,191	6,706
Deferred tax assets	20,789	20,433
Customers' liabilities for acceptances and guarantees	183,632	173,441
Allowance for possible credit losses	(49,280)	(49,458)
Total assets	3,589,495	3,745,546
(Liabilities)		
Deposits	1,963,024	2,152,928
Accounts payable	164,836	173,568
Call money	76,300	-
Commercial paper	-	68,000
Borrowed money	591,586	535,989
Bonds	114,310	122,074
Convertible bonds	90	50
Other liabilities	145,754	152,845
Allowance for bonuses	2,542	2,828
Retirement benefit liability	3,312	3,530
Allowance for point program	11,590	12,456
Allowance for loss on refund of interest received	4,848	4,206
Allowance – other	461	396
Deferred tax liabilities	2,256	2,344
Acceptances and guarantees	183,632	173,441
Total liabilities	3,264,547	3,404,660

	(Millions of Yen)	
	As at March 31, 2015	As at March 31, 2016
(Equity)		
Common stock	30,421	30,441
Capital surplus	106,230	106,230
Retained earnings	154,518	177,766
Treasury stock	(25,144)	(25,141)
Total shareholders' equity	266,026	289,296
Unrealized gain on available-for-sale securities	4,243	5,889
Deferred loss on derivatives under hedge accounting	(3,468)	(3,514)
Foreign currency translation adjustments	7,446	122
Accumulated adjustments for retirement benefit	(539)	(607)
Total accumulated other comprehensive income	7,682	1,890
Stock acquisition rights	73	110
Non-controlling interests	51,166	49,589
Total equity	324,948	340,886
Total liabilities and equity	3,589,495	3,745,546

(2) Consolidated statements of income and comprehensive income

(Consolidated statement of income)

(Millions of Yen)

	For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)	For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)
Ordinary revenue	329,046	359,651
Interest income	125,493	138,810
Interest on loans and bills discounted	123,270	136,342
Interest and dividends on securities	1,612	1,863
Interest on call loans	0	0
Interest on due from banks	393	447
Other interest income	215	155
Fees and commissions	168,283	185,072
Other operating income	19,053	19,759
Other income	16,215	16,010
Gain on bad debts recovered	7,810	6,432
Other	8,404	9,577
Ordinary expenses	275,965	300,270
Interest expenses	20,677	21,305
Interest on deposits	4,015	3,759
Interest on call money	24	3
Interest on borrowed money	14,474	15,127
Interest on bonds	1,818	1,950
Other interest expenses	344	465
Fees and commissions	21,838	24,667
Other operating expenses	1,109	1,437
General and administrative expenses	186,474	203,553
Other ordinary expenses	45,865	49,306
Provision for possible credit losses	36,369	42,688
Other	9,495	6,618
Ordinary profits	53,080	59,380
Extraordinary income	0	1,280
Gain on disposal of property and equipment and intangible assets	0	1,280
Extraordinary loss	328	1,411
Loss on disposal of property and equipment and intangible assets	38	1,304
Loss on cancellation	245	-
Other extraordinary loss	44	106
Income before income taxes	52,752	59,250
Income taxes – current	15,000	15,192
Income taxes – deferred	(935)	(405)
Total income taxes	14,065	14,787
Net income	38,687	44,463
Net income attributable to non-controlling interests	8,195	8,678
Net income attributable to owners of the parent	30,491	35,785

(Consolidated statement of comprehensive income)

(Millions of Yen)

	For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)	For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)
Net income	38,687	44,463
Other comprehensive income	10,397	(11,050)
Unrealized gain on available-for-sale securities	219	1,625
Deferred loss on derivatives under hedge accounting	(2,115)	76
Foreign currency translation adjustments	12,462	(12,684)
Adjustments for retirement benefit	(168)	(68)
Comprehensive income	49,084	33,412
Total comprehensive income attributable to:		
Owners of the parent	36,550	29,993
Non-controlling interests	12,534	3,419

