

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damage arising from the translation.

Convocation Notice

Securities Code: 8572

June 1, 2020

To Shareholders with Voting Rights

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

CONVOCAION NOTICE FOR THE 43RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to inform you that the 43rd Ordinary General Meeting of Shareholders of the Company will be held as described below.

To prevent the spread of COVID-19, we kindly ask you to exercise your voting rights in writing (by mail) or via the Internet, etc. insofar as possible, after a careful review of the Reference Documents for the General Meeting of Shareholders presented hereunder.

- 1. Date and Time:** Tuesday, June 23, 2020, at 10:00 a.m. (Reception scheduled to open at 9:30 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 43rd fiscal year (from April 1, 2019, to March 31, 2020)
 2. Non-consolidated Financial Statements for the 43rd fiscal year (from April 1, 2019, to March 31, 2020)
- 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.

The Company's website (Japanese):

https://www.acom.co.jp/corp/ir/stock/shareholders_meeting/

*Please access the following for information in English:

https://www.acom.co.jp/corp/english/ir/stock/shareholders_meeting/

- 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 rights exercise form at the reception desk. For the purpose of saving resources, we kindly ask you to bring this convocation notice with you.

We make it our practice to refrain from providing gifts to shareholders attending the meeting. We appreciate your understanding.

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.

The Company proposes to pay a year-end dividend for the 43rd fiscal year as follows.

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
2 yen per share (common stock) Total amount: 3,133,228,336 yen
- (3) Effective date of dividends from surplus
June 24, 2020

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 Corporate Planning Dept., Human Resources Dept. and System Development & Administration Division	Reappointed
4	Tomomi Uchida	Managing Director and Executive Managing Officer Head of Credit Supervision Division In charge of General Affairs Dept., Credit Supervision Dept. I, Credit Supervision Dept. II and Compliance for Credit Supervision Office	Reappointed
5	Naoki Hori	Director (Significant concurrent position) Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors (representative) and Deputy President of MUFG Bank, Ltd.	Reappointed
6	Takashi Kiribuchi	Executive Officer and Chief General Manager, Corporate Planning Dept.	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> Shigeyoshi Kinoshita (April 14, 1949)</p> <p>Cumulative years of service as Director of the Company: 37 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2020: Attendance at 12 out of 12 meetings (100%)</p> <p>Number of shares of the Company held: 28,007,260 shares</p>	<p>April 1973 Joined Marubeni Corporation April 1978 Joined Japan Consumer Finance Co., Ltd. February 1983 Director and Chief General Manager, General Affairs Dept. of the Company May 1984 Director and Chief General Manager, Accounting Dept. of the Company August 1986 Managing Director of the Company June 1988 Managing Director and Head of Business Promotion Division of the Company October 1991 Representative and Senior Managing Director of the Company October 1992 Representative and Senior Managing Director and Head of the Loan Sales Division of the Company October 1996 Representative Director and Deputy President of the Company June 2000 Representative Director and President of the Company June 2003 President and Chief Executive Officer of the Company (to present) 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: 3 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2020: Attendance at 12 out of 12 meetings (100%)</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 accumulated a wealth of experience and an excellent track record as a corporate manager in the banking business. Since assuming the position of Director, he has used that experience and record of performance to contribute to strengthening the functions of the Company's Board of Directors. He is expected to continue to fully play a role in conducting highly effective supervision of the management of the Company and the Company Group 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: 5 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2020: Attendance at 12 out of 12 meetings (100%)</p> <p>Number of shares of the Company held: 12,203,120 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 Manager, 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 Corporate Planning Dept., Human Resources Dept. and System Development & Administration Division</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;"><u>Reappointed</u></p> <p style="text-align: center;">Tomomi Uchida (December 27, 1961)</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, 2020: Attendance at 8 out of 8 meetings (100%)</p> <p>*The Board of Directors meetings held before Mr. Uchida's assumption of office as Director on June 21, 2019 are not counted.</p> <p>Number of shares of the Company held: 1,000 shares</p>	<p>October 1982 Joined the Company</p> <p>April 2003 General Manager, Business Promotion Dept. III of the Company</p> <p>October 2005 General Manager, Business Promotion Dept. II of the Company</p> <p>April 2007 Chief General Manager, Credit Business Management Dept. of the Company</p> <p>December 2007 Chief General Manager, Marketing Dept. of the Company</p> <p>October 2008 Head of East Japan Branch of the Company</p> <p>April 2011 Chief General Manager, Business Promotion Dept. of the Company</p> <p>April 2013 Executive Officer and Chief General Manager, Business Promotion Dept. of the Company</p> <p>June 2015 Executive Managing Officer, Deputy Head of Credit Business Promotion Division, and Chief General Manager, Business Promotion Dept. of the Company</p> <p>April 2016 Executive Managing Officer and Deputy Head of Credit Business Promotion Division of the Company</p> <p>June 2016 Executive Managing Officer and Head of Credit Business Promotion Division of the Company</p> <p>June 2018 Executive Managing Officer, Head of Credit Supervision Division, and Chief General Manager, Credit Supervision Dept. I of the Company</p> <p>October 2018 Executive Managing Officer, Head of Credit Supervision Division, and Chief General Manager, Credit Supervision Dept. II of the Company</p> <p>June 2019 Managing Director of the Company (to present)</p> <p>April 2020 Executive Managing Officer, Head of Credit Supervision Division of the Company (to present)</p> <p>(Assignment) Head of Credit Supervision Division In charge of General Affairs Dept., Credit Supervision Dept. I, Credit Supervision Dept. II and Compliance for Credit Supervision Office</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>Mr. Tomomi Uchida has a wealth of knowledge and a strong track record related to promoting the loan business, the Company's major business, gained through his career as General Manager of the Loan Business divisions and Credit Supervision divisions, as well as an Executive Officer of the Company. Since assuming the position of Director, he has used that knowledge and record of performance to perform his role and responsibilities. He is expected to contribute to promoting the Company's and the Company Group's strategy for further growth. 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> Naoki Hori (January 27, 1961)</p> <p>Cumulative years of service as Director of the Company: 2 years</p> <p>Record of attendance at the Board of Directors meetings in the fiscal year ended March 31, 2020: Attendance at 9 out of 12 meetings (75%)</p> <p>Number of shares of the Company held: 0 shares</p>	<p>April 1983 May 2010 May 2010 June 2010 June 2010 May 2012 May 2012 May 2013 May 2016 June 2016 May 2017 June 2017 April 2018 May 2018 June 2018 April 2019</p> <p>Joined The Sanwa Bank, Ltd. General Manager, Corporate Business Planning Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd. General Manager, Corporate Business Planning Division and Co-General Manager, Trust Business Planning Division (in charge of special mission) of Mitsubishi UFJ Financial Group, Inc. Executive Officer and General Manager, Corporate Business Planning Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Executive Officer, General Manager, Corporate Business Planning Division and Co-General Manager, Trust Business Planning Division (in charge of special mission) of Mitsubishi UFJ Financial Group, Inc. Executive Officer and General Manager, Corporate Banking Business Promotion Division of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Executive Officer and General Manager, Corporate Banking Division of Mitsubishi UFJ Financial Group, Inc. Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Managing Executive Officer of Mitsubishi UFJ Financial Group, Inc. Managing Director (Representative Director) of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Senior Managing Director (Representative Director) of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors (representative) and Senior Managing Executive Officer of The Bank of Tokyo-Mitsubishi UFJ, Ltd. Member of the Board of Directors (representative) and Senior Managing Executive Officer of MUFG Bank, Ltd. Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. (to present) Director of the Company (to present) Member of the Board of Directors (representative) and Deputy President of MUFG Bank, Ltd. (to present)</p> <p>(Significant concurrent positions) Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors (representative) and Deputy President of MUFG Bank, Ltd.</p>
<p>(Reason for nomination as a candidate for Director)</p> <p>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. Since assuming the position of Director, he has used such knowledge and experience to contribute in supervising the management of the Company and the Company group. He is expected to fully play a role in conducting highly effective supervision of the management of the Company and the Company Group 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
6	<p data-bbox="331 297 536 331"><u>Newly appointed</u></p> <p data-bbox="331 342 544 405">Takashi Kiribuchi (October 25, 1961)</p> <p data-bbox="256 490 612 591">Number of shares of the Company held: 15,100 shares</p>	<p data-bbox="639 253 778 282">March 1982</p> <p data-bbox="639 286 778 315">April 2004</p> <p data-bbox="639 320 778 349">July 2005</p> <p data-bbox="639 383 794 412">October 2005</p> <p data-bbox="639 448 778 477">April 2011</p> <p data-bbox="639 512 778 542">April 2015</p> <p data-bbox="639 577 778 607">June 2017</p> <p data-bbox="836 253 1453 633"> Joined the Company General Manager, System Dept. of the Company General Manager, Public Relations Dept. of the Company Chief General Manager, Public Relations Dept. of the Company Chief General Manager, Treasury Dept. of the Company Executive Officer and Chief General Manager, Treasury Dept. of the Company Executive Officer and Chief General Manager, Corporate Planning Dept. of the Company (to present) </p>
<p data-bbox="256 642 842 672">(Reason for nomination as a candidate for Director)</p> <p data-bbox="256 678 1474 835">Mr. Takashi Kiribuchi has served as General Manager of the Accounting, System, Public Relations, Investor Relations and Corporate Planning divisions as well as Executive Officer, and has a wealth of experience with, and extensive insight into, corporate divisions. He is expected to use such experience and insight to contribute to the implementation of strategies towards the further business growth and enhanced business performance of the Company and the Group. 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 Deputy President 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 Deputy President of MUFG Bank, Ltd., which is a subsidiary of the Company's parent company.
3. The Company has entered 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. The liability for damage under that agreement is limited to the minimum amount stipulated in relevant laws and regulations, and a similar agreement with Mr. Hori is scheduled to be executed upon his reappointment.
4. Mr. Kaoru Wachi was Representative Director and President of The Master Trust Bank of Japan, Ltd., a subsidiary of the Company's parent company, within the past five years.

