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 ¥112.20 = U.S. $1, the rate of exchange prevailing at March 31, 2017, 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 subsidiaries ("controlled companies," the decision-making body of the entity is controlled) at March 31, 2017 and 2016, respectively. The consolidated financial statements include the accounts of the Company and all subsidiaries. The major consolidated subsidiaries are listed below:

	At March 31, 2017	
	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	¥100
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 four 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, 2017 (four associates in 2016).

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, 2017 and 2016.

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 five 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 deferral hedge accounting method is adopted.

The derivatives designated as hedging instruments by the Companies are principally interest rate swap 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 sheet 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)
Depreciation of property and equipment is calculated principally by the declining-balance method, except for buildings and other non-building structures, which are depreciated by the straight-line method (certain facilities attached to buildings and other non-building structures acquired on or before March 31, 2016 are depreciated by the declining-balance method), over the estimated useful lives which are the same standards as prescribed by tax laws.

(8) Intangible Assets
Other intangible assets are mainly comprised of software for internal use, which is amortized by the straight-line method over the estimated internal useful lives of 5 or 10 years. As for goodwill, please refer to 2 (12).

(9) Lease Assets
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 two 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) Amortization Method and Amortization Period of Goodwill

Goodwill is amortized by the straight-line method over 20 years or less.

(13) 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 three months or less.

(14) Earnings per Share

Basic earnings per share is calculated by deducting the total amount not attributable 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 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.

(15) 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 five years by the straight-line method.

(16) Changes in Accounting Policies

The Company and its domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No. 32, June 17, 2016) as a result of revisions to the Corporate Tax Act of Japan. Accordingly, the depreciation method for both facilities attached to buildings and other non-building structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The effects on profit and loss are immaterial for the year ended March 31, 2017.

(17) Additional Information

The Companies adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (Accounting Standards Board of Japan Guidance No. 26, March 28, 2016) from the beginning of the year ended March 31, 2017.

3. Securities and Investment Securities

Investments in associates included in "Investment securities" at March 31, 2017 and 2016 were ¥4,570 million ($40,730 thousand) and ¥3,822 million, respectively.
Carrying amount on the consolidated balance sheet, cost and their difference of available-for-sale securities at March 31, 2017 and 2016 were as follows:

		Millions of yen		
		2017		
	Type	Carrying amount on the consolidated balance sheet	Cost	Difference
Securities whose carrying amount exceeds their cost	Equity securities	¥5,065	¥1,694	¥3,370
	Bond securities	—	—	—
	Other	45	24	21
	Subtotal	5,111	1,718	3,392
Securities whose carrying amount does not exceed their cost	Equity securities	347	382	(35)
	Bond securities	—	—	—
	Other	—	—	—
	Subtotal	347	382	(35)
Total		¥5,458	¥2,101	¥3,356

		Millions of yen		
		2016		
	Type	Carrying amount on the consolidated balance sheet	Cost	Difference
Securities whose carrying amount exceeds their cost	Equity securities	¥1,618	¥738	¥879
	Bond securities	—	—	—
	Other	42	24	18
	Subtotal	1,660	762	898
Securities whose carrying amount does not exceed their cost	Equity securities	672	720	(48)
	Bond securities	—	—	—
	Other	—	—	—
	Subtotal	672	720	(48)
Total		¥2,333	¥1,483	¥849

		Thousands of U.S. dollars		
		2017		
	Type	Carrying amount on the consolidated balance sheet	Cost	Difference
Securities whose carrying amount exceeds their cost	Equity securities	$45,142	$15,098	$30,035
	Bond securities	—	—	—
	Other	401	213	187
	Subtotal	45,552	15,311	30,231
Securities whose carrying amount does not exceed their cost	Equity securities	3,092	3,404	(311)
	Bond securities	—	—	—
	Other	—	—	—
	Subtotal	3,092	3,404	(311)
Total		$48,645	$18,725	$29,910

Note: Unlisted equity securities (carrying amounts at March 31, 2017 and 2016 were ¥1,529 million ($13,627 thousand) and ¥2,455 million, respectively) are not included in the above table because there were no quoted market prices available and it is extremely difficult to determine the fair value.

Proceeds, gain on sales and loss on sales from the sale of available-for-sale securities for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		
	2017		
Type	Proceeds	Gain on sales	Loss on sales
Equity securities	¥1,274	¥972	¥6
Bond securities	—	—	—
Other	—	—	—
Total	¥1,274	¥972	¥6

	Millions of yen		
	2016		
Type	Proceeds	Gain on sales	Loss on sales
Equity securities	¥32	¥14	¥11
Bond securities	—	—	—
Other	—	—	—
Total	¥32	¥14	¥11

	Thousands of U.S. dollars		
	2017		
Type	Proceeds	Gain on sales	Loss on sales
Equity securities	$11,354	$8,663	$53
Bond securities	—	—	—
Other	—	—	—
Total	$11,354	$8,663	$53

For the year ended March 31, 2017, an impairment loss of ¥0 million ($0 thousand) was recognized for available-for-sale securities. For the year ended March 31, 2016, no impairment loss was recognized for securities.

4. Direct Installment Receivables

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

Regarding cash advances on loan cards and credit cards, the unused facility balance (including securitized amounts) out of the total facility limit available to customers was ¥1,497,786 million ($13,349,251 thousand) and ¥1,559,311 million as of March 31, 2017 and 2016, respectively.