(3) Consolidated statement of changes in equity

For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total share-holders' equity
Balance at beginning of period	29,051	104,860	136,270	(145)	270,036
Cumulative effects of changes in accounting policies			(53)		(53)
Restated balance	29,051	104,860	136,216	(145)	269,982
Change of items during the period					
Conversion of convertible bonds	1,370	1,370			2,740
Cash dividends			(12,188)		(12,188)
Net income attributable to owners of the parent			30,491		30,491
Purchase of treasury stock				(25,001)	(25,001)
Disposal of treasury stock		(0)	(1)	2	0
Change in the parent's ownership interest arising from transactions with non-controlling interests					
Change in scope of equity method					
Net change in items other than shareholders' equity					
Total change of items during the period	1,370	1,369	18,302	(24,998)	(3,956)
Balance at end of period	30,421	106,230	154,518	(25,144)	266,026

	Accumulated other comprehensive income					Stock acquisition right	Minority 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	4,027	(2,326)	294	(371)	1,623	55	35,576	307,291
Cumulative effects of changes in accounting policies								(53)
Restated balance	4,027	(2,326)	294	(371)	1,623	55	35,576	307,237
Change of items during the period								
Conversion of convertible bonds								2,740
Cash dividends								(12,188)
Net income attributable to owners of the parent								30,491
Purchase of treasury stock								(25,001)
Disposal of treasury stock								0
Change in the parent's ownership interest arising from transactions with non-controlling interests								
Change in scope of equity method								
Net change in items other than shareholders' equity	216	(1,141)	7,151	(168)	6,058	18	15,590	21,666
Total change of items during the period	216	(1,141)	7,151	(168)	6,058	18	15,590	17,710
Balance at end of period	4,243	(3,468)	7,446	(539)	7,682	73	51,166	324,948

For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total share-holders' equity
Balance at beginning of period	30,421	106,230	154,518	(25,144)	266,026
Cumulative effects of changes in accounting policies					
Restated balance	30,421	106,230	154,518	(25,144)	266,026
Change of items during the period					
Conversion of convertible bonds	20	20			40
Cash dividends			(12,517)		(12,517)
Net income attributable to owners of the parent			35,785		35,785
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock			(1)	3	1
Change in the parent's ownership interest arising from transactions with non-controlling interests		(20)			(20)
Change in scope of equity method			(18)		(18)
Net change in items other than shareholders' equity					
Total change of items during the period	20	(0)	23,247	2	23,270
Balance at end of period	30,441	106,230	177,766	(25,141)	289,296

	Accumulated other comprehensive income					Stock acquisition right	Minority 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
Cumulative effects of changes in accounting policies								
Restated balance	4,243	(3,468)	7,446	(539)	7,682	73	51,166	324,948
Change of items during the period								
Conversion of convertible bonds								40
Cash dividends								(12,517)
Net income attributable to owners of the parent								35,785
Purchase of treasury stock								(0)
Disposal of treasury stock								1
Change in the parent's ownership interest arising from transactions with non-controlling interests							20	-
Change in scope of equity method								(18)
Net change in items other than shareholders' equity	1,646	(46)	(7,323)	(68)	(5,792)	37	(1,597)	(7,352)
Total change of items during the period	1,646	(46)	(7,323)	(68)	(5,792)	37	(1,576)	15,938
Balance at end of period	5,889	(3,514)	122	(607)	1,890	110	49,589	340,886

(4) Consolidated statement of cash flows

(Millions of Yen)

