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Convocation Notice

Securities Code: 8572
May 31, 2018

To Shareholders with Voting Rights

Shigeyoshi Kinoshita
Chairman & President
ACOM CO., LTD.
1-1, Marunouchi 2-chome,
Chiyoda-ku, Tokyo, Japan

**CONVOCATION NOTICE FOR THE 41ST ORDINARY GENERAL MEETING OF
SHAREHOLDERS**

You are cordially invited to attend the 41st Ordinary General Meeting of Shareholders of the Company. The meeting will be held as described below.

Even if you are unable to attend the meeting, you can still exercise your voting rights by mail or via the Internet. Please exercise your voting rights after a careful review of the Reference Documents for the General Meeting of Shareholders presented hereunder.

- 1. Date and Time:** Friday, June 22, 2018, at 10:00 a.m. (Reception scheduled to open at 9:00 a.m.)
- 2. Place:** MY PLAZA HALL, 4th floor, Meiji Yasuda Seimei Building (Marunouchi MY PLAZA), located at 1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan
- 3. Agenda of the Meeting:**
- Matters to be reported:**
1. The Business Report, Consolidated Financial Statements, and results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee for the 41st fiscal year (from April 1, 2017, to March 31, 2018)
 2. Non-consolidated Financial Statements for the 41st fiscal year (from April 1, 2017, to March 31, 2018)
- Proposal to be resolved:**
- Proposal No. 1:** Dividends from Surplus
- Proposal No. 2:** Election of Six Directors (Excluding Those Serving as Audit and Supervisory Committee Members)

4. Internet-based disclosure on the Company's website:

- (1) In accordance with relevant laws and regulations, and the provisions of Article 15 of the Articles of Incorporation of the Company, the Company has posted the following information on its website on the Internet, and so these notes have not been included in the documents attached to this convocation notice. Therefore, the documents attached to this convocation notice are part of the documents audited by the Audit and Supervisory Committee and Accounting Auditor in preparing the Audit Report.
 - Notes to the Consolidated Financial Statements
 - Notes to the Non-consolidated Financial Statements
- (2) If there is any amendment to the Reference Documents for the General Meeting of Shareholders, Business Report, Consolidated Financial Statements or Non-consolidated Financial Statements, such amendment will be posted on the Company's website on the Internet.

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| The Company's website (Japanese): https://www.acom.co.jp/corp/ir/stock/shareholders_meeting/ |
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| *Please access the following for information in English: https://www.acom.co.jp/corp/english/ir/stock/shareholders_meeting/ |
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- If you exercise your voting rights by proxy, you may only delegate your voting rights to a proxy who is a shareholder holding voting rights in the Company. In such cases, only one proxy is allowed.
- If you are attending the General Meeting of Shareholders, please submit the enclosed voting form at the reception desk. For the purpose of saving resources, we kindly ask you to bring this convocation notice with you.

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| In order to ensure equal treatment of shareholders who attend the General Meeting of Shareholders and those for whom it is difficult to attend the meeting, we have decided not to provide gifts to shareholders attending the meeting from this year. We would appreciate your understanding. |
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Reference Documents for General Meeting of Shareholders

Proposal No. 1: Dividends from Surplus

With regard to the Company's basic policy on dividends, we intend to ensure stable and continuous returns of profit to the shareholders, taking into consideration the Company's business performance and equity capital as well as the business environment surrounding the Company.

We have regrettably suspended the payment of dividends since the fiscal year ended March 31, 2010, from the perspective of enhancing managerial stability and security, and have been addressing issues including requests for interest repayment and endeavoring to expand market share for the loan and credit card business, the guarantee business and the overseas financial business. While continuing to give top priority to increasing equity capital, the Company proposes to pay a year-end dividend for the 41st fiscal year as follows, in comprehensive consideration of its current business performance and financial position.

Matters concerning the year-end dividend

- (1) Type of dividend property
Cash
- (2) Matters concerning the distribution of dividend property and the total amount to be distributed
1 yen per share (common stock) Total amount: 1,566,614,208 yen
- (3) Effective date of dividends from surplus
June 25, 2018

Proposal No. 2: Election of Six Directors (Excluding Those Serving as Audit and Supervisory Committee Members)

All six Directors (excluding those serving as Audit and Supervisory Committee Members; the same shall apply hereinafter in this proposal) will complete their terms of office at the conclusion of this Ordinary General Meeting of Shareholders.

Accordingly, the Company proposes that six Directors be elected.

We have received an opinion from the Audit and Supervisory Committee to the effect that there were no matters of concern with respect to this proposal.

Candidates for Directors are as follows.

List of candidates for Directors:

| No. | Name | Current position and assignment at the Company and significant concurrent positions | Remarks |
|-----|----------------------|--|-----------------|
| 1 | Shigeyoshi Kinoshita | Chairman, President and Chief Executive Officer | Reappointed |
| 2 | Kaoru Wachi | Deputy Chairman In charge of Compliance Dept. and Internal Audit Dept. | Reappointed |
| 3 | Masataka Kinoshita | Deputy President and Deputy Chief Executive Officer In charge of Human Resources Dept., Business Planning Dept. and System Development & Administration Division In charge of Special Mission on Innovation Planning | Reappointed |
| 4 | Teruyuki Sagehashi | Senior Managing Director and Senior Executive Managing Officer In charge of Corporate Planning Dept., Finance Dept. and Public & Investor Relations Office | Reappointed |
| 5 | Noriyoshi Watanabe | Managing Director and Executive Managing Officer In charge of Guarantee Business Dept. | Reappointed |
| 6 | Naoki Hori | (Significant concurrent position) Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors (representative) and Senior Managing Executive Officer of MUFG Bank, Ltd. | Newly appointed |

| No. | Name (date of birth) and other remarks | Career summary, position, assignment and significant concurrent positions |
|--|---|---|
| 1 | <p style="text-align: center;"><u>Reappointed</u></p> <p style="text-align: center;">Shigeyoshi Kinoshita (April 14, 1949)</p> <p>Cumulative years of service as Director of the Company: 35 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2018: Attendance at 12 out of 12 meetings (100%)</p> <p>Number of shares of the Company held: 30,007,260 shares</p> | <p>April 1973 Joined Marubeni Corporation</p> <p>April 1978 Joined Japan Consumer Finance Co., Ltd.</p> <p>February 1983 Director and Chief General Manager, General Affairs Dept. of the Company</p> <p>May 1984 Director and Chief General Manager, Accounting Dept. of the Company</p> <p>August 1986 Managing Director of the Company</p> <p>June 1988 Managing Director and Head of Business Promotion Division of the Company</p> <p>October 1991 Representative and Senior Managing Director of the Company</p> <p>October 1992 Representative and Senior Managing Director and Head of the Loan Sales Division of the Company</p> <p>October 1996 Representative Director and Deputy President of the Company</p> <p>June 2000 Representative Director and President of the Company</p> <p>June 2003 President and Chief Executive Officer of the Company (to present)</p> <p>June 2010 Chairman, President and Chief Executive Officer of the Company (to present)</p> |
| <p>[Reason for nomination as a candidate for Director]</p> <p>As President, Mr. Shigeyoshi Kinoshita has an excellent track record of serving as the driving force of the Company and the Group for a number of years, backed by his wealth of experience and sophisticated insight into general management. It is believed he will contribute further to the growth and development of the Company and the Group. Therefore, the Company proposes his election as a Director.</p> | | |

| No. | Name (date of birth) and other remarks | Career summary, position, assignment and significant concurrent positions |
|--|---|---|
| 2 | <p style="text-align: center;"><u>Reappointed</u> Kaoru Wachi (December 9, 1955)</p> <p>Cumulative years of service as Director of the Company: 1 year</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2018: Attendance at 7 out of 7 meetings (100%)</p> <p>*The Board of Directors meetings held before Mr. Wachi's assumption of office as Director on June 22, 2017 are not counted.</p> <p>Number of shares of the Company held: 10,000 shares</p> | <p>April 1978 Joined The Mitsubishi Trust and Banking Corporation (MTB)</p> <p>April 2002 General Manager, Osaka Pension Business Division of MTB</p> <p>May 2003 General Manager, Trust Business Division of The Bank of Tokyo-Mitsubishi, Ltd.</p> <p>March 2004 General Manager, Trust Assets Planning Division of MTB</p> <p>April 2004 General Manager, Asset Management and Administration Planning Division of Mitsubishi Tokyo Financial Group, Inc.</p> <p>June 2005 Executive Officer and General Manager, Asset Management and Administration Planning Division of Mitsubishi Tokyo Financial Group, Inc.</p> <p>June 2005 Executive Officer and General Manager, Trust Assets Planning Division of MTB</p> <p>October 2005 Executive Officer and General Manager, Asset Management and Administration Planning Division of Mitsubishi UFJ Financial Group, Inc.</p> <p>October 2005 Executive Officer and General Manager, Trust Assets Planning Division of Mitsubishi UFJ Trust and Banking Corporation (MUTB)</p> <p>June 2008 Director of Mitsubishi UFJ Financial Group, Inc.</p> <p>June 2008 Managing Director of MUTB</p> <p>June 2010 Senior Managing Director of MUTB</p> <p>June 2011 Managing Executive Officer and Group Head, Trust Assets Consolidation Business Group of Mitsubishi UFJ Financial Group, Inc.</p> <p>June 2012 Director and Deputy President of MUTB</p> <p>June 2013 Representative Director and President of M.U. Trust Sougou Kanri Co., Ltd.</p> <p>June 2014 Representative Director, President of The Master Trust Bank of Japan, Ltd.</p> <p>June 2017 Deputy Chairman of the Company (to present) (Assignment) In charge of Compliance Dept. and Internal Audit Dept.</p> |
| <p>[Reason for nomination as a candidate for Director]</p> <p>Mr. Kaoru Wachi has an excellent track record in the banking business and is an experienced corporate manager, and uses such experience to contribute to strengthening the functions of the Company's Board of Directors. He is expected to play a significant role in conducting highly effective supervision of the management of the Company in the future. Therefore, the Company proposes his election as a Director.</p> | | |

| No. | Name (date of birth) and other remarks | Career summary, position, assignment and significant concurrent positions |
|---|---|---|
| 3 | <p style="text-align: center;"><u>Reappointed</u></p> <p style="text-align: center;">Masataka Kinoshita (September 19, 1977)</p> <p>Cumulative years of service as Director of the Company: 3 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2018: Attendance at 12 out of 12 meetings (100%)</p> <p>Number of shares of the Company held: 10,203,120 shares</p> | <p>September 2005 Joined the Company</p> <p>October 2009 General Manager, Credit Supervision Division of the Company</p> <p>January 2010 General Manger, Corporate Planning Dept. of the Company</p> <p>April 2010 General Manager, Guarantee Business Dept. of the Company</p> <p>April 2012 General Manager, Business Promotion Dept. of the Company</p> <p>April 2013 Chief General Manager, Business Planning Dept. of the Company</p> <p>April 2014 Executive Officer and Chief General Manager, Business Planning Dept. of the Company</p> <p>June 2014 Executive Managing Officer, Deputy Head of Credit Business Promotion Division and Chief General Manager, Business Planning Dept. of the Company</p> <p>April 2015 Executive Managing Officer and Deputy Head of Credit Business Promotion Division of the Company</p> <p>June 2015 Managing Director of the Company</p> <p>June 2015 Executive Managing Officer and Head of Credit Business Promotion Division of the Company</p> <p>June 2016 Executive Managing Officer of the Company</p> <p>June 2017 Deputy President of the Company (to present)</p> <p>June 2017 Deputy Chief Executive Officer of the Company (to present)</p> <p>(Assignment) In charge of Human Resources Dept., Business Planning Dept. and System Development & Administration Division In charge of Special Mission on Innovation Planning</p> |
| <p>[Reason for nomination as a candidate for Director]</p> <p>Mr. Masataka Kinoshita has served as General Manager of the loan business and the guarantee business divisions as well as Executive Officer of the Company, and has the wealth of knowledge and track record necessary to promote operations accurately and efficiently. Since assuming the position of Director, he has used that knowledge and experience and has been fulfilling his role and responsibilities as Deputy President, and he is expected to contribute further to the growth and development of the Company and the Group. Therefore, the Company proposes his election as a Director.</p> | | |

| No. | Name (date of birth) and other remarks | Career summary, position, assignment and significant concurrent positions |
|---|--|---|
| 4 | <p style="text-align: center;">Reappointed</p> <p style="text-align: center;">Teruyuki Sagehashi (October 27, 1955)</p> <p>Cumulative years of service as Director of the Company: 3 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2018: Attendance at 12 out of 12 meetings (100%)</p> <p>Number of shares of the Company held: 4,000 shares</p> | <p>December 1981 Joined the Company</p> <p>April 2002 General Manager, Corporate Management Dept. of the Company</p> <p>June 2003 Chief General Manager, Human Resources Dept. of the Company</p> <p>June 2004 General Manager, Internal Audit Dept. of the Company</p> <p>April 2005 General Manager, Internal Audit Dept. of the Company</p> <p>June 2005 Chief General Manager, Internal Audit Dept. of the Company</p> <p>October 2005 Chief General Manager, Operation Risk Management Dept. of the Company</p> <p>April 2007 Chief General Manager, Business Operations Planning Dept. of the Company</p> <p>April 2008 Executive Officer and Chief General Manager, Business Operations Planning Dept. of the Company</p> <p>April 2010 Executive Officer and Chief General Manager, System Development & Administration Dept. of the Company</p> <p>June 2012 Executive Managing Officer and Chief General Manager, System Development & Administration Dept. of the Company</p> <p>April 2014 Executive Managing Officer of the Company</p> <p>June 2015 Managing Director of the Company</p> <p>June 2017 Senior Managing Director of the Company (to present)</p> <p>June 2017 Senior Executive Managing Officer of the Company (to present)</p> <p>(Assignment) In charge of Corporate Planning Dept., Finance Dept. and Public & Investor Relations Office</p> |
| <p>[Reason for nomination as a candidate for Director]</p> <p>Mr. Teruyuki Sagehashi has served as General Manager of the Corporate Management, Human Resources, Internal Audit, Business Operations Planning and System Development & Administration divisions as well as Executive Officer, and has the wealth of experience and extensive insight necessary to streamline and promote the internal control system. Since assuming the position of Director, he has used his knowledge and experience to ably perform his role and responsibilities, and he is expected to contribute to the implementation of strategies towards the further business growth and enhanced business performance of the Company. Therefore, the Company proposes his election as a Director.</p> | | |