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

5. Guaranteed Loan Receivables (Payables)

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

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

6. Beneficiary Certificates Retained for Receivable Securitization

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

7. Inventories

At March 31, 2017 and 2016, merchandise and finished goods of ¥880 million ($7,843 thousand) and ¥1,101 million were included in "Inventories" in the accompanying consolidated balance sheet.

8. Long-Term Debt under Securitization of Receivables

Long-term debt under securitization of receivables is debt resulting from securitization of direct installment receivables.

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, 2017 and 2016 were 0.57% and 0.56%, respectively.
The annual average interest rates applicable to commercial papers at March 31, 2017 and 2016 were 0.07% and 0.18%, respectively.

Short-term bank loans, long-term debt, lease obligations and others at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Short-term bank loans	¥ 47,736	¥ 42,130	$ 425,454
Commercial papers	176,400	186,200	1,572,192
	¥224,136	¥228,330	$1,997,647
Long-term debt from banks and other financial institutions, maturing through 2025	¥874,086	¥788,620	$7,790,427
Lease obligations	3,016	2,184	26,880
Guarantee deposits received and other	4,559	5,164	40,632
Long-term debt under securitization of receivables	2,400	—	21,390
Unsecured corporate bonds due on various dates through December 15, 2023 – generally at 0.22 to 0.88% (0.30 to 0.88% in 2016)	150,000	80,000	1,336,898
Unsecured corporate bonds due on August 31, 2016 – at 1.16% *	—	15	—
Less: Portion due within one year	(270,381)	(315,996)	(2,409,812)
	¥763,680	¥559,987	$6,806,417

* 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, 2017 and 2016 were 0.83% and 1.16%, respectively.

The Companies' assets pledged as collateral at March 31, 2017 and 2016 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Beneficiary certificates retained for receivable securitization	¥2,400	¥ —	$21,390
Real estate for sale	—	69	—
Buildings and structures	185	291	1,648
Land	570	1,448	5,080
	¥3,155	¥1,809	$28,119

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Short-term bank loans	¥ 170	¥300	$ 1,515
Long-term debt under securitization of receivables	2,400	—	21,390
Other long-term liabilities	—	16	—
	¥2,570	¥316	$22,905

The aggregate annual maturities of long-term debt from banks and other financial institutions at March 31, 2017 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥269,266	$2,399,875
2019	207,612	1,850,374
2020	205,972	1,835,757
2021	105,576	940,962
2022	71,415	636,497
2023 and thereafter	14,243	126,942
	¥874,086	$7,790,427

The aggregate annual maturities of lease obligations at March 31, 2017 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥1,114	$ 9,928
2019	899	8,012
2020	630	5,614
2021	260	2,317
2022	93	828
2023 and thereafter	17	151
	¥3,016	$26,880

The aggregate annual maturities of other interest-bearing debt at March 31, 2017 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥176,400	$1,572,192
2019	—	—
2020	—	—
2021	—	—
2022	—	—
2023 and thereafter	2,400	21,390
	¥178,800	$1,593,582

The aggregate annual maturities of unsecured corporate bonds outstanding at March 31, 2017 were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ —	$ —
2019	15,000	133,689
2020	30,000	267,379
2021	25,000	222,816
2022	40,000	356,506
2023 and thereafter	40,000	356,506
	¥150,000	$1,336,898

10. Income Taxes

At March 31, 2017 and 2016, significant components of deferred tax assets and liabilities (both current and non-current) were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets due to:			
Allowance for credit losses in excess of tax limit	¥ 29,976	¥ 29,823	$ 267,165
Impairment losses on fixed assets	8,297	8,544	73,948
Provision of allowance for losses on interest refunds	7,816	7,239	69,661
Defined benefit liabilities	2,052	2,694	18,288
Net tax loss carried forward *	57,631	62,982	513,645
Other	10,660	9,654	95,008
Total gross deferred tax assets	116,435	120,940	1,037,745
Less: Valuation allowance	(97,121)	(101,275)	(865,606)
Total deferred tax assets	19,313	19,664	172,130
Deferred tax liabilities	(1,319)	(523)	(11,755)
Net deferred tax assets	¥ 17,994	¥ 19,140	$ 160,374

* 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 sheet.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets (current assets)	¥14,193	¥14,247	$126,497
Deferred tax assets (investments, advances and other assets)	3,800	4,892	33,868

Reconciliations between the statutory tax rates and the effective tax rates for the years ended March 31, 2017 and 2016 were as follows:

	2017	2016
Statutory tax rate	30.7%	32.8%
Add (deduct):		
Valuation allowance	(15.8)	(22.1)
Per capita inhabitant tax	0.5	0.6
Entertainment expenses, etc., not deductible for income tax purposes	0.7	0.7
Adjustment to deferred tax assets due to changes in tax rates	—	4.5
Other	(0.2)	(0.2)
Effective tax rate	15.9%	16.3%

11. 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 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
	2017	2016	2017
Retirement benefit obligations at beginning of period	¥50,919	¥52,545	$453,823
Current service costs	1,746	1,829	15,561
Interest costs	—	418	—
Actuarial gains and losses	372	586	3,315
Retirement benefits paid	(2,592)	(2,675)	(23,101)
Past service costs	—	(1,849)	—
Other	83	64	739
Retirement benefit obligations at end of period	¥50,530	¥50,919	$450,356

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
	2017	2016	2017
Plan assets at beginning of period	¥45,902	¥46,139	$409,108
Expected return on plan assets	812	1,012	7,237
Actuarial gains and losses	273	(971)	2,433
Contribution from employer	1,229	1,300	10,953
Retirement benefits paid	(1,877)	(1,572)	(16,729)
Other	1	(6)	8
Plan assets at end of period	¥46,341	¥45,902	$413,021

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 sheet

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded retirement benefit obligations	¥50,085	¥50,522	$446,390
Plan assets	(46,341)	(45,902)	(413,021)
	3,744	4,620	33,368
Unfunded retirement benefit obligations	444	396	3,957
Net balance of liability and asset on consolidated balance sheet	4,188	5,017	37,326
Defined benefit liabilities	5,921	6,926	52,771
Defined benefit assets	(1,732)	(1,909)	(15,436)
Net balance of liability and asset on consolidated balance sheet	¥ 4,188	¥ 5,017	$ 37,326

Note The above table includes plans applying the simplified method.