	For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)	For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)
Operating activities		
Income before income taxes and minority interests	52,752	59,250
Depreciation and amortization	14,532	15,884
Amortization of goodwill	1,839	1,840
Equity in losses (earnings) of affiliates	71	(53)
Provision for possible credit losses	(94)	2,448
Provision for bonuses	244	332
Increase in retirement benefit liability	176	107
Provision for point program	577	866
Increase (decrease) in allowance for loss on refund of interest received	1,762	(642)
Decrease in other allowance	(94)	(61)
Amortization of stock issuance costs	36	36
Amortization of bond issuance costs	82	80
Interest income	(125,493)	(138,810)
Interest expenses	20,677	21,305
Losses related to securities	2,107	178
Net increase in loans and bills discounted	(163,711)	(232,770)
Increase in installment sales receivables	(62,513)	(16,158)
Decrease in lease receivables and investment assets	-	205
Net increase in deposits	245,255	189,903
(Decrease) increase in accounts payable	(39,571)	7,891
Net increase (decrease) in borrowed money	39,196	(24,199)
Net increase in due from banks (excluding due from Bank of Japan)	(3,042)	(10,800)
Net increase in due from banks (over 3 months)	(107)	(355)
Net (increase) decrease in call loans	(4,529)	11,597
Net increase (decrease) in call money	71,400	(76,300)
Net increase in commercial paper	-	68,000
Issuance and redemption of bonds	8,709	10,333
Proceeds from sale and leaseback	11,403	11,108
Proceeds from interest income	124,620	138,420
Interest expenses paid	(20,796)	(28,662)
Other	3,904	(7,605)
Subtotal	179,395	3,372
Income taxes paid	(17,894)	(14,922)
Income taxes refund	-	1,899
Net cash provided by (used in) operating activities	161,500	(9,650)

	(Millions of Yen)	
	For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)	For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)
Investing activities		
Purchases of securities	(230,385)	(119,961)
Proceeds from sales of securities	143,135	74,449
Proceeds from redemption of securities	27,510	71,006
Purchases of property and equipment	(7,911)	(10,194)
Proceeds from sale of property and equipment	759	2,820
Purchases of intangible assets	(14,536)	(17,397)
Proceeds from sale of intangible assets	-	198
Payments for transfer of business	-	(6,702)
Net cash used in investing activities	(81,427)	(5,782)
Financing activities		
Financial costs paid for financing activities	(18)	(1)
Dividends paid to the Company's shareholders	(12,188)	(12,517)
Proceeds from stock issuance to non-controlling shareholders	5,828	247
Dividends paid to non-controlling shareholders	(3,162)	(3,532)
Purchase of treasury stock	(25,038)	(0)
Proceeds from disposal of treasury stock	0	0
Net cash used in financing activities	(34,579)	(15,805)
Foreign currency translation adjustments on cash and cash equivalents	2,237	(2,686)
Net increase (decrease) in cash and cash equivalents	47,730	(33,925)
Cash and cash equivalents, beginning of year	408,170	455,901
Cash and cash equivalents, end of year	455,901	421,975

(5) Notes to consolidated financial statements

(Notes regarding the going concern assumption)

Not applicable

(Changes in accounting policies)

Effective from April 1, 2015, the Group has applied “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22 issued on September 13, 2013) and “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7 issued 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 or will become effective. The term of “minority interest” used in the consolidated statement of income and balance sheet was replaced to “non-controlling interests.” In order to reflect the changes in the presentation, certain reclassifications have been made to the consolidated financial statements with respect to the previous fiscal year.

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

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

(Changes in presentation of financial statements)

Not applicable

(Changes in accounting estimates)

Not applicable

(Additional information)

Not applicable

(Segment information)

Segment information

1. Description of reportable segments

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

The Group conducts business activities comprised of the "Credit" business dealing in credit card purchase contracts, loan contracts, and hire purchase contracts in the domestic markets, "Banking" business dealing in banking services in the domestic markets, "Overseas" business dealing in credit extensions and lending in the foreign markets, and "Fee business and other" providing services including e-money in the domestic markets. The Group formulates comprehensive strategies for each business. Accordingly, the Group has four reportable segments, "Credit", "Banking", "Overseas" and "Fee business and other."

- "Credit" consists of financial services such as credit card contracts and loan contracts with domestic customers.
- "Banking" consists of banking operations such as raising funds from customer deposits and their lending, or making investment of such funds.
- "Overseas" consists of financial services including credit card contracts and loan contracts with customers in Asia such as HongKong, Thailand, and Malaysia.
- "Fee business and other" consists of the e-money business, the bank agency business, the ATM business and leasing business in the domestic markets.

2. Methods of measurement for amounts of ordinary revenue, profit (loss), assets, liabilities and other items for each reportable segment

The method of accounting by reportable segment is basically the same as the method of accounting used for the preparation of the consolidated financial statements. The reportable segment profit (loss) is measured based on ordinary income of the financial statements. The intersegment revenues or transfers are based on the current market prices.

