



# Management's Discussion & Analysis

## 1. Overview of Operations

### (1) Operating Results

In the fiscal year ended March 31, 2019, the fourth year of the Company's medium-term business plan, we evolved various initiatives aimed at realizing new growth models and strove to achieve sustainable growth in the scope of business and earnings, under our basic policy of "evolving and disseminating the spirit of 'challenge to change.'"

Operating results in the fiscal year under review were as follows.

Operating revenues increased ¥8.9 billion year on year to ¥233.3 billion.

In terms of performance by individual businesses, we achieved the following results. In the credit cards and cash loans business, business revenue rose as billings in credit card shopping and the revolving balance for credit card shopping increased, and the balance of cash loans remained flat.

In the settlement and guarantee business, operating revenues rose, due to increased billings in such areas as rent guarantees and receivables settlement guarantees, as well as factors such as contributions from Orico Forrent Insure Co., Ltd., which was made a subsidiary during the previous fiscal year.

In the installment credit business, billings exceeded those of the previous fiscal year, but business revenue remained largely unchanged.

In the bank loan guarantee business, although the balance of bank loan guarantees decreased, business revenue slightly increased amid rising guarantee fee rates.

Operating expenses increased ¥17.0 billion year on year to ¥211.4 billion.

Although bad debt-related expenses decreased, overall operating expenses increased due to reasons such as an increase in computing expenses resulting from the commencement of operation of the new shared core system, and an increase in general expenses resulting from the effects associated with

making Orico Forrent Insure Co., Ltd. into a consolidated subsidiary.

As a result of these factors, ordinary profit decreased ¥8.1 billion year on year to ¥21.9 billion. Profit attributable to owners of parent increased ¥0.8 billion year on year to ¥28.8 billion despite having posted one-time expenses incurred in transitioning to the new shared core system as special loss, largely as a result of having recorded deferred income tax associated with higher deferred tax assets.

Operating results of each segment are shown below.

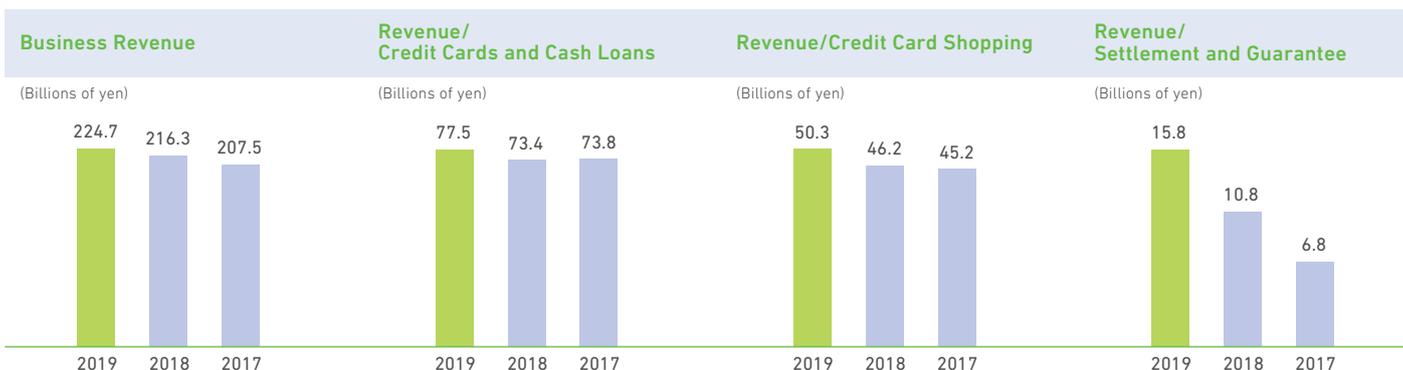
### (Reference) Breakdown of business revenues by business

Business	Fiscal 2018	Fiscal 2019	Change
	Amount (Billions of yen)	Amount (Billions of yen)	(%)
Credit cards and cash loans	73.4	77.5	5.5
[Of which: credit card shopping]	[46.2]	[50.3]	[8.8]
Settlement and guarantee	10.8	15.8	46.0
Installment credit	77.5	77.5	0.1
Bank loan guarantee	43.4	43.8	0.8
Other	11.0	9.9	(9.8)
<b>Total</b>	<b>216.3</b>	<b>224.7</b>	<b>3.9</b>

### Credit cards and cash loans business

In credit card shopping, billings increased in part due to gains in the number of memberships involving credit cards that offer a high ratio of reward points per purchase and also due to favorable results generated by the Costco Global Card in credit cards through large-scale partner companies. Meanwhile, the revolving balance for credit card shopping also rose steadily.

Moreover, we have been placing focus on offering greater convenience to overseas customers visiting Japan by upgrading our mobile settlement services, which in part has involved introducing the WeChat Pay service in addition to handling the Alipay e-payment service from China.





In cash loans, the balance of such loans has remained largely unchanged mainly as a result of our having focused on loan card usage promotion measures, among other efforts.

As a result, revenues in the credit card shopping increased 8.8% year on year to ¥50.3 billion, and revenues from cash loans decreased 0.2% year on year to ¥27.1 billion. Total revenues in the credit cards and cash loans business increased 5.5% from the previous fiscal year to ¥77.5 billion.

