Notes to Consolidated Financial Statements

Orient Corporation and Subsidiaries

1. Basis of Presentation

(1) Accounting Principles and Presentation

Orient Corporation (the "Company") and its domestic subsidiaries maintain their books of account in conformity with the financial accounting standards of Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and associates (the "Companies") are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS), and are compiled from the consolidated financial statements prepared by the Companies as required by the Financial Instruments and Exchange Act of Japan.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in yen do not necessarily agree with the sum of the individual amounts.

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the presented Japanese yen amounts into U.S. dollar amounts at the rate of ¥120.27 = U.S. $1, the rate of exchange prevailing at March 31, 2015, and were then rounded down to the nearest thousand. As a result, the totals shown in U.S. dollars do not necessarily agree with the sum of the individual amounts. This translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience of readers outside Japan. Such translation is not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

Certain comparative figures in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

(2) Scope of Consolidation

The Company had 12 and 13 subsidiaries ("controlled companies," the decision-making body of the entity is controlled) at March 31, 2015 and 2014, respectively. The consolidated financial statements include the accounts of the Company and all subsidiaries. The major consolidated subsidiaries are listed below:

	At March 31, 2015	
	Equity ownership percentage, including indirect ownership	Capital stock (Millions of yen)
CAL Credit Guarantee Co., Ltd.	85.0	¥ 50
Orico Business & Communications Co., Ltd.	100.0	¥ 100
Ohtori Corporation	100.0	¥5,064
Japan Collection Service Co., Ltd.	100.0	¥ 700
ORIFA Servicer Corporation	100.0	¥ 500

(3) Consolidation and Elimination

For the purposes of preparing the consolidated financial statements, all significant intercompany transactions, account balances and unrealized profits among the Companies have been eliminated, and the portion thereof attributable to minority interests is charged to minority interests. All consolidated subsidiaries have the same fiscal year-end date as that for the consolidation.

The cost of investments in the common stock of consolidated subsidiaries is eliminated with the underlying equity in net assets of such subsidiaries. The material differences between the cost of investments and the amount of underlying equity in net assets of such subsidiaries are deferred and amortized within 20 years on a straight-line basis. If the difference is not material, it is directly charged or credited to income for the year.

(4) Investments in Associates

The Company had 3 associates ("influenced companies," financial and operating or business decision making of the entity that is not a subsidiary can be influenced to a material degree) at March 31, 2015 (3 associates in 2014).

All associates are accounted for by the equity method, under which the Company's equity in net income of these associates is included in consolidated income for the years ended March 31, 2015 and 2014.

All associates accounted for by the equity method have the same fiscal year-end date as that for the consolidation.

2. Summary of Significant Accounting Policies

(1) Recognition of Consumer Finance Service Revenue

(a) Consumer credit service

Customers purchasing goods from retailers with whom the Companies have sales finance arrangements (the "member merchants") can use installment payments.

Commissions from customers for installment payments are recognized by the "sum-of-the-month-digits" basis over the relevant contract terms as the monthly installments become due under the contracts.

Commissions from member merchants for installment payments are recognized by the "in-a-lump-sum" basis on which commissions from member merchants are recognized as earned at the time installment contracts with member merchants are executed.

(b) Credit card shopping service

The basis of recognizing commission income is almost the same as (a) for consumer credit.

(c) Direct cash loan service

The Companies make direct cash loans to individual customers, which are to be repaid in installments. Commissions on such cash loans are recognized as earned on an interest-bearing basis as monthly payments become due. Card cashing is included in the direct cash loan service, and the commissions are accounted for on the same basis as those on direct cash loans.

(d) Guarantee and loan agent service

The Companies recognize guarantee fees on loans after deducting estimated amount of guarantee fee refunds.

(2) Unearned Finance Income

As described in (1) above, finance income (commissions from customers) except for guarantee and loan agent service is recognized as earned when the monthly installments become due. To achieve this, the commissions recorded as earned in their entirety at the inception of the contracts are adjusted at the balance sheet date, by setting up an unearned finance income account for the unearned portion of commissions applicable to installments which have not yet become due by that date.

(3) Allowances

(a) Allowance for credit losses and write-offs

Finance receivables are written off against the allowance for credit losses when installments have been unpaid for a certain specified period and/or uncollectibility of accounts is clearly demonstrated by conditions such as the customer's bankruptcy, poverty, disappearance or other circumstances prescribed by the Companies.

Write-offs are recorded at the end of March and September.

At the end of each fiscal year, the allowance for credit losses is provided in an amount deemed necessary to cover possible uncollectible accounts based on historical data on credit loss and management's judgment.

(b) Allowance for point program

Allowance for point program is provided to cover possible future expenses arising from the redemption of accumulated points on cards by cardholders and for installment points by customers at the end of each fiscal year.

(c) Allowance for losses on interest refunds

To cover interest refund claims for the interest rates charged in excess of the upper limit imposed by the Interest Rate Restriction Act, the Company has set up an allowance for losses on interest refunds at the end of each fiscal year. Provision for the allowance is estimated based on the historical amount of refunds, taking into consideration the recent refund conditions.

(d) Allowance for liabilities on interest refunds

With the revisions of the laws including the Money-Lending Business Control and Regulation Law on December 20, 2006, policies were developed based on the resolution of the Board of Directors on March 6, 2007. To cover losses relating to liabilities on interest refunds arising from implementation of these policies, the Company made a provision for estimated loss at the end of the fiscal year.

The allowance for liabilities on interest refunds is included in the allowance for losses on interest refunds in the accompanying consolidated balance sheets.

(e) Accrued bonuses

Accrued bonuses are recorded based on the estimated bonus payments to employees.

(f) Accrued retirement benefits to directors and corporate auditors

Accrued retirement benefits to directors and corporate auditors for the consolidated subsidiaries are provided for at an amount required in accordance with the rules at the end of the fiscal year.

(4) Retirement Benefits

(a) Method of attributing expected retirement benefits to periods

In determining retirement benefit obligations, the benefit formula basis is used for the method of attributing expected retirement benefits to periods.

(b) Accounting treatment of actuarial gains and losses, past service costs and net retirement benefit obligation at transition

Net retirement benefit obligation at transition is amortized by the straight-line method over 15 years. Past service costs are amortized by the straight-line method over a certain period (13 years), which is within the average remaining years of service of the employees. Actuarial gains and losses are amortized by the straight-line method over certain periods (13 years for the Company and 5 years for a consolidated subsidiary), which are within the average remaining years of service of the employees, commencing from the following fiscal year.

(Changes in accounting policies)

The Companies have applied provisions in the main clause of Section 35 of the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued on May 17, 2012) (the "Accounting Standard") and the main clause of Section 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015) from the year ended March 31, 2015. Accordingly, the Companies have reviewed the calculation methods of retirement benefit obligations and current service costs and have changed the method of attributing expected retirement benefits to periods from the straight-line basis to the benefit formula basis and the method for determining the discount rate.

In accordance with the transitional provisions prescribed in Section 37 of the Accounting Standard, the effects of the changes in the calculation methods of retirement benefit obligations and current service costs have been added to or deducted from retained earnings as of the beginning of the year ended March 31, 2015.

As a result, as of the beginning of the year ended March 31, 2015, defined benefit liabilities decreased by ¥2,188 million ($18,192 thousand), and retained earnings increased by ¥2,061 million ($17,136 thousand). The impact of this change on profit or loss is considered immaterial for the year ended March 31, 2015.

Also, net assets per share increased by ¥2.53 ($0.02).

(5) Financial Instruments

(a) Derivatives

The Companies adopt hedge accounting to all derivatives (see (c) Hedge accounting below).

(b) Securities

Securities held by the Companies are classified into two categories.

Held-to-maturity debt securities, which the Companies have the intent to hold to maturity, are stated at amortized cost.

Marketable securities classified as available-for-sale securities are stated at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, directly included in net assets. Costs of securities sold are calculated by the moving-average method.

Non-marketable securities classified as available-for-sale securities are carried at cost determined by the moving-average method.