End.

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damage arising from the translation.

(Appendix to the Convocation Notice for the 43rd Ordinary General Meeting of Shareholders)

Business Report

(April 1, 2019 - March 31, 2020)

1. Overview of Consolidated Business Activities

(1) Developments and Results of Business Activities

During the fiscal year ended March 31, 2020, the Japanese economy maintained moderate economic recovery, while recovery in consumer spending and improvement in the employment and income environment continued. Meanwhile, the economy was harshly restrained due to the spread of COVID-19 combined with consumer sentiment after the consumption tax hike, the trend of overseas economies, and the impact of fluctuations in the financial and capital markets. The risk of further economic downturn within and outside Japan still remain, mainly due to the impact of an expanded and prolonged COVID-19, coupled with fluctuations in the financial and capital markets.

In the nonbank business sector, 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 in the external environment.

In such an environment, the Company Group has upheld 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.” Under a medium-term management policy of “with expeditious reactions to environmental changes, ACOM will strive for sustainable growth and increasing corporate value, while creating services which exceed customers’ expectations” as set out in the medium-term management plan beginning in the current fiscal year, the Company Group will strive to expand its scope of business in the loan and credit card business, guarantee business and overseas financial business, which the Group has positioned as the three core business categories, while making efforts to contribute to sound growth of the market.

The consolidated business results for the fiscal year ended March 31, 2020, reflects the exclusion of PT. Bank Nusantara Parahyangan, Tbk. (“Bank BNP”), a former consolidated subsidiary, from the scope of consolidation upon sales of all its shares held by the Company in April 2019. Operating revenue increased to 279,510 million yen (up 0.9% year-on-year) primarily due to an increase in interest on operating loans of the Company and EASY BUY Public Company Limited (“EASY BUY”) in Kingdom of Thailand, in spite of a decrease in interest on loans of banking business due to the exclusion of Bank BNP from the scope of consolidation. On the other hand, operating expenses decreased to 203,873 million yen (down 7.1% year-on-year) primarily due to a decrease in provision for loss on interest repayment of the Company. As a result, operating profit increased to 75,636 million yen (up 31.3% year-on-year) and ordinary profit increased to 75,104 million yen (up 29.0% year-on-year). Profit attributable to owners of parent increased to 59,600 million yen (up 57.8% year-on-year) due to the posting of 9,875 million yen in extraordinary income resulting from the sale of the shares of Bank BNP and the posting of 4,969 million yen in extraordinary loss primarily attributable to the partial write down of equipment of the Company as well as the merger expenses incurred for the said company.

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

1) Loan and credit card business

In the domestic loan business, we made efforts to increase the number of new customers, improve product/service functions, and maintain the soundness of loan portfolio.

As for measures for increasing the number of new customers, we publicized a sound logo of “Hajimete-no (First time at) ACOM” and products/services, while placing advertisements on YouTube, Abema TV and LINE. Through these efforts, we strove to expand recognition and earn favorable public image for targets.

As for the improvement of product/service functions, we made continuous efforts to enhance the quality of UI/UX such as our website, for the purpose of further enhancing convenience for customers.

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 840,847 million yen (up 2.3% year-on-year).

In the domestic credit card business, we have promoted sales and increased the utilization rate mainly by participating in the Point Reward Project for Consumers using Cashless Payment and continuously issuing IC-chip-embedded credit cards from instant-issue credit card machines installed at automatic contract machine corners nationwide. Consequently, accounts receivable - installment at the end of the current fiscal year increased to 75,035 million yen (up 18.8% year-on-year).

As a result, the business segment’s operating revenue was 149,266 million yen (up 3.1% year-on-year) mainly due to increases in interest on operating loans and revenue from credit card business.

Operating profit was 28,056 million yen (up 137.7% year-on-year) mainly due to a decrease in provision for loss on interest repayment under operating expenses.

2) Guarantee business

In the guarantee business, we worked to deepen communication with existing partners to further strengthen our partnerships.

To enhance partnerships with existing partners, the Company continued appropriate screening, provided the results of analysis about loan portfolio and the effect of advertisement as well as various support for existing partners with a view to improving their business results and stabilizing their growth.

