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 ¥112.69 = U.S. $1, the rate of exchange prevailing at March 31, 2016, 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 14 and 12 subsidiaries ("controlled companies," the decision-making body of the entity is controlled) at March 31, 2016 and 2015, respectively. The consolidated financial statements include the accounts of the Company and all subsidiaries. The major consolidated subsidiaries are listed below:

	At March 31, 2016	
	Equity ownership percentage, including indirect ownership	Capital stock (Millions of yen/baht)
CAL Credit Guarantee Co., Ltd.	100.0	¥ 50
Orico Auto Leasing (Thailand) Ltd.	100.0	฿ 277
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 non-controlling interests is charged to non-controlling 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 profit for the year.

(4) Investments in Associates

The Company had 4 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, 2016 (3 associates in 2015).

All associates are accounted for by the equity method, under which the Company's equity in profit of these associates is included in consolidated profit for the years ended March 31, 2016 and 2015.

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) Accrued bonuses

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

(e) 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 and past service costs

Past service costs of the Company are recognized in profit or loss 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 recognized in profit or loss 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.

(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 as available-for-sale securities.

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 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) Earnings per Share

Basic earnings per share of common stock is calculated by deducting the total amount not belonging to common stock shareholders from profit, 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 earnings 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.

(15) Changes in Accounting Policies

Adoption of Accounting Standards for Business Combinations.
The Company has adopted the "Revised Accounting Standard for Business Combinations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 21, issued on September 13, 2013; hereinafter the "Business Combinations Standard"), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on September 13, 2013; hereinafter the "Consolidated Financial Statements Standard"), and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, issued on September 13, 2013; hereinafter the "Business Divestitures Standard"), etc. from the year ended March 31, 2016 and changed to a method to record any difference caused by changes in its ownership interest in a subsidiary without loss of control as capital surplus, and acquisition related costs as expenses for the year in which they occur. For any business combination effective after the beginning of the year ended March 31, 2016, the Company has changed to a method to reflect the adjustments to the purchase price allocation under provisional accounting treatment on the consolidated financial statements in the fiscal year in which the business combinations become effective. Moreover, the presentation method for "net income" and other related items was changed, and the presentation of "minority interests" was changed to "non-controlling interests." In order to reflect such changes in presentation, the Company has reclassified items in the consolidated financial statements for the year ended March 31, 2015.

In accordance with the transitional provisions prescribed in 58-2 (4) of the Business Combinations Standard, 44-5 (4) of the Consolidated Financial Statements Standard, and 57-4 (4) of the Business Divestitures Standard, the Company has prospectively applied the Business Combinations Standard, etc. from the beginning of the year ended March 31, 2016.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows from purchase of shares of subsidiaries that do not result in change in scope of consolidation are stated in the class of "cash flows from financing activities."

For the year ended March 31, 2016, effects on consolidated financial statements and per share information are immaterial.

3. Accounting Standards Issued but Not yet Effective

"Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on March 28, 2016; hereinafter the "Guidance")

(1) Overview

The Guidance basically follows the framework of Audit Committee Report No. 66, the "Audit Treatment on Determining the Recoverability of Deferred Tax Assets," whereby entities are categorized into five categories and deferred tax assets are calculated based on each of these categories.
(i) treatment of entities that meet none of the requirements of Category 1 through Category 5
(ii) requirements of Category 2 and Category 3
(iii) treatment concerning future deductible temporary differences which cannot be scheduled in entities that qualify as Category 2
(iv) treatment concerning reasonable estimable period of future pre-adjusted taxable income in entities that qualify as Category 3
(v) treatment in cases that entities that meet the requirements of Category 4 but qualify as Category 2 or Category 3

(2) Scheduled Date of Adoption

The Companies will adopt the Guidance from the beginning of the year ending March 31, 2017.

(3) Impact of Adopting Guidance

The effects of adopting the Guidance on its consolidated financial statements are currently under evaluation.

4. Marketable Securities and Investment Securities

Total acquisition cost of available-for-sale securities, for which market values were available, was ¥1,483 million ($13,159 thousand) and ¥1,499 million corresponding to the total book value of ¥2,333 million ($20,702 thousand) and ¥2,510 million at March 31, 2016 and 2015, respectively.