In cases where the fair value of held-to-maturity debt securities or available-for-sale securities has declined significantly and such impairment of the value is not deemed temporary, those securities are written down to the fair value and the resulting losses are included in net profit or loss for the period.

(c) Hedge accounting

Gains or losses arising from changes in fair value of the derivatives designated as "hedging instruments" are deferred as an asset or liability and included in net profit or loss in the period during which the gains or losses on the hedged items or transactions are recognized. The special treatment is applied to the interest rate swaps that meet certain criteria. For certain equity-method affiliates, the deferred hedge accounting method is adopted.

The derivatives designated as hedging instruments by the Companies are principally interest rate swaps and interest rate option transactions. The related hedged items are interest rates on bank borrowings.

The Companies evaluate the effectiveness of their hedging activities by seeking the correlation of the benchmark interest rate fluctuation ranges between the hedging instruments and the related hedged items.

(6) Real Estate for Sale

Real estate for sale, in principle, is stated at acquisition cost, cost being determined by the specific identification method. In cases where the net selling value falls below the acquisition cost at the end of the period, real estate for sale on the consolidated balance sheets is written down to the net selling value, when profitability of assets has decreased. The Companies apply the non-reversal method which prohibits reversal of write-downs of inventories.

(7) Property and Equipment (Excluding Lease Assets)

Property and equipment except for buildings are depreciated by the declining-balance method and buildings are depreciated by the straight-line method, over the estimated useful lives which are the same standards as prescribed by tax laws.

(8) Intangible Assets (Excluding Lease Assets)
Software for internal use is amortized by the straight-line method over the estimated internal useful lives of 5 or 10 years.

(9) Lease Assets
Lease assets under finance lease transactions which transfer ownership of the lease assets to the lessee are depreciated by the same method as that of fixed assets owned by the Companies.

Lease assets under finance lease transactions which do not transfer ownership of the lease assets to the lessee are depreciated by the straight-line method over the period of the lease, with zero residual value.

(10) Accounting for Deferred Assets
Bond issue cost is amortized by the straight-line method over the maturity period.

(11) Accounting for Leased Offices and Other
The Companies use offices leased under cancellable long-term lease agreements. In connection with such agreements, lessors in Japan require leasehold deposits relative to the amount of annual lease rental payments. Such leasehold deposits do not bear interest and are generally returned only when the lease is terminated. The lease terms are generally 2 years with options for renewals for a similar period, subject to renegotiation of lease rentals. Also, the Companies have cancellable long-term lease commitments for computer equipment and housing for employees. As the lessee of these cancellable lease commitments, the Companies charge the relevant lease rentals to income as incurred.

(12) Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statements of cash flows are composed of cash on hand, bank deposits that can be withdrawn on demand and short-term investments with no significant risk of change in value that have original maturity of 3 months or less.

(13) Net Income per Share
Net income per share of common stock is calculated by deducting the total amount not belonging to common stock shareholders from net income, divided by the weighted average number of shares of common stock outstanding exclusive of number of shares of treasury stock during the year.

The computation of diluted net income per share of common stock reflects the maximum possible dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock.

(14) Consumption taxes
Consumption taxes and local consumption taxes are accounted for by exclusion from transaction amounts. Consumption taxes paid not offset by consumption taxes received in accordance with Consumption Tax Act of Japan that arise from the purchases of tangible fixed assets are recorded as "Other assets" and are amortized over 5 years by the straight-line method.

3. Marketable Securities and Investment Securities

Market value information on held-to-maturity debt securities held by the Companies at March 31, 2015 and 2014 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Aggregate market value	¥—	¥587	$—
Aggregate book value	—	518	—
Unrealized gains	¥—	¥ 69	$—

Total acquisition cost of available-for-sale securities, for which market values were available, was ¥1,499 million ($12,463 thousand) and ¥1,665 million corresponding to the total book value of ¥2,510 million ($20,869 thousand) and ¥2,175 million at March 31, 2015 and 2014, respectively.

Proceeds, gross realized gains and gross realized losses from the sale of available-for-sale securities for the years ended March 31, 2015 and 2014 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Proceeds	¥350	¥1,037	$2,910
Gross realized gains	138	462	1,147
Gross realized losses	0	345	0

Costs of securities sold, proceeds and gain on the sale of held-to-maturity debt securities for the year ended March 31, 2015 were ¥606 million ($5,038 thousand), ¥664 million ($5,520 thousand) and ¥57 million ($473 thousand), respectively. The held-to-maturity debt securities were sold because the Company's consolidated subsidiary that had held them was liquidated.

Impairment losses of ¥1 million ($8 thousand) and ¥3 million were recognized for available-for-sale securities for the years ended March 31, 2015 and 2014, respectively.

4. Direct Installment Receivables

Direct installment receivables are recorded in an amount equivalent to the retail purchase price on installments, plus commissions charged by the Companies to the individual customers, or, as the case may be, at the principal amount of loans plus commissions charged to the customers computed by the add-on method.

Regarding cash advances on loan cards and credit cards, the unused facility balance (including securitized amounts) out of the total facility limit available to customers was ¥1,685,653 million ($14,015,573 thousand) and ¥1,948,636 million as of March 31, 2015 and 2014, respectively.

The full amount of this unused facility balance may not necessarily be used since the Companies can deny loans to any customer when a reasonable reason exists, such as changes in the credit status of the customer, under the terms of the contract.

5. Guaranteed Loan Receivables (Payables)

The Companies have adopted a policy to show the outstanding balance of loan guarantees as an asset ("Guaranteed loan receivables") and the same amount as a liability ("Guaranteed loan payables") on the consolidated balance sheets.

The balance of guaranteed loan receivables represents the loans borrowed by customers from financial institutions under the Companies' guarantee. The balance of this account represents monthly repayments which have not become due at the consolidated balance sheet date.

6. Beneficiary Certificates Retained for Receivable Securitization

Beneficiary certificates retained for receivable securitization include receivables such as securitized direct installment receivables.

7. Inventories

At March 31, 2015 and 2014, merchandise and finished goods of ¥763 million ($6,344 thousand) and ¥959 million were included in "Inventories" in the accompanying consolidated balance sheets.

8. Short-Term Bank Loans, Long-Term Debt, Lease Obligations and Others

The annual average interest rates applicable to short-term bank loans at March 31, 2015 and 2014 were 0.74% and 1.01%, respectively.
The annual average interest rates applicable to commercial papers at March 31, 2015 and 2014 were 0.25%.

Short-term bank loans, long-term debt, lease obligations and others at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Short-term bank loans	¥ 57,870	¥ 87,518	$ 481,167
Commercial papers	158,700	148,400	1,319,531
	¥ 216,570	¥ 235,918	$ 1,800,698
Long-term debt from banks and other financial institutions, maturing through 2023 (through 2021 in 2014)	¥ 734,420	¥ 739,632	$ 6,106,427
Lease obligations	4,884	8,469	40,608
Guarantee deposits received and other	5,192	5,752	43,169
Unsecured corporate bonds due on various dates through January 21, 2022 – generally at 0.45 to 0.68%	30,000	—	249,438
Unsecured corporate bonds due on various dates through August 31, 2016 – generally at 0.79 (0.41 in 2014) to 1.16% *	48	97	399
Less: Portion due within one year	(320,579)	(294,981)	(2,665,494)
	¥ 453,965	¥ 458,969	$ 3,774,548

* These bonds were issued by KOUNAN Ticket Corporation, a consolidated subsidiary of the Company.

The annual average interest rates applicable to long-term debt from banks and other financial institutions at March 31, 2015 and 2014 were 1.42% and 1.60%, respectively.

The Companies' assets pledged as collateral at March 31, 2015 and 2014 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Real estate for sale	¥ 23	¥ 23	$ 191
Buildings and structures	301	310	2,502
Land	1,494	1,636	12,422
Other current assets	—	1,615	—
	¥1,819	¥3,587	$15,124

The liabilities secured by the above assets pledged as collateral were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Short-term bank loans	¥400	¥400	$3,325
Long-term debt (including the portion due within one year)	—	290	—
Other long-term liabilities	36	56	299
	¥436	¥747	$3,625

In addition to the above, direct installment receivables of ¥111,280 million ($925,251 thousand) and ¥111,282 million were pledged as collateral against the line of credit at March 31, 2015 and 2014. There was no outstanding loan balance at March 31, 2015 and 2014.