| No. | Name (date of birth) and other remarks | Career summary, position, assignment and significant concurrent positions |
|---|--|---|
| 5 | <p style="text-align: center;"><u>Reappointed</u></p> <p style="text-align: center;">Noriyoshi Watanabe (April 7, 1957)</p> <p>Cumulative years of service as Director of the Company: 1 year</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2018: Attendance at 7 out of 7 meetings (100%)</p> <p>*The Board of Directors meetings held before Mr. Watanabe's assumption of office as Director on June 22, 2017 are not counted.</p> <p>Number of shares of the Company held: 4,000 shares</p> | <p>March 1982 Joined the Company</p> <p>April 2000 General Manager, Corporate Strategy Dept. of the Company</p> <p>August 2001 Chief General Manager, Corporate Strategy Dept. of the Company</p> <p>June 2003 Chief General Manager, Corporate Planning Dept. of the Company</p> <p>April 2007 Chief General Manager, Marketing Dept. of the Company</p> <p>December 2007 Executive Managing Officer of Japan Financial Services Association</p> <p>April 2010 Chief General Manager, Marketing Dept. of the Company</p> <p>April 2011 Chief General Manager, Business Planning Dept. of the Company</p> <p>April 2012 Executive Officer and Chief General Manager, Business Planning Dept. of the Company</p> <p>June 2012 Executive Officer and Chief General Manager, Corporate Planning Dept. of the Company</p> <p>April 2017 Executive Managing Officer and Chief General Manager, Corporate Planning Dept. of the Company</p> <p>June 2017 Managing Director of the Company (to present)</p> <p>June 2017 Executive Managing Officer of the Company (to present)</p> <p>(Assignment) In charge of Guarantee Business Dept.</p> |
| <p>[Reason for nomination as a candidate for Director]</p> <p>Mr. Noriyoshi Watanabe has a wealth of experience and excellent insight, gained through his career as General Manager of the Business Planning and Corporate Planning divisions of the Company as well as Executive Officer, and serving as the driving force for enhancing business operations and profitability. Since assuming the position of Director, he has used that experience and insight to ably perform his role and responsibilities and is expected to implement strategies towards the further business growth and enhanced business performance of the Company. Therefore, the Company proposes his election as a Director.</p> | | |

| No. | Name (date of birth) and other remarks | Career summary, position, assignment and significant concurrent positions |
|--|---|--|
| 6 | <p data-bbox="320 808 520 842"><u>Newly appointed</u></p> <p data-bbox="312 853 528 913">Naoki Hori (January 27, 1961)</p> <p data-bbox="240 965 600 1059">Number of shares of the Company held: 0 shares</p> | <p data-bbox="624 282 746 309">April 1983</p> <p data-bbox="624 315 746 342">May 2010</p> <p data-bbox="624 376 746 403">May 2010</p> <p data-bbox="624 506 746 533">June 2010</p> <p data-bbox="624 600 746 627">June 2010</p> <p data-bbox="624 730 746 757">May 2012</p> <p data-bbox="624 824 746 851">May 2012</p> <p data-bbox="624 920 746 947">May 2013</p> <p data-bbox="624 987 746 1014">May 2016</p> <p data-bbox="624 1048 746 1075">June 2016</p> <p data-bbox="624 1115 746 1142">May 2017</p> <p data-bbox="624 1178 746 1205">June 2017</p> <p data-bbox="624 1272 746 1299">April 2018</p> <p data-bbox="624 1368 746 1395">May 2018</p> <p data-bbox="624 1435 994 1462">(Significant concurrent position)</p> <p data-bbox="624 1469 1382 1529">Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc.</p> <p data-bbox="624 1536 1445 1592">Member of the Board of Directors (representative) and Senior Managing Executive Officer of MUFG Bank, Ltd.</p> |
| <p data-bbox="240 1599 826 1626">[Reason for nomination as a candidate for Director]</p> <p data-bbox="240 1637 1452 1789">Mr. Naoki Hori has a wealth of knowledge and experience, gained through his career as General Manager, Executive Officer and Corporate Executive at Mitsubishi UFJ Financial Group, Inc. and as General Manager, Executive Officer and Director at MUFG Bank, Ltd. He is expected to utilize such knowledge and experience to play a significant role in supervising the management of the Company. Therefore, the Company proposes his election as a Director.</p> | | |

- Notes: 1. Mr. Naoki Hori is a Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. and a Member of the Board of Directors (representative) and Senior Managing Executive Officer of MUFG Bank, Ltd., both of which are in competition with the Company. There is no conflict of interest between the Company and any of the other candidates.
2. Mr. Naoki Hori is a Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc., which is the Company's parent company, and a Member of the Board of Directors (representative) and Senior Managing Executive Officer of MUFG Bank, Ltd., which is a subsidiary of the Company's parent company.
3. The Company plans to enter into a limited liability agreement with Mr. Naoki Hori that limits his liability for damage under Article 423, Paragraph 1 of the Companies Act, based on the provisions of Article 427, Paragraph 1 of the Act, upon his appointment.
4. Mr. Kaoru Wachi has been Director and Deputy President of Mitsubishi UFJ Trust and Banking Corporation, Representative Director and President of M.U. Trust Sougou Kanri Co., Ltd., and Representative Director, President of The Master Trust Bank of Japan, Ltd., all of which are subsidiaries of the Company's parent company, within the past five years.

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(Appendix to the Convocation Notice for 41st Ordinary General Meeting of Shareholders)

Business Report

(April 1, 2017 - March 31, 2018)

1. Overview of Consolidated Business Activities

(1) Developments and Results of Business Activities

During the fiscal year ended March 31, 2018, the Japanese economy showed signs of gradual improvement in corporate earnings and the employment and income environment, as well as hints of ongoing recovery in consumer spending, chiefly due to the effects of various economic policies implemented by the government. However, the possibility of an economic downturn remained in Japan due to uncertainty in overseas economies and the impact of fluctuations in the financial and capital markets, though economic recovery is expected to continue in the future.

In the consumer finance industry, the market is gradually expanding while requests for interest repayment have steadily decreased. However, future trends need to be closely monitored on an ongoing basis, as requests for interest repayment are susceptible to the impacts of changes, etc. in the external environment.

In such an environment, under its management vision of “strive to become the leading company in personal loan market which provides prime satisfaction to the utmost number of customers and win their trust in return,” the Company Group has positioned its loan and credit card business, guarantee business and overseas financial business as the three core business categories and has strived to increase market shares in the consumer loan market, while making efforts to contribute to sound growth of the market.

Consolidated operating revenue for the fiscal year ended March 31, 2018, increased to 263,453 million yen (up 7.5% year-on-year) primarily due to increases in interest on operating loans and revenue from credit guarantee. Operating expenses decreased to 182,511 million yen (down 42.1% year-on-year) due to the absence of addition made to provision for loss on interest repayment (143,728 million yen for the prior fiscal year). As a result, operating profit was 80,942 million yen (operating loss of 70,166 million yen for the prior fiscal year), ordinary profit was 81,694 million yen (ordinary loss of 69,543 million yen for the prior fiscal year), and profit attributable to owners of parent was 70,572 million yen (loss attributable to owners of parent of 72,187 million yen for the prior fiscal year).

Details of main financial service businesses by segment are as follows:

1) Loan and credit card business

In the domestic loan and credit card business, we made efforts to improve product/service functions, gather and acquire new customers, promote sales of credit cards (AC MasterCard) and maintain the soundness of loan portfolio.

As for the improvement of product/service functions, we worked to speed up our responses to customers by reducing the processing time for applications received via the internet in order to further enhance convenience for customers. Recognizing the recent spread of smartphones and diversifying customer search activities in web browsers, we have continued to enhance the contents provided on our website since its renewal in March 2017.

As for the gathering and acquiring of new customers, we continued airing commercials featuring the actress “Hiromi Nagasaku” and the sound logo of “Hajimete-no (First time at) ACOM,” while broadcasting internet video advertisements on YouTube to earn positive public reception and gain increased public notice.

As for the sales promotion of credit cards, the total number of card members significantly increased to 400 thousand (up 27.4% year-on-year) and the annual transaction volume surged to 41,476 million yen (up 31.1% year-on-year) as a result of our efforts to promote the issuance of credit cards from instant issue credit card machines installed at automatic contract machine corners.

In addition to these marketing activities, we have endeavored to maintain the soundness of our loan portfolio and improve the customer-reception quality of our employees by reinforcing the development of human resources through training for credit control, and customer reception including the improvement of the accuracy of credit screenings. As a result, accounts receivable - operating loans at the end of the current fiscal year increased to 803,365 million yen (up 2.4% year-on-year) and accounts receivable - installment increased to 52,445 million yen (up 37.6% year-on-year).

As a result, the business segment’s operating revenue was 139,826 million yen (up 2.8% year-on-year) mainly due to increases in interest on operating loans and revenue from credit card business in accordance with our business expansion, and operating profit was 46,864 million yen (operating loss of 93,373 million yen for the prior fiscal year).

2) Guarantee business

In the guarantee business, the Company and MU Credit Guarantee Co., LTD. promoted new guarantee tie-ups and continued to work on in-depth communication with partners as a credit guarantee company, based on the “Arrangements for Loans to Consumers by Banks” announced by the Japanese Bankers Association in March 2017, and measures to enhance partnerships with existing partners amid the growth of the bank card loan market.

The Company newly started a new guarantee tie-ups with The Yamanashi Chuo Bank, Ltd. MU Credit Guarantee Co., LTD. newly started a new guarantee tie-ups with The Fukui Bank, Ltd. As a result, the combined number of business partners of the Company and MU Credit Guarantee Co., LTD. increased to 52 banks at the end of the current fiscal year.

To enhance partnerships with existing partners, the Company continued appropriate screening, provided various figures based on analyses, and provided various support for existing partners with a view to enhancing their business results and stable growth.

As a result, the total balance of guaranteed receivables in the guarantee operation of the Company and MU Credit Guarantee Co., LTD. was 1,199,644 million yen (up 6.2% year-on-year). The business segment’s operating revenue was 65,295 million yen (up 15.7% year-on-year) mainly due to an increase in revenue from credit guarantee, and operating profit was 17,808 million yen (up 85.2% year-on-year) due primarily to a decrease in provision of allowance for doubtful accounts under operating expenses.

3) Overseas financial business

In the overseas financial business, we proactively carried out business operations in the pursuit of further expanding the relevant businesses.

The loan business of EASY BUY Public Company Limited in the Kingdom of Thailand actively conducted marketing activities of the Umay+ brand with the aim of enhancing the brand image and gathering and acquiring new customers amid tightened loan standards and other regulations implemented by the Bank of Thailand. As a result, the number of new contracts and accounts receivable - operating loans have increased steadily, thereby building the top-brand position in the Kingdom of Thailand.

The banking business of PT. Bank Nusantara Parahyangan Tbk. in the Republic of Indonesia worked to strengthen its internal control structure and improve our loan portfolio.

In the Republic of the Philippines, we established ACOM CONSUMER FINANCE CORPORATION in July 2017 and are currently advancing preparations for the launch of full-fledged business around July 2018 chiefly by establishing stores and systems. We will strive to steadily make our business profitable in the country amid its rapid economic growth by taking advantage of the experience we have nurtured in the personal loan business and overseas financial business development in Japan, the Kingdom of Thailand, and the Republic of Indonesia.

In the Socialist Republic of Vietnam, where the Company has established a representative office, the Company applied for a license to operate as a finance company in May 2014. The Company has continued surveys on various local laws/regulations and risks, and market analysis for future business development, while awaiting the results of the licensing examination. The Company also continues with necessary surveys in other Asian countries to explore the feasibility of business development.

As a result, the business segment's operating revenue amounted to 51,904 million yen (up 13.8% year-on-year), due primarily to an increase in interest on operating loans in accordance with our business expansion, and operating profit was 15,478 million yen (up 22.5% year-on-year).

4) Loan servicing business

In the loan servicing business, IR Loan Servicing, Inc. endeavored to acquire new business partners and increase profitability amid intensified competition in the purchased receivables market.

As a result, the business segment's operating revenue was 6,560 million yen (down 8.4% year-on-year), mainly due to a decrease in amount of collection from purchased receivables. However, operating profit was 615 million yen (up 13.1% year-on-year), due primarily to a decrease in provision of allowance for doubtful accounts under operating expenses.

(2) Capital Investment

During the fiscal year under review, there was no notable capital investment or disposal or sale of important equipment to report.

(3) Financing

1) The Company has issued the Domestic Unsecured Straight Bonds and Commercial Papers for purposes such as repayment of loans payable as follows:

| | | |
|---------------|---------------------------------------|------------------|
| February 2018 | 75th Domestic Unsecured Straight Bond | 25.0 billion yen |
| January 2018 | Commercial Paper | 10.0 billion yen |
| February 2018 | Commercial Paper | 10.0 billion yen |
| March 2018 | Commercial Paper | 10.0 billion yen |

2) EASY BUY Public Company Limited, the Company's consolidated subsidiary, has issued bonds payable for purposes such as repayment of loans payable as follows:

| | |
|---------------|-----------------------|
| March 2017 | 1.5 billion Thai baht |
| June 2017 | 1.0 billion Thai baht |
| November 2017 | 1.0 billion Thai baht |

(Note) The fiscal year end for EASY BUY Public Company Limited is December 31.

3) EASY BUY Public Company Limited, the Company's consolidated subsidiary, raised funds amounting to 1.5 billion Thai baht by carrying out a capital increase through shareholder allotment on May 17, 2017.