Proceeds, gross realized gains and gross realized losses from the sale of available-for-sale securities for the years ended March 31, 2016 and 2015 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Proceeds	¥32	¥350	$283
Gross realized gains	14	138	124
Gross realized losses	11	0	97

For the year ended March 31, 2016, no impairment loss was recognized for securities. For the year ended March 31, 2015, an impairment loss of ¥1 million was recognized for available-for-sale securities.

5. 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 ¥1,559,311 million ($13,837,172 thousand) and ¥1,685,653 million as of March 31, 2016 and 2015, 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.

6. 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.

7. Beneficiary Certificates Retained for Receivable Securitization

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

8. Inventories

At March 31, 2016 and 2015, merchandise and finished goods of ¥1,101 million ($9,770 thousand) and ¥763 million were included in "Inventories" in the accompanying consolidated balance sheets.

9. 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, 2016 and 2015 were 0.56% and 0.74%, respectively.
The annual average interest rates applicable to commercial papers at March 31, 2016 and 2015 were 0.18% and 0.25%, respectively.

Short-term bank loans, long-term debt, lease obligations and others at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Short-term bank loans	¥ 42,130	¥ 57,870	$ 373,857
Commercial papers	186,200	158,700	1,652,320
	¥228,330	¥216,570	$2,026,178
Long-term debt from banks and other financial institutions, maturing through 2023	¥788,620	¥734,420	$6,998,136
Lease obligations	2,184	4,884	19,380
Guarantee deposits received and other	5,164	5,192	45,824
Unsecured corporate bonds due on various dates through July 22, 2022 – generally at 0.30 to 0.88% (0.45 to 0.68% in 2015)	80,000	30,000	709,912
Unsecured corporate bonds due on various dates through August 31, 2016 – generally at 0.79 to 1.16% *	15	48	133
Less: Portion due within one year	(315,996)	(320,579)	(2,804,117)
	¥559,987	¥453,965	$4,969,269

*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, 2016 and 2015 were 1.16% and 1.42%, respectively.

The Companies' assets pledged as collateral at March 31, 2016 and 2015 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Real estate for sale	¥ 69	¥ 23	$ 612
Buildings and structures	291	301	2,582
Land	1,448	1,494	12,849
	¥1,809	¥1,819	$16,052

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Short-term bank loans	¥300	¥400	$2,662
Other long-term liabilities	16	36	141
	¥316	¥436	$2,804

There was no asset pledged as collateral against the line of credit at March 31, 2016. Direct installment receivables of ¥111,280 million were pledged as collateral against the line of credit at March 31, 2015. There was no outstanding loan balance at March 31, 2016 and 2015.

The aggregate annual maturities of long-term debt from banks and other financial institutions at March 31, 2016 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥315,251	$2,797,506
2018	192,179	1,705,377
2019	128,682	1,141,911
2020	73,646	653,527
2021	64,563	572,925
2022 and thereafter	14,299	126,887
	¥788,620	$6,998,136

The aggregate annual maturities of lease obligations at March 31, 2016 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 730	$ 6,477
2018	664	5,892
2019	450	3,993
2020	247	2,191
2021	90	798
2022 and thereafter	—	—
	¥2,184	$19,380

The aggregate annual maturities of unsecured corporate bonds outstanding at March 31, 2016 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2017 *	¥ 15	$ 133
2018	—	—
2019	15,000	133,108
2020	20,000	177,478
2021	25,000	221,847
2022 and thereafter	20,000	177,478
	¥80,015	$710,045

*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.

10. 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.

11. Income Taxes

At March 31, 2016 and 2015, significant components of deferred tax assets and liabilities (both current and non-current) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets due to:			
Allowance for credit losses in excess of tax limit	¥ 29,823	¥ 30,407	$ 264,646
Impairment losses on fixed assets	8,544	9,114	75,818
Provision of allowance for losses on interest refunds	7,239	6,735	64,238
Defined benefit liabilities	2,694	2,972	23,906
Net tax loss carried forward *	62,982	73,859	558,896
Other	9,654	9,910	85,668
Total gross deferred tax assets	120,940	133,001	1,073,209
Less: Valuation allowance	(101,275)	(113,455)	(898,704)
Total deferred tax assets	19,664	19,545	174,496
Deferred tax liabilities	(523)	(561)	(4,641)
Net deferred tax assets	¥ 19,140	¥ 18,984	$ 169,846

* 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.