The aggregate annual maturities of long-term debt from banks and other financial institutions at March 31, 2015 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥318,219	$2,645,871
2017	229,780	1,910,534
2018	101,130	840,858
2019	40,793	339,178
2020	42,659	354,693
2021 and thereafter	1,839	15,290
	¥734,420	$6,106,427

The aggregate annual maturities of lease obligations at March 31, 2015 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥2,327	$19,348
2017	1,143	9,503
2018	868	7,217
2019	454	3,774
2020	90	748
2021 and thereafter	—	—
	¥4,884	$40,608

The aggregate annual maturities of unsecured corporate bonds outstanding at March 31, 2015 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2016 *	¥ 32	$ 266
2017	15	124
2018	—	—
2019	—	—
2020	20,000	166,292
2021 and thereafter	10,000	83,146
	¥30,048	$249,837

* The balance of unsecured corporate bonds maturing within one year is included in unsecured corporate bonds under long-term liabilities on the consolidated balance sheets.

9. Finance Payables to Member Merchants

Finance payables represent amounts payable to member merchants who sold goods or services to consumers using credit facilities of the Companies.

When installment purchase contracts from member merchants are accepted by the Companies, "Finance payables to member merchants" are recorded in an amount payable by the Companies after deduction of commissions. Subsequently, the accounts payable are paid in cash or by the issuance of promissory notes.

10. Income Taxes

At March 31, 2015 and 2014, significant components of deferred tax assets and liabilities (both current and non-current) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets due to:			
Allowance for credit losses in excess of tax limit	¥ 30,407	¥ 38,170	$ 252,822
Impairment losses on fixed assets	9,114	10,137	75,779
Provision of allowance for losses on interest refunds	6,735	7,242	55,999
Defined benefit liabilities	2,972	3,904	24,711
Net tax loss carried forward *	73,859	97,630	614,109
Other	9,910	11,193	82,397
Total gross deferred tax assets	133,001	168,278	1,105,853
Less: Valuation allowance	(113,455)	(148,243)	(943,335)
Total deferred tax assets	19,545	20,034	162,509
Deferred tax liabilities	(561)	(234)	(4,664)
Net deferred tax assets	¥ 18,984	¥ 19,800	$ 157,844

* Deferred tax assets related to tax loss carried forward are recorded because the Japanese accounting standard requires that the benefit of tax loss carried forward be estimated and recorded as an asset with deduction of valuation allowance if it is expected that some portions or all of the deferred tax assets will not be realized.

* Net deferred tax assets are included in the following items on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets (current assets)	¥13,314	¥11,631	$110,700
Deferred tax assets (investments, advances and other assets)	5,669	8,168	47,135

Reconciliations between the statutory tax rates and the effective tax rates for the years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Statutory tax rate	35.4%	37.8%
Add (deduct):		
Valuation allowance	(37.6)	(30.1)
Per capita inhabitant tax	0.9	0.6
Entertainment expenses, etc., not deductible for income tax purposes	1.3	0.8
Adjustment to deferred tax assets due to changes in tax rates	7.6	4.9
Other	0.4	1.6
Effective tax rate	8.0%	15.6%

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 9 of 2015) and "Act on Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015, and the corporation tax rate is reduced from the fiscal years beginning on or after April 1, 2015. Consequently, the effective statutory tax rate used to measure deferred tax assets and liabilities was changed from 35.4% to 32.8% for temporary differences expected to be realized or settled in the year beginning April 1, 2015 and to 32.1% for temporary differences expected to be realized or settled in the years beginning on or after April 1, 2016.

As a result of these changes, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥1,489 million ($12,380 thousand), and income taxes - deferred, valuation difference on available-for-sale securities and remeasurements of defined benefit plans increased by ¥1,523 million ($12,663 thousand), ¥33 million ($274 thousand) and ¥0 million ($0 thousand), respectively.

11. Retirement Benefit Plans

(1) Overview of Retirement Benefit Plans

The Company and its domestic consolidated subsidiaries have funded and unfunded defined benefit plans for employees' retirement benefits.

The defined benefit corporate pension plans, all of which are funded, provide lump-sum or pension benefits based on salaries and the length of service. The lump-sum payment plans, which are unfunded (some of which are funded due to establishment of a retirement benefit trust), provide lump-sum benefits based on salaries and the length of service.

Certain consolidated subsidiaries use the simplified method, where the amount required for voluntary retirement at the end of the fiscal year is treated as retirement benefit obligations, to calculate defined benefit liabilities and retirement benefit expenses for their defined benefit corporate pension plans and lump-sum payment plans.

(2) Defined Benefit Plans

(a) Reconciliation between retirement benefit obligations at beginning and end of periods

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligations at beginning of period	¥49,680	¥49,226	$413,070
Cumulative effects of changes in accounting policies	(2,188)	—	(18,192)
Restated balance at beginning of period	47,491	49,226	394,869
Current service costs	2,109	1,971	17,535
Interest costs	706	731	5,870
Actuarial gains and losses	4,858	(94)	40,392
Retirement benefits paid	(2,645)	(2,187)	(21,992)
Other	25	32	207
Retirement benefit obligations at end of period	¥52,545	¥49,680	$436,891

Note The above table includes plans applying the simplified method.

(b) Reconciliation between plan assets at beginning and end of periods

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Plan assets at beginning of period	¥39,388	¥34,605	$327,496
Expected return on plan assets	869	629	7,225
Actuarial gains and losses	5,196	3,263	43,202
Contribution from employer	2,158	2,213	17,942
Retirement benefits paid	(1,475)	(1,324)	(12,264)
Other	1	0	8
Plan assets at end of period	¥46,139	¥39,388	$383,628

Note The above table includes plans applying the simplified method.

(c) Reconciliation between retirement benefit obligations and plan assets at end of period and defined benefit liabilities and defined benefit assets on consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligations	¥ 52,171	¥ 49,300	$ 433,782
Plan assets	(46,139)	(39,388)	(383,628)
	6,032	9,912	50,153
Unfunded retirement benefit obligations	374	379	3,109
Net balance of liability and asset on consolidated balance sheets	6,406	10,291	53,263
Defined benefit liabilities	8,090	10,291	67,265
Defined benefit assets	(1,684)	—	(14,001)
Net balance of liability and asset on consolidated balance sheets	¥ 6,406	¥ 10,291	$ 53,263

Note The above table includes plans applying the simplified method.

(d) Retirement benefit expenses and breakdown

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current service costs	¥2,109	¥1,971	$17,535
Interest costs	706	731	5,870
Expected return on plan assets	(869)	(629)	(7,225)
Amortization of past service costs	(5)	(6)	(41)
Amortization of actuarial gains and losses	132	813	1,097
Amortization of net retirement benefit obligation at transition	537	537	4,464
Other	466	46	3,874
Retirement benefit expenses on defined benefit plans	¥3,077	¥3,466	$25,584

(e) Remeasurements of defined benefit plans in other comprehensive income

Breakdown of items recorded as remeasurements of defined benefit plans, before tax, in other comprehensive income was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service costs	¥ (5)	¥—	$ (41)
Actuarial gains and losses	469	—	3,899
Net retirement benefit obligation at transition	537	—	4,464
Total	¥1,002	¥—	$8,331

(f) Remeasurements of defined benefit plans in accumulated other comprehensive income

Breakdown of items recorded as remeasurements of defined benefit plans, before tax, in accumulated other comprehensive income was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized past service costs	¥ —	¥ (5)	$ —
Unrecognized actuarial gains and losses	(4,529)	(4,059)	(37,656)
Unrecognized net retirement benefit obligation at transition	—	537	—
Total	¥(4,529)	¥(3,527)	$(37,656)

(g) Plan assets

(i) Breakdown of plan assets

Percentages to total plan assets by major category were as follows:

	2015	2014
Debt securities	42.5%	46.3%
Equity securities	49.4	46.3
Other	8.1	7.4
Total	100.0%	100.0%

Note Total plan assets include a retirement benefit trust established for lump-sum payment plans of 26.7% and 26.3% for the years ended March 31, 2015 and 2014, respetively.