(4) Issues to be Addressed

In the three-year medium-term management plan beginning in the fiscal year ended March 31, 2017, the Company has set a medium-term management policy of "with expeditious reactions to environmental changes, ACOM will establish a solid management base which can support continuous growth, while creating services which exceed customers' expectations." The Company will speedily respond to changes in customer needs and in products and services in the consumer credit market, as well as social changes such as the evolution of ICT, advances of women in society, and the declining birth rate and aging population, to create services that exceed customer expectations. Furthermore, in order to fulfill the social responsibility and mission expected of a money-lending and guarantee business and become a company that grows together with society, the Company aims to build up its management base by strengthening the human resources, computer systems, and financial foundations that support the

business, in addition to further promoting compliance and CS management.

For the fiscal year ending March 31, 2019, the final year of this medium-term management plan, the Company has set targets, in the domestic market, of 886.7 billion yen (medium-term target of 870.0 billion yen) in balance of receivables in the loan and credit card business, and 1,236.1 billion yen (medium-term target of 1,280.0 billion yen) in balance of guaranteed receivables, a total of 2,122.8 billion yen (medium-term target of 2,100.0 billion yen or more), and in overseas markets, targets of 51.7 billion Thai baht (medium-term target of 51.0 billion Thai baht) in balance of loans receivable for EASY BUY Public Company Limited in the Kingdom of Thailand, and 5,896.8 billion rupiah (medium-term target of 8,010.0 billion rupiah) of loans receivable in the banking business of PT. Bank Nusantara Parahyangan, Tbk. in the Republic of Indonesia.

Although there have been environmental changes that were not expected at the time of formulation of the medium-term management plan, the Company will continue working to expand business and address the following issues.

Targets and other forward-looking statements are based on information currently available to the Company and on certain assumptions deemed to be reasonable, and do not constitute a promise by the Company that the anticipated results will be achieved. Actual results may differ significantly due to various factors.

- Loan and credit card business

In the loan and credit card business, the Company, under its philosophy “putting the customer first,” will appropriately respond to the changing customer needs and continue striving to improve its product and service functions and convenience while enhancing its promotion activities and improving credit screening accuracy as a means to gain more customers, grow the number of members, and maintain the soundness of its loan portfolio.

- Guarantee business

The Group will promote the guarantee business with a firm grasp on environmental changes in the market of personal card loans provided by financial institutions. In order to meet the needs of each and every financial institution in alliance which are increasing in complexity, the Group will make the best use of its expertise gained from loan business to enhance and improve service functions, as well as continue working to conduct proper screening to meet the sound financing needs of customers.

- Overseas financial business

In the overseas financial business, we will continue striving to expand business, maintain the soundness of loan portfolio, and strengthen the internal control structure at existing overseas subsidiaries, while steadily launching a business in Republic of the Philippines, our new destination of operations. We will also steadily pursue research and analysis activities aimed at realization of starting operations in other Asian countries with a focus on expanding our overseas finance business.

(5) Changes in Assets and Income of the Company

(Millions of yen, unless otherwise stated)

| Item | 38th fiscal year ended March 31, 2015 | 39th fiscal year ended March 31, 2016 | 40th fiscal year ended March 31, 2017 | 41st fiscal year ended March 31, 2018 |
|--|--|--|--|--|
| Operating revenue | 219,289 | 237,683 | 245,148 | 263,453 |
| Ordinary profit (loss) | 14,747 | 16,200 | (69,543) | 81,694 |
| Profit (loss) attributable to owners of parent | 12,864 | 14,598 | (72,187) | 70,572 |
| Basic earnings (loss) per share (yen) | 8.21 | 9.32 | (46.08) | 45.05 |
| Total assets | 1,190,368 | 1,175,063 | 1,228,930 | 1,280,851 |
| Net assets | 328,315 | 338,132 | 267,226 | 344,437 |
| Net assets per share (yen) | 199.53 | 206.42 | 159.58 | 206.12 |
| Accounts receivable - operating loans at fiscal year-end | 877,427 | 902,150 | 930,292 | 975,116 |
| Accounts receivable - installment at fiscal year-end | 22,295 | 28,393 | 38,648 | 53,034 |
| Shareholders' equity ratio (%) | 26.26 [15.24] | 27.52 [14.95] | 20.34 [10.60] | 25.21 [13.02] |

(Notes) 1. Basic earnings (loss) per share is calculated based on the average number of shares issued during each fiscal year excluding treasury stock. Net assets per share are calculated based on the total number of shares issued as of the end of each fiscal year excluding treasury stock.

2. The numbers in brackets in the lower row of "Shareholders' equity ratio" indicate the shareholders' equity ratios based on total assets including the total balance of guaranteed receivables.

(6) Principal Parent Company and Subsidiaries

1) Relationship with the parent company

| Company Name | Number of shares held (Thousands) | Parent company's percentage of voting rights held (%) | Remarks |
|---|--------------------------------------|---|---|
| Mitsubishi UFJ Financial Group, Inc. | 629,382 (40,659) | 40.17 (2.59) | Conclusion of business management agreement Conclusion of business and capital alliance agreement |

(Note) The numbers in parentheses in the "Number of shares held" and "Parent company's percentage of voting rights held" represent the included number of shares indirectly held and the percentage of voting rights indirectly held, respectively.

2) Principal subsidiaries

Subsidiaries with capital exceeding 100 million yen are as follows:

| Company name | Capital | The Company's percentage of voting rights holding (%) | Main business |
|--------------------------------------|--|---|--|
| MU Credit Guarantee Co., LTD. | 300 (Millions of yen) | 100.00 | Credit guarantee business |
| IR Loan Servicing, Inc. | 520 (Millions of yen) | 100.00 | Loan servicing business |
| EASY BUY Public Company Limited | 6,000 (Millions of Thai baht) | 71.00 | Unsecured loan business and installment loan business (installment sales finance business) |
| PT. Bank Nusantara Parahyangan, Tbk. | 338,416 (Millions of Indonesian rupiah) | 66.15 | Banking business |
| ACOM CONSUMER FINANCE CORPORATION | 500 (Millions of Philippine peso) | 80.00 | Unsecured loan business |

- (Notes) 1. Capital of EASY BUY Public Company Limited increased from 4,500 million Thai baht to 6,000 million Thai baht as a result of the capital increase through shareholder allotment implemented on May 17, 2017.
2. The Company and ITOCHU Corporation established a joint venture, ACOM CONSUMER FINANCE CORPORATION, on July 27, 2017 with a view to operating personal loan business in Republic of the Philippines.

(7) Principal Businesses (as of March 31, 2018)

The principal businesses of the Group include loan and credit card business, guarantee business, overseas financial business, and loan servicing business.

(8) Principal Offices (as of March 31, 2018)

1) Principal offices of the Company

Head office: 1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo

| Business outlets | Loan business outlets | 1,042 |
|------------------|------------------------------------|-------------------------|
| | Staffed outlets | 22 |
| | Unstaffed outlets | 1,020 |
| | Automatic contract machine corners | 1,042 locations (1,082) |

(Note) The following are the numbers of automated teller machines:

| ATMs | 56,128 |
|-------------|--------|
| Proprietary | 1,057 |
| Tie-up | 55,071 |

2) Principal offices of the subsidiaries

| Name | Location | Name | Location |
|-------------------------------|--------------------|--------------------------------------|------------------------------------|
| MU Credit Guarantee Co., LTD. | Shinjuku-ku, Tokyo | EASY BUY Public Company Limited | Bangkok, Kingdom of Thailand |
| IR Loan Servicing, Inc. | Chiyoda-ku, Tokyo | PT. Bank Nusantara Parahyangan, Tbk. | Bandung, Republic of Indonesia |
| | | ACOM CONSUMER FINANCE CORPORATION | Pasig, Republic of the Philippines |

(9) Employees (as of March 31, 2018)

1) Number of employees of the consolidated group

| Category | Number of employees |
|-------------------------------|---------------------|
| Loan and credit card business | 1,349 (83) |
| Guarantee business | 205 (11) |
| Overseas financial business | 4,075 (454) |
| Loan servicing business | 138 (15) |
| Company-wide (common) | 435 (29) |
| Total | 6,202 (592) |

(Notes) 1. The number of employees represents the number of employees at work (excluding the number of employees transferred from the Group companies to non-Group companies and including the number of employees transferred to the Group companies from non-Group companies) and does not include the number of fixed-term employees.

2. The figures in parentheses in “Number of employees” are the annual average number of fixed-term employees. (If the number of temporary employees of fixed-term employees is counted as 1 person per 8 work hours a day, the annual average number of fixed-term employees will be 583.)

3. The number of employees in the “Company-wide (common)” is the number of employees belonging to the administration departments of the Head Office and thus do not fall into any business segment.

2) Employees of the Company

| Category | Number of employees | Year-on-year increase (decrease) | Average age | Average length of service |
|----------|---------------------|----------------------------------|------------------------|---------------------------|
| Male | 1,187 | (6) | 42 years and 11 months | 18 years and 9 months |
| Female | 749 | 88 | 35 years and 5 month | 8 years and 5 months |
| Total | 1,936 | 82 | 40 years and 0 month | 14 years and 9 months |

(Note) The number of employees represents the number of employees at work (excluding the number of employees transferred out of the Company and including the number of employees transferred in the Company), and does not include the number of fixed-term employees.

(10) Major Creditors (as of March 31, 2018)

The Company’s major creditors and amounts borrowed are as follows.

| Creditor | Amount borrowed (Millions of yen) |
|--|-----------------------------------|
| Mitsubishi UFJ Trust and Banking Corporation | 158,558 |
| The Bank of Tokyo-Mitsubishi UFJ, Ltd. | 62,218 |
| Shinsei Bank, Limited | 46,325 |
| Aozora Bank, Ltd. | 30,310 |
| Shinkin Central Bank | 24,175 |

(Notes) 1. The amount borrowed from The Bank of Tokyo-Mitsubishi UFJ, Ltd. includes borrowings by privately placed bonds.

2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFG Bank, Ltd. effective April 1, 2018.

2. Matters concerning Shares of the Company (as of March 31, 2018)

(1) Shares

| Total number of shares authorized to be issued | Total number of shares issued | Number of shareholders |
|--|-------------------------------|------------------------|
| 5,321,974,000 | 1,596,282,800 | 12,947 |

(2) Major Shareholders (Top 10)

| Shareholder name | Number of shares held (Thousands) | Percentage of ownership (%) |
|---|-----------------------------------|-----------------------------|
| Mitsubishi UFJ Financial Group, Inc. | 588,723 | 37.57 |
| Maruito Shokusan Co., Ltd. | 273,467 | 17.45 |
| Maruito Co., Ltd. | 125,533 | 8.01 |
| Foundation of Kinoshita Memorial Enterprise | 92,192 | 5.88 |
| Maruito Shoten Co., Ltd. | 38,733 | 2.47 |
| Trust Account of General Incorporated Association Kyoei-Kai | 32,598 | 2.08 |
| Mitsubishi UFJ Trust and Banking Corporation | 31,572 | 2.01 |
| Shigeyoshi Kinoshita | 30,007 | 1.91 |
| NOBUKA Co., Ltd. | 30,000 | 1.91 |
| Japan Trustee Service Bank, Ltd. (Trust account 4) | 26,837 | 1.71 |

- (Notes) 1. For the number of shares held, the amount is rounded down to the nearest thousand.
2. The Company holds 29,668,592 shares of treasury stock but is excluded from the list of major shareholders above.
3. The percentage of ownership is calculated excluding treasury stock.

3. Matters concerning the Stock Acquisition Rights, etc.

(1) Stock acquisition rights held by the Directors of the Company and issued in consideration of their execution of duties as of the end of this fiscal year

Not applicable.

(2) Stock acquisition rights issued to employees, etc. in consideration of their execution of duties during this fiscal year

Not applicable.

4. Matters concerning Directors and Company Auditors of the Company

(1) Directors (as of March 31, 2018)

| Position | Name | Responsibility within the Company and significant concurrent positions |
|---|----------------------|--|
| Chairman, President & CEO | Shigeyoshi Kinoshita | Chief Executive Officer |
| Deputy Chairman | Kaoru Wachi | In charge of Compliance Department and Internal Audit Department |
| Deputy President & Deputy CEO | Masataka Kinoshita | Deputy Chief Executive Officer (In charge of Human Resources Department, Business Planning Department and System Development & Administration Division) (In charge of Special Mission on Innovation Planning) |
| Senior Managing Director | Teruyuki Sagehashi | Senior Executive Managing Officer (In charge of Corporate Planning Department, Finance Department and Public & Investor Relations Office) |
| Managing Director | Noriyoshi Watanabe | Executive Managing Officer (In charge of Guarantee Business Department) |
| Director | Atsushi Murakami | Managing Executive Officer of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors (representative) and Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) |
| Director & Full-time Audit and Supervisory Committee Member | Kazuo Fukumoto | |
| Director & Full-time Audit and Supervisory Committee Member | Tatsuya Ito | |
| Director & Audit and Supervisory Committee Member | Osamu Takada | Outside Director of TOHOKU CHEMICAL CO., LTD. |
| Director & Audit and Supervisory Committee Member | Takashi Doi | Attorney at law Representative Partner of Doi Law Office Outside Auditor of ARATA CORPORATION |