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets (current assets)	¥14,247	¥13,314	$126,426
Deferred tax assets (investments, advances and other assets)	4,892	5,669	43,411

Reconciliations between the statutory tax rates and the effective tax rates for the years ended March 31, 2016 and 2015 were as follows:

	2016	2015
Statutory tax rate	32.8%	35.4%
Add (deduct):		
Valuation allowance	(22.1)	(37.6)
Per capita inhabitant tax	0.6	0.9
Entertainment expenses, etc., not deductible for income tax purposes	0.7	1.3
Adjustment to deferred tax assets due to changes in tax rates	4.5	7.6
Other	(0.2)	0.4
Effective tax rate	16.3%	8.0%

The "Act to partially revise the Income Tax Act and Others" (Act No. 15 of 2016) and the "Act to partially revise the Local Tax Act and Others" (Act No. 13 of 2016) were enacted in the Diet session on March 29, 2016, and the corporation tax rate is reduced from the years beginning on or after April 1, 2016. Consequently, the effective statutory tax rate used to measure deferred tax assets and liabilities (limited to temporary differences to be settled on or after April 1, 2016) was changed from 32.1% for the year ended March 31, 2015 to 30.7% for temporary differences expected to be realized or settled in the years beginning April 1, 2016 and 2017 and to 30.5% for temporary differences expected to be realized or settled in the years beginning on or after April 1, 2018.

As a result of these changes, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥865 million ($7,675 thousand), and income taxes - deferred, valuation difference on available-for-sale securities and remeasurements of defined benefit plans increased by ¥881 million ($7,817 thousand), ¥15 million ($133 thousand) and ¥0 million ($0 thousand), respectively.

12. Retirement Benefit Plans

(1) Overview of Retirement Benefit Plans

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

The Company introduced a point system for its defined benefit corporate pension plan and lump-sum payment plan on April 1, 2015 and transferred a portion of the defined benefit corporate pension plan to the defined contribution pension plan.

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
	2016	2015	2016
Retirement benefit obligations at beginning of period	¥52,545	¥49,680	$466,279
Cumulative effects of changes in accounting policies	—	(2,188)	—
Restated balance at beginning of period	52,545	47,491	466,279
Current service costs	1,829	2,109	16,230
Interest costs	418	706	3,709
Actuarial gains and losses	586	4,858	5,200
Retirement benefits paid	(2,675)	(2,645)	(23,737)
Past service costs	(1,849)	—	(16,407)
Other	64	25	567
Retirement benefit obligations at end of period	¥50,919	¥52,545	$451,850

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
	2016	2015	2016
Plan assets at beginning of period	¥46,139	¥39,388	$409,432
Expected return on plan assets	1,012	869	8,980
Actuarial gains and losses	(971)	5,196	(8,616)
Contribution from employer	1,300	2,158	11,536
Retirement benefits paid	(1,572)	(1,475)	(13,949)
Other	(6)	1	(53)
Plan assets at end of period	¥45,902	¥46,139	$407,329

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 the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligations	¥ 50,522	¥ 52,171	$ 448,327
Plan assets	(45,902)	(46,139)	(407,329)
	4,620	6,032	40,997
Unfunded retirement benefit obligations	396	374	3,514
Net balance of liability and asset on consolidated balance sheets	5,017	6,406	44,520
Defined benefit liabilities	6,926	8,090	61,460
Defined benefit assets	(1,909)	(1,684)	(16,940)
Net balance of liability and asset on consolidated balance sheets	¥ 5,017	¥ 6,406	$ 44,520

Note The above table includes plans applying the simplified method.

