Management’s Discussion & Analysis

1. Overview of Operations

(1) Operating Results

In the fiscal year ended March 31, 2017, the second year of the Company’s medium-term business plan that launched in the preceding year, we set a basic policy of “accelerating and putting the ‘challenge of reform’ fully in progress.” We stepped up the promotion of priority measures toward sustainable growth in the scope of business and earnings and took on a number of challenges aimed at realizing a new growth model to meet targets in the final year of our medium-term business plan.

Consolidated operating results in the fiscal year under review were as follows.

During the fiscal year under review, we added a fourth reportable segment, the settlement and guarantee business, to our three previous segments: the installment credit business, the credit cards and direct cash loans business, and the bank loan guarantee business. This addition was in line with the aim of our medium-term business plan to grow this fourth business.

Year-on-year comparisons are based on the revised segment categories.

Consolidated operating revenues increased ¥1.8 billion year on year to ¥213.6 billion.

In terms of performance by individual businesses, we achieved the following results. In the installment credit business, auto loan billings and shopping credit billings decreased so did business revenue.

In the credit cards and direct cash loans business, revenues from direct cash loans decreased, but operating revenues for the segment grew thanks to an increase in billings in credit card shopping and a steady rise in the revolving balance for credit card shopping.

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

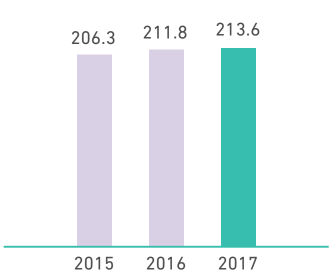
In the settlement and guarantee business, operating revenues rose, due to increased billings in such areas as rent guarantees and small-lot lease guarantees.

Consolidated operating expenses decreased ¥2.1 billion year on year to ¥180.1 billion.

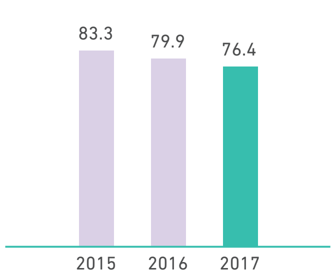
General expenses increased, but bad debt-related expenses and financial expenses fell, leading to an overall decline in operating expenses. As a result of recording a provision of allowance for losses on interest refunds of ¥6.7 billion in the fourth quarter based on refund amounts for overpaid interest and recent trends in refund conditions, the provision of allowance for losses on interest refunds amounted to ¥17.1 billion.

As a result of these factors, ordinary profit rose ¥4.0 billion year on year to ¥33.5 billion, and profit attributable to owners of parent increased ¥4.1 billion year on year to ¥28.6 billion on a consolidated basis.

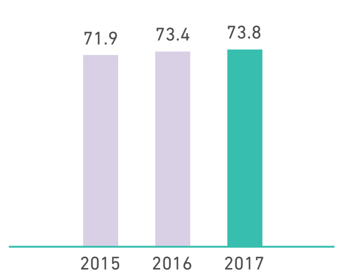
Business Revenue
(Billions of yen)



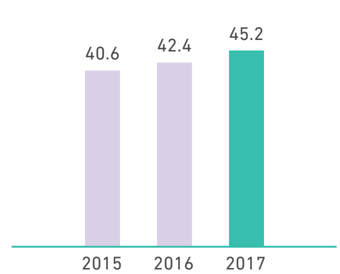
Revenue/Installment Credit
(Billions of yen)



Revenue/Credit Cards and Direct Cash Loans
(Billions of yen)



Revenue/Credit Card Shopping
(Billions of yen)



(2) Cash Flows

Cash and cash equivalents as of the end of fiscal 2017 were ¥198.4 billion, an increase of ¥19.7 billion compared with the end of the previous fiscal year.

The respective cash flow positions in fiscal 2017 and the factors thereof are as follows.

(Cash flows from operating activities)

Cash used in operating activities in fiscal 2017 amounted to ¥104.6 billion, an increase in cash used of ¥62.4 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 ¥574.2 billion.

(Cash flows from investing activities)

Cash used in investing activities in fiscal 2017 amounted to ¥27.9 billion, an increase in cash provided of ¥5.5 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 2017 amounted to ¥152.4 billion, an increase in cash provided of ¥40.6 billion compared with the previous fiscal year. The main sources of cash were increases in long-term bank loans and issuance of bonds.

(3) Operations of Principal Businesses

Business revenues increased 1.0% from the previous fiscal year to ¥207.5 billion in fiscal 2017. A breakdown of the business revenues is as follows:

(Reference) Breakdown of business revenues by business

Business	Fiscal 2016	Fiscal 2017	Change
	Amount (Billions of yen)	Amount (Billions of yen)	(%)
Installment credit	79.9	76.4	(4.4)
Credit cards and direct cash loans [Of which: credit card shopping]	73.4 [42.4]	73.8 [45.2]	0.6 [6.6]
Bank loan guarantee	35.0	39.3	12.3
Settlement and guarantee	5.3	6.8	28.0
Other	11.8	11.0	(6.5)
Total	205.5	207.5	1.0

Installment credit business

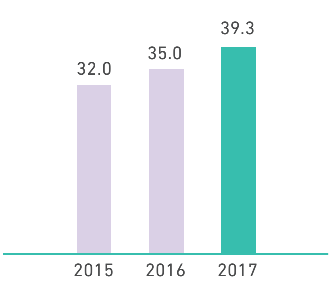
In the installment credit business, we focused on strengthening our promotion for large-scale partner companies and improving customer convenience such as by providing various service products that utilize the Internet.