3. Information on amounts of ordinary revenues, profit (loss), assets, liabilities and other items for each reportable segment

For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Millions of Yen)

	Credit	Banking	Overseas	Fee Business and Other	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Ordinary revenues							
Ordinary revenues from customers	146,030	38,923	112,553	31,539	329,046	-	329,046
Intersegment revenue or transfers	383	2,741	0	13,867	16,993	(16,993)	-
Total ordinary revenues	146,413	41,664	112,553	45,407	346,039	(16,993)	329,046
Segment profit (loss)	32,176	(37)	22,144	1,865	56,149	(3,068)	53,080
Segment assets	1,432,212	1,651,660	549,465	149,679	3,783,017	(193,521)	3,589,495
Other items							
Depreciation and amortization	3,508	1,386	4,359	5,140	14,395	137	14,532
Amortization of goodwill	178	903	43	713	1,839	-	1,839
Interest income	51,603	14,177	58,407	1,606	125,795	(301)	125,493
Interest expenses	3,573	2,531	13,754	337	20,196	481	20,677
Provision for (reversal of) possible credit losses	8,849	(6)	26,310	1,216	36,369	-	36,369
Increase in tangible and intangible assets	18,237	1,788	6,455	7,338	33,819	1,316	35,135

(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:
 - ¥ (3,068) million of reconciliations to segment profit (loss) represents the corporate expenses unallocated to any reportable segment. The corporate expenses are mainly general and administrative expenses unattributable to any reportable segment.
 - ¥ (193,521) million of reconciliations to segment assets represents the corporate assets unallocated to any reportable segment and the eliminations of intersegment transactions.
- Segment profit (loss) is reconciled with ordinary profits on the consolidated statements of income.

For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Credit	Banking	Overseas	Fee Business and Other	Total	Reconciliations (Note 2)	Consolidated (Note 3)
Ordinary revenues							
Ordinary revenues from customers	159,129	42,797	123,086	34,638	359,651	-	359,651
Intersegment revenue or transfers	2,218	4,022	0	14,998	21,239	(21,239)	-
Total ordinary revenues	161,347	46,820	123,087	49,636	380,891	(21,239)	359,651
Segment profit	36,945	1,162	24,034	4,068	66,210	(6,829)	59,380
Segment assets	1,425,959	1,778,958	529,443	170,881	3,905,242	(159,696)	3,745,546
Other items							
Depreciation and amortization	3,556	1,669	4,744	5,475	15,446	438	15,884
Amortization of goodwill	178	903	28	730	1,840	-	1,840
Interest income	58,527	16,094	63,518	1,712	139,853	(1,042)	138,810
Interest expenses	4,399	1,175	15,025	371	20,972	333	21,305
Provision for (reversal of) possible credit losses	12,480	238	28,506	1,462	42,688	-	42,688
Increase in tangible and intangible assets	14,355	3,114	4,569	5,559	27,599	2,028	29,627

(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:
 - ¥ (6,829) 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.
 - ¥ (159,696) 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.
- 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.

(Per share information)

(Yen)

	For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)	For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)
Net assets per share	1,377.56	1,465.31
Net income per share	152.55	180.09
Diluted net income per share	152.04	180.00

(Notes)

1. The basic parameters for calculating net assets per share are as follows.

	Previous fiscal year end (As at March 31, 2015)	Current fiscal year end (As at March 31, 2016)
Total equity (millions of yen)	324,948	340,886
Deduction from total equity (millions of yen)	51,239	49,699
(Stock acquisition rights included in the above)	(73)	(110)
(Minority interests included in the above)	(51,166)	(49,589)
Equity to common stock (millions of yen)	273,708	291,186
Number of common stock (shares)	208,499,435	208,527,801
Number of treasury stock (shares)	9,808,408	9,807,144
Number of common stock as at the fiscal year-end used in calculating net assets per share (shares)	198,691,027	198,720,657