(d) Retirement benefit expenses and breakdown

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current service costs	¥ 1,829	¥2,109	$16,230
Interest costs	418	706	3,709
Expected return on plan assets	(1,012)	(869)	(8,980)
Amortization of actuarial gains and losses	(268)	132	(2,378)
Amortization of past service costs	(142)	(5)	(1,260)
Amortization of net retirement benefit obligation at transition	—	537	—
Other	408	466	3,620
Retirement benefit expenses on defined benefit plans	¥ 1,232	¥3,077	$10,932

(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
	2016	2015	2016
Past service costs	¥ 1,707	¥ (5)	$ 15,147
Actuarial gains and losses	(1,826)	469	(16,203)
Net retirement benefit obligation at transition	—	537	—
Total	¥ (119)	¥1,002	$ (1,055)

(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
	2016	2015	2016
Unrecognized past service costs	¥(1,707)	¥ —	$(15,147)
Unrecognized actuarial gains and losses	(2,702)	(4,529)	(23,977)
Total	¥(4,409)	¥(4,529)	$(39,125)

(g) Plan assets
(i) Breakdown of plan assets
Percentages to total plan assets by major category were as follows:

	2016	2015
Debt securities	43.5%	42.5%
Equity securities	46.8	49.4
Other	9.8	8.1
Total	100.0%	100.0%

Note Total plan assets include a retirement benefit trust established for lump-sum payment plans of 29.1% and 26.7% for the years ended March 31, 2016 and 2015, respectively.

(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)

	2016	2015
Discount rate	0.0%	0.8%
Expected long-term rate of return	3.0%	3.0%

Note Actuarial assumptions include expected salary increase rates and other factors in addition to the above. The Company has adopted a point system from the beginning of the year ended March 31, 2016.
Expected point increase rates for the year ended March 31, 2016 were 0.8% to 16.4%. Expected salary increase rates of certain consolidated subsidiaries for the year ended March 31, 2016 were 0.0% to 3.4% (0.0% to 3.4% for the year ended March 31, 2015).

(3) Defined Contribution Plan
The amount to be paid by the Company to the defined contribution plan was ¥313 million ($2,777 thousand) for the year ended March 31, 2016. Since the Company has adopted the defined contribution plan from the year ended March 31, 2016, the Company did not have any amount to be paid to the plan for the year ended March 31, 2015.

13. Commitments and Contingent Liabilities

At March 31, 2016 and 2015, the Companies guaranteed housing loans of employees from financial institutions amounting to ¥753 million ($6,682 thousand) and ¥1,221 million, respectively.

14. Net Assets

(1) Common stock and preferred stock at March 31, 2016 were as follows:

Class of stock	Thousands of shares: Authorized	Issued: At April 1, 2015	Issued: Increase	Issued: Decrease	Issued: At March 31, 2016	Per share: Annual dividend ratio *5	Per share: Liquidation value (yen)
Stock Issued and Outstanding:							
Common Stock *1	1,825,000	816,193	901,757	—	1,717,951	—	—
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	126,240	—	126,240	—	—	—
	2,115,000	1,082,433	901,757	126,240	1,857,951		
Treasury Stock:							
Common Stock *3		21	0	—	22	—	—
1st Series Class J Preferred Stock *4		—	126,240	126,240	—	—	—
		21	126,240	126,240	22		

*1. The number of outstanding shares of common stock increased by 901,757 thousand shares since put options attached to 1st Series Class J Preferred Stock were exercised and 901,714 thousand shares of common stock were issued in exchange and subscription rights to shares (stock options) were exercised and 43 thousand shares of common stock were issued in exchange.
*2. The number of 1st Series Class J Preferred Stock decreased by 126,240 thousand shares due to the retirement.
*3. The number of shares of common stock for treasury increased by 0 thousand shares due to the purchase of shares less than one unit.
*4. The number of treasury stock of 1st Series Class J Preferred Stock increased by 126,240 thousand shares due to the purchase for the conversion into common stock and decreased by 126,240 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 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.

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 stipulate so.

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, 2016 were as follows:

Company	Description	Type of shares issued	Number of shares issued: At April 1, 2015	Increase	Decrease	At March 31, 2016	Balance at March 31, 2016: Millions of yen	Thousands of U.S. dollars
Parent company	Subscription rights to shares as stock options	Common stock	—	—	—	—	¥98	$869

15. 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, 2016 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

Stock option:	6th Subscription Rights to Shares
Grantees:	10 directors 20 executive officers
Number of options granted*:	Common stock, 116,000 shares
Grant date:	August 20, 2015
Vesting period:	From June 25, 2015 to June 28, 2016
Exercise period:	From August 21, 2015 to August 20, 2035

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

The movement in stock options for the years ended March 31, 2016 and 2015 was as follows. The number of stock options is shown in the number of shares.