(d) Retirement benefit expenses and breakdown

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Current service costs	¥1,746	¥ 1,829	$15,561
Interest costs	—	418	—
Expected return on plan assets	(812)	(1,012)	(7,237)
Amortization of actuarial gains and losses	(475)	(268)	(4,233)
Amortization of past service costs	(142)	(142)	(1,265)
Other	392	408	3,493
Retirement benefit expenses on defined benefit plans	¥ 708	¥ 1,232	$ 6,310

(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
	2017	2016	2017
Past service costs	¥(142)	¥ 1,707	$(1,265)
Actuarial gains and losses	(574)	(1,826)	(5,115)
Total	¥(716)	¥ (119)	$(6,381)

(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
	2017	2016	2017
Unrecognized past service costs	¥(1,565)	¥(1,707)	$(13,948)
Unrecognized actuarial gains and losses	(2,127)	(2,702)	(18,957)
Total	¥(3,693)	¥(4,409)	$(32,914)

(g) Plan assets

(i) Breakdown of plan assets

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

	2017	2016
Debt securities	40.2%	43.5%
Equity securities	46.4	46.8
Other (Note 2)	13.4	9.8
Total	100.0%	100.0%

Notes 1. Total plan assets include a retirement benefit trust established for lump-sum payment plans of 27.6% and 29.1% for the years ended March 31, 2017 and 2016, respectively.
2. Other mainly includes life insurance general accounts and alternative investments.

(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)

	2017	2016
Discount rate	0.0%	0.0%
Expected long-term rate of return	2.5%	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.
Expected point increase rates for the year ended March 31, 2017 were 0.8% to 16.4% (0.8% to 16.4% for the year ended March 31, 2016). Expected salary increase rates of certain consolidated subsidiaries for the year ended March 31, 2017 were 0.0% to 3.4% (0.0% to 3.4% for the year ended March 31, 2016).

(3) Defined Contribution Plan
The amounts to be paid by the Company and certain consolidated subsidiaries to the defined contribution plan were ¥319 million ($2,843 thousand) and ¥313 million for the years ended March 31, 2017 and 2016, respectively.

12. Commitments and Contingent Liabilities

At March 31, 2017 and 2016, the Companies guaranteed housing loans of employees from financial institutions amounting to ¥520 million ($4,634 thousand) and ¥753 million, respectively.

13. Net Assets

(1) Common stock and preferred stock at March 31, 2017 and 2016 were as follows:

	Thousands of shares					Per share	
		Issued					
Class of stock	Authorized	At April 1, 2016	Increase	Decrease	At March 31, 2017	Annual dividend ratio *3	Liquidation value (yen)
Stock Issued and Outstanding:							
Common Stock *1	1,825,000	1,717,951	212	—	1,718,163	—	—
1st Series Class I Preferred Stock	140,000	140,000	—	—	140,000	+1.00% to +2.75%	1,000
	1,965,000	1,857,951	212	—	1,858,163		
Treasury Stock:							
Common Stock *2		22	0	2	20	—	—
		22	0	2	20		

*1. The number of outstanding shares of common stock increased by 212 thousand shares since subscription rights to shares (stock options) were exercised and common stock was issued in exchange.
*2. The number of shares of common stock for treasury increased by 0 thousand shares due to the purchase of shares less than one unit and decreased by 2 thousand shares due to the exercise of subscription rights to shares (stock options).
*3. Spread against yen TIBOR (six months).

	Thousands of shares					Per share	
		Issued					
Class of stock	Authorized	At April 1, 2015	Increase	Decrease	At March 31, 2016	Annual dividend ratio *5	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 (six 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 one year rather than two 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 does not meet 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 capital 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 capital 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 capital 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, 2017 were as follows:

			Number of shares issued				Balance at March 31, 2017	
Company	Description	Type of shares issued	At April 1, 2016	Increase	Decrease	At March 31, 2017	Millions of yen	Thousands of U.S. dollars
Parent company	Subscription rights to shares as stock options	Common stock	—	—	—	—	¥96	$855

(3) Dividends for the year ended March 31, 2017 were as follows:

(a) Dividends paid

There are no relevant matters.

