

# Annual Securities Report

(The 43rd fiscal year)

ACOM CO., LTD.

# Annual Securities Report

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This document is a translation of the Annual Securities Report (original text: Japanese) submitted to the Prime Minister pursuant to Article 24-1 of the Financial Instruments and Exchange Act. It does not bear any responsibility pertaining to the aforementioned Financial Instruments and Exchange Act regarding the content of the English text. We recommend that the determination of the authenticity of the content be based on the Japanese text of the Annual Securities Report.

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[Cover]

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[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
[Submitted to]	Director, Kanto Local Finance Bureau
[Date of Submission]	June 23, 2020
[Accounting Period]	The 43rd Fiscal Year (from April 1, 2019, to March 31, 2020)
[Company Name]	ACOM Kabushiki-Kaisha
[Company Name in English]	ACOM CO., LTD. (the “Company”)
[Position and Name of Representative]	Shigeyoshi Kinoshita, Chairman, President & CEO
[Location of Head Office]	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo
[Phone No.]	03-5533-0811 (main)
[Contact for Communications]	Akifumi Kinoshita, Chief General Manager of Treasury Department
[Nearest Contact]	1-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo
[Phone No.]	03-5533-0811 (main)
[Contact for Communications]	Akifumi Kinoshita, Chief General Manager of Treasury Department
[Place Where Available for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

## Part I Information on the Company

### I. Overview of the Company

#### 1. Key Financial Data and Trends

##### (1) Consolidated financial data, etc.

(Millions of yen, unless otherwise stated)

Fiscal period	39th fiscal year	40th fiscal year	41st fiscal year	42nd fiscal year	43rd fiscal year
Period of account	March 2016	March 2017	March 2018	March 2019	March 2020
Operating revenue	237,683	245,148	263,453	277,069	279,510
Ordinary profit (loss)	16,200	(69,543)	81,694	58,205	75,104
Profit (loss) attributable to owners of parent	14,598	(72,187)	70,572	37,781	59,600
Comprehensive income	12,888	(70,550)	77,461	40,643	70,918
Net assets	338,132	267,226	344,437	381,501	442,496
Total assets	1,175,063	1,228,930	1,275,957	1,301,908	1,282,389
Net assets per share (yen)	206.42	159.58	206.12	227.35	265.11
Basic earnings (loss) per share (yen)	9.32	(46.08)	45.05	24.12	38.04
Diluted earnings per share (yen)	—	—	—	—	—
Shareholders' equity ratio (%)	27.52	20.34	25.31	27.36	32.39
Return on equity (%)	4.59	(25.18)	24.64	11.13	15.45
Price earnings ratio (times)	60.84	(9.66)	10.52	16.38	11.54
Net cash provided by (used in) operating activities	(43,045)	(37,451)	(32,634)	7,329	19,698
Net cash provided by (used in) investing activities	(2,368)	(2,858)	(1,711)	(1,165)	6,214
Net cash provided by (used in) financing activities	6,589	58,863	21,259	(12,573)	(24,339)
Cash and cash equivalents at end of period	83,275	101,719	88,551	82,346	82,545
Number of employees [Average number of fixed-term employees not included in the above numbers] (persons)	6,036 [394]	6,057 [517]	6,202 [592]	6,623 [284]	5,335 [104]

- (Notes)
1. "Operating revenue" is presented exclusive of consumption tax, etc.
  2. "Diluted earnings per share" for the 39th, 41st, 42nd and 43rd fiscal years are not shown since there was no dilutive security.
  3. "Diluted earnings per share" for the 40th fiscal year is not shown since the Company posted a loss per share and there was no dilutive security.
  4. 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, key financial data for the 41st fiscal year are stated as figures to which the above accounting standard, etc. has been retrospectively applied.