- (Notes)
1. Based on the resolution of the 40th Ordinary General Meeting of Shareholders held on June 22, 2017, the Company transitioned to a company with an Audit and Supervisory Committee effective the same day.
 2. Directors & Audit and Supervisory Committee Members Tatsuya Ito, Osamu Takada and Takashi Doi are Outside Directors, and have been designated and registered as independent directors with the Tokyo Stock Exchange in accordance with its regulations.
 3. Director & Audit and Supervisory Committee Member Kazuo Fukumoto has considerable knowledge regarding finance and accounting gained from serving as General Manager and Executive Officer of Corporate Planning, Management, and Accounting divisions of the Company over many years and taking charge of Accounting divisions since assuming the position of Director.
 4. Messrs. Kazuo Fukumoto and Tatsuya Ito have been elected as full-time Audit and Supervisory Committee Members in order to strengthen the effective auditing function, etc. by regularly supervising and verifying the status of the establishment and operation of the internal control system while enhancing the development of the environment for information collection and audits.
 5. Executive Officers who do not hold concurrent positions as Directors (as of March 31, 2018)

| Position | Name | Responsibility within the Company and significant concurrent positions |
|----------------------------|---------------------|--|
| Executive Managing Officer | Michio Atsuda | In charge of Overseas Business Department |
| Executive Managing Officer | Nobuyoshi Matsutani | In charge of Treasury Department and General Affairs Department Vice in charge of Compliance Department |
| Executive Managing Officer | Tomomi Uchida | Head of Credit Business Promotion Division In charge of Business Promotion Department, East Japan Business Promotion Department, West Japan Business Promotion Department and Compliance for Credit Business Promotion Office |
| Executive Managing Officer | Makoto Kondo | In charge of Business Process Management Department and Corporate Risk Management Department |
| Executive Managing Officer | Yasuhiro Kamura | Head of Credit Supervision Division In charge of Credit Supervision Department I, Credit Supervision Department II and Compliance for Credit Supervision Office Chief General Manager of Credit Supervision Department I |
| Executive Officer | Michihito Onodera | Chief General Manager of Guarantee Business Department |
| Executive Officer | Tomoo Shikanoya | Chief General Manager of System Development & Administration Division |
| Executive Officer | Masayuki Sone | Chief General Manager of East Japan Business Promotion Department |
| Executive Officer | Takashi Kiribuchi | Chief General Manager of Corporate Planning Department |
| Executive Officer | Akihiro Kiyooka | Chief General Manager of General Affairs Department |
| Executive Officer | Yasuhide Doi | Chief General Manager of Business Process Management Department |
| Executive Officer | Masashi Yoshida | Chief General Manager of Compliance Department |

6. Changes in Executive Officers after the end of the fiscal year under review

| Name | Position before change | Position after change | Date of change |
|------------------|------------------------|-----------------------|----------------|
| Hidehiko Shibata | — | Executive Officer | April 1, 2018 |
| Yuji Kinoshita | — | Executive Officer | April 1, 2018 |
| Masahiko Machida | — | Executive Officer | April 1, 2018 |

(2) Directors Who Retired during the Fiscal Year under Review

| Name | Date of retirement | Reason for retirement | Position, responsibility within the Company and significant concurrent positions at the time of retirement |
|------------------|--------------------|-----------------------|--|
| Toshiaki Kajiura | June 22, 2017 | Expiration of term | Deputy Chairman (In charge of Compliance Department and Internal Audit Department) |
| Kazuo Fukumoto | June 22, 2017 | Expiration of term | Managing Director Executive Managing Officer (In charge of Treasury Department and System Development & Administration Division) |
| Mitsuhiro Umezu | June 22, 2017 | Expiration of term | Director Associate Professor, Faculty of Business and Commerce, Keio University Outside Director of SAN-AI OIL CO., LTD. |
| Hitoshi Shimbo | June 22, 2017 | Expiration of term | Director Attorney at law Nozomi Sogo Attorneys at Law |
| Shigeru Sato | June 22, 2017 | Expiration of term | Full-time Company Auditor |
| Tatsuya Ito | June 22, 2017 | Expiration of term | Full-time Company Auditor |
| Osamu Takada | June 22, 2017 | Expiration of term | Company Auditor Outside Director of TOHOKU CHEMICAL CO., LTD. |
| Takashi Doi | June 22, 2017 | Expiration of term | Company Auditor Attorney at law Representative Partner of Doi Law Office Outside Auditor of ARATA CORPORATION |

(Note) Based on the resolution of the 40th Ordinary General Meeting of Shareholders held on June 22, 2017, the Company transitioned to a company with an Audit and Supervisory Committee effective the same day. Following this transition, Director Kazuo Fukumoto, Company Auditors Tatsuya Ito, Osamu Takada and Takashi Doi assumed the position of Director & Audit and Supervisory Committee Member.

(3) Total Amount of Compensation to Directors and Company Auditors

| Category | Number of recipients | Amount paid (Thousands of yen) |
|---|----------------------|--------------------------------|
| Directors (excluding those serving as Audit and Supervisory Committee Members) (including Outside Directors) | 10 (2) | 142,719 (4,350) |
| Directors & Audit and Supervisory Committee Members (including Outside Directors) | 4 (3) | 41,850 (27,450) |
| Company Auditors (including Outside Company Auditors) | 4 (3) | 13,350 (8,550) |
| Total (including Outside Directors and Outside Company Auditors) | 18 (8) | 197,919 (40,350) |

(Notes) 1. The above number of recipients includes four Directors (including two Outside Directors) and four Company Auditors (including three Outside Company Auditors) who retired at the close of the 40th Ordinary General Meeting of Shareholders held on June 22, 2017. The Company transitioned from a company with a Board of Company Auditors to a company with an Audit and Supervisory Committee on June 22, 2017.

2. At the 29th Ordinary General Meeting of Shareholders held on June 22, 2006, it was resolved that compensation paid to Directors per year shall be no more than 420 million yen before the Company's transition to a company with an Audit and Supervisory Committee. At the 40th Ordinary General Meeting

of Shareholders held on June 22, 2017, it was resolved that compensation paid to Directors (excluding those serving as Audit and Supervisory Committee Members) per year shall be no more than 400 million yen (excluding the portion of employee's salary paid to Directors who concurrently serve as employees) after the Company's transition to a company with an Audit and Supervisory Committee.

3. At the 40th Ordinary General Meeting of Shareholders held on June 22, 2017, it was resolved that compensation paid to Directors & Audit and Supervisory Committee Members per year shall be no more than 100 million.
4. At the 26th Ordinary General Meeting of Shareholders held on June 27, 2003, it was resolved that compensation paid to Company Auditors per month shall be no more than 8 million yen.
5. The number of Directors (excluding those serving as Audit and Supervisory Committee Members) at the end of the fiscal year under review was six. The reason for the discrepancy between this number and the above compensation recipients is that the above number of recipients includes four Directors who retired due to the expiration of term of office at the close of the 40th Ordinary General Meeting of Shareholders held on June 22, 2017.

(4) Summary of Limited Liability Agreement

Based on the provisions in Paragraph 1, Article 427 of the Companies Act, the Company has concluded a limited liability agreement under Paragraph 1, Article 423 of the Companies Act with each Director (excluding those with authority on business execution, etc.). In addition, liability for damage under such agreement will be limited to the minimum amount stipulated in the law.

(5) Matters concerning Outside Directors

- 1) Significant concurrent positions in other companies and relationship between the Company and these companies.
- Director & Audit and Supervisory Committee Member Osamu Takada is an Outside Director of TOHOKU CHEMICAL CO., LTD. There are no special interests between the organization and the Company.
 - Director & Audit and Supervisory Committee Member Takashi Doi is the Representative Partner of Doi Law Office and an Outside Auditor of ARATA CORPORATION. There are no special interests between either organization and the Company.

2) Major activities of Outside Directors during the fiscal year under review

| Name | Position | Major activities |
|--------------|---|---|
| Tatsuya Ito | Director & Audit and Supervisory Committee Member | He attended all 12 Board of Directors meetings, all 5 Board of Company Auditors meetings and all 10 Audit and Supervisory Committee meetings held during the fiscal year under review and actively offered opinions and advice and posed questions from an independent standpoint, drawing on his wealth of experience and knowledge gained through his career at a financial institution, as well as his insight as an attorney at law. In addition, he maintained active cooperation with accounting auditors and the internal audit department, etc. |
| Osamu Takada | Director & Audit and Supervisory Committee Member | He attended all 12 Board of Directors meetings, all 5 Board of Company Auditors meetings and all 10 Audit and Supervisory Committee meetings held during the fiscal year under review and actively offered opinions and advice and posed questions from an independent standpoint, drawing on his wealth of experience and knowledge in general, as well as those gained through his past career as corporate executive. In addition, he maintained active cooperation with accounting auditors and the internal audit department, etc. |
| Takashi Doi | Director & Audit and Supervisory Committee Member | He attended all 12 Board of Directors meetings, all 5 Board of Company Auditors meetings and all 10 Audit and Supervisory Committee meetings held during the fiscal year under review and actively offered opinions and advice and posed questions from an independent standpoint, drawing on his wealth of experience primarily in his career as an attorney at law. In addition, he maintained active cooperation with accounting auditors and the internal audit department, etc. |

5. Accounting Auditor

(1) Name of the Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Amount of Compensation to Accounting Auditor for the Fiscal Year under Review

- | | |
|---|----------------------|
| 1) Compensation to the accounting auditor for the fiscal year under review | 115,000 thousand yen |
| 2) Total amount of monetary and other financial benefits payable to the accounting auditor by the Company and its consolidated subsidiaries | 139,600 thousand yen |

- (Notes)
1. The audit agreement entered into by the Company and the accounting auditor does not clearly distinguish the amount of compensation for audits prescribed in the Companies Act and those prescribed in the Financial Instruments and Exchange Act, and practically it cannot be distinguished. Therefore, 1) above shows the total amount of such compensation.
 2. The Board of Company Auditors of the Company, before the Company's transition to a company with an Audit and Supervisory Committee, agreed to the amount of compensation to the accounting auditor, as it decided that such amount was reasonable based on the examination thereof, following the analysis and evaluation on the results of accounting audit carried out in the prior fiscal year by the accounting auditor, as well as the verification of the audit plan for the current fiscal year and the basis for calculating the estimated compensation, etc. The reason for the agreement on this matter was confirmed by the Audit and Supervisory Committee after the Company transitioned to a company with an Audit and Supervisory Committee.
 3. Among the Company's principal subsidiaries, EASY BUY Public Company Limited, PT. Bank Nusantara Parahyangan, Tbk. and ACOM CONSUMER FINANCE CORPORATION have been subject to statutory audit by accounting auditors other than the Company's accounting auditor.
 4. The Company entrusts the accounting auditor with the preparation of a comfort letter, which is a service outside the scope of services stipulated in Paragraph 1, Article 2 of the Certified Public Accountants Act, and pays the accounting auditor for performing such service.

(3) Policy on Determination of Dismissal or Non-Reappointment of the Accounting Auditor

In case the Audit and Supervisory Committee determines that the accounting auditor falls under the provisions specified in each item, Paragraph 1, Article 340 of the Companies Act, the Audit and Supervisory Committee shall dismiss the accounting auditor conditional upon its unanimous approval.

In cases that the Audit and Supervisory Committee determines that dismissal or non-reappointment of the accounting auditor is appropriate mainly including the fact that the accounting auditor has difficulty in execution of duties, the Audit and Supervisory Committee shall decide the contents of proposal for the General Meeting of Shareholders to dismiss or not to reappoint the accounting auditor.

6. The Company's System and Policy

The Company transitioned to a company with an Audit and Supervisory Committee effective June 22, 2017. Following this transition, the Company revised the "Basic Policy of Establishing ACOM Group's Internal Control System" at the Board of Directors meeting held on June 22, 2017. The details of the revised policy are as follows.

- 1) System to ensure that execution of duties by the Directors and employees of the Company and its subsidiaries complies with laws, regulations and the Articles of Incorporation of the Company
 - (a) The Company regards compliance as the highest priority in the corporate management, and establishes the ACOM Group Code of Ethics and Code of Conduct, while developing the rules for compliance and various internal rules and making employees fully aware of them.
 - (b) The Company and its subsidiaries establish a committee on compliance, etc., officers responsible for compliance, and departments with across-the-board responsibilities for compliance.
 - (c) The Company and its subsidiaries formulate compliance plans and manage its progress.
 - (d) The Company and its subsidiaries establish contact points for reporting and inquiries concerning the act of violations or possible violations of compliance.
 - (e) In accordance with the ACOM Group Code of Ethics and the Group's basic policy with respect to antisocial forces, the Company develops a system to prevent relations with antisocial forces and ensure appropriate business operations.
 - (f) In accordance with the Group's basic policy for the internal control over financial reporting, the Company develops a system to ensure the accuracy and reliability of financial reporting. The Company also establishes a system to disclose financial information by setting up a Financial Information Disclosure Committee.
 - (g) The Company establishes an internal audit department and ensures its independence and specialties. It also develops an internal audit system, in accordance with the rules on internal audit, to ensure the soundness and appropriateness of businesses. Additionally, the Company's internal audit department implements audits on its subsidiaries or supports their audits in order to contribute to development of the internal control system of its subsidiaries.

[Overview of the status of operation]

The Company has formulated the ACOM Group Code of Ethics and Code of Conduct and issued copies thereof to all officers and employees. The Company has appointed officers responsible for compliance and established departments with across-the-board responsibilities for compliance, arranging quarterly report to the Board of Directors on the progress of the compliance plan, status of prevention of transactions involving antisocial forces, and results of audits including those of subsidiaries. The Compliance Committee has held six meetings, carrying out deliberation on the important matters concerning the development and operation of the compliance system, matters concerning the formulation of the basic compliance plan, etc. The Financial Information Disclosure Committee has held eight meetings, conducting prior deliberation of the matters to be discussed at the Board of Directors, on issues such as the financial information subject to disclosure.

- 2) System concerning storage and management of information on the execution of duties by Directors of the Company
 - (a) In accordance with the rules for confidential information management and related rules, the Company establishes procedures for managing documents related to the execution of duties by the Directors (including electromagnetic records), stores and manages such information in an appropriate manner, ensuring that such documents are available for inspection by directors when necessary.
 - (b) In order to maintain the appropriateness of information storage and management, the Company appoints personnel responsible for information security management, determines the roles of respective organizations, officers and employees, and stores and manages information in a systematic manner. The Company regularly verifies the status of information storage and management.

[Overview of the status of operation]

The Company makes amendments to the rules, etc. concerning information management, such as the "Information Security Management Rules" and the "Classified Information Management Rules," and reviews the framework for storage and management of information as appropriate. The Company has appointed personnel responsible for information security management, and regularly verifies the

roles of respective organizations, officers and employees involved in information security, as well as the status of storage and management of information.

- 3) Rules concerning loss risk management and other systems of the Company and its subsidiaries
 - (a) The Company and its subsidiaries establish systems for proper and efficient risk management in accordance with the rules for risk management.
 - (b) In order to manage risks in an integrated manner, the Company and its subsidiaries establish a committee on risk management, etc., officers responsible for risk management, and departments with across-the-board responsibilities for risk management.
 - (c) The Company and its subsidiaries establish systems to minimize economic losses and loss of credibility and to continue or swiftly resume business operations in cases where risks that may have significant internal or external impacts arise.