As a result, the total balance of guaranteed receivables in the guarantee operation of the Company and MU Credit Guarantee Co., LTD. at the end of the current fiscal year was 1,233,228 million yen (up 1.7% year-on-year). However, the business segment’s operating revenue was 68,569 million yen (down 1.1% year-on-year) primarily due to a decrease in revenue from credit guarantee, and operating profit was 25,000 million yen (down 1.0% year-on-year).

3) Overseas financial business

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

EASY BUY, which engages in the loan business 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 an environment of new loan regulations including new loan standards implemented by the Bank of Thailand in September 2017. 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.

In the Republic of Indonesia, Bank BNP, a former consolidated subsidiary, was excluded from the scope of consolidation upon sales of all its shares held by the Company in April 2019.

ACOM CONSUMER FINANCE CORPORATION, which engages in the loan business in the Republic of the Philippines, launched a full-fledged business in July 2018 and proactively promoted marketing activities.

The Company has promoted necessary surveys in other Asian countries to explore the feasibility of business development.

As a result, the business segment’s operating revenue and operating expenses for the current fiscal year reflect downward effect of the exclusion of Bank BNP from the scope of consolidation. Operating revenue amounted to 56,314 million yen (down 1.2% year-on-year) in spite of an increase in interest on operating loans at EASY BUY, whereas operating profit was 22,394 million yen (up 13.1%

year-on-year).

4) Loan servicing business

In the loan servicing business, IR Loan Servicing, Inc. has endeavored to strengthen its business structure and increase profitability amid intensified competition in the purchased receivables market.

As a result, the business segment's operating revenue was 5,358 million yen (down 9.1% year-on-year), mainly due to a year-on-year decrease in amount of collection from purchased receivables. However, operating profit increased to 464 million yen (up 18.7% year-on-year) thanks mainly to decreases in financial expenses and bad debt expenses.

(2) Succession of Rights and Obligations relating to Businesses of Other Companies resulting from Absorption-type Merger or Absorption-type Company Split

PT. Bank Nusantara Parahyangan, Tbk. merged on May 1, 2019, with PT Bank Danamon Indonesia, Tbk. (the surviving company), a consolidated subsidiary of Mitsubishi UFJ Financial Group, Inc.

(3) Capital Investment

During the fiscal year under review, there was no notable capital investment to report. It is noted that, during the fiscal year under review, the Company wrote down equipment (paintings) at 2,370 million yen.

(4) Financing

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

August 2019	78th Domestic Unsecured Straight Bond	10.0 billion yen
February 2020	79th Domestic Unsecured Straight Bond	20.0 billion yen
January 2020	Commercial Paper	10.0 billion yen
January 2020	Commercial Paper	10.0 billion yen
February 2020	Commercial Paper	10.0 billion yen

2) EASY BUY Public Company Limited, the Company's consolidated subsidiary, has issued bonds payable for the purpose of appropriation for long-term working capital as follows:

April 2019	1.5 billion Thai baht
July 2019	1.0 billion Thai baht

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

(5) Issues to be Addressed

There is risk of further economic downturn within and outside Japan, mainly on the impact of an expanded and prolonged COVID-19. The Company Group will strive to collect information regarding spread of COVID-19 while providing flexible and courteous support for repayment and borrowing to customers.

In the three-year medium-term management plan beginning from the fiscal year ending March 31, 2020, the Company has set forth a medium-term management policy of "with expeditious reactions to environmental changes, ACOM will strive for sustainable growth and increasing corporate value, while creating services which exceed customers' expectations." The Company will speedily respond to diversifying trends of customer needs and changes in environment such as the evolution of ICT and women's empowerment in society to create services that exceed customer expectations. Furthermore, in order to fulfill the social responsibility and mission expected of loan and credit card business and guarantee business and become a company that grows together with society, the Company endeavors to enhance corporate value by strengthening the human resources, computer systems, financial foundations, and governance that support the business, in addition to further promoting compliance and CS management.

For the fiscal year ending March 31, 2022, the final year of this medium-term management plan, the Company has set targets, in the domestic market, of 1.0 trillion yen in balance of the loan and credit card business, and 1.3 trillion yen in balance of the guarantee business, a total of 2.3 trillion yen, and in overseas markets, targets of 54.9 billion Thai baht in balance of the loan business of EASY BUY Public Company Limited in the Kingdom of Thailand, 1.59 billion pesos in balance of the loan business of ACOM CONSUMER FINANCE CORPORATION in the Republic of the Philippines, 190.0 billion yen

in the total overseas financial business, and 2.5 trillion yen in the total three core businesses.

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. In particular, the impact of the spread of COVID-19 on the business performance of the Company Group is difficult to reasonably estimate at this point, and actual results may differ significantly.

In the medium-term management plan, the Company will continue working to expand business and address the following issues.

- Loan and credit card business

In the loan and credit card business, the Company will appropriately grasp new customer needs arising from the progress of ICT and strive to provide customers with favorable experiences by strengthening the customer-reception quality of our employees and promoting digitization while enhancing its promotion activities and improving credit screening accuracy as a means to increase the number of new customers, grow the number of members, and maintain the soundness of its loan portfolio.

- Guarantee business

The Group will promote guarantee business with a firm grasp on the environmental changes in the market for personal card loans provided by financial institutions. In order to meet the increasingly complex needs of each and every financial institution in alliance, the Group will make the best use of its expertise gained from loan business to enhance and improve service functions while working for appropriate screening and responding to the customer needs for sound financing as well.

- Overseas financial business

In the overseas financial business, we will strive to expand business and maintain the soundness of loan portfolio at EASY BUY Public Company Limited, while pursuing single-year profitability during the term of this medium-term management plan in order to make ACOM CONSUMER FINANCE CORPORATION the second pillar of profit in the overseas financial business. We will also steadily pursue research and analysis activities aimed at realization of starting operations in other Asian countries with a view to expanding our overseas finance business.

(6) Changes in Assets and Income of the Company

(Millions of yen, unless otherwise stated)

Item	40th fiscal year ended March 31, 2017	41st fiscal year ended March 31, 2018	42nd fiscal year ended March 31, 2019	43rd fiscal year ended March 31, 2020
Operating revenue	245,148	263,453	277,069	279,510
Ordinary profit (loss)	(69,543)	81,694	58,205	75,104
Profit (loss) attributable to owners of parent	(72,187)	70,572	37,781	59,600
Basic earnings (loss) per share (yen)	(46.08)	45.05	24.12	38.04
Total assets	1,228,930	1,275,957	1,301,908	1,282,389
Net assets	267,226	344,437	381,501	442,496
Net assets per share (yen)	159.58	206.12	227.35	265.11
Accounts receivable - operating loans at fiscal year-end	930,292	975,116	1,000,428	1,041,711
Accounts receivable - installment at fiscal year-end	38,648	53,034	63,740	75,726
Shareholders' equity ratio (%)	20.34 [10.60]	25.31 [13.04]	27.36 [14.17]	32.39 [16.51]

- (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.
3. The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) from the beginning of the 42nd fiscal year. Accordingly, the figures in the assets and income of the Company for the 41st fiscal year to which the said accounting standard has been retrospectively applied are used.