2. The basic parameters for calculating net income per share and diluted net income per share are as follows.

	For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)	For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)
Net income per share		
Net income attributable to owners of the parent (millions of yen)	30,491	35,785
Amount not attributable to shareholders of common stock (millions of yen)	-	-
Net income attributable to owners of the parent applicable to common stock (millions of yen)	30,491	35,785
Average number of shares during the fiscal year (shares)	199,875,767	198,704,819
Diluted net income per share		
Adjustment to net income attributable to owners of the parent (millions of yen)	-	-
Addition to the number of common stock (shares)	681,460	103,451
(Stock acquisition rights included in the above)	(41,461)	(52,427)
(Convertible bonds included in the above)	(639,999)	(51,024)
Description of dilutive shares excluded from calculating diluted net income per share due to the absence of dilutive effect	-	-

(Significant subsequent events)

Not applicable

6. Non-consolidated financial statements

(1) Balance sheet

	(Millions of Yen)	
	As at March 31, 2015	As at March 31, 2016
(Assets)		
Current assets		
Cash and deposits	2,306	2,676
Advances paid	126	23
Prepaid expenses	58	274
Deferred tax assets	17	151
Accounts receivable - other	959	4,056
Accrued income	1	3
Income taxes receivable	1,996	2,129
Other current assets	0	91
Total current assets	5,466	9,406
Non-current assets		
Property and equipment		
Structures	9	323
Accumulated depreciation	(0)	(9)
Net structures	8	313
Equipment	148	450
Accumulated depreciation	(0)	(44)
Net equipment	147	406
Net property and equipment	156	719
Intangible assets		
Software	680	926
Total intangible assets	680	926
Investments and other assets		
Investment securities	7,206	7,275
Investments in subsidiaries and associated companies	302,335	301,541
Long-term prepaid expenses	4	5
Deferred tax assets	12,167	11,262
Guarantee money deposits	110	1,039
Other assets	8	6
Allowance for investment loss	-	(623)
Total investments and other assets	321,831	320,507
Total non-current assets	322,668	322,153
Deferred charges		
Stock issuance costs	48	12
Bond issuance costs	315	374
Total deferred charges	363	386
Total assets	328,499	331,946

	(Millions of Yen)	
	As at March 31, 2015	As at March 31, 2016
(Liabilities)		
Current liabilities		
Short-term borrowings	49,800	1,200
Current portion of bonds	20,000	-
Commercial paper	-	43,000
Current portion of convertible bonds	40	50
Accounts payable – other	1,616	2,036
Accrued expenses	356	382
Accrued income taxes	-	22
Deferred revenue	0	302
Deposits received	626	1,082
Allowance for directors' bonuses	56	66
Other current liabilities	274	430
Total current liabilities	72,769	48,573
Long-term liabilities		
Bonds payable	60,000	90,000
Convertible bonds	50	-
Other liabilities	12	398
Total long-term liabilities	60,062	90,398
Total liabilities	132,832	138,972
(Equity)		
Shareholders' equity		
Common stock	30,421	30,441
Capital surplus		
Additional paid-in capital	106,230	106,250
Other capital surplus	-	-
Total capital surplus	106,230	106,250
Retained earnings		
Legal reserve	3,687	3,687
Other retained earnings		
General reserve	63,995	63,995
Retained earnings carried forward	13,849	10,915
Total retained earnings	81,531	78,597
Treasury stocks	(25,144)	(25,141)
Total shareholders' equity	193,039	190,147
Valuation and translation adjustments		
Unrealized gain on available-for-sale securities	2,554	2,715
Total valuation and translation adjustments	2,554	2,715
Stock acquisition rights	73	110
Total equity	195,667	192,973
Total liabilities and equity	328,499	331,946

(2) Statement of income

(Millions of Yen)