In auto loans, we expanded our product offerings to meet customer needs, leading to favorable performance in auto leases, but a decline in new auto dealer billings led to lower business revenues.

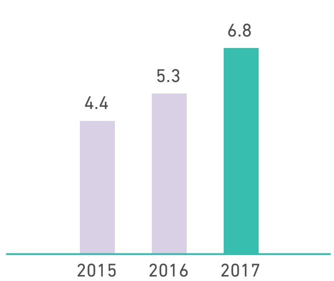
In shopping credit, we concentrated on initiatives to meet e-commerce settlement needs. However, revenues decreased due to lower billings for home renovations, stemming from a lackluster market for solar power generation systems.

As a result, revenues in the installment credit business decreased 4.4% year on year to ¥76.4 billion.

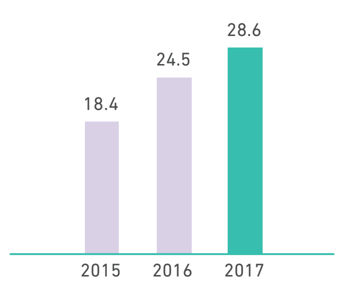
Revenue/Bank Loan Guarantee
(Billions of yen)



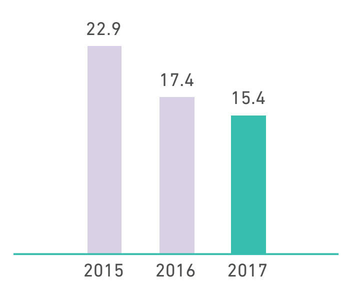
Revenue/Settlement and Guarantee
(Billions of yen)



Profit
(Billions of yen)



Basic Earnings per Share
(Yen)



Credit cards and direct cash loans business

In credit card shopping, billings increased, due in part to measures to promote use by large-scale partner companies, and the balance of card shopping revolving credit rose steadily, leading to higher revenues.

With regard to the issuance of new cards, we saw a steady increase in card issuance for “Orico Card THE POINT,” which offers a higher ratio of reward points per purchase. We also began soliciting members for the “Mizuho Mileage Club Card/THE POINT,” which comes with Mizuho Mileage Club “Happy Benefits.” In addition, we launched an acquiring business through an alliance with Alipay, a leading Chinese provider of electronic settlement services. Through this business and our facilitation of the Apple Pay mobile settlement service, we focused on offering additional convenience to customers. As a FinTech initiative, we entered a partnership agreement aimed at new business development with Plug and Play Tech Center of Silicon Valley in the United States.

In direct cash loans, although revenues declined, we continued to concentrate on preferential interest rate measures and promotions targeting individual customer segments according to usage status.

As a result, revenues in the credit card shopping increased 6.6% year on year to ¥45.2 billion, and revenues from direct cash loans declined 7.4% year on year to ¥28.6 billion. Total revenues in the credit cards and direct cash loans business rose 0.6% from the previous fiscal year to ¥73.8 billion.

Bank loan guarantee business

In the bank loan guarantee business, revenues rose as the bank loan guarantee balance continued to increase. We strengthened comprehensive proposals, providing a broad range of products to meet financial institutions’ needs and introducing effective measures to expand loans. We also saw a steady increase in alliances for our Web scheme that allows all contract procedures to be performed via websites.

As a result, revenues in the bank loan guarantee business rose 12.3% year on year to ¥39.3 billion.

Settlement and guarantee business

In the settlement and guarantee business, we enhanced promotions targeting rent guarantees at large-scale partner companies and increased in the number of allied agencies in the area of small-lot lease guarantees, pushing up billings and revenues.

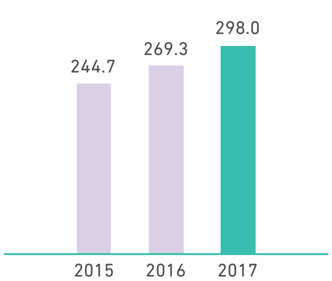
As a result, revenues in the settlement and guarantee business rose 28.0% year on year to ¥6.8 billion.

Other businesses

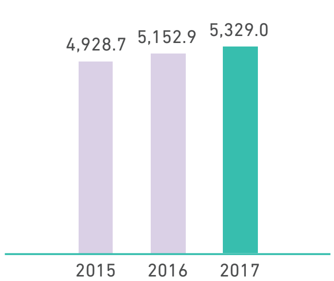
Group companies, comprising two servicer companies including Japan Collection Service Co., Ltd., and those involved in outsourcing services in credit-related operations and information processing services worked to grow their core businesses, expand peripheral operations and augment productivity through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

As a result, revenues in other businesses declined 6.5% year on year to ¥11.0 billion.

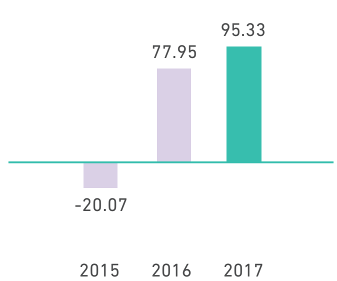
Total Shareholders’ Equity
(Billions of yen)



Total Assets
(Billions of yen)



Net Assets per Share
(Yen)



Equity Ratio
(%)