(7) 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.	629,661 (40,938)	40.19 (2.61)	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)
ACOM CONSUMER FINANCE CORPORATION	500 (Millions of Philippine peso)	80.00	Unsecured loan business

(Note) PT. Bank Nusantara Parahyangan, Tbk. merged on May 1, 2019, with PT Bank Danamon Indonesia, Tbk. (the surviving company), a consolidated subsidiary of Mitsubishi UFJ Financial Group, Inc.

(8) Principal Businesses (as of March 31, 2020)

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

(9) Principal Offices (as of March 31, 2020)

1) Principal offices of the Company

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

Business outlets	Loan business outlets	938
	Staffed outlets	22
	Unstaffed outlets	916
	Automatic contract machine corners	938 locations (978)

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

	ATMs	
	Proprietary	971
	Tie-up	50,373

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	ACOM CONSUMER FINANCE CORPORATION	Pasig, Republic of the Philippines

(Note) PT. Bank Nusantara Parahyangan, Tbk. merged on May 1, 2019, with PT Bank Danamon Indonesia, Tbk. (the surviving company), a consolidated subsidiary of Mitsubishi UFJ Financial Group, Inc.

(10) Employees (as of March 31, 2020)

1) Number of employees of the consolidated group

Category	Number of employees
Loan and credit card business	1,416 (57)
Guarantee business	214 (10)
Overseas financial business	3,071 (7)
Loan servicing business	137 (8)
Company-wide (common)	497 (22)
Total	5,335 (104)

(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 98.)

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	1,249	21	43 years and 6 months	18 years and 9 months
Female	814	22	36 years and 4 months	8 years and 9 months
Total	2,063	43	40 years and 8 months	14 years and 10 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.

(11) Major Creditors (as of March 31, 2020)

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

Creditor	Amount borrowed (Millions of yen)
MUFG Bank, Ltd.	221,322
Shinsei Bank, Limited	46,575
Aozora Bank, Ltd.	30,300
Shinkin Central Bank	25,210

(Note) The amount borrowed from MUFG Bank, Ltd. includes borrowings by privately placed bonds.

2. Matters concerning Shares of the Company (as of March 31, 2020)

(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	10,773

(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
NOBUKA Co., Ltd.	30,000	1.91
Shigeyoshi Kinoshita	28,007	1.78
Japan Trustee Service Bank, Ltd. (Trust account 4)	27,290	1.74

- (Notes) 1. For the number of shares held, the amount is rounded down to the nearest thousand.
2. The Company holds 29,668,632 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 Audit & Supervisory Committee Members of the Company

(1) Directors (as of March 31, 2020)

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 Corporate Planning Department, Human Resources Department and System Development & Administration Division)
Senior Managing Director	Teruyuki Sagehashi	Senior Executive Managing Officer (In charge of Finance Department and Public & Investor Relations Office)
Managing Director	Tomomi Uchida	Executive Managing Officer (Head of Credit Supervision Division; In charge of General Affairs Department, Credit Supervision Department I, Credit Supervision Department II and Compliance for Credit Supervision Office; Chief General Manager of Credit Supervision Department II)
Director	Naoki Hori	Senior Managing Corporate Executive of Mitsubishi UFJ Financial Group, Inc. Member of the Board of Directors (representative) and Deputy President of MUFG Bank, Ltd.
Director, Full-time Member of the Audit & Supervisory Committee	Tatsuya Ito	
Director, Full-time Member of the Audit & Supervisory Committee	Kazuo Fukumoto	
Director, Full-time Member of the Audit & Supervisory Committee	Masahide Ishikawa	

- (Notes)
1. Directors, Audit & Supervisory Committee Members Tatsuya Ito and Masahide Ishikawa are Outside Directors, and have been designated and registered as independent directors with the Tokyo Stock Exchange in accordance with its regulations.
 2. Director, Audit & 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.
 3. All of the three Audit & Supervisory Committee Members have been elected as Full-time Members of the Audit & Supervisory Committee 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.

4. Executive Officers who do not hold concurrent positions as Directors (as of March 31, 2020)

Position	Name	Responsibility within the Company and significant concurrent positions
Executive Managing Officer	Nobuyoshi Matsutani	In charge of Treasury Department Vice in charge of Compliance Department
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 Business Promotion Division In charge of Business Planning Department, Business Promotion Department, East Japan Business Promotion Department, West Japan Business Promotion Department and Compliance for Credit Business Promotion Office
Executive Managing Officer	Masaru Kuroda	In charge of Overseas Business Department
Executive Managing Officer	Michihito Onodera	In charge of Guarantee Business Department 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 West Japan Business Promotion Department
Executive Officer	Takashi Kiribuchi	Chief General Manager of Corporate Planning Department
Executive Officer	Akihiro Kiyooka	Corporate Planning Department (Special mission)
Executive Officer	Yasuhide Doi	Chief General Manager of Business Process Management Department
Executive Officer	Masashi Yoshiba	Chief General Manager of Compliance Department
Executive Officer	Hidehiko Shibata	Chief General Manager of East Japan Business Promotion Department
Executive Officer	Yuji Kinoshita	Chief General Manager of Business Promotion Department
Executive Officer	Masahiko Machida	Chief General Manager of Internal Audit Department

5. Change in Executive Officer during the fiscal year under review

Name	Position before change	Position after change	Date of change
Michihito Onodera	Executive Officer	Executive Managing Officer	June 21, 2019

6. Change in Executive Officer after the end of the fiscal year under review

Name	Position before change	Position after change	Date of change
Masatoshi Nabeoka	—	Executive Officer	April 1, 2020

(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
Noriyoshi Watanabe	June 21, 2019	Expiration of term	Managing Director Executive Managing Officer (In charge of Guarantee Business Department)
Osamu Takada	June 21, 2019	Expiration of term	Director, Audit & Supervisory Committee Member Outside Director of TOHOKU CHEMICAL CO., LTD.
Takashi Doi	June 21, 2019	Expiration of term	Director, Audit & Supervisory Committee Member Attorney at law Representative Partner of Doi Law Office Outside Auditor of ARATA CORPORATION

(3) Policy concerning the Decision on the Amount of Compensation to Directors

The Company determines the amount of compensation payable to Directors (excluding Directors serving as Audit & Supervisory Committee Members) in consideration of business results and other factors at the Board of Directors through a deliberation and proposal process conducted by the Appointment and Remuneration Committee, within the total amount of compensation resolved at a general meeting of shareholders. The amount of compensation payable to Audit & Supervisory Committee Members is determined through consultation among Audit & Supervisory Committee Members in consideration of their duties and responsibilities, within the total amount of compensation resolved at a general meeting of shareholders.