	For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)	For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)
Operating revenues		
Dividends from subsidiaries and associates	10,694	11,154
Commissions from subsidiaries and associates	10,237	11,585
Total operating revenues	20,931	22,740
Operating expenses		
Selling, general and administrative expenses	8,362	10,708
Total operating expenses	8,362	10,708
Operating income	12,569	12,031
Non-operating revenues		
Interest and dividends income	113	117
Other non-operating revenues	44	53
Total non-operating revenues	158	171
Non-operating expenses		
Interest expenses	734	630
Commitment fee	200	43
Loss on revaluation of investment securities	-	178
Other non-operating expenses	168	146
Total non-operating expenses	1,103	999
Ordinary income	11,624	11,203
Extraordinary loss		
Loss on revaluation of investments in subsidiaries and associates	943	-
Loss on disposal of property and equipment and intangible assets	-	13
Provision of allowance for investment loss	-	623
Total extraordinary losses	943	636
Income before income taxes	10,681	10,566
Income taxes - Current	179	178
Income taxes - Deferred	1,297	803
Total income taxes	1,476	981
Net income	9,204	9,585

(3) Statement of changes in equity

For the fiscal year ended March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Millions of Yen)

	Shareholders' equity							
	Common stock	Capital surplus			Legal reserve	Retained earnings		Total retained earnings
		Additional paid-in capital	Other capital surplus	Total capital surplus		General reserve	Retained earnings carried forward	
Balance at beginning of period	29,051	104,860	0	104,860	3,687	75,995	4,834	84,517
Change of items during the period								
Conversion of convertible bonds	1,370	1,370		1,370				
Cash dividends							(12,188)	(12,188)
Net income							9,204	9,204
Reversal of general reserve						(12,000)	12,000	-
Purchase of treasury stock								
Disposal of treasury stock			(0)	(0)			(1)	(1)
Net change in items other than shareholders' equity								
Total change of items during the period	1,370	1,370	(0)	1,369	-	(12,000)	9,014	(2,985)
Balance at end of period	30,421	106,230	-	106,230	3,687	63,995	13,849	81,531

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition right	Total equity
	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Total valuation and translation adjustment		
Balance at beginning of period	(145)	218,283	1,973	1,973	55	220,311
Change of items during the period						
Conversion of convertible bonds		2,740				2,740
Cash dividends		(12,188)				(12,188)
Net income		9,204				9,204
Reversal of general reserve		-				-
Purchase of treasury stock	(25,001)	(25,001)				(25,001)
Disposal of treasury stock	2	0				0
Net change in items other than shareholders' equity			581	581	18	599
Total change of items during the period	(24,998)	(25,244)	581	581	18	(24,644)
Balance at end of period	(25,144)	193,039	2,554	2,554	73	195,667

For the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(Millions of Yen)

	Shareholders' equity							
	Common stock	Capital surplus			Legal reserve	Retained earnings		Total retained earnings
		Additional paid-in capital	Other capital surplus	Total capital surplus		General reserve	Retained earnings carried forward	
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								
Conversion of convertible bonds	20	20		20				
Cash dividends							(12,517)	(12,517)
Net income							9,585	9,585
Reversal of general reserve								-
Purchase of treasury stock								
Disposal of treasury stock							(1)	(1)
Net change in items other than shareholders' equity								
Total change of items during the period	20	20	-	20	-	-	(2,934)	(2,934)
Balance at end of period	30,441	106,250	-	106,250	3,687	63,995	10,915	78,597

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition right	Total equity
	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Total valuation and translation adjustment		
Balance at beginning of period	(25,144)	193,039	2,554	2,554	73	195,667
Change of items during the period						
Conversion of convertible bonds		40				40
Cash dividends		(12,517)				(12,517)
Net income		9,585				9,585
Reversal of general reserve		-				-
Purchase of treasury stock	(0)	(0)				(0)
Disposal of treasury stock	3	1				1
Net change in items other than shareholders' equity			161	161	37	198
Total change of items during the period	2	(2,891)	161	161	37	(2,693)
Balance at end of period	(25,141)	190,147	2,715	2,715	110	192,973

(4) Notes to non-consolidated financial statements

(Notes regarding the going concern assumption)

Not applicable

(Changes in accounting policies)

Not applicable

(Changes in presentation of financial statements)

Not applicable

(Changes in accounting estimates)

Not applicable

(Additional information)

Not applicable

(Significant subsequent events)

Not applicable

7. Other

Information about management changes

To be disclosed when the detail has been determined.