## (2) Financial data etc. of the Filing Company

(Millions of yen, unless otherwise stated)

Fiscal period	39th fiscal year	40th fiscal year	41st fiscal year	42nd fiscal year	43rd fiscal year
Period of account	March 2016	March 2017	March 2018	March 2019	March 2020
Operating revenue	175,380	183,997	195,310	203,636	206,968
Ordinary profit (loss)	5,171	(84,054)	65,471	37,472	56,352
Profit (loss)	9,857	(79,289)	63,184	29,927	53,673
Capital stock	63,832	63,832	63,832	63,832	63,832
Total number of outstanding shares (thousands of shares)	1,596,282	1,596,282	1,596,282	1,596,282	1,596,282
Net assets	300,109	220,816	283,997	310,792	359,765
Total assets	970,803	1,021,927	1,048,349	1,070,518	1,090,351
Net assets per share (yen)	191.57	140.95	181.28	198.38	229.65
Dividends per share [Of the above, interim dividends per share] (yen)	— [—]	— [—]	1.00 [—]	2.00 [1.00]	4.00 [2.00]
Basic earnings (loss) per share (yen)	6.29	(50.61)	40.33	19.10	34.26
Diluted earnings per share (yen)	—	—	—	—	—
Shareholders' equity ratio (%)	30.91	21.61	27.09	29.03	33.00
Return on equity (%)	3.34	(30.44)	25.03	10.06	16.01
Price earnings ratio (times)	90.14	(8.79)	11.75	20.68	12.81
Dividend payout ratio (%)	—	—	2.48	10.47	11.68
Number of employees [Average number of fixed-term employees not included in the above numbers] (persons)	1,892 [144]	1,854 [161]	1,936 [116]	2,020 [113]	2,063 [84]
Total shareholder return (%) [Indicator for comparison: TOPIX Total Return Index] (%)	135.97 [89.18]	106.71 [102.28]	113.91 [118.51]	95.44 [112.54]	106.95 [101.85]
The highest share price (yen)	699	643	540	511	544
The lowest share price (yen)	372	441	422	331	346

(Notes) 1. "Operating revenue" is presented exclusive of consumption tax, etc.

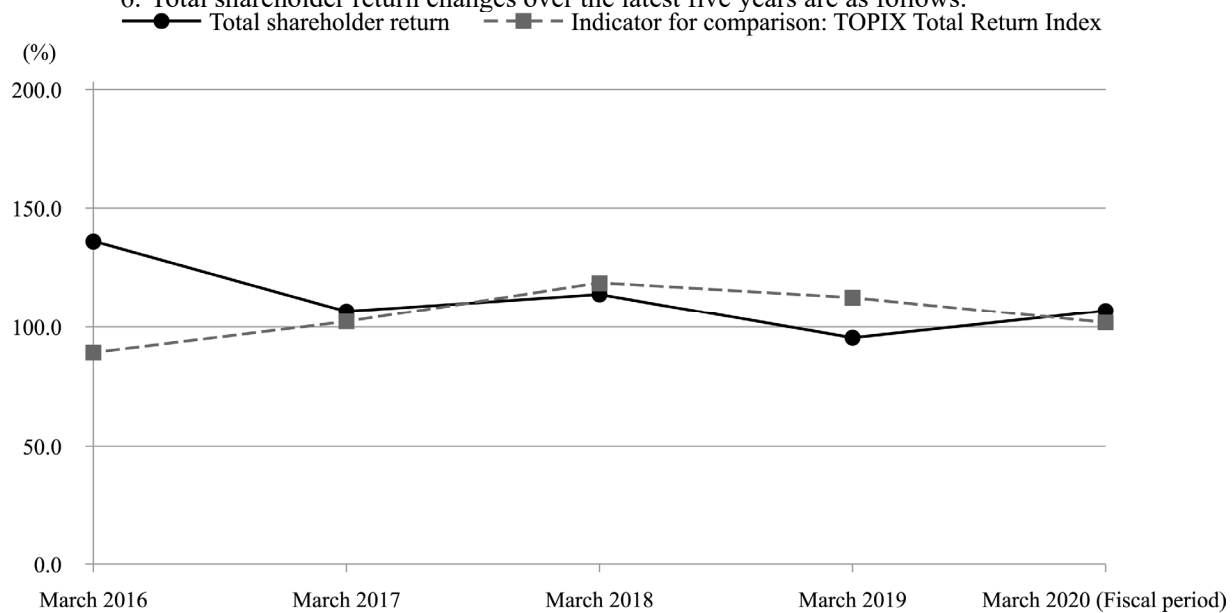
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3. "Diluted earnings per share" for the 40th fiscal year is not shown since the Company posted a loss per share and there was no dilutive security.