(4) Total Amount of Compensation to Directors

Category	Number of recipients	Amount paid (Thousands of yen)
Directors (excluding those serving as Audit & Supervisory Committee Members)	7	176,010
Directors, Audit & Supervisory Committee Members (including Outside Directors)	5 (4)	57,360 (37,530)
Total (including Outside Directors)	12 (4)	233,370 (37,530)

- (Notes) 1. 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 & 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).
2. At the 40th Ordinary General Meeting of Shareholders held on June 22, 2017, it was resolved that compensation paid to Directors, Audit & Supervisory Committee Members per year shall be no more than 100 million.
3. The above table includes one Director (excluding a Director serving as an Audit & Supervisory Committee Member) and two Directors, Audit & Supervisory Committee Members (including two Outside Directors), all of whom retired at the close of the 42nd Ordinary General Meeting of Shareholders held on June 21, 2019, due to the expiration of their terms of office.

(5) 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.

(6) Matters concerning Outside Directors

- 1) Significant concurrent positions in other companies and relationship between the Company and these companies.
Not applicable.

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

Name	Position	Major activities
Tatsuya Ito	Director, Audit & Supervisory Committee Member	He attended all 12 Board of Directors meetings and all 14 Audit & 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.
Masahide Ishikawa	Director, Audit & Supervisory Committee Member	He attended all 8 Board of Directors meetings and all 10 Audit & Supervisory Committee meetings held during the fiscal year under review after assuming the position of Director, Audit & Supervisory Committee Member on June 21, 2019 (elected at the 42nd Ordinary General Meeting of Shareholders). He 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.

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 | 125,000 thousand yen |
| 2) Total amount of monetary and other financial benefits payable to the accounting auditor by the Company and its consolidated subsidiaries | 150,900 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 Audit & 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.
 3. Among the Company's principal subsidiaries, EASY BUY Public Company Limited 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 & 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 & Supervisory Committee shall dismiss the accounting auditor conditional upon its unanimous approval.

In cases that the Audit & 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 & 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

System to Ensure the Appropriateness of Business Activities and Overview of the Status of Operation of the System

[System to Ensure the Appropriateness of Business Activities]

The basic policy for the development of the system to ensure the appropriateness of business activities of the Company and its subsidiaries ("Basic Policy of Establishing ACOM Group's Internal Control System") is 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.
- 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.
- 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.
- 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.
- 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.
- 6) System concerning employees to assist the Audit & Supervisory Committee of the Company in execution of their duties
- (a) The Company will establish the Administration for Audit & Supervisory Committee to assist the Audit & Supervisory Committee in execution of their duties, and assigns employees to assist the Audit & Supervisory Committee.
 - (b) The number of employees to assist the Audit & Supervisory Committee and their required qualifications will be decided after discussion with the Audit & Supervisory Committee.
 - (c) Employees to assist the Audit & Supervisory Committee will be exclusively in charge of work that assists the Audit & Supervisory Committee, and will not be subject to instructions and orders from Directors (excluding those serving as Audit & Supervisory Committee Members) and other operational organizations.
 - (d) Assignment, transfer, evaluation and disciplinary action of employees to assist the Audit & Supervisory Committee will be decided after discussion with the Audit & Supervisory Committee.
- 7) System for reporting to the Audit & Supervisory Committee
- The Company reports to the Audit & Supervisory Committee the following matters concerning the Company and its subsidiaries. The person who reports to the Audit & 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 & Supervisory Committee ask to be reported
- 8) Other systems to ensure that audits are effectively implemented by the Audit & Supervisory Committee of the Company
- (a) The Company ensures a system that allows Audit & Supervisory Committee Members elected by the Audit & 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 & Supervisory Committee Members elected by the Audit & 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 & Supervisory Committee deems necessary to be addressed.
 - (c) Directors (excluding those serving as Audit & Supervisory Committee Members) and employees will esteem the rules of the Audit & Supervisory Committee and other rules, including audit policies, and cooperate with the Audit & Supervisory Committee for inspection and consultation

requests.

- (d) The internal audit department will establish a cooperation system for exchanging information with the Audit & Supervisory Committee in order to contribute to ensuring the effectiveness of audits.
- (e) The Audit & 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 of the System to Ensure the Appropriateness of Business Activities]
Overview of the status of operation based on the basic policy for the development of the system to ensure the appropriateness of business activities of the Company and its subsidiaries (“Basic Policy of Establishing ACOM Group’s Internal Control System”) is 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
 - * The Company has formulated the ACOM Group Code of Ethics and Code of Conduct and issued copies thereof to all officers and employees while posting it on the Company’s website, in-house network, etc.
 - * The Company has appointed officers responsible for compliance and established departments with across-the-board responsibilities for compliance, and striven to promote compliance through compliance training, etc., while arranging quarterly reports 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 Company and its subsidiaries have established contact points for reporting and consultations concerning the act of violations or possible violations of compliance.
 - * 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.
 - * The Company has established an internal audit department and ensured its independence and specialties. It has also developed 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 has implemented or supported the audits of its subsidiaries in order to contribute to development of the internal control system of its subsidiaries.

- 2) System concerning storage and management of information on the execution of duties by Directors of the Company
 - * 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
 - * The Company and its subsidiaries have 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 Committee has held five meetings, deliberating on matters concerning the development of the risk management system in general and important matters concerning risk management.
 - * The Risk Management Report Meeting has held four meetings, reporting on the status of risk management and matters concerning risk management.

- 4) System to ensure efficient execution of duties by the Directors of the Company and its subsidiaries
 - * 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 32 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.
 - * The Company and its subsidiaries amend internal rules pertaining to the decision-making criteria as necessary so as to make decisions more quickly and execute duties more efficiently.

- 5) System to ensure the propriety of business carried out by the group consisting of the Company, parent company and subsidiaries
 - * 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.
 - * The Company manages subsidiaries based on the "Affiliates Management Rules."
 - * Each subsidiary of the Company reports on the status of various aspects of operation including budgetary control, main qualitative management data and the progress of credit business measures 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 & Supervisory Committee of the Company in execution of their duties
 - * The Company has established the Administration for Audit & Supervisory Committee to assist the Audit & Supervisory Committee in execution of their duties, and assigned three dedicated employees to assist the Audit & Supervisory Committee, who are not subject to instructions and orders from Directors (excluding those serving as Audit & Supervisory Committee Members) and other operational organizations.
- 7) System for reporting to the Audit & Supervisory Committee
 - * Status of the execution of Directors' duties, status of internal audits, etc., are reported to the Audit & Supervisory Committee on a regular basis, while matters which are deemed likely to significantly damage the Company and any like cases are reported to the Audit & Supervisory Committee without delay when such matters occur.
 - * The Company has stipulated that the person who reports to the Audit & Supervisory Committee shall not be treated unfavorably due to the reporting.
- 8) Other systems to ensure that audits are effectively implemented by the Audit & Supervisory Committee of the Company
 - * The "Rules of the Executive Officers' Meeting" and the rules of other Committees, etc. stipulate the authority of Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee to attend meetings, and Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee attend the Executive Officers' Meeting, the Compliance Committee, the Financial Information Disclosure Committee, the Risk Committee and other meetings.
 - * The "Rules for Ensuring the Effectiveness of Audits by the Audit & Supervisory Committee" stipulates the authority of Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee to access statutory documents and other important documents concerning the execution of duties.
 - * Directors (excluding those serving as Audit & Supervisory Committee Members) have regular meetings with Audit & Supervisory Committee Members elected by the Audit & Supervisory Committee to exchange opinions on issues which the Company should address, issues concerning the execution of duties, and primary issues on audits.
 - * The internal audit department maintains cooperation with the Audit & 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.