(b) Dividends with the cut-off date in the year ended March 31, 2017 and the effective date in the year ending March 31, 2018

		Total dividends			Dividends per share			
Resolution	Type of shares	Millions of yen	Thousands of U.S. dollars	Source of dividends	Yen	U.S. dollars	Cut-off date	Effective date
Annual general meeting of shareholders on June 27, 2017	Common stock	3,436	30,623	Retained earnings	2.00	0.01	March 31, 2017	June 28, 2017
	1st series class I preferred stock	1,589	14,162	Retained earnings	11.35	0.10	March 31, 2017	June 28, 2017

14. Stock Options

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

The stock options outstanding as of March 31, 2017 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 conditions:	(i) Those who receive allotment of these subscription rights to shares (the "Grantees") may exercise the rights during the exercisable period and 10 days starting the day following the date on which they lose their positions of both directors and executive officers of the Company. (ii) When the Grantees exercise these subscription rights to shares, they shall collectively exercise all subscription rights to shares held by themselves. (iii) Other conditions for the exercise of these subscription rights to shares are as prescribed in the "Share Subscription Right Allotment Agreement" entered into by and between the Company and each subscription rights holder in accordance with a resolution of the Board of Directors.
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 conditions:	(i) Those who receive allotment of these subscription rights to shares (the "Grantees") may exercise the rights during the exercisable period and 10 days starting the day following the date on which they lose their positions of both directors and executive officers of the Company. (ii) When the Grantees exercise these subscription rights to shares, they shall collectively exercise all subscription rights to shares held by themselves. (iii) Other conditions for the exercise of these subscription rights to shares are as prescribed in the "Share Subscription Right Allotment Agreement" entered into by and between the Company and each subscription rights holder in accordance with a resolution of the Board of Directors.
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 conditions:	(i) Those who receive allotment of these subscription rights to shares (the "Grantees") may exercise the rights during the exercisable period and 10 days starting the day following the date on which they lose their positions of both directors and executive officers of the Company. (ii) When the Grantees exercise these subscription rights to shares, they shall collectively exercise all subscription rights to shares held by themselves.
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 conditions:	(i) Those who receive allotment of these subscription rights to shares (the "Grantees") may exercise the rights during the exercisable period and 10 days starting the day following the date on which they lose their positions of both directors and executive officers of the Company. (ii) When the Grantees exercise these subscription rights to shares, they shall collectively exercise all subscription rights to shares held by themselves.
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 conditions:	(i) Those who receive allotment of these subscription rights to shares (the "Grantees") may exercise the rights during the exercisable period and 10 days starting the day following the date on which they lose their positions of both directors and executive officers of the Company. (ii) When the Grantees exercise these subscription rights to shares, they shall collectively exercise all subscription rights to shares held by themselves.
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 conditions:	(i) Those who receive allotment of these subscription rights to shares (the "Grantees") may exercise the rights during the exercisable period and 10 days starting the day following the date on which they lose their positions of both directors and executive officers of the Company. (ii) When the Grantees exercise these subscription rights to shares, they shall collectively exercise all subscription rights to shares held by themselves.
Vesting period:	From June 25, 2015 to June 28, 2016
Exercise period:	From August 21, 2015 to August 20, 2035

Stock option:	7th Subscription Rights to Shares
Grantees:	10 directors 20 executive officers
Number of options granted*:	Common stock, 116,000 shares
Grant date:	August 23, 2016
Vesting conditions:	(i) Those who receive allotment of these subscription rights to shares (the "Grantees") may exercise the rights during the exercisable period and 10 days starting the day following the date on which they lose their positions of both directors and executive officers of the Company. (ii) When the Grantees exercise these subscription rights to shares, they shall collectively exercise all subscription rights to shares held by themselves.
Vesting period:	From June 28, 2016 to June 27, 2017
Exercise period:	From August 24, 2016 to August 23, 2036

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

The movement in stock options for the years ended March 31, 2017 and 2016 was as follows. The number of stock options is shown in the number of shares.

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

Year ended March 31, 2017

	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	7th Subscription Rights to Shares
Non-vested:	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)	(Number of shares)
Outstanding as of March 31, 2016	204,500	184,500	155,000	70,000	81,000	109,000	—
Granted	—	—	—	—	—	—	116,000
Forfeited	—	—	—	—	—	—	—
Vested	76,500	58,000	41,500	17,000	17,000	21,000	2,500
Outstanding as of March 31, 2017	128,000	126,500	113,500	53,000	64,000	88,000	113,500
Vested:							
Outstanding as of March 31, 2016	—	—	—	2,000	2,000	7,000	—
Vested	76,500	58,000	41,500	17,000	17,000	21,000	2,500
Exercised	67,500	51,000	36,500	17,000	17,000	25,500	—
Forfeited	—	—	—	—	—	—	—
Outstanding as of March 31, 2017	9,000	7,000	5,000	2,000	2,000	2,500	2,500
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)	¥1 per share ($0.00 per share)
Average stock price upon exercise	¥186.00 ($1.65)	¥186.00 ($1.65)	¥186.00 ($1.65)	¥188.58 ($1.68)	¥188.58 ($1.68)	¥193.62 ($1.72)	—
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 ($2.23 per share)	¥246.00 per share ($2.19 per share)	¥206.00 per share ($1.83 per share)	¥200.00 per share ($1.78 per share)

The assumption used to estimate the fair value per share of the 7th Subscription Rights to Shares was as follows:

Estimation method:	Black-Scholes option pricing model
Volatility of the share price: *1	38.355%
Expected remaining period: *2	1.78 years
Expected dividend: *3	¥0 per share
Risk-free rate: *4	(0.205)%

*1. The Company used the historical volatility calculated based on historical data of the Company's share prices for past 93 weeks which was equivalent to the expected remaining period (1.78 years) from the grant date of August 23, 2016.
*2. Expected remaining period was calculated by adding the period up to 10 days after exercise date of this subscription right to shares to the average tenure of the directors and executive officers of the Company.
*3. The Company assumed no dividend to be declared.
*4. The yield of Japanese government bonds corresponding to the relevant expected remaining period was used.