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

Year ended March 31, 2016

	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	6th Subscription Rights to Shares
Non-vested:	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)
Outstanding as of March 31, 2015	214,000	191,500	160,000	74,000	85,000	—
Granted	—	—	—	—	—	116,000
Forfeited	—	—	—	—	—	—
Vested	9,500	7,000	5,000	4,000	4,000	7,000
Outstanding as of March 31, 2016	204,500	184,500	155,000	70,000	81,000	109,000
Vested:						
Outstanding as of March 31, 2015	—	7,000	5,000	2,000	4,000	—
Vested	9,500	7,000	5,000	4,000	4,000	7,000
Exercised	9,500	14,000	10,000	4,000	6,000	—
Forfeited	—	—	—	—	—	—
Outstanding as of March 31, 2016	—	—	—	2,000	2,000	7,000
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)	¥1 per share ($0.00 per share)
Average stock price upon exercise	¥215.00 ($1.90)	¥203.50 ($1.80)	¥203.50 ($1.80)	¥203.50 ($1.80)	¥199.66 ($1.77)	—
Fair value per share at the grant date	¥57.00 per share ($0.50 per share)	¥75.00 per share ($0.66 per share)	¥105.00 per share ($0.93 per share)	¥251.00 per share ($2.22 per share)	¥246.00 per share ($2.18 per share)	¥206.00 per share ($1.82 per share)

The assumption used to estimate the fair value per share of the 6th Subscription Rights to Shares was as follows:

Estimation method:	Black-Scholes option pricing model
Volatility of the share price: *1	33.376%
Expected remaining period: *2	1.83 years
Expected dividend: *3	¥0 per share
Risk-free rate: *4	0.005%

*1. The Company used the historical volatility calculated based on historical data of the Company's share prices for past 95 weeks which was equivalent to the expected remaining period (1.83 years) from the grant date of August 20, 2015.
*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.

16. 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 pure 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 at 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 at 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 profit 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, 2016, the Companies estimate that profit before income taxes would decrease by ¥606 million ($5,377 thousand) for the year ending March 31, 2017 (decrease by ¥592 million for the year ending March 31, 2016 as of March 31, 2015) if the benchmark interest rate rose by 10 basis points (0.1%), and that profit before income taxes would increase by ¥606 million ($5,377 thousand) for the year ending March 31, 2017 (increase by ¥592 million for the year ending March 31, 2016 as of March 31, 2015) 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 by such means as 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 at 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, 2016 and 2015 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		
		2016		
		Carrying amount on the consolidated balance sheet *1	Fair value *1	Difference
(i)	Cash and bank deposits	¥ 178,792	¥ 178,792	¥ —
(ii)	Operating receivables *2	1,167,946	1,204,693	36,747
(iii)	Investment securities			
	Available-for-sale securities	2,333	2,333	—
(iv)	Finance payables to member merchants	(115,658)	(115,658)	—
(v)	Short-term bank loans	(42,130)	(42,130)	—
(vi)	Accrued expenses and other current liabilities			
	Commercial papers	(186,200)	(186,200)	—
(vii)	Unsecured corporate bonds	(80,015)	(80,591)	(576)
(viii)	Long-term debt (including current portion of long-term debt)	(788,620)	(790,683)	(2,063)
(ix)	Derivative transactions *3			
	Hedge accounting is applied	(410)	(410)	—

		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)	—

		Thousands of U.S. dollars		
		2016		
		Carrying amount on the consolidated balance sheet *1	Fair value *1	Difference
(i)	Cash and bank deposits	$ 1,586,582	$ 1,586,582	$ —
(ii)	Operating receivables *2	10,364,238	10,690,327	326,089
(iii)	Investment securities			
	Available-for-sale securities	20,702	20,702	—
(iv)	Finance payables to member merchants	(1,026,337)	(1,026,337)	—
(v)	Short-term bank loans	(373,857)	(373,857)	—
(vi)	Accrued expenses and other current liabilities			
	Commercial papers	(1,652,320)	(1,652,320)	—
(vii)	Unsecured corporate bonds	(710,045)	(715,156)	(5,111)
(viii)	Long-term debt (including current portion of long-term debt)	(6,998,136)	(7,016,443)	(18,306)
(ix)	Derivative transactions *3			
	Hedge accounting is applied	(3,638)	(3,638)	—