This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damage arising from the translation.

Consolidated Financial Statements

(April 1, 2019 - March 31, 2020)

Consolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	1,213,402	Current liabilities	216,694
Cash and deposits	82,545	Accounts payable - trade	682
Accounts receivable - operating loans	1,041,711	Short-term loans payable	15,330
Accounts receivable - installment	75,726	Commercial papers	29,998
Purchased receivables	9,188	Current portion of long-term loans payable	91,048
Supplies	42	Current portion of bonds	48,026
Other	87,162	Lease obligations	405
Allowance for doubtful accounts	(82,974)	Income taxes payable	7,888
Noncurrent assets	68,986	Provision for loss on guarantees	9,475
Property, plant and equipment	15,156	Asset retirement obligations	32
Buildings and structures	3,516	Deferred installment income	36
Vehicles	0	Other	13,767
Equipment	7,606	Noncurrent liabilities	623,198
Land	3,123	Bonds payable	196,300
Lease assets	910	Long-term loans payable	333,388
Intangible assets	7,542	Lease obligations	642
Software	5,056	Provision for directors' retirement benefits	28
Goodwill	2,436	Provision for loss on interest repayment	87,600
Leasehold right	4	Net defined benefit liability	676
Telephone subscription right	37	Asset retirement obligations	4,375
Other	8	Other	186
Investments and other assets	46,287	Total liabilities	839,892
Investment securities	1,165		
Net defined benefit asset	2,379	(Net assets)	
Deferred tax assets	33,835	Shareholders' equity	409,547
Guarantee deposits	5,041	Capital stock	63,832
Other	4,839	Capital surplus	73,549
Allowance for doubtful accounts	(973)	Retained earnings	291,959
		Treasury stock	(19,794)
		Accumulated other comprehensive income	5,775
		Valuation difference on available-for-sale securities	0
		Foreign currency translation adjustment	7,956
		Remeasurements of defined benefit plans	(2,180)
		Non-controlling interests	27,173
		Total net assets	442,496
Total assets	1,282,389	Total liabilities and net assets	1,282,389

Consolidated Statement of Income

(April 1, 2019 - March 31, 2020)

(Millions of yen)

Description	Amount	
Operating revenue		279,510
Interest on operating loans	176,286	
Interest on loans of banking business	1,567	
Revenue from credit card business	9,198	
Revenue from installment sales finance business	67	
Revenue from credit guarantee	60,142	
Collection from purchased receivable	4,272	
Other financial revenue	200	
Other operating revenue	27,774	
Operating expenses		203,873
Financial expenses	8,228	
Cost of purchased receivable	1,782	
Other operating expenses	193,862	
Operating profit		75,636
Non-operating income		451
Interest income	53	
Dividend income	25	
Equity in earnings of affiliates	3	
House rent income	250	
Other	119	
Non-operating expenses		983
Interest expenses	23	
Foreign exchange losses	931	
Other	27	
Ordinary profit		75,104
Extraordinary income		9,875
Gain on sales of noncurrent assets	0	
Gain on sales of stocks of subsidiaries and affiliates	9,875	
Extraordinary loss		4,969
Loss on sales of noncurrent assets	0	
Loss on retirement of noncurrent assets	230	
Impairment loss	2,370	
Loss on sales of investment securities	1	
Merger expenses	2,363	
Other	2	
Profit before income taxes		80,011
Income taxes-current	13,720	
Income taxes-deferred	2,269	15,990
Profit		64,020
Profit attributable to non-controlling interests		4,419
Profit attributable to owners of parent		59,600

Consolidated Statement of Changes in Net Assets

(April 1, 2019 - March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	63,832	73,549	237,058	(19,794)	354,646
Changes of items during the period					
Dividends of surplus			(4,699)		(4,699)
Profit attributable to owners of parent			59,600		59,600
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	54,900	(0)	54,900
Ending balance	63,832	73,549	291,959	(19,794)	409,547

	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		
Beginning balance	(0)	2,832	(1,304)	1,528	25,327	381,501
Changes of items during the period						
Dividends of surplus						(4,699)
Profit attributable to owners of parent						59,600
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	0	5,123	(875)	4,247	1,846	6,093
Total changes of items during the period	0	5,123	(875)	4,247	1,846	60,994
Ending balance	0	7,956	(2,180)	5,775	27,173	442,496

Notes to the Consolidated Financial Statements

(From April 1, 2019 to March 31, 2020)

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: 4

Names of principal consolidated subsidiaries are referred to in “(7) Principal Parent Company and Subsidiaries of 1. Overview of Consolidated Business Activities,” therefore they are omitted here.

PT. Bank Nusantara Parahyangan, Tbk., which had been a consolidated subsidiary until the prior fiscal year, was excluded from the scope of consolidation because the Company sold all holding shares of that company in the current fiscal year.

(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

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 noncurrent assets owned by the Company

Lease assets concerning non-transfer ownership finance lease transactions

Depreciated by the straight-line method, defining the lease term of respective assets as their useful lives, with

- (d) Long-term prepaid expenses residual value equaling zero
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.
- (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 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 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 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.

(d) Adoption of tax effect accounting relating to a transition from the consolidation taxation system to the group tax sharing system

The Company and its domestic consolidated subsidiaries have transitioned to a group tax sharing system instituted in the "Act for Partial Amendment to the Income Tax Act, etc. (Act No. 8 of 2020)." With regard to matters that have been reviewed in the non-consolidated taxation system in tandem with the transition to the group tax sharing system, the Company and its domestic consolidated subsidiaries have not applied the provision of Paragraph 44 of the "Implementation Guidance on Tax Effect

Accounting (ASBJ Guidance No. 28; February 16, 2018),” pursuant to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39; March 31, 2020).” Accordingly, the stated amounts of deferred tax assets and deferred tax liabilities are subject to the provisions of tax acts in effect before the revisions.

2. Notes to changes in presentation

<Consolidated Statement of Income>

“Loss on cancellation of insurance policies” was listed separately under non-operating expenses in the prior fiscal year. As its quantitative materiality became insignificant, “Loss on cancellation of insurance policies” has been included in “Other.”

“Loss on cancellation of insurance policies” in the current fiscal year was 6 million yen.

3. Notes to Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment 34,458 million yen

(2) Guaranteed liabilities	(Millions of yen)
Outstanding guarantee obligation in the guarantee business	1,233,228
Provision for loss on guarantees	9,475
Net	1,223,753

4. 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

At the Ordinary General Meeting of Shareholders held on June 21, 2019, the resolution was adopted 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, 2019
Effective date	June 24, 2019

At the Board of Directors meeting held on November 5, 2019, the resolution was adopted as follows.