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

15. Financial Instruments

Overviews

(1) Policy for financial instruments

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

(2) Types of financial instruments and related risk

Financial assets held by the Companies are mainly operating receivables from individuals and are exposed to credit risk. Due to changes such as customers' income environment, there is a possibility of failure to perform their contractual obligations. Investment securities mainly consist of equity securities. The Companies own the above securities for 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 insufficient financing because 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 derivative transactions such as interest rate swap transactions and interest rate cap transactions to hedge the above risk.

In the interest rate swap transactions, the Company adopts deferral hedge accounting to reduce interest rate fluctuation risk in loans as hedged items. 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. There is no derivative transaction for speculative purpose.

(3) Risk management of financial instruments

(a) Credit risk management

The Company has established the "risk management group" as a separate and independent body from sales promotion function to manage credit risk. "Credit division" in the "risk management 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 three 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 three 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 defined 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 quantitatively analyzes, for all financial instruments, the impact on profit and loss for the immediate five years using a reasonably anticipated range of interest rate fluctuations to manage interest rate fluctuation risk. The 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 respective rollover dates.

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, 2017, the Companies estimate that profit before income taxes would decrease by ¥672 million ($5,989 thousand) for the year ending March 31, 2018 (decrease by ¥606 million for the year ending March 31, 2017 as of March 31, 2016) if the benchmark interest rate rose by 10 basis points (0.1%), and that profit before income taxes would increase by ¥672 million ($5,989 thousand) for the year ending March 31, 2018 (increase by ¥606 million for the year ending March 31, 2017 as of March 31, 2016) 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 three 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, 2017 and 2016 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		
		2017		
		Carrying amount on the consolidated balance sheet *1	Fair value *1	Difference
(i)	Cash and bank deposits	¥ 198,498	¥ 198,498	¥ —
(ii)	Operating receivables *2	1,325,870	1,353,056	27,185
(iii)	Investment securities			
	Available-for-sale securities	5,458	5,458	—
(iv)	Notes and accounts payable	(114,585)	(114,585)	—
(v)	Short-term bank loans	(47,736)	(47,736)	—
(vi)	Accrued expenses and other current liabilities			
	Commercial papers	(176,400)	(176,400)	—
(vii)	Unsecured corporate bonds	(150,000)	(149,742)	257
(viii)	Long-term debt (including current portion of long-term debt)	(874,086)	(875,044)	(957)
(ix)	Derivative transactions *3			
	Hedge accounting is applied	(272)	(272)	—

		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)	Notes and accounts payable	(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)	—

		Thousands of U.S. dollars		
		2017		
		Carrying amount on the consolidated balance sheet *1	Fair value *1	Difference
(i)	Cash and bank deposits	$ 1,769,144	$ 1,769,144	$ —
(ii)	Operating receivables *2	11,817,023	12,059,322	242,290
(iii)	Investment securities			
	Available-for-sale securities	48,645	48,645	—
(iv)	Notes and accounts payable	(1,021,256)	(1,021,256)	—
(v)	Short-term bank loans	(425,454)	(425,454)	—
(vi)	Accrued expenses and other current liabilities			
	Commercial papers	(1,572,192)	(1,572,192)	—
(vii)	Unsecured corporate bonds	(1,336,898)	(1,334,598)	2,290
(viii)	Long-term debt (including current portion of long-term debt)	(7,790,427)	(7,798,966)	(8,529)
(ix)	Derivative transactions *3			
	Hedge accounting is applied	(2,424)	(2,424)	—

*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, 2017 and 2016 were ¥29,120 million ($259,536 thousand) and ¥26,016 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) Notes and accounts payable
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 is based on the market price, and fair value of bonds in the year ended March 31, 2016, which were issued by certain of the Company's consolidated subsidiaries, 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 assumed to approximate the fair value because the interest rate reflects the market interest and the Companies' credit condition in a short period of time. For fixed rate long-term debt, fair value is measured as the net present value by discounting the total amount of principal and interest by category of the term (for those loans which meet certain criteria to adopt the exceptional treatment of interest rate swap transactions, fair value is determined as the total amount of principal and interest using the interest rate of interest rate swap transactions) using the interest rate applied to the same kind of loan.

(ix) Derivative transactions

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

(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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unlisted equity securities	¥6,099	¥6,277	$54,358

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, 2017 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	¥198,315	¥ —	¥ —	¥ —	¥ —	¥ —
Operating receivables	545,763	164,513	107,850	80,191	66,837	287,438
Total	¥744,079	¥164,513	¥107,850	¥80,191	¥66,837	¥287,438

	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	$1,767,513	$ —	$ —	$ —	$ —	$ —
Operating receivables	4,864,197	1,466,247	961,229	714,714	595,695	2,561,836
Total	$6,631,720	$1,466,247	$961,229	$714,714	$595,695	$2,561,836

(6) The repayment schedules for long-term debt, unsecured corporate bonds and other interest-bearing debt are disclosed in Note 9. Short-Term Bank Loans, Long-Term Debt, Lease Obligations and Others.