*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. Fair values of debt guarantees (Guaranteed loan receivables) as of March 31, 2016 and 2015 were ¥26,016 million ($230,863 thousand) and ¥20,341 million, respectively.

*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. Fair value of direct installment receivables of overseas bases is supposed to approximate the carrying value, net of applicable allowance for credit losses, because of its expected repayment periods, interest rate terms and other reasons, so the fair value is based on such amount. 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 daily net asset value per unit.

(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 based on the market price, and fair value of bonds issued by the Company's consolidated subsidiary in Japan 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.

(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 17. Derivative Transactions.

(x) Debt guarantees

Fair value is measured by discounting the estimated future cash flows of guarantee fees under contracts, net of applicable credit risk, etc., using the market interest rate.

(b) Financial instruments whose fair value is deemed to be extremely difficult to determine at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unlisted equity securities	¥6,277	¥5,558	$55,701

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, 2016 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	¥178,600	¥ —	¥ —	¥ —	¥ —	¥ —
Operating receivables	500,509	145,400	101,286	63,861	47,843	245,215
Total	¥679,109	¥145,400	¥101,286	¥63,861	¥47,843	¥245,215

	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	$1,584,878	$ —	$ —	$ —	$ —	$ —
Operating receivables	4,441,467	1,290,265	898,802	566,696	424,554	2,176,013
Total	$6,026,346	$1,290,265	$898,802	$566,696	$424,554	$2,176,013

(6) The repayment schedule for long-term debt is disclosed in Note 9. Short-Term Bank Loans, Long-Term Debt, Lease Obligations and Others.

17. Derivative Transactions

Derivative transactions to which hedge accounting was applied at March 31, 2016 and 2015 were as follows:

Interest-rate related:

Hedge accounting method and transaction type	Hedged item	Millions of yen 2016 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	¥ 19,000	¥ 19,000	¥(410)
Exceptional treatment				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Long-term debt	114,482	73,063	*2
		¥133,482	¥92,063	¥ —

Hedge accounting method and transaction type	Hedged item	Millions of yen 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	¥ 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	¥ —

Hedge accounting method and transaction type	Hedged item	Thousands of U.S. dollars 2016 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	$ 168,604	$168,604	$(3,638)
Exceptional treatment				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Long-term debt	1,015,902	648,353	*2
		$1,184,506	$816,958	$ —

*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 and current portion of long-term debt as hedged item and it is disclosed in Note 16. Financial Instruments.

18. Breakdown of Consumer Finance Service Revenue

Consumer finance service revenue for the years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Consumer credit	¥ 54,804	¥ 45,632	$ 486,325
Credit card shopping	42,427	40,636	376,493
Direct cash loans	31,221	31,541	277,052
Guarantee and loan agent services	66,097	71,406	586,538
Other	1,767	2,137	15,680
	¥196,317	¥191,355	$1,742,097

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Consumer credit	¥35,937	¥26,358	$318,901
Credit card shopping	14,197	14,678	125,982
Direct cash loans	14,784	16,564	131,191
	¥64,919	¥57,601	$576,084

19. Breakdown of Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Provision of allowance for point program	¥ 3,594	¥ 3,488	$ 31,892
Provision of allowance for credit losses	36,680	38,386	325,494
Provision of allowance for losses on interest refunds	18,449	16,347	163,714
Employees' salaries	30,433	30,855	270,059
Retirement benefit expenses	1,546	3,077	13,719
Provision of accrued bonuses	3,286	3,292	29,159
Outsourcing fee	19,351	21,772	171,718
Other	57,695	55,631	511,979
	¥171,037	¥172,851	$1,517,765