Type of stock	Common stock
Total amount of dividends	3,133 million yen
Capital of dividends	Retained earnings
Dividends per share	2 yen
Record date	September 30, 2019
Effective date	December 6, 2019

- 2) Dividends whose record date fell in the current fiscal year, but whose effective date comes after March 31, 2020

At the Ordinary General Meeting of Shareholders to be held on June 23, 2020, the resolution is scheduled as follows.

Type of stock	Common stock
Total amount of dividends	3,133 million yen
Capital of dividends	Retained earnings
Dividends per share	2 yen
Record date	March 31, 2020
Effective date	June 24, 2020

- (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.

5. 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 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. 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 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 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 agreements to hedge against the risk of fluctuations in exchange rate related to their foreign-currency-denominated liabilities.

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, 2020, 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 decrease by 90 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 increase by 90 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, changes 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, 2020, 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	82,545	82,545	-
2) Accounts receivable - operating loans	1,041,711		
Allowance for doubtful accounts	(46,425)		
Provision for loss on interest repayment (Amount of voluntary waiver of repayments)	(8,460)		
	986,825	1,300,059	313,234
3) Accounts receivable - installment	75,726		
Allowance for doubtful accounts	(4,639)		
Deferred installment income	(36)		
	71,049	89,941	18,892
4) Purchased receivables	9,188		
Allowance for doubtful accounts	(2,897)		
	6,291	6,291	-
5) Marketable securities and investment securities			
(a) Other securities	0	0	-
Total assets	1,146,712	1,478,838	332,126
1) Short-term loans payable	15,330	15,330	-
2) Commercial papers	29,998	29,998	-
3) Current portion of bonds and bonds payable	244,326	245,091	764
4) Current portion of long-term loans payable and long-term loans payable	424,437	422,463	(1,974)
Total liabilities	714,093	712,884	(1,209)
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 and 3) 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, accounts receivable - operating loans and 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.

4) 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.

5) Marketable securities and investment securities

Shares are stated at the stock exchange quoted price.

Notes to securities are as follows.

(a) Other securities

Sale value for other securities during the current fiscal year is 2 million yen; the total loss on sales is 1 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	-	-	-
Corporate	-	-	-
Other	-	-	-
(c) Other	-	-	-
Subtotal	0	0	0
Acquisition cost greater than book value on the consolidated balance sheet			
(a) Stocks	-	-	-
(b) Bonds			
Government/municipal	-	-	-
Corporate	-	-	-
Other	-	-	-
(c) Other	-	-	-
Subtotal	-	-	-
Total	0	0	0

(b) Impaired securities that were written off to their fair values

No securities were written off to their fair values during the fiscal year under review.

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) 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).

4) 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	37,723	25,979	(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	12,062	3,505	(Note)

(Note) Exchange contracts, etc. subject to the application of designation transactions 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.

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)	1
Total	1,165

(*1) These shares are not included in “Asset 5) Marketable 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.

6. Notes to Per Share Information

- (1) Net assets per share 265.11 yen
- (2) Basic earnings per share 38.04 yen

7. Notes to Business Combinations and Business Divestitures

The Company accepted cash offer from MUFG Bank, Ltd. ("MUFG Bank") and sold all holding shares of a former consolidated subsidiary, PT. Bank Nusantara Parahyangan, Tbk. ("Bank BNP"), on April 29, 2019, based on a resolution made at the Board of Directors meeting held on March 15, 2019. Consequently, Bank BNP was excluded from the scope of consolidation of the Company following the above sales of shares.

(1) Overview of sales of shares

- 1) Name of counterpart to sales of shares

MUFG Bank

- 2) Overview of a consolidated subsidiary

Banking business in the Republic of Indonesia

- 3) Reasons for sales of shares

Since Indonesia has the largest populations in Southeast Asia and is expected to grow in the market of the retail financial field, the Company ventured into Indonesia in the form of a bank for which an unsecured personal loans business is licensed. But, as a result of MUFG Bank's strategic investment in PT Bank Danamon Indonesia, Tbk. ("Bank Danamon"), we have sold all holding shares of Bank BNP because we expect various synergistic effects as the MUFG Group, such as providing comprehensive services of Bank Danamon to Bank BNP's customers at Bandung, the Republic of Indonesia.

- 4) Date of sales of shares

April 29, 2019

- 5) Overview of transactions including legal form

Sales of shares in consideration of cash

(2) Overview of accounting

- 1) Amount of gain on sales

9,875 million yen

- 2) Fair book values of assets and liabilities of the consolidated subsidiary sold and breakdown thereof

Current assets	61,673 million yen
Noncurrent assets	2,769 million yen
Total assets	<u>64,443 million yen</u>
Current liabilities	56,324 million yen
Noncurrent liabilities	— million yen
Total liabilities	<u>56,324 million yen</u>

- 3) Accounting treatment

The difference between the consolidated book value and the sale value of the Bank BNP's assets was recorded as "gain on sales of stocks of subsidiaries and affiliates" under extraordinary income.

(3) Reported segment in which a consolidated subsidiary was included

Overseas financial business

(4) Estimated amount of profit or loss of the consolidated subsidiary sold included in consolidated income for the fiscal year ended March 31, 2020

Operating revenue	1,829 million yen
Operating profit	(38) million yen

8. Other

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

Non-consolidated Financial Statements

(April 1, 2019 - March 31, 2020)

Non-consolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

Description	Amount	Description	Amount
(Assets)		(Liabilities)	
Current assets	1,006,323	Current liabilities	167,751
Cash and deposits	78,870	Accounts payable - trade	673
Accounts receivable - operating loans	840,847	Commercial papers	29,998
Accounts receivable - installment	75,035	Current portion of long-term loans payable	79,006
Supplies	27	Current portion of bonds	33,000
Prepaid expenses	1,018	Lease obligations	403
Accrued income	15,378	Accounts payable - other	2,163
Short-term loans receivable from subsidiaries and affiliates	1,250	Accrued expenses	8,222
Right to reimbursement	54,351	Income taxes payable	5,127
Other	3,012	Deposits received	283
Allowance for doubtful accounts	(63,470)	Provision for loss on guarantees	8,640
Noncurrent assets	84,028	Asset retirement obligations	31
Property, plant and equipment	14,453	Other	201
Buildings	2,699	Noncurrent liabilities	562,834
Structures	589	Bonds payable	160,000
Equipment	7,135	Long-term loans payable	310,339
Land	3,123	Lease obligations	638
Lease assets	905	Provision for loss on interest repayment	87,600
Intangible assets	6,994	Asset retirement obligations	4,103
Software	4,515	Other	152
Goodwill	2,436		
Leasehold right	4		
Telephone subscription right	36	Total liabilities	730,585
Other	1		
Investments and other assets	62,579	(Net assets)	
Investment securities	819	Shareholders' equity	359,765
Stocks of subsidiaries and affiliates	14,410	Capital stock	63,832
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,507	Capital surplus	76,010
Long-term prepaid expenses	2,372	Legal capital surplus	72,322
Deferred tax assets	33,921	Other capital surplus	3,687
Guarantee deposits	4,544	Retained earnings	239,716
Prepaid pension cost	5,264	Legal retained earnings	4,320
Other	670	Other retained earnings	235,396
Allowance for doubtful accounts	(930)	General reserve	80,000
		Retained earnings brought forward	155,396
		Treasury stock	(19,794)
		Valuation and translation adjustments	0
		Valuation difference on available-for-sale securities	0
		Total net assets	359,765
Total assets	1,090,351	Total liabilities and net assets	1,090,351