(ii) Determination of expected long-term rate of return

In order to determine an expected long-term rate of return on plan assets, the Companies consider current and expected allocation of plan assets and current and expected long-term rates of return from various assets constituting plan assets.

(h) Actuarial assumptions

Major actuarial assumptions (in weighted average)

	2015	2014
Discount rate	0.8%	1.5%
Expected long-term rate of return	3.0%	2.5%

Expected salary increase rates for the year ended March 31, 2015 were 0.0% to 4.8% (0.0% to 4.8% for the year ended March 31, 2014).

12. Commitments and Contingent Liabilities

At March 31, 2015 and 2014, the Companies guaranteed housing loans of employees from financial institutions amounting to ¥1,221 million ($10,152 thousand) and ¥1,747 million, respectively.

13. Net Assets

(1) Common stock and preferred stock at March 31, 2015 were as follows:

	Thousands of shares					Per share	
		Issued					
Class of stock	Authorized	At April 1, 2014	Increase	Decrease	At March 31, 2015	Annual dividend ratio *5	Liquidation value (yen)
Stock Issued and Outstanding:							
Common Stock *1	1,825,000	789,099	27,093	—	816,193	—	—
1st Series Class I Preferred Stock	140,000	140,000	—	—	140,000	+1.00% to +2.75%	1,000
1st Series Class J Preferred Stock *2	150,000	130,020	—	3,780	126,240	+1.00%	1,000
	2,115,000	1,059,119	27,093	3,780	1,082,433		
Treasury Stock:							
Common Stock *3		29	1	9	21	—	—
1st Series Class J Preferred Stock *4		—	3,780	3,780	—	—	—
		29	3,781	3,789	21		

*1. The number of outstanding shares of common stock increased by 27,093 thousand shares since put options attached to 1st Series Class J Preferred Stock were exercised and 27,000 thousand shares of common stock were issued in exchange and subscription rights to shares (stock options) were exercised and 93 thousand shares of common stock were issued in exchange.
*2. The number of 1st Series Class J Preferred Stock decreased by 3,780 thousand shares due to the retirement.
*3. The number of shares of common stock for treasury increased by 1 thousand shares due to the purchase of shares less than one unit, and decreased by 9 thousand shares due to the exercise of subscription rights to shares (stock options) of 9 thousand shares and sale of shares less than one unit of 0 thousand shares.
*4. The number of treasury stock of 1st Series Class J Preferred Stock increased by 3,780 thousand shares due to the acquisition for the conversion into common stock and decreased by 3,780 thousand shares due to the retirement.
*5. Spread against yen TIBOR (6 months).

Holders or registered pledgees of preferred stocks are entitled to receive annual dividends and distribution of residual assets of the Company as set out above in priority to holders of the common stock but pari passu among themselves. The Company may pay one-half of the annual dividend payable on each class of preferred stocks as an interim dividend. Dividends on the preferred stocks are not cumulative. Holders of preferred stocks are not entitled to vote at a general meeting of shareholders.

The following preferred stock is convertible into common stock at the option of the holder. Additional information of conversion is as follows:

Class of stock	Conversion period	Current conversion price
1st Series Class J Preferred Stock	November 1, 2010 to November 1, 2020	¥140

The above preferred stock which has not been converted as described above by the end of the conversion period will be converted into common stock on the day following the end of the conversion period on the prescribed terms of the preferred stock.

Japanese companies are subject to the Companies Act. The significant areas in the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as 1 year rather than 2 years of normal term by its articles of incorporation, the Board of Directors may declare dividends at any time during the fiscal year (except for dividends-in-kind) if the company has prescribed so in its articles of incorporation.

The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate.

The Companies Act also provides certain limitations on the amounts available for dividends and the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases or decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold.

The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution at the shareholders' meeting.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of net assets.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from stock acquisition rights.

The appropriation of retained earnings reflected in the accompanying consolidated statements of changes in net assets represents the results of an appropriation made in the fiscal year in which it was approved by the shareholders' meeting and disposed of during the fiscal year, rather than those in the years to which they relate.

(2) Subscription rights to shares for the year ended March 31, 2015 were as follows:

			Number of shares issued (in thousands)				Balance at March 31, 2015	
Company	Description	Type of shares issued	At April 1, 2014	Increase	Decrease	At March 31, 2015	Millions of yen	Thousands of U.S. dollars
Parent company	Subscription rights to shares as stock options	Common stock	—	—	—	—	¥80	$665

14. Stock Options

The Company has adopted a stock option plan under which subscription rights to shares are granted to directors and executive officers of the Company.

The stock options outstanding as of March 31, 2015 were as follows:

Stock option:	1st Subscription Rights to Shares
Grantees:	11 directors 21 executive officers
Number of options granted*:	Common stock, 476,500 shares
Grant date:	August 26, 2010
Vesting period:	From June 25, 2010 to June 29, 2011
Exercise period:	From August 27, 2010 to August 26, 2030

Stock option:	2nd Subscription Rights to Shares
Grantees:	10 directors 21 executive officers
Number of options granted*:	Common stock, 335,000 shares
Grant date:	August 25, 2011
Vesting period:	From June 29, 2011 to June 27, 2012
Exercise period:	From August 26, 2011 to August 25, 2031

Stock option:	3rd Subscription Rights to Shares
Grantees:	10 directors 20 executive officers
Number of options granted*:	Common stock, 223,500 shares
Grant date:	August 23, 2012
Vesting period:	From June 27, 2012 to June 27, 2013
Exercise period:	From August 24, 2012 to August 23, 2032

Stock option:	4th Subscription Rights to Shares
Grantees:	10 directors 20 executive officers
Number of options granted*:	Common stock, 91,500 shares
Grant date:	August 22, 2013
Vesting period:	From June 27, 2013 to June 26, 2014
Exercise period:	From August 23, 2013 to August 22, 2033

Stock option:	5th Subscription Rights to Shares
Grantees:	10 directors 19 executive officers
Number of options granted*:	Common stock, 89,000 shares
Grant date:	August 21, 2014
Vesting period:	From June 26, 2014 to June 25, 2015
Exercise period:	From August 22, 2014 to August 21, 2034

*The number of stock options is shown in the number of shares.

The movement in stock options for the years ended March 31, 2015 and 2014 was as follows. The number of stock options is shown in the number of shares.

Year ended March 31, 2014

	1st Subscription Rights to Shares	2nd Subscription Rights to Shares	3rd Subscription Rights to Shares	4th Subscription Rights to Shares
Non-vested:	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)
Outstanding as of March 31, 2013	255,000	260,500	213,500	–
Granted	—	—	—	91,500
Forfeited	—	—	—	1,000
Vested	24,000	42,000	34,500	7,000
Outstanding as of March 31, 2014	231,000	218,500	179,000	83,500
Vested:				
Outstanding as of March 31, 2013	—	7,000	9,000	—
Vested	24,000	42,000	34,500	7,000
Exercised	14,500	35,000	28,500	1,000
Forfeited	—	—	—	—
Outstanding as of March 31, 2014	9,500	14,000	15,000	6,000