[Overview of the status of operation]

The Company has appointed officers responsible for risk management and established departments with across-the-board responsibilities for risk management. The Company makes amendments to the rules, etc. concerning business continuity and reviews the framework for business continuity and prompt restoration of business operations as appropriate. The Risk Management Committee has held four meetings, deliberating on matters concerning the development of the risk management system in general, matters concerning risk assessment, and priority risk management measures.

- 4) System to ensure efficient execution of duties by the Directors of the Company and its subsidiaries
 - (a) The Company formulates the Group's management policies and management plans and carries out business management based on appropriate methods.
 - (b) The Board of Directors delegates decision making concerning the execution of business operations other than matters to be resolved by the Board of Directors to President. The Company establishes the Executive Officers' Meeting chaired by President to conduct deliberations and make decisions on delegated matters.
 - (c) The Company and its subsidiaries, based on internal rules, etc., determine the division of duties by each organization and the criteria of decision making for each position so as to make decisions more quickly and execute duties more efficiently.

[Overview of the status of operation]

The Board of Directors makes resolutions on the Group's management policies and management plans. The progress of the management plans is reported to the Board of Directors on a quarterly basis. The Executive Officers' Meeting has held 24 meetings to deliberate and decide on matters delegated from the Board of Directors, and conduct prior deliberation on the matters to be discussed at the Board of Directors.

- 5) System to ensure the propriety of business carried out by the group consisting of the Company, parent company and subsidiaries
 - (a) While maintaining independence as a publicly-traded company, the Company coordinates with the parent company in accordance with the rules for consultation and reporting with the parent company. The Company also establishes the Group's business management systems in accordance with the parent company's policy for its group management so as to contribute to the appropriate business operations of both of the groups.
 - (b) The Company establishes departments for managing its subsidiaries, and manages subsidiaries in accordance with the rules for management of subsidiaries, etc. The Company's subsidiaries report important matters with business operations and management to the Company's Executive Officers' Meeting.

[Overview of the status of operation]

The Company manages subsidiaries based on the "Affiliates Management Rules." Status of various aspects of operation at each subsidiary including budgetary control, main qualitative management data and the progress of credit business measures is reported to the business report meeting on a monthly basis and to the Executive Officers' Meeting on a quarterly basis.

- 6) System concerning employees to assist the Audit and Supervisory Committee of the Company in execution of their duties
 - (a) The Company will establish the Administration for Audit and Supervisory Committee to assist the

Audit and Supervisory Committee in execution of their duties, and assigns employees to assist the Audit and Supervisory Committee.

- (b) The number of employees to assist the Audit and Supervisory Committee and their required qualifications will be decided after discussion with the Audit and Supervisory Committee.
- (c) Employees to assist the Audit and Supervisory Committee will be exclusively in charge of work that assists the Audit and Supervisory Committee, and will not be subject to instructions and orders from Directors (excluding those serving as Audit and Supervisory Committee Members) and other operational organizations.
- (d) Assignment, transfer, evaluation and disciplinary action of employees to assist the Audit and Supervisory Committee will be decided after discussion with the Audit and Supervisory Committee.

[Overview of the status of operation]

The Company has established the Administration for Audit and Supervisory Committee to assist the Audit and Supervisory Committee in execution of their duties, and assigned two dedicated employees to assist the Audit and Supervisory Committee, who are not subject to instructions and orders from Directors (excluding those serving as Audit and Supervisory Committee Members) and other operational organizations.

7) System for reporting to the Audit and Supervisory Committee

The Company reports to the Audit and Supervisory Committee the following matters concerning the Company and its subsidiaries. The person who reports to the Audit and Supervisory Committee shall not be treated unfavorably due to the reporting.

- (i) Matters which may significantly damage the Company
- (ii) Any material violation of laws and regulations, etc.
- (iii) Implementation Status and results of internal audits
- (iv) Status of whistleblowing and details of the reporting
- (v) Other matters the Audit and Supervisory Committee ask to be reported

[Overview of the status of operation]

Status of the execution of Directors' duties, status of internal audits, etc., are reported to the Audit and Supervisory Committee on a regular basis, while matters which may significantly damage the Company and any like cases are reported to the Audit and Supervisory Committee without delay when such matters occur.

8) Other systems to ensure that audits are effectively implemented by the Audit and Supervisory Committee of the Company

- (a) The Company ensures a system that allows Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee to: attend the Executive Officers' Meeting and other important meetings and committees; and have access to the important documents concerning the execution of duties, such as statutory documents.
- (b) President will have regular meetings with Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee to exchange opinions on issues with which the Company should deal, issues concerning the execution of duties, and primary issues on audits. President will also take actions regarding the matters that the Audit and Supervisory Committee deems necessary to be addressed.
- (c) Directors (excluding those serving as Audit and Supervisory Committee Members) and employees will esteem the rules of the Audit and Supervisory Committee and other rules, including audit policies, and cooperate with the Audit and Supervisory Committee for inspection and consultation requests.
- (d) The internal audit department will establish a cooperation system for exchanging information with the Audit and Supervisory Committee in order to contribute to ensuring the effectiveness of audits.
- (e) The Audit and Supervisory Committee will prepare budgets for expenses necessary for the execution of their duties and present them to the Company. Expenses incurred over the budget, in an urgent or temporary manner, may be requested for reimbursement afterwards.

[Overview of the status of operation]

The "Rules of the Executive Officers' Meeting" and the rules of other Committees, etc. stipulate the authority of Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee to attend meetings, and Audit and Supervisory Committee Members elected by the Audit

and Supervisory Committee attend the Executive Officers' Meeting, the Compliance Committee, the Financial Information Disclosure Committee, the Risk Management Committee and other meetings. The "Rules for Ensuring the Effectiveness of Audits by the Audit and Supervisory Committee" stipulates the authority of Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee to access statutory documents and other important documents concerning the execution of duties. Directors (excluding those serving as Audit and Supervisory Committee Members) have regular meetings with Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee to exchange opinions on issues which the Company should address, issues concerning the execution of duties, and primary issues on audits. They maintain cooperation with the Audit and Supervisory Committee by regularly reporting the status of correction of defects found as a result of the internal audit while discussing in advance the internal audit plan.

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Consolidated Financial Statements

(April 1, 2017 - March 31, 2018)

Consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

| Description | Amount | Description | Amount |
|---------------------------------------|------------------|---|------------------|
| (Assets) | | (Liabilities) | |
| Current assets | 1,229,028 | Current liabilities | 331,995 |
| Cash and deposits | 91,884 | Accounts payable - trade | 500 |
| Accounts receivable - operating loans | 975,116 | Short-term loans payable | 10,873 |
| Loans receivable of banking business | 48,808 | Commercial papers | 29,998 |
| Accounts receivable - installment | 53,034 | Current portion of long-term loans payable | 160,244 |
| Purchased receivables | 10,603 | Current portion of bonds | 45,350 |
| Securities | 904 | Deposits of banking business | 53,074 |
| Trading account securities | 1,651 | Lease obligations | 573 |
| Supplies | 60 | Income taxes payable | 5,112 |
| Deferred tax assets | 41,307 | Deferred tax liabilities | 0 |
| Other | 81,342 | Provision for loss on guarantees | 10,061 |
| Allowance for doubtful accounts | (75,686) | Asset retirement obligations | 89 |
| Noncurrent assets | 51,822 | Deferred installment income | 53 |
| Property, plant and equipment | 22,800 | Other | 16,063 |
| Buildings and structures | 4,844 | Noncurrent liabilities | 604,417 |
| Vehicles | 0 | Bonds payable | 211,210 |
| Equipment | 10,195 | Long-term loans payable | 276,841 |
| Land | 6,203 | Lease obligations | 1,150 |
| Lease assets | 1,556 | Deferred tax liabilities | 4,893 |
| Intangible assets | 11,210 | Provision for directors' retirement benefits | 22 |
| Software | 7,103 | Provision for loss on interest repayment | 104,068 |
| Goodwill | 4,063 | Net defined benefit liability | 334 |
| Leasehold right | 4 | Asset retirement obligations | 4,320 |
| Telephone subscription right | 37 | Other | 1,574 |
| Other | 1 | Total liabilities | 936,413 |
| Investments and other assets | 17,811 | (Net assets) | |
| Investment securities | 4,261 | Shareholders' equity | 320,026 |
| Net defined benefit asset | 4,559 | Capital stock | 63,832 |
| Deferred tax assets | 436 | Capital surplus | 73,578 |
| Guarantee deposits | 5,259 | Retained earnings | 202,410 |
| Other | 4,194 | Treasury stock | (19,794) |
| Allowance for doubtful accounts | (899) | Accumulated other comprehensive income | 2,889 |
| | | Valuation difference on available-for-sale securities | 0 |
| | | Foreign currency translation adjustment | 3,412 |
| | | Remeasurements of defined benefit plans | (523) |
| | | Non-controlling interests | 21,521 |
| | | Total net assets | 344,437 |
| Total assets | 1,280,851 | Total liabilities and net assets | 1,280,851 |

Consolidated Statement of Income

(April 1, 2017 - March 31, 2018)

(Millions of yen)

| Description | Amount | |
|---|---------|---------------|
| Operating revenue | | 263,453 |
| Interest on operating loans | 161,564 | |
| Interest on loans of banking business | 6,049 | |
| Revenue from credit card business | 6,168 | |
| Revenue from installment sales finance business | 74 | |
| Revenue from credit guarantee | 58,401 | |
| Collection from purchased receivable | 5,429 | |
| Other financial revenue | 792 | |
| Other operating revenue | 24,973 | |
| Operating expenses | | 182,511 |
| Financial expenses | 12,454 | |
| Cost of purchased receivable | 2,465 | |
| Other operating expenses | 167,591 | |
| Operating profit | | 80,942 |
| Non-operating income | | 965 |
| Interest income | 252 | |
| Dividend income | 13 | |
| Equity in earnings of affiliates | 10 | |
| House rent income | 277 | |
| Settlement received | 199 | |
| Other | 212 | |
| Non-operating expenses | | 213 |
| Interest expenses | 28 | |
| Foreign exchange losses | 84 | |
| Other | 100 | |
| Ordinary profit | | 81,694 |
| Extraordinary income | | 63 |
| Gain on sales of noncurrent assets | 38 | |
| Gain on sales of investment securities | 25 | |
| Extraordinary loss | | 589 |
| Loss on sales of noncurrent assets | 10 | |
| Loss on retirement of noncurrent assets | 149 | |
| Impairment loss | 426 | |
| Loss on valuation of investment securities | 0 | |
| Other | 2 | |
| Profit before income taxes | | 81,168 |
| Income taxes-current | 8,505 | |
| Income taxes-deferred | (1,571) | 6,934 |
| Profit | | 74,233 |
| Profit attributable to non-controlling interests | | 3,661 |
| Profit attributable to owners of parent | | 70,572 |

Consolidated Statement of Changes in Net Assets

(April 1, 2017 - March 31, 2018)

(Millions of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of current period | 63,832 | 73,578 | 131,837 | (19,794) | 249,453 |
| Changes of items during the period | | | | | |
| Profit attributable to owners of parent | | | 70,572 | | 70,572 |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | - | - | 70,572 | - | 70,572 |
| Balance at the end of current period | 63,832 | 73,578 | 202,410 | (19,794) | 320,026 |

| | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at the beginning of current period | 4 | 1,128 | (579) | 552 | 17,219 | 267,226 |
| Changes of items during the period | | | | | | |
| Profit attributable to owners of parent | | | | | | 70,572 |
| Net changes of items other than shareholders' equity | (3) | 2,284 | 56 | 2,337 | 4,301 | 6,638 |
| Total changes of items during the period | (3) | 2,284 | 56 | 2,337 | 4,301 | 77,211 |
| Balance at the end of current period | 0 | 3,412 | (523) | 2,889 | 21,521 | 344,437 |

Notes to the Consolidated Financial Statements

(From April 1, 2017 to March 31, 2018)

1. Notes to Significant Matters Providing the Basis for the Preparation of Consolidated Financial Statements

(1) Matters concerning the scope of consolidation

Number of consolidated subsidiaries: 5

Names of principal consolidated subsidiaries are referred to in “(6) Principal Parent Company and Subsidiaries of 1. Overview of Consolidated Business Activities,” therefore they are omitted here.

A newly established company, ACOM CONSUMER FINANCE CORPORATION, is included in the scope of consolidation from the current fiscal year.

In the current fiscal year, liquidation was completed for the General Incorporated Association Mirai Capital and Power Investments LLC, which had been consolidated subsidiaries. Therefore, these companies are excluded from the scope of consolidation.

(2) Matters concerning application of the equity method

Number of equity-method-affiliate: 1

Name of the equity-method-affiliate: MU Communications Co., Ltd.

(3) Matters concerning accounting policies

1) Evaluation standards and methods for significant assets

(a) Marketable securities

Trading securities

Market value method (the cost of securities sold is computed using the moving average method)

Held-to-maturity securities

Mainly amortization cost method (Interest method)

Other marketable securities

Securities with market quotations

Stated at market value at the end of the fiscal year (Unrealized gains or losses are comprehensively reported as a component of net assets and the cost of securities sold is computed using the moving average method)

Securities without market quotations

Stated at cost by the moving-average method
The investments in limited investment partnerships and other similar partnerships (those deemed as “securities” according to the Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported, using the equity method, based on the latest financial statements available as at the closing dates stipulated by the respective partnership contracts.

(b) Derivative transactions, etc.

Derivatives

Market value method

(c) Inventories

Supplies

Mainly at cost, based on the first-in first-out method

2) Depreciation and amortization methods for significant depreciable assets

(a) Property, plant and equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries

Declining balance method

Overseas consolidated subsidiaries

Straight-line method

(b) Intangible assets (excluding lease assets)

Software for internal use

Amortized by the straight-line method over their estimated useful lives (5 years) in the Company.