Non-consolidated Statement of Income

(April 1, 2019 - March 31, 2020)

(Millions of yen)

Description	Amount	
Operating revenue		206,968
Interest on operating loans	126,516	
Revenue from credit card business	9,198	
Revenue from credit guarantee	49,635	
Other financial revenue	2	
Other operating revenue	21,614	
Operating expenses		157,694
Financial expenses	4,648	
Other operating expenses	153,045	
Operating profit		49,273
Non-operating income		8,048
Interest income	12	
Dividend income	7,669	
Other	366	
Non-operating expenses		969
Interest expenses	22	
Foreign exchange losses	931	
Other	15	
Ordinary profit		56,352
Extraordinary income		10,824
Gain on sales of noncurrent assets	0	
Gain on sales of stocks of subsidiaries and affiliates	10,824	
Extraordinary loss		3,040
Loss on sales of noncurrent assets	0	
Loss on retirement of noncurrent assets	210	
Impairment loss	2,370	
Loss on sales of investment securities	1	
Loss on valuation of stocks of subsidiaries and affiliates	454	
Other	2	
Profit before income taxes		64,136
Income taxes-current	7,464	
Income taxes-deferred	2,998	10,463
Profit		53,673

Non-consolidated Statement of Changes in Net Assets

(April 1, 2019 - March 31, 2020)

(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			
Beginning balance	63,832	72,322	3,687	76,010	4,320	80,000	106,422	190,743	(19,794)	310,792
Changes of items during the period										
Dividends of surplus							(4,699)	(4,699)		(4,699)
Profit							53,673	53,673		53,673
Purchase of treasury stock									(0)	(0)
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	—	48,973	48,973	(0)	48,973
Ending balance	63,832	72,322	3,687	76,010	4,320	80,000	155,396	239,716	(19,794)	359,765

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Beginning balance	(0)	(0)	310,792
Changes of items during the period			
Dividends of surplus			(4,699)
Profit			53,673
Purchase of treasury stock			(0)
Net changes of items other than shareholders' equity	0	0	0
Total changes of items during the period	0	0	48,973
Ending balance	0	0	359,765

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 an allowance for potential losses at the end of the fiscal year.
Provision for retirement benefits	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. 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. 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.
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 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) Hedge accounting method	
1) 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.
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	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.
4) Method for evaluating hedging effectiveness	

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.

(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.

3) Adoption of tax effect accounting for transition from the consolidation taxation system to the group tax sharing system

The Company has transitioned to a group tax sharing system instituted in the “Act for Partial Amendment to the Income Tax Act, etc. (Act No. 8 of 2020).” With regard to matters that have been reviewed in the non-consolidated taxation system in tandem with the transition to the group tax sharing system, the Company has not applied the provision of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28; February 16, 2018),” pursuant to Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39; March 31, 2020).” Accordingly, the stated amounts of deferred tax assets and deferred tax liabilities are subject to the provisions of tax acts in effect before the revisions.

2. Notes to changes in presentation

<Statement of Income>

“Loss on cancellation of insurance policies” was listed separately under non-operating expenses in the prior fiscal year. As its quantitative materiality became insignificant, “Loss on cancellation of insurance policies” has been included in “Other.”

“Loss on cancellation of insurance policies” in the current fiscal year was 6 million yen.

3. Notes to Non-consolidated Balance Sheet	
(1) Accumulated depreciation of property, plant and equipment	30,955 million yen
(2) Guaranteed liabilities	(Millions of yen)
Outstanding guarantee obligation to loan payable, etc. of subsidiaries and affiliates	324
Outstanding guarantee obligation in the guarantee business	1,071,640
Provision for loss on guarantees	8,640
Net	<u>1,063,000</u>
(3) Monetary claims and liabilities to subsidiaries and affiliates	(Millions of yen)
Short-term monetary claims	1,283
Short-term monetary liabilities	11
4. Notes to Non-consolidated Statement of Income	
Transactions with subsidiaries and affiliates	(Millions of yen)
Operating transactions	
Operating revenue	68
Operating expenses	481
Transactions other than operating transactions	7,657
5. Notes to Non-consolidated Statement of Changes in Net Assets	
Class and number of shares of treasury stock as of March 31, 2020	
Common stock	29,668,632 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	21,540
Allowance for doubtful accounts	6,230
Provision for loss on guarantees	2,645
Provision for loss on interest repayment	26,823
Accrued bonuses	461
Unrecognized accrued interest	668
Software	4,398
Asset retirement obligations	1,182
Deferred assets	292
Deferred consumption taxes	415
Loss on valuation of securities	148
Loss on valuation of stocks of subsidiaries and affiliates	139
Enterprise tax payable	424
Impairment loss	981
Dividends on shares	3,493
Retained loss	59,367
Other	<u>431</u>
Deferred tax assets (subtotal)	<u>129,643</u>
Valuation allowance	<u>(94,109)</u>
Total deferred tax assets	35,533
Deferred tax liabilities	
Prepaid pension cost	<u>1,611</u>
Total deferred tax liabilities	<u>1,611</u>
Net deferred tax assets	<u><u>33,921</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	MUFG Bank, 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	MUFG Bank, Ltd.	Borrowing	Borrowing of the capital	Borrowing 143,989	Commercial papers	15,999
				Repayment 149,454	Current portion of long-term loans payable	34,384
					Long-term loans payable	176,938
			Payment of interest	1,638	Accrued expenses	2
		Guarantee of liabilities	Receiving of guarantee fees for unsecured loans provided by the Company	22,600	Accrued income	5,678
			Outstanding guarantee obligation	613,928	-	-
		-	Sales of subsidiaries and affiliates' stock	Proceeds from sales 17,459 Gain on sales 10,824	-	-

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

- Interest rates of the borrowing from MUFG Bank, Ltd. are the money market rates.
- Guarantee commission rates on the debt guarantees for consumer loan by MUFG Bank, Ltd. is determined after negotiation by taking the market of guarantee commission into consideration. In the event that consumer loan debtors of MUFG Bank, Ltd. are deemed to have difficulty in performing debt payments, in accordance with the agreement with MUFG Bank, Ltd., the Company performs subrogation. Terms and conditions of this subrogation performance are determined through mutual consultation by both parties.
- Sale price of stocks of subsidiaries and affiliates (PT. Bank Nusantara Parahyangan, Tbk.) to MUFG Bank, Ltd. was the amount based on the cash offer from MUFG Bank, Ltd.

8. Notes to Per Share Information

(1) Net assets per share	229.65 yen
(2) Basic earnings per share	34.26 yen

9. Other

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