4. 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, key financial data for the 41st fiscal year are stated as figures to which the above accounting standard, etc. has been retrospectively applied.

5. The highest and lowest share prices were those recorded on the First Section of the Tokyo Stock Exchange.

6. Total shareholder return changes over the latest five years are as follows.



## 2. ACOM History

Year/Month		ACOM History
1978	Oct.	“ACOM CO., LTD.” was founded with paid-in capital of 500 million yen as the business of consumer finance, and established its office in Nihombashi, Chuo-ku, Tokyo.
1978	Dec.	Acquired 69 consumer finance outlets and receivable-outstanding from “Maruito Co., Ltd.” and “Joy Co., Ltd.” and started consumer finance business.
1979	Dec.	Installed an automatic teller machine (ATM), which provides a 24-hour/365-day service, at the Ginza branch (located in Ginza, Chuo-ku), as the first in the industry.
1983	Dec.	Registered to Kanto Local Finance Bureau as a money-lending company along with enforcement of “Money-Lending Business Control and Regulations Law.”
1984	Aug.	Moved headquarters location to Fujimi, Chiyoda-ku, Tokyo.
1986	Dec.	Established “ACOM (U.S.A.) INC.” in Delaware, U.S.A. as the business of real estate lease (dissolved in December 2015).
1992	Mar.	Absorbed “N.S.K. Shinpan Co., Ltd.” and started the business of installment sales finance, golf membership mortgage loan, and commercial loan.
1993	July	Installed “MUJINKUN,” automatic contract machine, at the Shinjuku branch and the Hakata branch as the first in the industry.
1993	Oct.	Listed ACOM stock on the over-the-counter market at Japan Securities Dealers Association.
1994	Dec.	Listed ACOM stock on the second section of the Tokyo Stock Exchange.
1996	Sept.	Established “SIAM A&C CO., LTD.” as a joint venture of hire purchase business in Kingdom of Thailand.
1996	Sept.	Listed ACOM stock on the first section of the Tokyo Stock Exchange.
1998	July	Acquired principal membership of MasterCard International and obtained a license to issue credit cards.
1999	Apr.	Started issuing MasterCard® and advanced into credit card business.
2000	Oct.	Acquired all shares of “JUKI CREDIT CO., LTD.”
2000	Nov.	Established “A B PARTNER CO., LTD.” as the business of temporary employment agencies and back-office services.
2001	Mar.	Invested capital in “IR Loan Servicing, Inc.” (present, a consolidated subsidiary) to advance into the servicing business.
2001	Aug.	Established “Tokyo-Mitsubishi Cash One Ltd.” with “The Bank of Tokyo-Mitsubishi, Ltd.” (present, “MUFG Bank, Ltd.”), “The Mitsubishi Trust and Banking Corporation” (present, “The Mitsubishi UFJ Trust and Banking Corporation”), “DC CARD Co., Ltd.” (present, “Mitsubishi UFJ NICOS Co., Ltd.”), and “JACCS CO., LTD.”
2001	Sept.	“JUKI CREDIT CO., LTD.” changed its corporate name to “JCK CREDIT CO., LTD.”
2004	Mar.	Reached an agreement with respect to a strategic business and capital alliance with “Mitsubishi Tokyo Financial Group, Inc.” (present, “Mitsubishi UFJ Financial Group, Inc.”).
2004	June	Was granted the “Privacy Mark” authorized by Japan Information Processing Development Corporation (present, Japan Institute for Promotion of Digital Economy and Community (JIPDEC)).
2004	Dec.	Moved headquarters location to Marunouchi, Chiyoda-ku, Tokyo.
2005	Jan.	Partially acquired shares of “Tokyo-Mitsubishi Cash One Ltd.” and changed its corporate name into “DC Cash One Ltd.”
2005	Jan.	Established “RELATES CO., LTD.,” which operated entrusted call center functions from banks.
2005	Mar.	Acquired all shares of “MTB Capital Co., Ltd.” and changed its corporate name to “AC Ventures Co., Ltd.”
2005	Apr.	“SIAM A&C CO., LTD.” changed its corporate name to “EASY BUY Public Company Limited” (present, a consolidated subsidiary).
2007	Apr.	“JCK CREDIT CO., LTD.” succeeded to installment sales finance business split up from ACOM and changed its corporate name into “AFRESH CREDIT CO., LTD.”
2007	Dec.	Jointly acquired “PT. Bank Nusantara Parahyangan, Tbk.” in Republic of Indonesia with “The Bank of Tokyo-Mitsubishi UFJ, Ltd.” (present, “MUFG Bank, Ltd.”)
2008	Feb.	Acquired all shares of “IR Loan Servicing, Inc.”
2008	Sept.	Agreed upon further strengthening strategic business and capital alliance with “Mitsubishi UFJ Financial Group, Inc.” and “The Bank of Tokyo-Mitsubishi UFJ, Ltd.” (present, “MUFG Bank, Ltd.”)



