



Management's Discussion & Analysis

1. Overview of Operations

(1) Operating Results

The initial year of our medium-term business plan, which commenced in the year ended March 31, 2016, has been designated as "The year where we will get started on new challenges and take a step toward dramatic progress." To realize new growth models, we are undertaking a variety of initiatives, such as further strengthening the installment credit business and accelerating the approach to the growing market in order to achieve sustainable growth in our fields of business and revenue, as well as starting operations of a joint venture in the small-lot leasing business and an auto loan business company in Thailand.

Consolidated operating results in fiscal 2016 were as follows.

Consolidated operating revenues increased ¥5.4 billion year on year to ¥211.8 billion.

In terms of performance by individual businesses, we achieved the following results. In the installment credit business, auto loan billings increased. In shopping credit, billings in the field of home renovations decreased but rose for settlement-related products. As a result, in the installment credit business, overall billings increased year on year, as did business revenue.

In the credit cards and direct cash loans business, billings grew in credit card shopping, and credit card shopping revenues were boosted by growth in the balance of card shopping revolving credit. In direct cash loans, revenues remained flat year on year.

In the bank loan guarantee business, operating revenues increased underpinned by continued increase in billings and growth in the balance of bank loan guarantees.

Consolidated operating expenses decreased ¥3.3 billion year on

year to ¥182.3 billion.

General expenses decreased, and financial expenses also decreased year on year due to improvements in financing availability, etc. Meanwhile, as a result of recording a provision of allowance for losses on interest refunds of ¥6.7 billion in the fourth quarter based on refund amounts for overpaid interest and recent trends in refund conditions, the provision of allowance for losses on interest refunds amounted to ¥18.4 billion.

As a result of these factors, ordinary income rose ¥8.7 billion year on year to ¥29.4 billion, and profit attributable to owners of parent increased ¥6.0 billion year on year to ¥24.5 billion on a consolidated basis.

(2) Cash Flows

Cash and cash equivalents as of the end of fiscal 2016 were ¥178.7 billion, an increase of ¥46.8 billion compared with the end of the previous fiscal year.

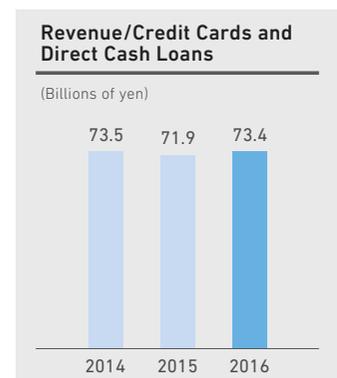
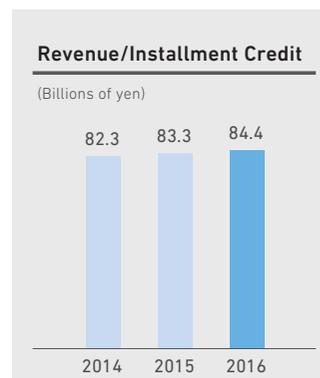
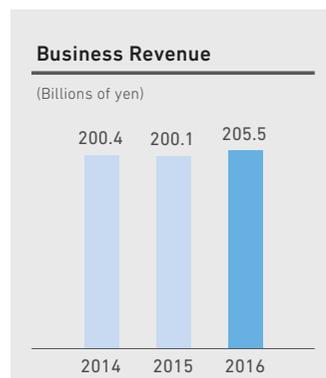
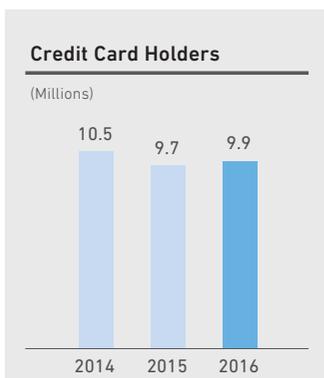
The respective cash flow positions in fiscal 2016 and the factors thereof are as follows.

(Cash flows from operating activities)

Cash used in operating activities in fiscal 2016 amounted to ¥42.2 billion, an increase in cash used of ¥50.5 billion from the previous fiscal year. This mainly reflected an increase in trade receivables. In the fiscal year under review, funds procured through the securitization of receivables amounted to ¥481.3 billion.

(Cash flows from investing activities)

Cash used in investing activities in fiscal 2016 amounted to ¥22.4 billion, a decrease in cash provided of ¥21.7 billion from the





previous fiscal year. These funds were used mainly for the purchase of intangible assets (software).

(Cash flows from financing activities)

Cash provided by financing activities in fiscal 2016 amounted to ¥111.7 billion, an increase in cash provided of ¥110.6 billion compared with the previous fiscal year. The main sources of cash were increases in long-term bank loans and bonds.