### Settlement and guarantee business

In the settlement and guarantee business, billings increased substantially in part due to effects of having made Orico Forrent Insure Co., Ltd. a consolidated subsidiary in the previous fiscal year, in addition to increased efforts to attract new partner companies in rent guarantees and the enhancement of promotions geared to large partner companies in receivables settlement guarantees.

As a result, revenues in the settlement and guarantee business increased 46.0% year on year to ¥15.8 billion.

### 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, billings exceeded the previous fiscal year due to an increase of trade on used car dealers, the favorable performance in auto leases owing to factors such as an expansion of our product offerings to meet customer needs, and the smooth expansion of auto loans overseas owing to establishment of new sales offices.

In shopping credit, billings were higher than the previous fiscal year due to contribution of an increase of billings for home renovations.

As a result, revenues in the installment credit business increased 0.1% year on year to ¥77.5 billion.

### Bank loan guarantee business

In the bank loan guarantee business, whereas guarantee fee rates increased, the balance of bank loan guarantees decreased largely due to effects of the Japanese Bankers Association's "Agreement Between Banks Regarding Loans to Consumers" and initiatives to make credit controls stricter. We will continue striving to deepen communication with financial institutions and focus on providing a wide-range of products that meet various needs.

As a result, revenues in the bank loan guarantee business increased 0.8% year on year to ¥43.8 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.

During the current fiscal year, we transferred all of the shares of KOUNAN Ticket Corporation held by our consolidated subsidiary Ohtori Corporation to Tomiokakaihatsu Co., Ltd. The Orico Group will persist in its efforts to develop an optimal business portfolio going forward.

As a result, revenues in other businesses decreased 9.8% year on year to ¥9.9 billion.

On November 27, 2018, LINE Corporation and Mizuho Financial Group, Inc. reached an agreement to have LINE Financial Corporation, Mizuho Bank, Ltd., and Orico take on a third-party allocation of new shares to be conducted by LINE Credit Corporation. Under the agreement, the Company aims to develop new business through efforts that involve expanding financing services geared to new markets through joint business operations and taking on challenges with respect to data-related business that enlists various sources of data.





## (2) Financial Position

### (a) Assets

Total assets as of the end of fiscal 2019 increased ¥67.5 billion to ¥5,542.9 billion compared with the end of the previous fiscal year.

The sum total of accounts receivable – installment and guaranteed loan receivables, operating assets of the customer finance service, was ¥3,891.2 billion, a decrease of ¥48.6 billion compared with the end of the previous fiscal year, and the total amount with the addition to those operating assets of beneficiary certificates retained for receivable securitization was ¥4,429.8 billion, a decrease of ¥65.9 billion compared with the end of the previous fiscal year, thereby accounting for 79.9% of total assets.

Direct installment receivables increased ¥125.9 billion to ¥1,159.7 billion compared with the end of the previous fiscal year.

Guaranteed loan receivables decreased ¥174.6 billion to ¥2,731.4 billion compared with the end of the previous fiscal year.

### (b) Liabilities

Total liabilities as of the end of fiscal 2019 increased ¥70.5 billion to ¥5,286.4 billion compared with the end of the previous fiscal year. Guaranteed loan payables decreased ¥174.6 billion to ¥2,731.4 billion compared with the end of the previous fiscal year.

Total amount of interest-bearing debt including short-term bank loans, commercial papers, current portion of unsecured corporate bonds, current portion of long-term debt, unsecured corporate bonds and long-term debt was ¥1,658.7 billion, an increase of ¥170.6 billion compared with the end of the previous fiscal year.

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 recorded an allowance for losses on interest refunds of ¥17.7 billion as of the end of fiscal 2019, a decrease of ¥7.3 billion compared with the end of the previous fiscal year, upon having taken into account the historical amount of refunds and recent refund conditions.

### (c) Net Assets

Net assets as of the end of fiscal 2019 decreased ¥2.9 billion year on year to ¥256.4 billion.

Retained earnings increased ¥2.4 billion to ¥99.0 billion compared with the end of the previous fiscal year. The equity ratio fell by 0.1 percentage points to 4.6% compared with the equity ratio of 4.7% as of the end of the previous fiscal year.

### (3) Cash Flows

The respective cash flow positions in fiscal 2019 and the factors thereof are as follows.

#### (Cash flows from operating activities)

Cash used in operating activities in fiscal 2019 amounted to ¥41.7 billion, a decrease in cash used of ¥35.9 billion from the previous fiscal year.

This was the result of increases in accounts receivable – installment, primarily due to increased billings, including for auto loans and credit card shopping.

#### (Cash flows from investing activities)

Cash used in investing activities in fiscal 2019 amounted to ¥27.4 billion, a decrease in cash used of ¥9.1 billion from the previous fiscal year.

These funds were used mainly for the purchase of software, which related to the new core systems.

#### (Cash flows from financing activities)

Cash provided by financing activities in fiscal 2019 amounted to ¥148.3 billion, a decrease in cash provided of ¥11.6 billion compared with the previous fiscal year.

The main sources of cash were increases in interest-bearing debt.

As the amount of funds required rose accompanying an expansion in billings, we increased the amount procured through bank loans, corporate bonds, and commercial paper.

As a result, cash and cash equivalents as of the end of fiscal 2019 were ¥323.4 billion, an increase of ¥79.1 billion compared with the end of the previous fiscal year.