Other intangible assets

Straight-line method

(c) Lease assets

Lease assets concerning transfer ownership finance lease transactions

Depreciated by the same depreciation method applied to

- Lease assets concerning non-transfer ownership finance lease transactions
 noncurrent assets owned by the Company
 Depreciated by the straight-line method, defining the lease term of respective assets as their useful lives, with residual value equaling zero
- (d) Long-term prepaid expenses
 Depreciated by the equal installment method
- (e) Deferred assets
 Bond issuance cost
 These costs are fully charged to income when they are paid.
- 3) Accounting standards for the translation of foreign currency-denominated assets and liabilities into Japanese yen
 Foreign currency-denominated monetary claims and obligations are translated into Japanese yen, using the spot exchange rates on the closing date of consolidated accounting and the resulting translation gains and losses are recognized as income and expenses.
 Assets and liabilities and income and expenses of overseas subsidiaries are translated into Japanese yen at the spot exchange rates on the account closing date and average exchange rates, respectively. The resulting translation gains and losses are recorded as foreign currency translation adjustments and non-controlling interests under the net assets section.
- 4) Accounting standards for significant allowances and provisions
- Allowance for doubtful accounts
 To provide for potential loss on consumer loans and other loans, the Company and its consolidated subsidiaries make an allowance for the expected amount of irrecoverable loans. Allowances for ordinary bad debts are computed, based on the historical rate of default. For specific debts where recovery is doubtful, the Company considers the likelihood of recovery on an individual basis.
- Provision for loss on guarantees
 To provide for loss on guarantees, the Company and its consolidated subsidiaries make an allowance for potential losses at the end of the fiscal year.
- Provision for directors' retirement benefits
 Certain domestic consolidated subsidiaries make provisions for a necessary amount of directors' retirement benefits at the end of each fiscal year, in accordance with the Company's internal rules.
- Provision for loss on interest repayment
 To prepare for potential loss on interest repayment in the future, the Company estimates and provides a reasonable amount of provision for loss on interest repayment, in consideration of the past actual results and the latest interest repayment situations.
- 5) Accounting standards for significant revenue and expenses
- Interest on operating loans
 Interest is recorded on an accrual basis.
 Accrued interest on operating loans is recorded, using the interest rate stipulated in the Interest Rate Restriction Act or the contracted interest rate of the Company, whichever the lower.
- Revenue from credit card business
- Fees from customers
 Recorded by the credit balance method
- Fees from member stores
 Recorded as fees at the time of transaction
- Revenue from credit guarantee
 Recorded by the credit balance method
- (Note) Details of each recording method are as follows:
 Credit balance method
 Fees to be recorded as revenue is calculated pursuant to the prescribed rates applicable to the relevant credit balance.
- 6) Significant hedge accounting method
- (a) Hedge accounting method

The Company adopts the deferred hedge accounting. However, exceptional accounting treatments are applied to certain interest-rate swaps which meet specific conditions and designation transactions are applied to those that conform to the requirements of designated currency swap and exchange transactions.

(b) Hedging instruments and hedging items

Interest rate-related items

Hedging instruments

Hedging items

Interest-rate swap agreements

Loans payable with variable interest rates and bonds payable with variable interest rates

Currency-related items

Hedging instruments

Hedging items

Currency swap and exchange agreements

Foreign-currency-denominated loans payable and foreign-currency-denominated bonds payable

(c) Hedging policy

The Company and its subsidiaries enter into derivatives contracts to hedge against various risks. These contracts include the following: Interest-rate swaps to hedge against the risk of fluctuations in interest rates relating to loans payable with variable interest rates and bonds payable with variable interest rates for the purpose of protecting cash flows. Currency swap and exchange contracts to hedge against the risk of fluctuations in exchange rates relating to loans payable and interest on loans relating to foreign-currency-denominated loans payable and foreign-currency-denominated bonds payable for the purpose of protecting cash flows.

(d) Method for evaluating hedging effectiveness

With regard to interest rate-related hedging, important requirements concerning hedging instruments and hedging items are closely matched with each other. Also, the Company can assume that fluctuations in interest rates and cash flows are fully offset by the fluctuations in hedging instruments on an ongoing basis since the implementation of hedging contracts. Therefore, the judgment of hedging effectiveness is omitted. On currency-related hedging, currency swap and exchange contracts are entered into on the same conditions as hedging items, thus the Company can assume that fluctuations in exchange rates or cash flows are fully offset by the fluctuations of hedge instruments. Therefore, the judgment of hedging effectiveness is omitted.

7) Method and period for amortization of goodwill

Goodwill is amortized by the equal installments method over a period of 10 to 15 years. However, those with insignificant value are fully amortized in the fiscal year in which they were incurred.

8) Other significant matters for the preparation of consolidated financial statements

(a) Accounting method for retirement benefits

Net defined benefit liability is recorded at the amount obtained by subtracting pension assets from retirement benefit obligations based on their projected amounts at the end of the current fiscal year, in order to provide for employees' retirement benefits. If the projected amount of pension assets exceeds the projected amount of retirement benefit obligations, the excess amount is recorded as net defined benefit asset.

Past service costs are charged to expenses, using the straight-line method, over the determined years (5 years) that are not longer than average remaining service years of the employees at the time of occurrence.

Actuarial differences are amortized evenly using the straight-line method over the determined years (5 years) that are not longer than the average remaining service years of employees at the time of occurrence in each fiscal year, beginning from the fiscal year following the time of occurrence.

Actuarial differences and unrecognized past service costs are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income under the net assets section, after adjustments for tax effect.

(b) Accounting method for consumption tax

Transactions subject to consumption tax are recorded at the amount exclusive of consumption tax. However, consumption tax and other taxes imposed on non tax-deductible assets are recorded as an expense for the fiscal year they were incurred.

(c) Adoption of consolidated taxation system

The Company and its domestic consolidated subsidiaries adopt the consolidated taxation system.

2. Notes to Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment 37,574 million yen

| | |
|--|-------------------|
| (2) Guaranteed liabilities | (Millions of yen) |
| Outstanding guarantee obligation in the guarantee business | 1,199,644 |
| Outstanding guarantee obligation in the banking business | 568 |
| Provision for loss on guarantees | 10,061 |
| Net | 1,190,151 |

(3) Cash and deposits include 3,327 million yen of reserve for deposit of a consolidated subsidiary pursuant to the regulations of Bank Indonesia.

3. Notes to Consolidated Statement of Changes in Net Assets

(1) Class and total number of shares issued as of the end of the current fiscal year

Common stock 1,596,282,800 shares

(2) Matters concerning dividends from surplus

1) Dividends paid
Not applicable.

2) Dividends whose record date falls in the current fiscal year, but whose effective date comes after March 31, 2018

At the Ordinary General Meeting of Shareholders to be held on June 22, 2018, the resolution is scheduled as follows.

| | |
|---------------------------|-------------------|
| Type of stock | Common stock |
| Total amount of dividends | 1,566 million yen |
| Capital of dividends | Retained earnings |
| Dividends per share | 1 yen |
| Record date | March 31, 2018 |
| Effective date | June 25, 2018 |

(3) Class and number of shares to be issued upon the exercise of the stock acquisition rights as of the end of the current fiscal year

Not applicable.

4. Notes to financial instruments

(1) Matters concerning the financial instruments

1) The Group's policy for financial instruments

The Group conducts financial service businesses. These include loan business, credit card business, guarantee business, loan servicing business and banking business. To finance the operation of these businesses, the Group raises funds through indirect financing, i.e. borrowings from financial institutions, as well as direct financing, such as issuing bonds, etc., in light of the market situation and balance between variable interest rates and fixed interest rates. The Group conducts derivative transactions primarily for the purpose of hedging against the risk of fluctuations in interest rates and exchange rates associated with these financing operations, and does not have a policy to conduct speculative trading.

2) Details of financial instruments and associated risks

Major financial assets held by the Group are accounts receivable - operating loans, loans receivable of banking business and accounts receivable - installment; these assets are exposed to credit risk resulting from customers' default of payments. In addition, the Group holds shares, bonds, investments in partnership, etc. either on a held-to-maturity or portfolio investment basis, while some consolidated subsidiaries hold them for trading purposes. These assets are exposed to the risk of market value fluctuations and some are open to the risks of issuer's credit and interest rate fluctuations.

Financial liabilities including loans payable, bonds and commercial papers are exposed to liquidity risk, giving some indication of the possibility that the Group may not be able to make payment at the due date as a result of a change in the Group's credit standings or the market environment. Likewise, liabilities with variable interest rates have a certain degree of interest-rate risk, but the Group mitigates

this risk through interest rate swap transactions. On the other hand, foreign-currency-denominated liabilities are exposed to the risk of fluctuations in foreign currency exchange rates, which is averted with the help of currency swap and exchange agreements.

Derivative transactions include interest rate swap agreements for the purpose of hedging against the risk of fluctuations in interest rates associated with loans payable, etc.; and currency swap and exchange agreements that aim to hedge against the risk of fluctuations in exchange rates concerning foreign-currency-denominated loans payable and foreign-currency-denominated bonds payable. For details of hedging instruments, hedging items, hedging policy and the method for evaluating hedging effectiveness concerning hedge accounting, please refer to aforementioned “1. Notes to Significant Matters Providing the Basis for the Preparation of Consolidated Financial Statements, (3) Matters concerning accounting policies, 6) Significant hedge accounting method.”

3) Risk management system for financial instruments

(a) Credit risk management

According to internal rules, the Company incorporates and operates a structure to cope with individual transaction-based credit administration, credit information management, a credit rating system, a self-assessment system, problem loans and to regularly monitor its credit portfolios. The credit management and credit business promotion divisions separately conduct individual transaction-based screening and credit management, designed to facilitate a mutual surveillance function. In addition, the Company holds a regular management meeting to report and discuss important matters on credit risk management and operations. Separately it has a system under which the internal audit department reviews the appropriateness of the Company’s credit business operations, ensuring that the Company engages in a proper credit business. Consolidated subsidiaries also have similar management systems in place.

(b) Market risk management

The Company and some of its consolidated subsidiaries utilize interest rate swap agreements to mitigate the risk of fluctuations in interest payments on their financial liabilities such as loans payable. Also, they basically enter into currency swap and exchange agreements to hedge against the risk of fluctuations in exchange rate related to their foreign-currency-denominated liabilities.

With regard to marketable securities, such as shares and bonds, managements receive regular monitoring report regarding market trends, market values, issuers’ financial standings, etc., in order to constantly review their asset holdings.

The Group conducts derivative transactions primarily with the aim of optimizing financing costs and adjustment of the fixed/variable interest rates proportion. It does not have a policy of conducting derivatives trading for speculative purposes. Further, execution and administration of derivatives transactions are conducted in accordance with the Company’s internal rules that stipulate the trading authority, trading limits, etc., under the basic policy approved at meetings of management.

Consolidated subsidiaries also have similar market risk management systems in place.

In addition, all the accounts receivable – operating loans, which are the Group’s principal financial assets, are fixed interest rates, and large part of loans payable and bonds, which are the Group’s principal financial liabilities, are also fixed interest rates, therefore they have low sensitivity to fluctuations in interest rates. That is why the Group does not conduct a quantitative analysis on the market risk.

With regards to the items of which market values are determined using the market interest rate, if the interest rate as of March 31, 2018, had been 1 basis point (0.01%) lower, the market value of their net amount (asset side) - relevant financial assets after deduction of financial liabilities - would increase by 139 million yen on the condition that all risk variables other than interest rate are constant. To the contrary, if the interest rate had been higher by 1 basis point (0.01%), the net amount would decrease by 139 million yen.

(c) Management of liquidity risk associated with financing activities

The Company manages the liquidity risk by reviewing its financing plan on a timely basis according to past financing results, change in market conditions or interest rate situations, etc., based on the financing plan approved at meetings of management. Also for that purpose, it maintains a certain amount of liquidity at all times, secures commitment lines, seeking diversity and appropriate balance of financing methods in light of the market environment. Consolidated subsidiaries also have similar financing systems in place.

4) Supplementary explanations on market value of financial instruments

Market value of financial instruments are measured based on the quoted market price, if available, or reasonably assessed value if a quoted market price is not available. Market value of financial instruments which quoted market price is not available is calculated based on certain assumptions, and the value might differ if different assumptions are used. In addition, the contract amount of the derivative transactions described below in “(2) Matters concerning the market value of financial instruments” does not represent the market risk of the derivative transactions.

(2) Matters concerning the market value of financial instruments

The book value on the consolidated balance sheet and market value of financial instruments as of March 31, 2018, as well as the differences between these values are described below. Financial instruments whose market values appear to be extremely difficult to determine are not included in the table. (See (Note 2))

(Millions of yen)

| | Book Value | Market Value | Difference |
|--|------------|--------------|------------|
| 1) Cash and deposits | 91,884 | 91,884 | - |
| 2) Accounts receivable - operating loans | 975,116 | | |
| Allowance for doubtful accounts | (39,504) | | |
| Provision for loss on interest repayment | (10,839) | | |
| (Amount of voluntary waiver of repayments) | | | |
| | 924,772 | 1,207,312 | 282,539 |
| 3) Loans receivable of banking business | 48,808 | | |
| Allowance for doubtful accounts | (1,315) | | |
| | 47,493 | 53,881 | 6,387 |
| 4) Accounts receivable - installment | 53,034 | | |
| Allowance for doubtful accounts | (3,082) | | |
| Deferred installment income | (53) | | |
| | 49,898 | 64,165 | 14,267 |
| 5) Purchased receivables | 10,603 | | |
| Allowance for doubtful accounts | (3,099) | | |
| | 7,503 | 7,503 | - |
| 6) Marketable securities, trading account securities and investment securities | | | |
| (a) Trading securities | 1,651 | 1,651 | - |
| (b) Held-to-maturity securities | 3,941 | 4,200 | 258 |
| (c) Other securities | 58 | 58 | - |
| Total assets | 1,127,204 | 1,430,658 | 303,453 |
| 1) Short-term loans payable | 10,873 | 10,873 | - |
| 2) Commercial papers | 29,998 | 29,998 | - |
| 3) Deposits of banking business | 53,074 | 53,074 | - |
| 4) Current portion of bonds and bonds payable | 256,560 | 258,977 | 2,417 |
| 5) Current portion of long-term loans payable and long-term loans payable | 437,086 | 437,610 | 524 |
| Total liabilities | 787,593 | 790,535 | 2,941 |
| Derivative transaction (*) | | | |
| (a) Transactions not subject to the application of hedge accounting | - | - | - |
| (b) Transactions subject to the application of hedge accounting | - | - | - |
| Total derivative transactions | - | - | - |

(*) Receivables and payables incurred by derivative transactions are presented in net. Net payables are presented in brackets “[].”