Year ended March 31, 2015

	1st Subscription Rights to Shares	2nd Subscription Rights to Shares	3rd Subscription Rights to Shares	4th Subscription Rights to Shares	5th Subscription Rights to Shares
Non-vested:	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)
Outstanding as of March 31, 2014	231,000	218,500	179,000	83,500	—
Granted	—	—	—	—	89,000
Forfeited	—	—	—	—	—
Vested	17,000	27,000	19,000	9,500	4,000
Outstanding as of March 31, 2015	214,000	191,500	160,000	74,000	85,000
Vested:					
Outstanding as of March 31, 2014	9,500	14,000	15,000	6,000	—
Vested	17,000	27,000	19,000	9,500	4,000
Exercised	26,500	34,000	29,000	13,500	—
Forfeited	—	—	—	—	—
Outstanding as of March 31, 2015	—	7,000	5,000	2,000	4,000
Exercise price	¥1 per share ($0.00 per share)	¥1 per share ($0.00 per share)	¥1 per share ($0.00 per share)	¥1 per share ($0.00 per share)	¥1 per share ($0.00 per share)
Average stock price upon exercise	¥245.43 ($2.04)	¥234.79 ($1.95)	¥229.89 ($1.91)	¥234.55 ($1.95)	—
Fair value per share at the grant date	¥57.00 per share ($0.47 per share)	¥75.00 per share ($0.62 per share)	¥105.00 per share ($0.87 per share)	¥251.00 per share ($2.08 per share)	¥246.00 per share ($2.04 per share)

The assumption used to estimate the fair value per share of the 5th Subscription Rights to Shares was as follows:

Estimation method:	Black-Scholes option pricing model
Volatility of the share price: *1	61.115%
Expected remaining period: *2	1.73 years
Expected dividend: *3	¥0 per share
Risk-free rate: *4	0.071%

*1. The Company used the historical volatility calculated based on historical data of the Company's share prices for past 90 weeks which was equivalent to the expected remaining period (1.73 years) from the grant date of August 21, 2014.
*2. Expected remaining period was calculated by adding the period up to 10 days after exercise date of this subscription right to shares to the average tenure of the directors and executive officers of the Company.
*3. The Company assumed no dividend to be declared.
*4. The yield of Japanese government bonds corresponding to the relevant expected remaining period was used.

Since it is extremely difficult to estimate the number of future forfeitures, the Company adopts a method where the actual number of forfeitures is used.

15. Financial Instruments

Overviews

(1) Policy for financial instruments

The Companies' main operation is "consumer finance service," and the Companies also engage in the credit collection and credit-related businesses. The Companies raise funds by direct finance such as loans, corporate bonds, commercial papers and securitization of receivables. Also, the Companies enter into interest rate option transactions such as interest rate cap transactions and interest rate swap transactions to cut down and equalize finance cost.

(2) Types of financial instruments and related risk

Financial assets held by the Companies are mainly operating receivables from individuals and are exposed to credit risk. Due to changes such as customers' income environment, there is a possibility of failure to perform their contractual obligations. Investment securities mainly consist of equity securities and investment trusts. The Companies own the above securities for net investment purpose and business promotion purpose. They are exposed to credit risk of the issuers, interest rate fluctuation risk, and market fluctuation risk. Assets and liabilities denominated in foreign currencies are exposed to foreign currency risk.

Loans, unsecured corporate bonds and commercial papers are exposed to liquidity risk which is the risk of default at the due dates when the Companies cannot access to market under certain environment. The Companies have floating interest rate loans which are exposed to interest rate fluctuation risk; however, the Companies utilize interest rate option transactions such as interest rate cap transactions and interest rate swap transactions to hedge the above risk.

To hedge interest rate fluctuation risk in the future, there are derivative transactions such as interest rate cap transactions and interest rate swap transactions. The Company utilizes them as hedging instruments to reduce interest rate fluctuation risk in loans as hedged items and adopts deferral hedge accounting. There is no derivative transaction for speculative purpose. The Company evaluates the effectiveness of their hedging activities by seeking the correlation of the benchmark interest rate fluctuation ranges between the hedging instruments and the related hedged items. No interest rate cap transactions are currently executed.

(3) Risk management of financial instruments

(a) Credit risk management

The Company has established the "credit control group" as a separate and independent body from sales promotion function to manage credit risk. "Credit division" in the "credit control group" manages the individual customers' credit condition and credit standing.

The credit condition and credit standing are periodically reported to the "credit committee," in which the measures for appropriate credit are discussed and determined.

For operating receivables, the Company has established a system to perform credit inspection individually based on the "work authorization rules" and "credit procedures."

For delinquent receivables, the Company has established the "administration group" as a specialized group in relation to collection of receivables and manages receivables in the early stage to mitigate the risk. In addition, the Company corresponds to the effect of the risk exposure by recognizing appropriate allowance based on the "allowance for credit losses and write-offs rules, bylaws and related operating principles."

The Company has established a system in which the status of these credit risk management is discussed in the "overall risk management committee" that is held once every 3 months and the contents are reviewed by the management meeting and Board of Directors' meeting.

(b) Market risk management

(i) Interest rate risk management

The Company has established the "ALM division" in the "finance department," as a special division of ALM. Based on the ALM operation principles determined by the management meeting, the "ALM committee" that is held monthly in principle controls interest rate risk through gap position and maturity ladder approach.

The Company has established a system in which the status of these interest rate risk management is discussed in the "overall risk management committee" that is held once every 3 months and the contents are reviewed by the management meeting and Board of Directors' meeting.

Also, interest rate swap transactions are utilized to hedge interest rate fluctuation risk.

(ii) Foreign currency risk management

The Companies manage foreign currency risk on an individual transaction basis.

(iii) Price fluctuation risk management

Most of the investment securities the Companies own are for business promotion purpose, and the Companies manage the risk by monitoring counterparties' market environment and financial condition periodically.

(iv) Derivative transactions

The Company has established internal rules for derivative transactions which were determined by the Board of Directors and defines the related policies, standards of treatment, management method and reporting structure.

Execution of derivative transactions requires the approval from the Board of Directors, and the execution and management are operated under mutual supervision system.

(v) Quantitative information in connection with market risk

The Company uses, for all financial instruments, the impact on income and loss for the immediate five years using a reasonably anticipated range of fluctuations for the five-year period after the balance sheet date for quantitative analysis to manage interest rate fluctuation risk. The relevant impact is calculated by classifying applicable financial instruments into a fixed-rate group and a floating-rate group and breaking down the balances by the appropriate durations based on each designated date of interest payments.

The major financial instruments exposed to interest rate risk, which is the primary risk factor for the Companies, are short-term bank loans, long-term debt, commercial papers, securitized receivables, unsecured corporate bonds and interest rate swaps.

Assuming risk factors other than interest rates stay constant, as of March 31, 2015, the Companies estimate that income before income taxes and minority interests would decrease by ¥592 million ($4,922 thousand) for the year ending March 31, 2016 (decrease by ¥567 million for the year ending March 31, 2015 as of March 31, 2014) if the benchmark interest rate rose by 10 basis points (0.1%), and that income before income taxes and minority interests would increase by ¥592 million ($4,922 thousand) for the year ending March 31, 2016 (increase by ¥567 million for the year ending March 31, 2015 as of March 31, 2014) if the benchmark interest rate fell by 10 basis points (0.1%). This impact was calculated based on the assumption that risk factors other than interest rates stay constant, and a correlation between interest rates and other risk factors was not taken into account.

In addition, if any interest rate fluctuation exceeds the reasonably anticipated range, the impact may exceed the calculated amounts.

(c) Liquidity risk management in connection with financing

The Company has established the "ALM division" in the "finance department," as a special division of ALM. The "ALM committee" that is held monthly in principle performs liquidity risk management such as by diversification of the financing method, acquisition of commitment lines from multiple financial institutions, and adjustment between current and long-term balances considering the market environment.

The Company has established a system in which the status of these liquidity risk management is discussed in the "overall risk management committee," which is held once every 3 months, and the contents are reviewed by the management meeting and Board of Directors' meeting.

(4) Supplemental explanation on fair value of financial instruments

The fair values of financial instruments include values which are reasonably calculated in case market prices do not exist as well as the values based on market prices. As the calculation of those values includes certain assumptions, those values may vary when different assumptions are applied. Also, for the contract amount regarding derivative transactions in "(a) Fair value of financial instruments," the contract amount itself does not indicate market risk related to derivative transactions.

Estimated Fair Value of Financial Instruments

(a) Fair value of financial instruments

Carrying amount on the consolidated balance sheet, fair value and their difference of financial instruments at March 31, 2015 and 2014 were as follows. The financial instruments whose fair value is extremely difficult to determine are excluded from the table below. (Please refer to (b) below.)