Year/Month	ACOM History
2008 Dec.	Became a consolidated subsidiary of “Mitsubishi UFJ Financial Group, Inc.” as the parent company.
2009 Apr.	“RELATES CO., Ltd.” was dissolved due to absorption-type merger with “MU Communication Co., Ltd.” (present, an equity-method affiliate), a subsidiary of “The Bank of Tokyo-Mitsubishi UFJ, Ltd.” (present, “MUFG Bank, Ltd.”), where “MU Communication Co., Ltd.” was the surviving company.
2009 May	“DC Cash One Ltd.” was dissolved due to absorption-type merger with the Company where the Company was the surviving company.
2010 Aug.	“A B PARTNER CO., LTD.” was dissolved due to absorption-type merger with “IR Loan Servicing, Inc.,” where “IR Loan Servicing, Inc.” was the surviving company.
2012 Apr.	“AC Ventures Co., Ltd.,” was dissolved due to absorption-type merger with the Company where the Company was the surviving company.
2013 Sept.	Established “MU Credit Guarantee Co., LTD.,” which operates in the guarantee business (present, a consolidated subsidiary).
2014 Sept.	“AFRESH CREDIT CO., LTD.” was dissolved due to absorption-type merger with “IR Loan Servicing, Inc.” where “IR Loan Servicing, Inc.” was the surviving company.
2015 Dec.	Acquired all shares of “MU Credit Guarantee Co., LTD.”
2017 July	Established “ACOM CONSUMER FINANCE CORPORATION,” a joint venture which operates the unsecured loan business (present, a consolidated subsidiary), in the Republic of the Philippines.
2019 May	“PT. Bank Nusantara Parahyangan, Tbk.” in the Republic of Indonesia merged with “PT Bank Danamon Indonesia, Tbk.” (the surviving company), a consolidated subsidiary of “Mitsubishi UFJ Financial Group, Inc.”

### 3. Description of Business

ACOM is a consolidated subsidiary of Mitsubishi UFJ Financial Group, Inc. (hereinafter, “MUFG”), and MUFG is the “Parent company” of ACOM.

The ACOM Group consists of ACOM and 4 subsidiaries and 1 affiliate. The Group’s main line of business is [loan and credit card business, guarantee business, overseas financial business and loan servicing business].