16. Derivative Transactions

Derivative transactions to which hedge accounting was applied at March 31, 2017 and 2016 were as follows:

Interest-rate related:

		Millions of yen		
		2017		
		Contract amount, etc.		
Hedge accounting method and transaction type	Hedged item	Total	Over one year	Fair value *1
Principle method				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Loans and debt	¥19,000	¥19,000	¥(272)
Exceptional treatment				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Loans and debt	62,835	56,235	*2
		¥81,835	¥75,235	¥ —

Hedge accounting method and transaction type	Hedged item	Millions of yen 2016 Contract amount, etc. Total	Over one year	Fair value*1
Principle method				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Loans and debt	¥ 19,000	¥19,000	¥(410)
Exceptional treatment				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Loans and debt	114,482	73,063	*2
		¥133,482	¥92,063	¥ —

Hedge accounting method and transaction type	Hedged item	Thousands of U.S. dollars 2017 Contract amount, etc. Total	Over one year	Fair value *1
Principle method				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Loans and debt	$169,340	$169,340	$(2,424)
Exceptional treatment				
Interest rate swap transactions (Payable fixed/ Receivable floating)	Loans and debt	560,026	501,203	*2
		$729,367	$670,543	$ —

*1 Fair value is determined at the quoted price obtained from the counterparty financial institutions.
*2 As interest rate swap transactions to which the exceptional treatment is applied are accounted for with loans as hedged items, fair value of the interest rate swap transactions is included in the fair value of such loans.

17. Breakdown of Consumer Finance Service Revenue

Consumer finance service revenue for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Consumer credit	¥ 61,626	¥ 54,804	$ 549,251
Credit card shopping	45,210	42,427	402,941
Direct cash loans	28,927	31,221	257,816
Guarantee and loan agent services	61,125	66,097	544,786
Other	1,846	1,767	16,452
	¥198,736	¥196,317	$1,771,265

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
	2017	2016	2017
Consumer credit	¥42,134	¥35,937	$375,525
Credit card shopping	16,695	14,197	148,796
Direct cash loans	14,900	14,784	132,798
	¥73,730	¥64,919	$657,130

18. Breakdown of Selling, General and Administrative Expenses

Selling, general and administrative expenses for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Provision of allowance for point program	¥ 4,361	¥ 3,594	$ 38,868
Provision of allowance for credit losses	35,315	36,680	314,750
Provision of allowance for losses on interest refunds	17,172	18,449	153,048
Employees' salaries	30,280	30,433	269,875
Retirement benefit expenses	1,028	1,546	9,162
Provision of accrued bonuses	3,817	3,286	34,019
Outsourcing fee	18,385	19,351	163,859
Other	60,604	57,695	540,142
	¥170,966	¥171,037	$1,523,761

19. Cash Flow Information

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Cash and bank deposits	¥198,498	¥178,792	$1,769,144
Cash and cash equivalents	¥198,498	¥178,792	$1,769,144

20. Comprehensive Income

Reclassification adjustments and income tax effects on components of other comprehensive income for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Valuation difference on available-for-sale securities:			
Gains (losses) arising during the year	¥2,506	¥(160)	$22,335
Reclassification adjustments	0	(2)	0
Amount before income tax effect	2,506	(162)	22,335
Income tax effect	(766)	67	(6,827)
Total	1,740	(95)	15,508
Deferred gains (losses) on hedges:			
Gains (losses) arising during the year	58	(305)	516
Reclassification adjustments	79	30	704
Amount before income tax effect	137	(275)	1,221
Income tax effect	—	—	—
Total	137	(275)	1,221
Foreign currency translation adjustments:			
Gains (losses) arising during the year	6	(63)	53
Reclassification adjustments	—	—	—
Amount before income tax effect	6	(63)	53
Income tax effect	—	—	—
Total	6	(63)	53
Remeasurements of defined benefit plans, net of tax:			
(Losses) gains arising during the year	(99)	291	(882)
Reclassification adjustments	(617)	(411)	(5,499)
Amount before income tax effect	(716)	(119)	(6,381)
Income tax effect	1	0	8
Total	(714)	(119)	(6,363)
Share of other comprehensive income of associates accounted for using equity method:			
Gains (losses) arising during the year	1	(0)	8
Reclassification adjustments	—	—	—
Total	1	(0)	8
Total other comprehensive income	¥1,171	¥(553)	$10,436

21. Related Party Transactions

For the year ended March 31, 2017

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

					Transaction amount			Balance	
Name	Voting rights (%)	Business relationship	Details of transaction		Millions of yen	Thousands of U.S. dollars	Account	Millions of yen	Thousands of U.S. dollars
Mizuho Bank, Ltd.	Direct 48.68	Borrowing of funds	Borrowing of funds, net		¥ 20,000	$ 178,253	Current portion of long-term debt	¥ 29,000	$ 258,467
							Long-term debt	101,000	900,178
			Interest payments		1,019	9,081	Accrued expenses	11	98
		Loan business alliance	Loan guarantee	Debt guarantee	81,498	726,363	Guaranteed loan payables	608,949	5,427,352
				Receipt of guarantee fee	8,761	78,083	—	—	—
			Bank guarantee	Debt guarantee	292,638	2,608,181	Guaranteed loan payables	545,778	4,864,331
				Receipt of guarantee fee	15,920	141,889	Other current assets	1,433	12,771

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. also falls under subsidiaries of other affiliated company.

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

					Transaction amount			Balance	
Name	Voting rights (%)	Business relationship	Details of transaction		Millions of yen	Thousands of U.S. dollars	Account	Millions of yen	Thousands of U.S. dollars
Mizuho Trust & Banking Co., Ltd.	Direct 0.06	Loan business alliance	Loan guarantee	Debt guarantee	¥20,601	$183,609	Guaranteed loan payables	¥147,787	$1,317,174
				Receipt of guarantee fee	2,936	26,167	—	—	—

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, 2016

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

					Transaction amount		Balance
Name	Voting rights (%)	Business relationship	Details of transaction		Millions of yen	Account	Millions of yen
Mizuho Bank, Ltd.	Direct 48.69	Borrowing of funds	Borrowing of funds, net		¥ —	Current portion of long-term debt	¥ 51,900
						Long-term debt	58,100
			Interest payments		1,233	Accrued expenses	22
		Loan business alliance	Loan guarantee	Debt guarantee	238,976	Guaranteed loan payables	800,182
				Receipt of guarantee fee	23,570	—	—
			Bank guarantee	Debt guarantee	285,708	Guaranteed loan payables	519,434
				Receipt of guarantee fee	13,375	Other current assets	1,210

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. also falls under subsidiaries of other affiliated company.