		Millions of yen		
		2015		
		Carrying amount on the consolidated balance sheet *1	Fair value *1	Difference
(i)	Cash and bank deposits	¥ 101,986	¥ 101,986	¥ —
(ii)	Operating receivables *2	1,075,559	1,114,074	38,514
(iii)	Investment securities			
	Available-for-sale securities	2,510	2,510	—
(iv)	Finance payables to member merchants	(115,998)	(115,998)	—
(v)	Short-term bank loans	(57,870)	(57,870)	—
(vi)	Accrued expenses and other current liabilities			
	Commercial papers	(158,700)	(158,700)	—
(vii)	Unsecured corporate bonds	(30,048)	(29,968)	79
(viii)	Long-term debt (including current portion of long-term debt)	(734,420)	(736,403)	(1,983)
(ix)	Derivative transactions *3			
	Hedge accounting is applied	(134)	(134)	—

		Millions of yen		
		2014		
		Carrying amount on the consolidated balance sheet *1	Fair value *1	Difference
(i)	Cash and bank deposits	¥ 107,927	¥ 107,927	¥ —
(ii)	Operating receivables *2	1,054,071	1,083,785	29,713
(iii)	Investment securities			
	Held-to-maturity debt securities	518	587	69
	Available-for-sale securities	2,175	2,175	—
(iv)	Finance payables to member merchants	(122,979)	(122,979)	—
(v)	Short-term bank loans	(87,518)	(87,518)	—
(vi)	Accrued expenses and other current liabilities			
	Commercial papers	(148,400)	(148,400)	—
(vii)	Unsecured corporate bonds	(97)	(98)	(0)
(viii)	Long-term debt (including current portion of long-term debt)	(739,632)	(742,284)	(2,651)
(ix)	Derivative transactions *3			
	Hedge accounting is applied	(222)	(222)	—

		Thousands of U.S. dollars		
		2015		
		Carrying amount on the consolidated balance sheet *1	Fair value *1	Difference
(i)	Cash and bank deposits	$ 847,975	$ 847,975	$ —
(ii)	Operating receivables *2	8,942,870	9,263,108	320,229
(iii)	Investment securities			
	Available-for-sale securities	20,869	20,869	—
(iv)	Finance payables to member merchants	(964,479)	(964,479)	—
(v)	Short-term bank loans	(481,167)	(481,167)	—
(vi)	Accrued expenses and other current liabilities			
	Commercial papers	(1,319,531)	(1,319,531)	—
(vii)	Unsecured corporate bonds	(249,837)	(249,172)	656
(viii)	Long-term debt (including current portion of long-term debt)	(6,106,427)	(6,122,915)	(16,487)
(ix)	Derivative transactions *3			
	Hedge accounting is applied	(1,114)	(1,114)	—

*1. The liability position is shown as negative.
*2. Operating receivables include direct installment receivables and beneficiary certificates retained for receivable securitization, and allowance for credit losses is deducted from the amount. Carrying amount on the consolidated balance sheet of the direct installment receivables includes the amount equivalent to unearned finance income. Guaranteed loan receivables are excluded from the above as it is the contra account of guaranteed loan payables.
*3. Net receivables and payables arising from derivative transactions are presented on a net basis, and the payables position is shown as negative.

Valuation method for fair value of financial instruments and information on investment securities and derivative transactions are as follows:

(i) Cash and bank deposits
For bank deposits without maturities, fair value is based on carrying value since the fair value approximates the carrying value. For deposits with maturities, as they are short-term within one year, fair value is based on carrying value since the fair value approximates the carrying value.

(ii) Operating receivables
For direct installment receivables, fair value is measured by discounting the estimated future cash flows of the principal and interest, which includes beneficiary certificates retained for receivable securitization, using the market interest rate. For delinquent receivables, fair value is based on carrying value, net of applicable allowance for credit losses, since the uncollectible amount is estimated considering the collectability and accordingly the fair value approximates such amount.

(iii) Investment securities
For fair value of investment securities, stocks are based on the price on stock exchanges. Fair value of investment trusts is based on the public constant value.

(iv) Finance payables to member merchants
Fair value is based on carrying value since the fair value approximates the carrying value when it is scheduled to be settled in a short period of time. Those related to collection guarantees are excluded.

(v) Short-term bank loans and (vi) Commercial papers
Fair value is based on carrying value since the fair value approximates the carrying value considering it is scheduled to be settled in a short period of time.

(vii) Unsecured corporate bonds
Fair value of bonds issued by the Company is primarily based on the Reference Statistical Prices (Yields) for OTC Bond Transactions published by Japan Securities Dealers Association or valuation obtained from information vendors, and fair value of bonds issued by the Company's domestic consolidated subsidiary is measured as the net present value by discounting the total amount of principal and interest using the interest rate applied to the issuance of the same kind of bond since there is no market price available.

(viii) Long-term debt and current portion of long-term debt
For floating rate long-term debt, fair value is based on carrying value since the carrying value is deemed to approximate the fair value because the interest rate reflects the market interest and the Companies' credit condition in a short period of time. For fixed rate long-term debt, fair value is measured as the net present value by discounting the total amount of principal and interest by category of the term (for those loans which meet certain criteria to adopt the exceptional treatment of interest rate swap transactions, fair value is determined as the total amount of principal and interest using the interest rate of interest rate swap transactions) using the interest rate applied to the same kind of loan.

(ix) Derivative transactions
Information of fair value for derivative transactions is described in Note 16. Derivative Transactions.

(b) Financial instruments whose fair value is deemed to be extremely difficult to determine at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unlisted equity securities	¥5,558	¥5,135	$46,212

The above securities are not included in (iii) Investment securities in the table above, as there are no market prices available, their future cash flows cannot be estimated and it is deemed to be extremely difficult to determine the fair value.

(5) The redemption schedule for financial receivables and securities with maturities subsequent to March 31, 2015 was as follows:

	Millions of yen					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bank deposits	¥101,822	¥ —	¥ —	¥ —	¥ —	¥ —
Operating receivables	545,265	131,422	84,219	60,407	40,314	213,930
Total	¥647,088	¥131,422	¥84,219	¥60,407	¥40,314	¥213,930

	Thousands of U.S. dollars					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Bank deposits	$ 846,611	$ —	$ —	$ —	$ —	$ —
Operating receivables	4,533,674	1,092,724	700,249	502,261	335,195	1,778,747
Total	$5,380,294	$1,092,724	$700,249	$502,261	$335,195	$1,778,747

(6) The repayment schedule for long-term debt is disclosed in Note 8. Short-Term Bank Loans, Long-Term Debt, and Lease Obligations.

16. Derivative Transactions

Derivative transactions to which hedge accounting was applied at March 31, 2015 and 2014 were as follows:

Interest-rate related:

		Millions of yen		
		2015		
		Contract amount, etc.		
Hedge accounting method and transaction type	Hedged item	Total	Over 1 year	Fair value *1
Principle method				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Short-term bank loans and long-term debt	¥ 19,000	¥ 19,000	¥(134)
Exceptional treatment				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Long-term debt	126,156	110,916	*2
		¥145,156	¥129,916	¥ —

		Millions of yen		
		2014		
		Contract amount, etc.		
Hedge accounting method and transaction type	Hedged item	Total	Over 1 year	Fair value*1
Principle method				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Short-term bank loans and long-term debt	¥ 35,283	¥ —	¥(222)
Exceptional treatment				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Long-term debt	131,818	120,790	*2
		¥167,101	¥120,790	¥ —

Hedge accounting method and transaction type	Hedged item	Thousands of U.S. dollars 2015 Contract amount, etc. Total	Over 1 year	Fair value *1
Principle method				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Short-term bank loans and long-term debt	$ 157,977	$ 157,977	$(1,114)
Exceptional treatment				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Long-term debt	1,048,939	922,224	*2
		$1,206,917	$1,080,202	$ —

*1 Fair value is determined at the quoted price obtained from the counterparty financial institutions.
*2 Fair value of interest rate swap transactions to which the exceptional treatment is applied is included in the fair value of long-term debt as hedged item disclosed in Note 15. Financial Instruments.