20. 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
	2016	2015	2016
Cash and bank deposits	¥178,792	¥101,986	$1,586,582
Short-term loans included in other current assets	—	29,996	—
Cash and cash equivalents	¥178,792	¥131,983	$1,586,582

21. Comprehensive Income

Reclassification adjustments and income tax effects on components of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Valuation difference on available-for-sale securities:			
(Losses) gains arising during the year	¥(160)	¥ 580	$(1,419)
Reclassification adjustments	(2)	(77)	(17)
Amount before income tax effect	(162)	502	(1,437)
Income tax effect	67	(144)	594
Total	(95)	358	(843)
Deferred (losses) gains on hedges:			
Losses arising during the year	(305)	(131)	(2,706)
Reclassification adjustments	30	219	266
Amount before income tax effect	(275)	88	(2,440)
Income tax effect	—	—	—
Total	(275)	88	(2,440)
Foreign currency translation adjustments:			
(Losses) gains arising during the year	(63)	1,578	(559)
Reclassification adjustments	—	576	—
Amount before income tax effect	(63)	2,154	(559)
Income tax effect	—	—	—
Total	(63)	2,154	(559)
Remeasurements of defined benefit plans, net of tax:			
Gains arising during the year	291	337	2,582
Reclassification adjustments	(411)	665	(3,647)
Amount before income tax effect	(119)	1,002	(1,055)
Income tax effect	0	2	0
Total	(119)	1,004	(1,055)
Share of other comprehensive income of associates accounted for using equity method:			
(Losses) gains arising during the year	(0)	1	(0)
Reclassification adjustments	—	—	—
Total	(0)	1	(0)
Total other comprehensive income	¥(553)	¥3,607	$(4,907)

22. Related Party Transactions

For the year ended March 31, 2016

(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 48.69	Borrowing of funds	Borrowing of funds, net		¥ —	$ —	Current portion of long-term debt	¥ 51,900	$ 460,555
							Long-term debt	58,100	515,573
			Interest payments		1,233	10,941	Accrued expenses	22	195
		Loan business alliance	Loan guarantee	Debt guarantee	238,976	2,120,649	Guaranteed loan payables	800,182	7,100,736
				Receipt of guarantee fee	23,570	209,157	—	—	—
			Bank guarantee	Debt guarantee	285,708	2,535,344	Guaranteed loan payables	519,434	4,609,406
				Receipt of guarantee fee	13,375	118,688	Other current assets	1,210	10,737

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 0.06	Loan business alliance	Loan guarantee	Debt guarantee	¥68,967	$612,006	Guaranteed loan payables	¥206,057	$1,828,529
				Receipt of guarantee fee	8,918	79,137	—	—	—
			Monetary trust, net		(744)	(6,602)	Credit guarantee trust beneficiary rights	39,292	348,673

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, 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	Account	Balance: Millions of yen
Mizuho Bank, Ltd.	Direct 20.82	Borrowing of funds	Borrowing of funds, net		¥ —	Short-term bank loans	¥ 20,000
						Current portion of long-term debt	19,400
						Long-term debt	70,600
			Interest payments		1,313	Accrued expenses	35
		Loan business alliance	Loan guarantee	Debt guarantee	374,757	Guaranteed loan payables	885,128
				Receipt of guarantee fee	37,139	—	—
			Bank guarantee	Debt guarantee	264,234	Guaranteed loan payables	479,672
						Other current liabilities	0
				Receipt of guarantee fee	11,661	Other current assets	1,076

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	Account	Balance: Millions of yen
Mizuho Trust & Banking Co., Ltd.	Direct 0.12	Loan business alliance	Loan guarantee	Debt guarantee	¥80,669	Guaranteed loan payables	¥230,330
				Receipt of guarantee fee	10,268	—	—
			Monetary trust, net		(6,898)	Credit guarantee trust beneficiary rights	40,037

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

23. 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.

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.

	2016	2015	2016
Number of special purpose companies	4	2	—
Total assets as of the latest fiscal year-end (simple total)	¥57,693 million	—	$511,962 thousand
Total liabilities as of the latest fiscal year-end (simple total)	¥57,564 million	—	$510,817 thousand

Note The number of companies whose accounts for the first business year were not settled was two for the year ended March 31, 2016 (two for the year ended March 31, 2015), and their accounts were not added to the total assets and total liabilities.
Initial net assets of the companies whose accounts for the first business year were not settled (simple total) were ¥105 million ($931 thousand) for the year ended March 31, 2016 (¥140 million for the year ended March 31, 2015).