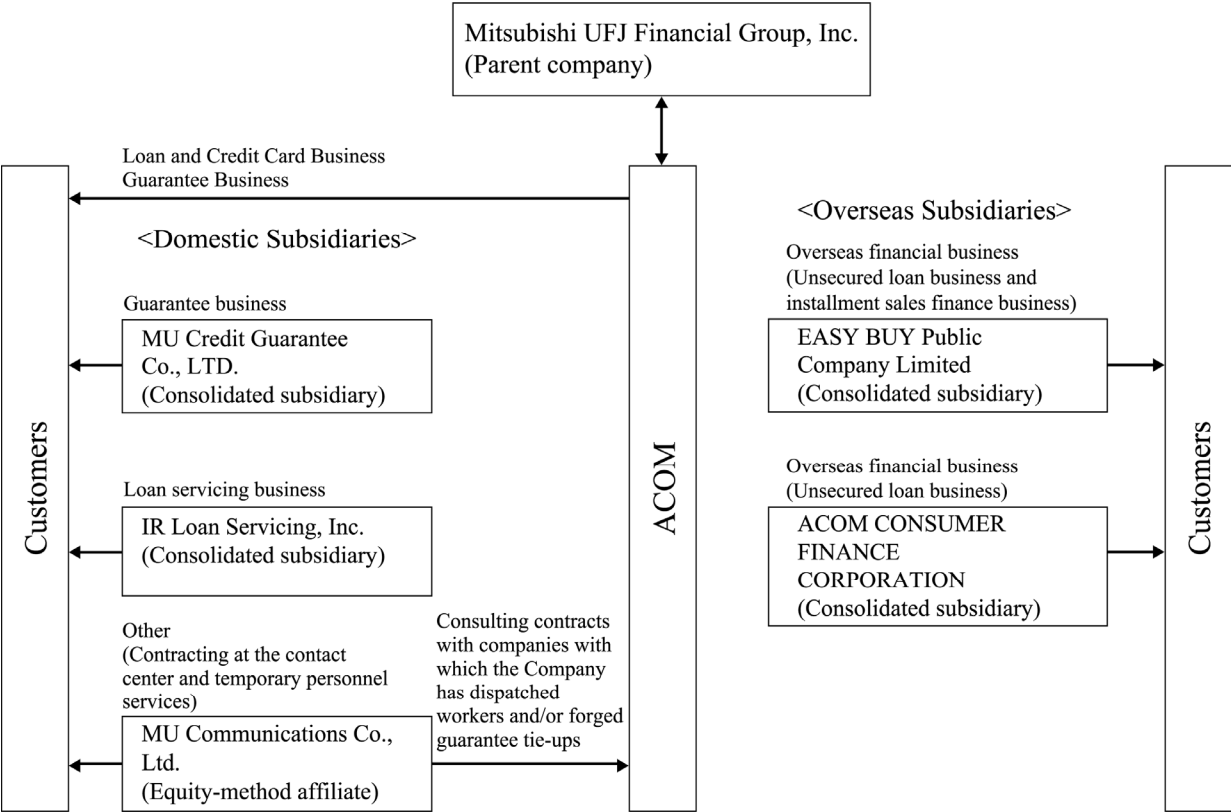
The table below explains the positioning of group companies and their relevant segments.

The following four segments are consistent with those stated in [Notes], (1) Consolidated Financial Statements in 1. Consolidated Financial Statements, etc. of V. Financial Information.

Segment	Company Name	Business Outline
Loan and Credit Card Business	ACOM CO., LTD.	Unsecured loan business
		Credit card business of which the principal commodity is MasterCard®
Guarantee Business	ACOM CO., LTD.	Guarantee business
	MU Credit Guarantee Co., LTD.	
Overseas financial business	EASY BUY Public Company Limited	Unsecured loan business in Kingdom of Thailand Installment loan business (installment sales finance business) in Kingdom of Thailand
	ACOM CONSUMER FINANCE CORPORATION	Unsecured loan business in Republic of the Philippines
Loan Servicing Business	IR Loan Servicing, Inc.	Servicing business (Loan servicing business)
Others	MU Communications Co., Ltd.	Contracting at the contact center and temporary personnel services

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

The diagram below illustrates the businesses of the ACOM Group companies.



#### 4. Information on Subsidiaries and Affiliates

Company name	Location	Paid in capital (Million yen)	Principal business	Ratio of voting rights holding or held		Relationship
				Ratio of voting rights holding (%)	Ratio of voting rights held (%)	
(Parent company)						
Mitsubishi UFJ Financial Group, Inc. (Note) 3	Chiyoda-ku, Tokyo	2,141,513	Bank holding company	—	40.19 (2.61)	Business management, business and capital alliance
(Consolidated subsidiaries)						
MU Credit Guarantee Co., LTD.	Shinjuku- ku, Tokyo	300	Guarantee business	100.00	—	—
EASY BUY Public Company Limited (Note) 4, 5	Bangkok, Kingdom of Thailand	(Million THB) 6,000	Overseas financial business	71.00	—	—
ACOM CONSUMER FINANCE CORPORATION	Pasig, Republic of the Philippines	(Million PHP) 500	Overseas financial business	80.00	—	Loan guarantee to said company
IR Loan Servicing, Inc.	Chiyoda-ku, Tokyo	520	Loan servicing business	100.00	—	Financial loan to said company
(Equity-method affiliate)						
MU Communications Co., Ltd.	Shibuya-ku, Tokyo	1,020	Other	23.15	—	Consulting contracts with companies with which the Company has dispatched workers and/or forged guarantee tie-ups