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

					Transaction amount		Balance
Name	Voting rights (%)	Business relationship	Details of transaction		Millions of yen	Account	Millions of yen
Mizuho Trust & Banking Co., Ltd.	Direct 0.06	Loan business alliance	Loan guarantee	Debt guarantee	¥68,967	Guaranteed loan payables	¥206,057
				Receipt of guarantee fee	8,918	—	—

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

22. Special Purpose Companies Subject to Disclosure

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

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

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.

	2017	2016	2017
Number of special purpose companies	6	4	—
Total assets as of the latest fiscal year-end (simple total)	¥64,952 million	¥57,693 million	$578,894 thousand
Total liabilities as of the latest fiscal year-end (simple total)	¥64,748 million	¥57,564 million	$577,076 thousand

Note The number of companies whose accounts for the first business year were not settled was two for the year ended March 31, 2017 (two for the year ended March 31, 2016), 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 ($935 thousand) for the year ended March 31, 2017 (¥105 million for the year ended March 31, 2016).

Amounts of transactions with the special purpose companies for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Millions of yen
	2017		
	Amount or balance at March 31, 2017 of main transactions	Gains or losses	
		Item	Amount
Transferred assets			
Senior trust beneficiary rights *	¥73,200	—	¥—
Loans receivable	2,400	Interest income	4

	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	—	¥—

	Thousands of U.S. dollars		Thousands of U.S. dollars
	2017		
	Amount or balance at March 31, 2017 of main transactions	Gains or losses	
		Item	Amount
Transferred assets			
Senior trust beneficiary rights *	$652,406	—	$—
Loans receivable	21,390	Interest income	35

*Amounts of transfer value are stated.

23. Earnings per Share

The bases for calculation are as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Basic earnings per share:			
Profit attributable to owners of parent	¥ 28,690	¥ 24,577	$255,704
Profit not attributable to common stock shareholders:	2,161	—	19,260
Preferred dividends	1,589	—	14,162
Amount for which shareholders excluding common stock shareholders can participate in dividends after dividends for the period are paid from profit in consolidated statements of income	572	—	5,098
Profit attributable to owners of parent related to common stock	26,528	24,577	236,434
Weighted average number of shares for common stock (thousands of shares)	1,718,092	1,407,885	
Diluted earnings per share:			
Profit adjustment attributable to owners of parent	—	—	—
Increase in shares of common stock (thousands of shares):	713	310,806	
1st series class J preferred stock	—	310,039	
Subscription rights to shares	713	766	

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 four reportable segments which are core businesses of the Company:

- "Installment credit" – consumer credit service and credit guarantee service focusing on auto loans and shopping credit;
- "Credit cards and direct cash loans" – consumer credit cards, credit card shopping service focusing on individual customers, and consumer loans service;
- "Bank loan guarantee" – guarantee service for personal loans provided by affiliated financial institutions; and
- "Settlement and guarantee" – settlement and guarantee services for rents and accounts receivable, guarantee service for small leases, and collection agent service.

The Companies aim to develop the "settlement and guarantee" business into their fourth business in the medium-term management plan covering five years from the year ended March 31, 2016 and have changed their reportable segments from previous three reportable segments of "installment credit," "credit cards and direct cash loans" and "bank loan guarantee" to four reportable segments of those plus "settlement and guarantee" from the year ended March 31, 2017. Specifically, the settlement and guarantee services for rents and accounts receivable and guarantee service for small leases have been transferred from the previous "installment credit," and the collection agent service has been transferred from the "other," to the "settlement and guarantee."

Segment information for the year ended March 31, 2016 has been prepared based on the revised reportable segments.

(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						
	2017						
	Reportable segments						
	Installment credit	Credit cards and direct cash loans	Bank loan guarantee	Settlement and guarantee	Total	Other *1	Total
Operating revenues							
Operating revenues to external customers *2	¥ 76,458	¥ 73,897	¥ 39,333	¥ 6,810	¥ 196,501	¥ 11,042	¥ 207,543
Inter-segment revenues or transfers	—	1	—	0	2	8,551	8,553
Total	76,458	73,899	39,333	6,811	196,503	19,593	216,096
Segment profit	61,827	61,890	24,102	6,087	153,907	4,922	158,830
Segment assets *3	2,908,433	590,324	1,349,651	65,422	4,913,833	180,768	5,094,601

	Millions of yen						
	2016						
	Reportable segments						
	Installment credit	Credit cards and direct cash loans	Bank loan guarantee	Settlement and guarantee	Total	Other *1	Total
Operating revenues							
Operating revenues to external customers *2	¥ 79,990	¥ 73,423	¥ 35,020	¥ 5,322	¥ 193,757	¥ 11,807	¥ 205,564
Inter-segment revenues or transfers	—	2	—	0	3	8,365	8,368
Total	79,990	73,425	35,020	5,323	193,760	20,172	213,933
Segment profit	63,937	57,772	21,844	4,729	148,285	4,784	153,069
Segment assets *3	2,764,361	568,675	1,275,989	39,249	4,648,275	212,822	4,861,097