Note 1: Matters concerning the calculation method for the market value of financial instruments, marketable securities and derivatives trading

Assets

1) Cash and deposits

Deposits without maturity are stated at their book values, as their market values approximate book values.

Deposits with maturity are stated at their book values, as their remaining periods are short (within a year) and their market values approximate book values.

2) Accounts receivable - operating loans, 3) loans receivable of banking business and 4) accounts receivable - installment

The fiscal year-end outstanding balances are stated at their present values, which are calculated by discounting expected future cash flows of the potentially recoverable principal and interest by the current market interest rate. These exclude secured loans and accounts receivable - installment, which are stated at adjusted book value; the expected amount of loan losses on these assets are calculated based on the expected recoverable amount of their collateral securities, hence their market values approximate their balance sheet values at the closing date, less the current expected amount of loan losses. Meanwhile, the assets related to the installment sales finance business at certain consolidated subsidiaries are stated at adjusted book value, as their average remaining periods are roughly one year and their market values approximate their balance sheet values net of an allowance for doubtful accounts.

5) Purchased receivables

These are stated at adjusted book value. The expected amount of loan losses on these assets are calculated based on either the present value of expected future cash flows or expected recoverable amount of their collateral securities or guarantees; hence their market values approximate their balance sheet values at the closing date, less the current expected amount of loan losses.

6) Marketable securities, trading account securities and investment securities

Shares are stated at the stock exchange quoted price, bonds are stated at either the stock exchange quoted price or the price presented by transacting financial institutions. Certain bonds are stated at book value using the amortized cost method, as they are redeemed in the short term and their market values approximate book values. Certificate of deposit is stated at book value, as they are short-term assets and their market values approximate book values.

Notes to securities according to holding purposes are as follows.

(a) Held-to-maturity securities

The book values on the consolidated balance sheet and market values of held-to-maturity securities by type, as well as differences between these values are as follows. No held-to-maturity securities were sold during the current fiscal year.

| (Millions of yen) | | | |
|--|------------|--------------|------------|
| Type | Book Value | Market Value | Difference |
| Market value greater than book value on the consolidated balance sheet | | | |
| (a) Government/municipal | 3,941 | 4,200 | 258 |
| (b) Corporate | - | - | - |
| (c) Other | - | - | - |
| Subtotal | 3,941 | 4,200 | 258 |
| Market value not greater than book value on the consolidated balance sheet | | | |
| (a) Government/municipal | - | - | - |
| (b) Corporate | - | - | - |
| (c) Other | - | - | - |
| Subtotal | - | - | - |
| Total | 3,941 | 4,200 | 258 |

(b) Other securities

Sale value for other securities during the current fiscal year is 33 million yen; the total gain on sales is 25 million yen. The acquisition costs of other securities, their value on the consolidated balance sheet and differences by type are as follows.

(Millions of yen)

| Type | Book Value | Acquisition cost | Difference |
|--|------------|------------------|------------|
| Acquisition cost not greater than book value on the consolidated balance sheet | | | |
| (a) Stocks | 0 | 0 | 0 |
| (b) Bonds | | | |
| Government/municipal | 58 | 57 | 0 |
| Corporate | - | - | - |
| Other | - | - | - |
| (c) Other | - | - | - |
| Subtotal | 58 | 57 | 0 |
| Acquisition cost greater than book value on the consolidated balance sheet | | | |
| (a) Stocks | - | - | - |
| (b) Bonds | | | |
| Government/municipal | - | - | - |
| Corporate | - | - | - |
| Other | - | - | - |
| (c) Other | - | - | - |
| Subtotal | - | - | - |
| Total | 58 | 57 | 0 |

(c) Impaired securities that were written down to their fair values

During the fiscal year under review, there were impaired securities of 0 million yen (unlisted shares) that were written down to their fair values.

Liabilities

1) Short-term loans payable and 2) commercial papers

These liabilities are stated at book value as they are settled in the short-term and their market values approximate their book values.

3) Deposits of banking business

Deposits with maturity less than 1 year are stated at book value as they are settled in the short-term and their market values approximate their book values. Deposits with maturity exceeding 1 year are stated at the present value which is calculated by discounting a principal with interest income by the current market interest rate.

4) Current portion of bonds and bonds payable

Bonds with market value are stated at market price. Bonds without market value and privately offered bonds are stated at the present value which is calculated by discounting a principal with interest income by the discount rate (i.e. the current market interest rate in consideration of credit risk).

5) Current portion of long-term loans payable and long-term loans payable

Long-term loans payable are stated at the present value which is calculated by discounting a principal with interest income by the discount rate (i.e. the current market interest rate in consideration of credit risk).

Derivative transactions

Derivative transactions subject to the application of hedge accounting

With regard to derivative transactions which are subject to the application of hedge accounting, the contract amount or equivalent of the principal amount prescribed by the contract as of the closing date of consolidated accounting according to hedge accounting methods are as follows.

(a) Interest-related derivatives

(Millions of yen)

| Hedge accounting method | Transaction type | Major hedging items | Contract amount | Amount of more than 1 year-period contracts | Market value |
|---|--|---|-----------------|---|--------------|
| Interest rate swap agreements subject to the application of exceptional accounting treatments | Interest rate swap agreements Fixed interest payments and floating interest receivables | Long-term loans payable and bonds payable | 162,459 | 78,381 | (Note) |

(Note) Interest rate swap agreements subject to the application of exceptional treatments are recognized together with hedging items (i.e. long-term loans payable and bonds payable), therefore, their market values are included in the market value of the relevant long-term loans payable, etc.

(b) Currency-related derivatives

(Millions of yen)

| Hedge accounting method | Transaction type | Major hedging items | Contract amount | Amount of more than 1 year-period contracts | Market value |
|---|--|---|-----------------|---|--------------|
| Exchange contracts subject to the application of designation transactions | Currency swap agreements | Long-term loans payable and bonds payable | 27,614 | 25,186 | (Note) |
| | Exchange agreements Long U.S. dollars | Short-term loans payable | 1,838 | - | |
| Total | | | 29,452 | 25,186 | |

(Note) Exchange contracts, etc. subject to the application of designation transactions are recognized together with hedging items (i.e. long-term loans payable, bonds payable, and short-term loans payable), therefore, their market values are included in the market value of the relevant long-term loans payable, etc.

Note 2: Financial instruments whose market values appear to be extremely difficult to determine are as follows.

(Millions of yen)

| Item | Book value |
|---|------------|
| 1) Unlisted shares (*1) (*2) | 1,163 |
| 2) Investments in investment partnerships (*1) (*3) | 2 |
| Total | 1,165 |

(*1) These shares are not included in “Asset 6) Marketable securities, trading account securities and investment securities” which contain information about the market value of financial instruments.

(*2) The market value of unlisted shares is not disclosed, as they are not quoted on a stock exchange and it appears to be extremely difficult to determine their market values.

(*3) The market value of investments in investment partnerships is not disclosed, as partnerships’ assets comprise unlisted shares and other investment instruments whose market values appear to be extremely difficult to determine.

Note 3: The scheduled redemption amount of monetary claims and marketable securities with maturity
(Millions of yen)

| | Up to 1 year | More than 1 year and up to 2 years | More than 2 years and up to 3 years | More than 3 years and up to 4 years | More than 4 years and up to 5 years | More than 5 years |
|---|----------------|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------|
| Cash and deposits | 91,884 | - | - | - | - | - |
| Accounts receivable - operating loans (*1) (*2) | 182,534 | 177,582 | 173,494 | 170,120 | 167,335 | 65,252 |
| Loans receivable of banking business | 29,134 | 2,892 | 3,287 | 5,926 | 3,258 | 4,310 |
| Accounts receivable - installment (*1) (*2) | 10,636 | 10,048 | 10,048 | 10,048 | 10,048 | 195 |
| Marketable securities and Investment securities | | | | | | |
| 1) Held-to-maturity securities | | | | | | |
| Government bond | 846 | 293 | 139 | - | 475 | 2,187 |
| 2) Other marketable securities with maturities | | | | | | |
| Government bond | 58 | - | - | - | - | - |
| Other | - | - | - | - | - | - |
| Total | 315,095 | 190,817 | 186,969 | 186,095 | 181,117 | 71,945 |

(*1) Accounts receivables - operating loans and accounts receivable - installment do not include loans with potential defaults whose redemption schedule is unclear (amount: 35,955 million yen).

(*2) The amounts of accounts receivable - operating loans and accounts receivable - installment in the credit card business are the expected amounts assuming that average minimum payments are to be made on a fixed date in each month.

Note 4: Scheduled repayment amount of bonds payable, long-term loans payable, lease obligations and other interest-bearing liabilities after the consolidated closing date

(Millions of yen)

| | Up to 1 year | More than 1 year and up to 2 years | More than 2 years and up to 3 years | More than 3 years and up to 4 years | More than 4 years and up to 5 years | More than 5 years |
|--|----------------|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------|
| Short-term loans payable | 10,873 | - | - | - | - | - |
| Commercial papers | 29,998 | - | - | - | - | - |
| Deposits of banking business | 53,074 | - | - | - | - | - |
| Current portion of bonds and bonds payable | 45,350 | 41,678 | 42,106 | 40,350 | 50,175 | 36,900 |
| Current portion of long-term loans payable and long-term loans payable | 160,244 | 140,855 | 77,539 | 39,181 | 15,525 | 3,740 |
| Lease obligations | 573 | 456 | 314 | 281 | 97 | - |
| Total | 300,115 | 182,991 | 119,960 | 79,813 | 65,797 | 40,640 |

5. Notes to Per Share Information

- (1) Net assets per share 206.12 yen
(2) Basic earnings per share 45.05 yen

6. Other

Figures less than one million yen are rounded down to the nearest one million yen.

Non-consolidated Financial Statements

(April 1, 2017 - March 31, 2018)

Non-consolidated Balance Sheet

(As of March 31, 2018)

(Millions of yen)

| Description | Amount | Description | Amount |
|--|------------------|---|------------------|
| (Assets) | | (Liabilities) | |
| Current assets | 984,283 | Current liabilities | 241,385 |
| Cash and deposits | 78,196 | Accounts payable - trade | 489 |
| Accounts receivable - operating loans | 803,365 | Commercial papers | 29,998 |
| Accounts receivable - installment | 52,445 | Current portion of long-term loans payable | 150,572 |
| Securities | 58 | Current portion of bonds | 35,000 |
| Supplies | 25 | Lease obligations | 573 |
| Prepaid expenses | 612 | Accounts payable - other | 4,791 |
| Deferred tax assets | 37,632 | Accrued expenses | 7,462 |
| Accrued income | 15,529 | Income taxes payable | 2,582 |
| Short-term loans receivable from subsidiaries and affiliates | 2,600 | Deposits received | 329 |
| Current portion of long-term loans receivable from subsidiaries and associates | 630 | Provision for loss on guarantees | 9,360 |
| Right to reimbursement | 47,852 | Asset retirement obligations | 85 |
| Other | 2,564 | Other | 142 |
| Allowance for doubtful accounts | (57,230) | Noncurrent liabilities | 524,529 |
| Noncurrent assets | 65,629 | Bonds payable | 166,000 |
| Property, plant and equipment | 21,563 | Long-term loans payable | 246,150 |
| Buildings | 3,778 | Lease obligations | 1,150 |
| Structures | 763 | Deferred tax liabilities | 1,564 |
| Vehicles | 0 | Provision for loss on interest repayment | 104,068 |
| Equipment | 9,355 | Asset retirement obligations | 4,052 |
| Land | 6,109 | Other | 1,542 |
| Lease assets | 1,556 | | |
| Intangible assets | 10,001 | Total liabilities | 765,915 |
| Software | 5,895 | | |
| Goodwill | 4,063 | (Net assets) | |
| Leasehold right | 4 | Shareholders' equity | 283,997 |
| Telephone subscription right | 36 | Capital stock | 63,832 |
| Other | 1 | Capital surplus | 76,010 |
| Investments and other assets | 34,064 | Legal capital surplus | 72,322 |
| Investment securities | 830 | Other capital surplus | 3,687 |
| Stocks of subsidiaries and affiliates | 20,231 | Retained earnings | 163,948 |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 1,375 | Legal retained earnings | 4,320 |
| Long-term prepaid expenses | 1,418 | Other retained earnings | 159,627 |
| Guarantee deposits | 4,812 | General reserve | 80,000 |
| Prepaid pension cost | 5,064 | Retained earnings brought forward | 79,627 |
| Other | 1,201 | Treasury stock | (19,794) |
| Allowance for doubtful accounts | (870) | Valuation and translation adjustments | 0 |
| | | Valuation difference on available-for-sale securities | 0 |
| | | Total net assets | 283,997 |
| Total assets | 1,049,913 | Total liabilities and net assets | 1,049,913 |

Non-consolidated Statement of Income

(April 1, 2017 - March 31, 2018)

(Millions of yen)

| Description | Amount | |
|--|---------|---------------|
| Operating revenue | | 195,310 |
| Interest on operating loans | 120,405 | |
| Revenue from credit card business | 6,168 | |
| Revenue from credit guarantee | 48,892 | |
| Other financial revenue | 0 | |
| Other operating revenue | 19,843 | |
| Operating expenses | | 133,542 |
| Financial expenses | 6,442 | |
| Other operating expenses | 127,100 | |
| Operating profit | | 61,767 |
| Non-operating income | | 3,899 |
| Interest income | 68 | |
| Interest on securities | 0 | |
| Dividend income | 3,167 | |
| Other | 662 | |
| Non-operating expenses | | 195 |
| Interest expenses | 28 | |
| Foreign exchange losses | 71 | |
| Other | 95 | |
| Ordinary profit | | 65,471 |
| Extraordinary income | | 29 |
| Gain on sales of noncurrent assets | 4 | |
| Gain on sales of investment securities | 25 | |
| Extraordinary loss | | 574 |
| Loss on sales of noncurrent assets | 6 | |
| Loss on retirement of noncurrent assets | 138 | |
| Impairment loss | 426 | |
| Loss on valuation of investment securities | 0 | |
| Other | 2 | |
| Profit before income taxes | | 64,926 |
| Income taxes-current | 2,759 | |
| Income taxes-deferred | (1,018) | 1,741 |
| Profit | | 63,184 |