Amount of transaction with the special purpose companies for the years ended March 31, 2016 and 2015 was as follows:

	Millions of yen		Millions of yen
	2016		
	Amount or balance at March 31, 2016 of main transactions	Gains or losses	
		Item	Amount
Transferred assets			
Senior trust beneficiary rights *	¥32,100	—	¥—

	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 *	¥62,800	—	¥—

	Thousands of U.S. dollars		Thousands of U.S. dollars
	2016		
	Amount or balance at March 31, 2016 of main transactions	Gains or losses	
		Item	Amount
Transferred assets			
Senior trust beneficiary rights *	$284,852	—	$—

* Amounts of transfer value are stated.

24. 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					
	2016					
	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	¥ 84,460	¥ 73,423	¥ 35,020	¥ 192,904	¥ 12,660	¥ 205,564
Inter-segment revenues or transfers	—	2	—	2	8,365	8,368
Total	84,460	73,425	35,020	192,907	21,025	213,933
Segment income	67,814	57,772	21,844	147,431	5,637	153,069
Segment assets *3	2,803,610	568,675	1,275,989	4,648,275	212,822	4,861,097

	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

	Thousands of U.S. dollars					
	2016					
	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	$ 749,489	$ 651,548	$ 310,764	$ 1,711,811	$ 112,343	$ 1,824,154
Inter-segment revenues or transfers	—	17	—	17	74,230	74,256
Total	749,489	651,566	310,764	1,711,837	186,573	1,898,420
Segment income	601,774	512,663	193,841	1,308,288	50,022	1,358,319
Segment assets *3	24,878,959	5,046,366	11,323,001	41,248,336	1,888,561	43,136,897

*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
	2016	2015	2016
Installment credit:			
Revenue from consumer credit	¥54,643	¥45,469	$484,896
Revenue from guarantee and loan agent services	29,816	37,923	264,584
Credit cards and direct cash loans:			
Revenue from credit card shopping	42,427	40,636	376,493
Revenue from direct cash loans	30,995	31,270	275,046
Bank loan guarantee:			
Revenue from guarantee and loan agent services	35,020	32,070	310,764

*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
	2016	2015	2016
Operating revenues:			
Total reportable segments	¥ 192,907	¥ 187,371	$ 1,711,837
Other business segments	21,025	20,681	186,573
Corporate revenues	6,239	6,228	55,364
Inter-segment eliminations	(8,368)	(7,883)	(74,256)
Operating revenues on the consolidated financial statements	¥ 211,804	¥ 206,398	$ 1,879,527
Segment income:			
Total reportable segments	¥ 147,431	¥ 138,422	$ 1,308,288
Other business segments	5,637	5,606	50,022
Corporate expenses *	(115,751)	(116,009)	(1,027,163)
Other	(7,831)	(7,280)	(69,491)
Operating income on the consolidated financial statements	¥ 29,486	¥ 20,737	$ 261,655
Segment assets:			
Total reportable segments	¥4,648,275	¥4,357,024	$41,248,336
Other business segments	212,822	237,282	1,888,561
Corporate assets	1,284,145	1,120,207	11,395,376
Securitized direct installment receivables	(989,442)	(782,345)	(8,780,211)
Other	(2,901)	(3,441)	(25,743)
Total assets on the consolidated financial statements	¥5,152,900	¥4,928,726	$45,726,328

* 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, 2016 and 2015 since it is consistent with the reportable segment information.

(b) Information by geographical area has been omitted for the years ended March 31, 2016 and 2015 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, 2016 and 2015 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, 2016 and 2015, 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, 2016 and 2015, amortization of unallocated goodwill was ¥61 million ($541 thousand) and ¥61 million, respectively, and as of March 31, 2016 and 2015, the unamortized balance was ¥94 million ($834 thousand) and ¥156 million, respectively.

(f) Information about gain on negative goodwill
For the years ended March 31, 2016 and 2015, no gain on negative goodwill was recorded.