(3) Operations of Principal Businesses

Business revenues increased 2.7% from the previous fiscal year to ¥205.5 billion in fiscal 2016. A breakdown of the business revenues is as follows:

(Reference) Breakdown of business revenues by business

Business	Fiscal 2015	Fiscal 2016	Change
	Amount (Billions of yen)	Amount (Billions of yen)	(%)
Installment credit	83.3	84.4	1.3
Credit cards and direct cash loans (Of which: credit card shopping)	71.9 [40.6]	73.4 [42.4]	2.1 [4.4]
Bank loan guarantee	32.0	35.0	9.2
Other	12.7	12.6	(1.1)
Total	200.1	205.5	2.7

Installment credit business

In the installment credit business, we focused on strengthening our promotion for large-scale partner companies and improving customer convenience such as by providing various service products that utilize the Internet.

In auto loans, we reinforced our initiatives targeting imported auto dealers and undertook measures to promote usage by accurately determining customer needs. As a result, auto loan billings rose, and revenues increased.

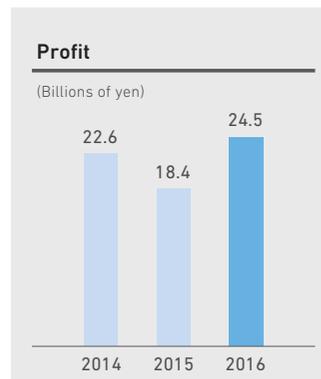
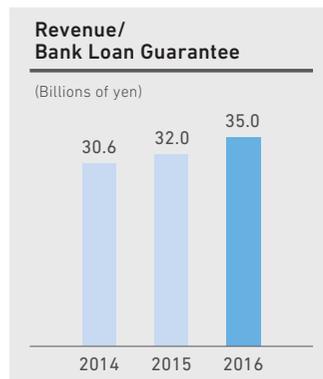
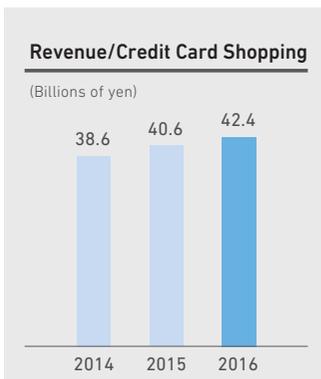
In shopping credit, billings at large home builders increased, but overall billings in the field of home renovations decreased, owing to a lackluster market for solar power generation systems. However, billings for rent guarantees and other settlement-related products continued to rise, owing to new alliances with large regional and other companies. As a result, overall billings and revenues in shopping credit remained on a par with the previous year's levels.

As a result, revenues in the installment credit business increased 1.3% year on year to ¥84.4 billion.

Credit cards and direct cash loans business

In credit card shopping, billings increased, due in part to measures to promote use by existing members, and the balance of card shopping revolving credit rose, leading to higher revenues.

With regard to the issuance of new credit cards, we strengthened promotion of "Orico Card THE POINT," which offers a high ratio of reward points per purchase. Aiming to expand small amount transactions, a market expected to grow, we also focused on customer convenience by embedding contactless IC services—"MasterCard Contactless," "Visa payWave," "iD," and "QUICPay"—in the card. In addition, we began accepting applications for "Orico Prepaid Card," a type of prepaid electronic money that meets the needs of customers who want to prevent overuse or feel uncomfortable with Internet shopping.





In direct cash loans, revenues remained at the previous year's level, as we focused on ongoing promotions targeting the status of use in each customer segment. As a result, revenues in the credit card shopping increased 4.4% year on year to ¥42.4 billion, and revenues from direct cash loans declined 0.9% year on year to ¥30.9 billion. Total revenues in the credit cards and direct cash loans business rose 2.1% from the previous fiscal year to ¥73.4 billion.

Bank loan guarantee business

In the bank loan guarantee business, billings and the bank loan guarantee balance continued to increase, as did revenues. We strengthened comprehensive proposals, such as measures to expand loans to financial institution partners, and concentrated on new alliances for our Web scheme that allows all contract procedures to be performed via websites. We also increased "Internet-based completion of application" of Mizuho Bank Card Loan, a major product of Mizuho Bank, Ltd.

As a result, revenues in the bank loan guarantee business rose 9.2% year on year to ¥35.0 billion.

Other businesses

Group companies, comprising two servicer companies including Japan Collection Service Co., Ltd., and those involved in outsourcing services in credit-related operations and information processing services worked to grow their core businesses, expand peripheral operations and augment productivity through intragroup collaboration.

As a result, revenues in other businesses declined 1.1% year on year to ¥12.6 billion.