Non-consolidated Statement of Changes in Net Assets

(April 1, 2017 - March 31, 2018)

(Millions of yen)

| | Shareholders' equity | | | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-------------------------|-----------------------------------|-------------------------|----------------|----------------------------|
| | Capital stock | Capital surplus | | | Legal retained earnings | Retained earnings | | | Treasury stock | Total shareholders' equity |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | | Other retained earnings | | Total retained earnings | | |
| | | | | | | General reserve | Retained earnings brought forward | | | |
| Balance at the beginning of current period | 63,832 | 72,322 | 3,687 | 76,010 | 4,320 | 80,000 | 16,443 | 100,763 | (19,794) | 220,812 |
| Changes of items during the period | | | | | | | | | | |
| Profit | | | | | | | 63,184 | 63,184 | | 63,184 |
| Net changes of items other than shareholders' equity | | | | | | | | | | |
| Total changes of items during the period | — | — | — | — | — | — | 63,184 | 63,184 | — | 63,184 |
| Balance at the end of current period | 63,832 | 72,322 | 3,687 | 76,010 | 4,320 | 80,000 | 79,627 | 163,948 | (19,794) | 283,997 |

| | Valuation and translation adjustments | | Total net assets |
|--|---|---|------------------|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at the beginning of current period | 4 | 4 | 220,816 |
| Changes of items during the period | | | |
| Profit | | | 63,184 |
| Net changes of items other than shareholders' equity | (3) | (3) | (3) |
| Total changes of items during the period | (3) | (3) | 63,181 |
| Balance at the end of current period | 0 | 0 | 283,997 |

Notes to Non-consolidated Financial Statements

1. Notes to Matters concerning Significant Accounting Policies

(1) Evaluation standards and methods for assets

1) Evaluation standards and methods for marketable securities

| | |
|---------------------------------------|---|
| Stocks of subsidiaries and affiliates | Stated at cost by the moving-average method |
| Other marketable securities | |
| Securities with market quotations | Stated at market value at the end of the fiscal year (Unrealized gains or losses are comprehensively reported as a component of net assets and the cost of securities sold is computed using the moving average method) |
| Securities without market quotations | Stated at cost by the moving-average method The investments in limited investment partnerships and other similar partnerships (those deemed as “securities” according to the Article 2, Paragraph 2 of the Financial Instruments and Exchange Act) are reported, using the equity method, based on the latest financial statements available as at the closing dates stipulated by the respective partnership contracts. |

2) Evaluation standards and methods for derivatives

| | |
|-------------------|---------------------|
| Swap transactions | Market value method |
|-------------------|---------------------|

3) Evaluation standards and methods for inventories

| | |
|----------|--|
| Supplies | Mainly at cost, based on the first-in first-out method |
|----------|--|

(2) Depreciation and amortization methods for noncurrent assets

| | |
|--|--|
| Property, plant and equipment (excluding lease assets) | Declining balance method |
| Intangible assets (excluding lease assets) | |
| Software for internal use | Amortized by the straight-line method over their estimated useful lives (5 years) in the Company |
| Goodwill | Amortized by the equal installments method over a period of 10 to 15 years |
| Other intangible assets | Straight-line method |
| Lease assets | |
| Transfer ownership finance lease transactions | Depreciated by the same depreciation method applied to noncurrent assets owned by the Company |
| Non-transfer ownership finance lease transactions | Depreciated by the straight-line method, defining the lease term of respective assets as their useful lives, with residual value equaling zero |
| Long-term prepaid expenses | Depreciated by the equal installment method |

(3) Accounting method for deferred assets

| | |
|--------------------|---|
| Bond issuance cost | These costs are fully charged to income when they are paid. |
|--------------------|---|

(4) Accounting standards for allowances and provisions

| | |
|----------------------------------|--|
| Allowance for doubtful accounts | To provide for potential loss on consumer loans and other loans, the Company makes an allowance for the expected amount of irrecoverable loans. Allowances for ordinary bad debts are computed, based on the historical rate of default. For specific debts where recovery is doubtful, the Company considers the likelihood of recovery on an individual basis. |
| Provision for loss on guarantees | To provide for loss on guarantees, the Company makes |

| | |
|---|---|
| Provision for retirement benefits | <p>an allowance for potential losses at the end of the fiscal year.</p> <p>To provide for employees' retirement benefits, the amount obtained by subtracting pension assets from retirement benefit obligations is recorded, based on their projected amounts as of the end of this fiscal year.</p> <p>If the projected amount of pension assets exceeds the projected amount of retirement benefit obligations after addition or deduction of unrecognized past service liabilities and unrecognized actuarial differences, the excess amount is recorded as prepaid pension cost.</p> <p>Past service costs are charged to expenses, using the straight-line method, over the determined years (5 years) that are not longer than average remaining service years of the employees at the time of occurrence.</p> <p>Actuarial differences are amortized evenly using the straight-line method over the determined years (5 years) that are not longer than the average remaining service years of employees at the time of occurrence in each fiscal year, beginning from the fiscal year following the time of occurrence.</p> |
| Provision for loss on interest repayment | <p>To prepare for potential loss on interest repayment in the future, the Company estimates and provides a reasonable amount of provision for loss on interest repayment, in consideration of the past actual results and the latest interest repayment situations.</p> |
| (5) Accounting standards for revenue and expenses | |
| Interest on operating loans | <p>Interest is recorded on an accrual basis.</p> <p>Accrued interest on operating loans is recorded, using the interest rate stipulated in the Interest Rate Restriction Act or the contracted interest rate of the Company, whichever the lower.</p> |
| Revenue from credit card business | |
| Fees from customers | Recorded by the credit balance method |
| Fees from member stores | Recorded as fees at the time of transaction |
| Revenue from credit guarantee | Recorded by the credit balance method |
| (Note) Details of each recording method are as follows: | |
| Credit balance method | Fees to be recorded as revenue is calculated pursuant to the prescribed rates applicable to the relevant credit balance. |
| (6) Hedge accounting method | |
| 1) Hedge accounting method | <p>The Company adopts the deferred hedge accounting. However, exceptional accounting treatments are applied to certain interest-rate swaps which meet specific conditions.</p> |
| 2) Hedging instruments and hedging items | |
| Hedging instruments | Interest-rate swap agreements |
| Hedging items | Loans payable with variable interest rates and bonds payable with variable interest rates |
| 3) Hedging policy | <p>The Company enters into derivatives contracts to hedge against various risks. These contracts include the following: Interest-rate swaps to hedge against the risk of fluctuations in interest rates relating to loans payable with variable interest rates and bonds payable with variable interest rates for the purpose of protecting cash flows.</p> |
| 4) Method for evaluating hedging effectiveness | <p>Important requirements concerning hedging instruments and hedging items are closely matched with</p> |

each other. Also, the Company can assume that fluctuations in interest rates and cash flows are fully offset by the fluctuations in hedging instruments on an ongoing basis since the implementation of hedging contracts. Therefore, the judgment of hedging effectiveness is omitted.

(7) Other significant matters providing the basis for the preparation of financial statements

1) Accounting method for consumption tax

Transactions subject to consumption tax are recorded at the amount exclusive of consumption tax. However, consumption tax and other taxes imposed on non tax-deductible assets are recorded as an expense for the fiscal year they were incurred.

2) Adoption of consolidated taxation system

The Company adopts the consolidated taxation system.

2. Notes to Changes in Accounting Policies

<Non-consolidated Statement of Income>

From the fiscal year under review, “House rent income” under non-operating expenses, which was listed separately in the prior fiscal year, is included in “Other,” as its monetary value has become insignificant. The amount of “House rent income” for the fiscal year under review was 274 million yen.

| | |
|--|----------------------|
| 3. Notes to Non-consolidated Balance Sheet | |
| (1) Accumulated depreciation of property, plant and equipment | 33,889 million yen |
| (2) Guaranteed liabilities | (Millions of yen) |
| Outstanding guarantee obligation in the guarantee business | 1,056,532 |
| Provision for loss on guarantees | 9,360 |
| Net | <u>1,047,172</u> |
| (3) Monetary claims and liabilities to subsidiaries and affiliates | (Millions of yen) |
| Short-term monetary claims | 1,245 |
| Short-term monetary liabilities | 14 |
| 4. Notes to Non-consolidated Statement of Income | |
| Transactions with subsidiaries and affiliates | (Millions of yen) |
| Operating transactions | |
| Operating revenue | 206 |
| Operating expenses | 463 |
| Transactions other than operating transactions | 3,224 |
| 5. Notes to Non-consolidated Statement of Changes in Net Assets | |
| Class and number of shares of treasury stock as of March 31, 2018 | |
| Common stock | 29,668,592 shares |
| 6. Notes to tax effect accounting | |
| Breakdown of major factors that caused deferred tax assets and liabilities | (Millions of yen) |
| Deferred tax assets | |
| Bad debts expenses | 16,880 |
| Allowance for doubtful accounts | 7,491 |
| Provision for loss on guarantees | 2,866 |
| Provision for loss on interest repayment | 31,865 |
| Accrued bonuses | 481 |
| Unrecognized accrued interest | 485 |
| Software | 3,168 |
| Asset retirement obligations | 1,156 |
| Deferred assets | 349 |
| Deferred consumption taxes | 362 |
| Loss on valuation of securities | 170 |
| Loss on valuation of stocks of subsidiaries and affiliates | 1,034 |
| Enterprise tax payable | 269 |
| Impairment loss | 255 |
| Dividends on shares | 3,493 |
| Retained loss | 126,226 |
| Other | <u>385</u> |
| Deferred tax assets (subtotal) | 196,946 |
| Valuation allowance | <u>(159,313)</u> |
| Total deferred tax assets | 37,632 |
| Deferred tax liabilities | |
| Valuation difference on available-for-sale securities | 0 |
| Prepaid pension cost | 1,550 |
| Other | <u>13</u> |
| Total deferred tax liabilities | <u>1,564</u> |
| Net deferred tax assets | <u><u>36,068</u></u> |

7. Notes to Transactions between Related Parties
Companies etc. with the same parent company

(Millions of yen)

| Type | Name | Location | Paid-in Capital | Business outline | Ratio of voting rights holding (held) |
|--------------------------------------|--|-------------------|-----------------|------------------------|---------------------------------------|
| Companies of the same parent company | Mitsubishi UFJ Trust and Banking Corporation | Chiyoda-ku, Tokyo | 324,279 | Trust banking business | Direct (2.01 %) |
| | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | Chiyoda-ku, Tokyo | 1,711,958 | Banking business | - |

| Type | Name | Relationship | Summary of transactions | Amount of transaction | Item | Outstanding amount at the end of the fiscal year | | |
|--------------------------------------|--|---|--------------------------|--|--|--|--------------------------|--|
| Companies of the same parent company | Mitsubishi UFJ Trust and Banking Corporation | Borrowing | Borrowing of the capital | Borrowing 94,171 Repayment 80,676 | Commercial papers | 8,999 | | |
| | | | | | Current portion of long-term loans payable | 61,694 | | |
| | | | | | Long-term loans payable | 96,864 | | |
| | | | | | Payment of interest | 2,034 | Accrued expenses | 9 |
| | | | | | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | Borrowing | Borrowing of the capital | Borrowing 40,295 Repayment 32,000 |
| | Current portion of long-term loans payable | 32,618 | | | | | | |
| | Long-term loans payable | 19,600 | | | | | | |
| | Payment of interest | 903 | Accrued expenses | 2 | | | | |
| | Guarantee of liabilities | Receiving of guarantee fees for unsecured loans provided by the Company | 24,684 | Accrued income | | | | |
| | | Outstanding guarantee obligation | 629,008 | - | - | | | |

(Note) Terms and conditions of the transaction and its policies

- Interest rates of the borrowing from Mitsubishi UFJ Trust and Banking Corporation and The Bank of Tokyo-Mitsubishi UFJ, Ltd. are the money market rates.
- Guarantee commission rates on the debt guarantees for consumer loan by The Bank of

Tokyo-Mitsubishi UFJ, Ltd. is determined after negotiation by taking the market of guarantee commission into consideration. In the event that consumer loan debtors of The Bank of Tokyo-Mitsubishi UFJ, Ltd. are deemed to have difficulty in performing debt payments, in accordance with the agreement with the Bank of Tokyo-Mitsubishi UFJ, Ltd, the Company performs subrogation. Terms and conditions of this subrogation performance are determined through mutual consultation by both parties.

3. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its name to MUFJ Bank, Ltd. effective April 1, 2018.

(2) Director and individual major shareholder

| Type | Name | Location | Paid-in Capital | Business outline | Ratio of voting rights holding (held) |
|-----------------------------------|----------------|----------|-----------------|--|---------------------------------------|
| Director and other close relative | Kazuo Fukumoto | - | - | Trustee, The Institute for Research on Household Economics | - |

| Type | Name | Relationship | Summary of transactions | Amount of transaction | Item | Outstanding amount at the end of the fiscal year |
|-----------------------------------|----------------|--------------|-------------------------|-----------------------|------|--|
| Director and other close relative | Kazuo Fukumoto | - | Donation | 16 | - | - |

- (Notes) 1. The above amount of transaction does not include consumption tax, etc.
2. Terms and conditions of the transaction and its policies

The Institute for Research on Household Economics has been conducting survey and research on household income and expenditure and the terms and conditions of the transaction and its policies are determined after comprehensively considering its business plan and cash flow condition among other factors.

8. Notes to Per Share Information

- (1) Net assets per share 181.28 yen
(2) Basic earnings per share 40.33 yen

9. Other

Figures less than one million yen are rounded down to the nearest one million yen.