17. Breakdown of Consumer Finance Service Revenue

Consumer finance service revenue for the years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Consumer credit	¥ 45,632	¥ 37,802	$ 379,412
Credit card shopping	40,636	38,607	337,873
Direct cash loans	31,541	35,353	262,251
Guarantee and loan agent services	71,406	76,955	593,714
Other	2,137	2,486	17,768
	¥191,355	¥191,205	$1,591,045

The amounts of revenue on securitization of direct installment receivables included in consumer finance service revenue were as follows:

	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Consumer credit	¥26,358	¥19,442	$219,156
Credit card shopping	14,678	13,677	122,042
Direct cash loans	16,564	20,091	137,723
	¥57,601	¥53,211	$478,930

18. Breakdown of Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen 2015	2014	Thousands of U.S. dollars 2015
Provision of allowance for point program	¥ 3,488	¥ 3,755	$ 29,001
Provision of allowance for credit losses	38,386	39,020	319,165
Provision of allowance for losses on interest refunds	16,347	8,730	135,919
Employees' salaries	30,855	31,459	256,547
Retirement benefit expenses	3,077	3,466	25,584
Provision of accrued bonuses	3,292	3,198	27,371
Outsourcing fee	21,772	21,926	181,026
Other	55,631	53,278	462,550
	¥172,851	¥164,835	$1,437,191

19. Cash Flow Information

Reconciliation of cash and cash equivalents on the consolidated statements of cash flows and cash and bank deposits on the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and bank deposits	¥101,986	¥107,927	$ 847,975
Less: Time deposits with deposit term of over 3 months	—	(14,789)	—
Short-term loans included in other current assets	29,996	29,992	249,405
Cash and cash equivalents	¥131,983	¥123,131	$1,097,389

20. Comprehensive Income

Reclassification adjustments and income tax effects on components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation difference on available-for-sale securities:			
Gains arising during the year	¥ 580	¥ 9	$ 4,822
Reclassification adjustments	(77)	73	(640)
Amount before income tax effect	502	83	4,173
Income tax effect	(144)	(30)	(1,197)
Total	358	53	2,976
Deferred gains on hedges:			
Losses arising during the year	(131)	(40)	(1,089)
Reclassification adjustments	219	340	1,820
Amount before income tax effect	88	299	731
Income tax effect	—	—	—
Total	88	299	731
Foreign currency translation adjustments:			
Gains arising during the year	1,578	1,336	13,120
Reclassification adjustments	576	213	4,789
Amount before income tax effect	2,154	1,550	17,909
Income tax effect	—	—	—
Total	2,154	1,550	17,909
Remeasurements of defined benefit plans, net of tax:			
Gains arising during the year	337	—	2,802
Reclassification adjustments	665	—	5,529
Amount before income tax effect	1,002	—	8,331
Income tax effect	2	—	16
Total	1,004	—	8,347
Share of other comprehensive income of associates accounted for using equity method:			
Gains arising during the year	1	0	8
Reclassification adjustments	—	—	—
Total	1	0	8
Total other comprehensive income	¥3,607	¥1,902	$29,990

21. Related Party Transactions

For the year ended March 31, 2015

(1) Transactions with a major shareholder of the Company were as follows:

Name	Voting rights (%)	Business relationship	Details of transaction		Transaction amount: Millions of yen	Transaction amount: Thousands of U.S. dollars	Account	Balance: Millions of yen	Balance: Thousands of U.S. dollars
Mizuho Bank, Ltd.	Direct 20.82	Borrowing of funds	Borrowing of funds, net		¥ —	$ —	Short-term bank loans	¥ 20,000	$ 166,292
							Current portion of long-term debt	19,400	161,303
							Long-term debt	70,600	587,012
			Interest payments		1,313	10,917	Accrued expenses	35	291
		Loan business alliance	Loan guarantee	Debt guarantee	374,757	3,115,964	Guaranteed loan payables	885,128	7,359,507
				Receipt of guarantee fee	37,139	308,796	—	—	—
			Bank guarantee	Debt guarantee	264,234	2,197,006	Guaranteed loan payables	479,672	3,988,293
							Other current liabilities	0	0
				Receipt of guarantee fee	11,661	96,956	Other current assets	1,076	8,946

Notes 1. Interest and guarantee fee rates were determined based on the terms and conditions generally applied to other third-party transactions.
2. Mizuho Bank, Ltd. falls under subsidiaries of other affiliated company.

(2) Transactions with a subsidiary of the Company's other affiliated company were as follows:

Name	Voting rights (%)	Business relationship	Details of transaction		Transaction amount: Millions of yen	Transaction amount: Thousands of U.S. dollars	Account	Balance: Millions of yen	Balance: Thousands of U.S. dollars
Mizuho Trust & Banking Co., Ltd.	Direct 0.12	Loan business alliance	Loan guarantee	Debt guarantee	¥80,669	$670,732	Guaranteed loan payables	¥230,330	$1,915,107
				Receipt of guarantee fee	10,268	85,374	—	—	—
			Monetary trust, net		(6,898)	(57,354)	Credit guarantee trust beneficiary rights	40,037	332,892

Note Interest and guarantee fee rates were determined based on the terms and conditions generally applied to other third-party transactions.

For the year ended March 31, 2014

(1) Transactions with major shareholders of the Company were as follows:

Name	Voting rights (%)	Business relationship	Details of transaction		Transaction amount Millions of yen	Account	Balance Millions of yen
Mizuho Bank, Ltd. (surviving company) Note 2	Direct 21.54	Borrowing of funds	Borrowing of funds, net		¥ —	Short-term bank loans	¥ 25,300
						Current portion of long-term debt	17,200
						Long-term debt	67,500
			Interest payments		1,134	Accrued expenses	52
		Loan business alliance	Loan guarantee	Debt guarantee	292,644	Guaranteed loan payables	844,323
				Receipt of guarantee fee	28,788	—	—
			Bank guarantee	Debt guarantee	178,320	Guaranteed loan payables	436,240
						Other current liabilities	52
				Receipt of guarantee fee	8,244	Other current assets	970
Mizuho Corporate Bank, Ltd. Note 3	Direct 10.31	Borrowing of funds	Borrowing of funds, net		—	Short-term bank loans	29,100
						Current portion of long-term debt	13,100
						Long-term debt	67,800
			Interest payments		242	Accrued expenses	67
Mizuho Bank, Ltd. (absorbed company) Note 3	Direct 11.24	Loan business alliance	Loan guarantee	Debt guarantee	113,250	Guaranteed loan payables	805,785
				Receipt of guarantee fee	11,410	—	—
			Bank guarantee	Debt guarantee	57,965	Guaranteed loan payables	404,580
						Other current liabilities	52
				Receipt of guarantee fee	2,620	Other current assets	859

Notes 1. Interest and guarantee fee rates were determined based on the terms and conditions generally applied to other third-party transactions.
2. Mizuho Corporate Bank, Ltd. (surviving company) and Mizuho Bank, Ltd. (absorbed company), both of which were major shareholders of the Company, merged on July 1, 2013 and have become the Company's other affiliated company. Amounts after the merger are shown as the transaction amounts and balances. Moreover, Mizuho Corporate Bank, Ltd. changed its trade name to Mizuho Bank, Ltd. on the same date.
3. For Mizuho Corporate Bank, Ltd. and Mizuho Bank, Ltd. (absorbed company), major shareholders of the Company, the transaction amounts represent the amounts from April 1 to the end of June 2013, the balances represent the amounts as of the end of June 2013, and the voting rights represent the percentages as of the end of June 2013.
Moreover, Mizuho Corporate Bank, Ltd. and Mizuho Bank, Ltd. (absorbed company) fall under major shareholders and subsidiaries of other affiliated company.