	Thousands of U.S. dollars						
	2017						
	Reportable segments						
	Installment credit	Credit cards and direct cash loans	Bank loan guarantee	Settlement and guarantee	Total	Other *1	Total
Operating revenues							
Operating revenues to external customers *2	$ 681,443	$ 658,618	$ 350,561	$ 60,695	$ 1,751,345	$ 98,413	$ 1,849,759
Inter-segment revenues or transfers	—	8	—	0	17	76,212	76,229
Total	681,443	658,636	350,561	60,704	1,751,363	174,625	1,925,989
Segment profit	551,042	551,604	214,812	54,251	1,371,720	43,868	1,415,597
Segment assets *3	25,921,862	5,261,354	12,028,975	583,083	43,795,303	1,611,122	45,406,426

*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
	2017	2016	2017
Installment credit:			
Revenue from consumer credit	¥57,059	¥50,590	$508,547
Revenue from credit guarantee	19,399	29,399	172,896
Credit cards and direct cash loans:			
Revenue from credit card shopping	45,210	42,427	402,941
Revenue from direct cash loans	28,687	30,995	255,677
Bank loan guarantee:			
Revenue from guarantee and loan agent services	39,333	35,020	350,561
Settlement and guarantee:			
Revenue from consumer credit	4,567	4,053	40,704
Revenue from credit guarantee	1,404	416	12,513
Other	838	852	7,468

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

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Operating revenues:			
Total reportable segments	¥ 196,503	¥ 193,760	$ 1,751,363
Other business segments	19,593	20,172	174,625
Corporate revenues	6,150	6,239	54,812
Inter-segment eliminations	(8,553)	(8,368)	(76,229)
Operating revenues on the consolidated financial statements	¥ 213,693	¥ 211,804	$ 1,904,572
Segment profit:			
Total reportable segments	¥ 153,907	¥ 148,285	$ 1,371,720
Other business segments	4,922	4,784	43,868
Corporate expenses *	(117,250)	(115,751)	(1,045,008)
Other	(8,064)	(7,831)	(71,871)
Operating profit on the consolidated financial statements	¥ 33,515	¥ 29,486	$ 298,707
Segment assets:			
Total reportable segments	¥4,913,833	¥4,648,275	$43,795,303
Other business segments	180,768	212,822	1,611,122
Corporate assets	1,412,757	1,284,145	12,591,417
Securitized direct installment receivables	(1,175,544)	(989,442)	(10,477,219)
Other	(2,755)	(2,901)	(24,554)
Total assets on the consolidated financial statements	¥5,329,058	¥5,152,900	$47,496,060

* 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, 2017 and 2016 since it is consistent with the reportable segment information.

(b) Information by geographical area has been omitted for the years ended March 31, 2017 and 2016 since operating revenues from external customers in Japan constituted more than 90% of operating revenues in the consolidated statements of income and the balance of property and equipment located in Japan constituted more than 90% of the balance in the consolidated balance sheet.

(c) Information by major customer has been omitted for the years ended March 31, 2017 and 2016 since there was no specific external customer representing 10% or more of operating revenues in the consolidated statements of income.

(d) Information about impairment losses on fixed assets
For the years ended March 31, 2017 and 2016, 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, 2017 and 2016, amortization of unallocated goodwill was ¥61 million ($543 thousand) and ¥61 million, respectively, and as of March 31, 2017 and 2016, the unamortized balance was ¥32 million ($285 thousand) and ¥94 million, respectively.

(f) Information about gain on negative goodwill
For the years ended March 31, 2017 and 2016, no gain on negative goodwill was recorded.

25. Subsequent Events

On May 11, 2017, the Board of Directors' meeting resolved that the Company would acquire portions of shares of 1st series class I preferred stock in accordance with Article 12-2 of the Articles of Incorporation of the Company and cancel such shares on condition of the acquisition in accordance with Article 178 of the Companies Act, and the Company acquired them on May 31, 2017 and canceled them on June 27, 2017.

(1) Reasons for acquisition and cancellation

The Company's basic policy on returning profits to shareholders is to maintain an appropriate level of shareholders' equity and to pay stable and continuous dividends by strengthening its management base. Also, the redemption by purchase of preferred stock is one of the Company's important management challenges.

The Company acquired (mandatory redemption) portions of shares of 1st series class I preferred stock held by Mizuho Bank, Ltd. and cancelled them in consideration of the profit plan for the year ending March 31, 2018 and other factors and in view of annual dividend ratio of the preferred stock scheduled to be increased in August 2017, interest rate risk in future and other factors, according to the above policy.

(2) Acquisition details

(a) Type of shares acquired:	1st series class I preferred stock
(b) Total number of shares acquired:	70,000,000 shares Note 1
(c) Acquisition costs per share:	¥1,051.85 ($9.37) Note 2
(d) Total acquisition costs of shares:	¥73,629,500,000 ($656,234,402.85)
(e) Date of notification to the counterparty:	May 11, 2017
(f) Acquisition date:	May 31, 2017

Notes 1. The number of initially issued shares was 140,000,000 shares, and the number of unacquired shares after the above acquisition is 70,000,000 shares.
2. The acquisition cost per share was calculated in accordance with Article 12-2 of the Company's Articles of Incorporation. The amount paid in for shares of 1st series class I preferred stock at issuance was ¥1,000 ($8.91) per share.

(3) Cancellation details

(a) Type of shares cancelled:	1st series class I preferred stock
(b) Total number of shares cancelled:	70,000,000 shares
(c) Cancellation date:	June 27, 2017