(2) Transactions with a subsidiary of the Company's other affiliated company were as follows:

Name	Voting rights (%)	Business relationship	Details of transaction		Transaction amount Millions of yen	Account	Balance Millions of yen
Mizuho Trust & Banking Co., Ltd.	Direct 0.13	Loan business alliance	Loan guarantee	Debt guarantee	¥85,881	Guaranteed loan payables	¥249,512
				Receipt of guarantee fee	10,949	—	—
			Monetary trust, net		1,498	Credit guarantee trust beneficiary rights	46,935

Note Interest and guarantee fee rates were determined based on the terms and conditions generally applied to other third-party transactions.

22. Special Purpose Companies Subject to Disclosure

The Company securitizes credit receivables and other receivables in order to diversify sources of funding and secure stable financing. For a certain part of such securitization, the Company uses limited liability companies as special purpose companies.

The Company entrusts the receivables described above to a trust bank, and certain senior portions of the trust beneficiary rights are transferred to the special purpose companies. The special purpose companies raise funds through issuing bonds and other securities backed by asset-based lending based on the senior trust beneficiary rights transferred by the Company, and the Company receives the funds as proceeds from the sale of the senior trust beneficiary rights for financing.

As a result of the securitization using the special purpose companies, as of March 31, 2015, there were 2 special purpose companies (the end of their accounting period has not come because of the first fiscal year) with the transaction balance, whose initial net asset is ¥140 million ($1,164 thousand).

The Company did not hold stock and other securities with voting rights of the special purpose companies and did not dispatch any officers or employees to these companies.

Amount of transaction with the special purpose companies for the year ended March 31, 2015 was as follows. There was no special purpose company subject to disclosure for the year ended March 31, 2014.

	Millions of yen		Millions of yen
	2015		
	Amount or balance at March 31, 2015 of main transactions	Gains or losses	
		Item	Amount
Transferred assets			
Senior trust beneficiary rights *	¥56,691	—	¥—

	Thousands of U.S. dollars		Thousands of U.S. dollars
	2015		
	Amount or balance at March 31, 2015 of main transactions	Gains or losses	
		Item	Amount
Transferred assets			
Senior trust beneficiary rights *	$471,364	—	$—

* Balance at March 31, 2015

23. Segment Information

(1) Overview of the reportable segments

The reportable segments of the Company are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to assess their business performance and make decisions about resources allocation.

The Company consists of the following 3 reportable segments which are core businesses of the Company:

- "Installment credit" – credit sale business focusing on auto loans and shopping credit;
- "Credit cards and direct cash loans" – consumer credit cards, credit sale business focusing on individual customers and consumer loans business; and
- "Bank loan guarantee" – guarantee service for personal loans provided by affiliated financial institutions.

(2) Calculation method for the amounts of operating revenues, income and assets for each reportable segment

The accounting policies of the reportable segments are consistent with those described in Note 2. Summary of Significant Accounting Policies. Inter-segment revenues or transfers are recorded based on the prices used in ordinary transactions with independent third parties.

(3) Information about operating revenues, income and assets by reportable segment

	Millions of yen					
	2015					
	Reportable segments					
	Installment credit	Credit cards and direct cash loans	Bank loan guarantee	Total	Other *1	Total
Operating revenues						
Operating revenues to external customers *2	¥ 83,392	¥ 71,907	¥ 32,070	¥ 187,370	¥ 12,799	¥ 200,169
Inter-segment revenues or transfers	—	1	—	1	7,881	7,883
Total	83,392	71,908	32,070	187,371	20,681	208,053
Segment income	67,136	50,579	20,705	138,422	5,606	144,028
Segment assets *3	2,592,814	566,707	1,197,502	4,357,024	237,282	4,594,306

	Millions of yen					
	2014					
	Reportable segments					
	Installment credit	Credit cards and direct cash loans	Bank loan guarantee	Total	Other *1	Total
Operating revenues						
Operating revenues to external customers *2	¥ 82,348	¥ 73,530	¥ 30,627	¥ 186,506	¥ 13,982	¥ 200,488
Inter-segment revenues or transfers	0	1	—	1	7,284	7,285
Total	82,348	73,531	30,627	186,507	21,266	207,774
Segment income	65,761	50,407	19,710	135,878	4,184	140,063
Segment assets *3	2,424,806	588,346	1,098,856	4,112,009	282,038	4,394,048

	Thousands of U.S. dollars					
	2015					
	Reportable segments					
	Installment credit	Credit cards and direct cash loans	Bank loan guarantee	Total	Other *1	Total
Operating revenues						
Operating revenues to external customers *2	$ 693,373	$ 597,879	$ 266,650	$ 1,557,911	$ 106,418	$ 1,664,330
Inter-segment revenues or transfers	—	8	—	8	65,527	65,544
Total	693,373	597,888	266,650	1,557,919	171,954	1,729,882
Segment income	558,210	420,545	172,154	1,150,927	46,611	1,197,538
Segment assets *3	21,558,277	4,711,956	9,956,780	36,227,022	1,972,910	38,199,933

*1. "Other" represents business segments that are not included in the reportable segments and include operations such as housing loans for which the Companies currently do not provide new loans and servicer business.

*2. Operating revenues to external customers by each reportable segment consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Installment credit:			
Revenue from consumer credit	¥45,469	¥37,592	$378,057
Revenue from guarantee and loan agent services	37,923	44,756	315,315
Credit cards and direct cash loans:			
Revenue from credit card shopping	40,636	38,607	337,873
Revenue from direct cash loans	31,270	34,922	259,998
Bank loan guarantee:			
Revenue from guarantee and loan agent services	32,070	30,627	266,650

*3. Segment assets include the balance of securitized direct installment receivables.

(4) Reconciliations between total of operating revenues, segment income and segment assets for the reportable segments and the amounts recorded on the consolidated financial statements

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Operating revenues:			
Total reportable segments	¥ 187,371	¥ 186,507	$ 1,557,919
Other business segments	20,681	21,266	171,954
Corporate revenues	6,228	7,057	51,783
Inter-segment eliminations	(7,883)	(7,285)	(65,544)
Operating revenues on the consolidated financial statements	¥ 206,398	¥ 207,546	$ 1,716,122
Segment income:			
Total reportable segments	¥ 138,422	¥ 135,878	$ 1,150,927
Other business segments	5,606	4,184	46,611
Corporate expenses *	(116,009)	(106,654)	(964,571)
Other	(7,280)	(6,660)	(60,530)
Operating income on the consolidated financial statements	¥ 20,737	¥ 26,747	$ 172,420
Segment assets:			
Total reportable segments	¥4,357,024	¥4,112,009	$36,227,022
Other business segments	237,282	282,038	1,972,910
Corporate assets	1,120,207	1,154,189	9,314,101
Securitized direct installment receivables	(782,345)	(769,311)	(6,504,905)
Other	(3,441)	(2,924)	(28,610)
Total assets on the consolidated financial statements	¥4,928,726	¥4,776,000	$40,980,510

* Corporate expenses represent mainly selling, general and administrative expenses excluding provision of allowance for credit losses.

(5) Related information

(a) Information by product and service has been omitted for the years ended March 31, 2015 and 2014 since it is consistent with the reportable segment information.

(b) Information by geographical area has been omitted for the years ended March 31, 2015 and 2014 since operating revenues from external customers in Japan constituted more than 90% of operating revenues in the consolidated statements of operations and the balance of property and equipment located in Japan constituted more than 90% of the balance in the consolidated balance sheets.

(c) Information by major customer has been omitted for the years ended March 31, 2015 and 2014 since there was no specific external customer representing 10% or more of operating revenues in the consolidated statements of operations.

(d) Information about impairment losses on fixed assets
For the years ended March 31, 2015 and 2014, no impairment loss was recorded.

(e) Information about goodwill
Goodwill was previously incurred from business combinations and was not allocated to the reportable segments since it was not allocable. For the years ended March 31, 2015 and 2014, amortization of unallocated goodwill was ¥61 million ($507 thousand) and ¥61 million, respectively, and as of March 31, 2015 and 2014, the unamortized balance was ¥156 million ($1,297 thousand) and ¥218 million, respectively.

(f) Information about gain on negative goodwill
For the years ended March 31, 2015 and 2014, no gain on negative goodwill was recorded.