- (Notes) 1. Name of business segments of consolidated subsidiaries in the box of “Principal business” are the same as those stated in the segment information.
2. The ratio of voting rights holding (held) indirectly is shown in parentheses “( )” in the boxes of “Ratio of voting rights holding or held.”
3. The Company files Securities Reports.
4. EASY BUY Public Company Limited falls under a specified subsidiary.
5. EASY BUY’s operating revenue (excluding intragroup operating revenue among consolidated subsidiaries) accounted for 10% or more of the total operating revenue for the consolidated financial statements.

#### Key profit/loss information:

- (1) Operating revenue 54,332 million yen (15,435 million THB)
  - (2) Ordinary profit 23,058 million yen (6,550 million THB)
  - (3) Profit 18,424 million yen (5,234 million THB)
  - (4) Net assets 93,711 million yen (25,815 million THB)
  - (5) Total assets 200,966 million yen (55,362 million THB)
6. PT. Bank Nusantara Parahyangan, Tbk. merged on May 1, 2019 with PT Bank Danamon Indonesia, Tbk. (the surviving company), a consolidated subsidiary of MUFG.

## 5. Employees

### (1) Consolidated Companies

As of March 31, 2020

Name of business segment	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)
Corporate wide (shared)	497 (22)
Total	5,335 (104)

(Notes) 1. The number of employees represents the number of workers employed by the consolidated companies (excluding employees from intragroup to extra-group companies and including those from extra-group to intragroup companies) but excludes fixed-term employees.

2. The bracketed figure is the average number of fixed-term employees during the current fiscal year.

(The average number of fixed-term employees was 98 if the number of temporary employees among fixed-term employees is converted at the rate of one (1) person per 8-working-hour shift a day.)

3. The employees in Corporate wide (shared) section are those belonging to the administration department of the Filing Company and thus do not fall into any business segment.

4. Compared with the end of the prior fiscal year, the number of employees decreased by 1,288. This was mainly because the Company sold all holding shares of PT. Bank Nusantara Parahyangan, Tbk., which had been a consolidated subsidiary until the prior fiscal year, excluding it from the scope of consolidation.

### (2) The Filing Company

As of March 31, 2020

Number of employees	Average age (Years old)	Average length of service (Years)	Average annual salary (Thousands of yen)
2,063 (84)	40.7	14.8	6,225

Name of business segment	Number of employees
Loan and credit card business	1,416 (57)
Guarantee business	150 (5)
Corporate wide (shared)	497 (22)
Total	2,063 (84)

(Notes) 1. The number of employees represents the number of workers employed by the Company (excluding employees from the Company to external companies and including those from external companies to the company) but excludes fixed-term employees.

2. Bonus and extra remuneration are included in the average annual salary.

3. The bracketed figure is the average number of fixed-term employees during the current fiscal year.

(The average number of fixed-term employees was 79 if the number of temporary employees among fixed-term employees is converted at the rate of one (1) person per 8-working-hour shift a day.)

4. The employees in the Corporate wide (shared) section are those belonging to the administration department of the Head Office and thus do not fall into any business segment.

### (3) Status of labor union

Relationship between management and labor union is stable.

## II. Business Overview

### 1. Management Policy, Business Environment, and Issues to be Addressed

The forward-looking statements included in the following description are based on our judgment as of the end of the fiscal year.

#### (1) Basic management policy

The Company Group has established a corporate philosophy that “ACOM, based on the spirit of human dignity and in putting customers first, is contributing to the realization of an enjoyable and affluent personal life, and to improving lifestyle, through creative and innovative management,” under our “Circle of Trust” spirit of foundation. Positioning the loan and credit card business, guarantee business, and overseas financial business as the three core business categories, the Company will strive to become a “leading company that wins trust from the market.”

#### (2) Targeted management indices

With regard to the management indices the Company Group targets, the Company Group will place an emphasis on return on equity (ROE), return on assets (ROA), conventional shareholders’ equity ratio and the shareholders’ equity ratio calculated by adding total assets to the balance of guaranteed receivables in order to increase shareholders’ value and maintain stable management, while aiming to enhance earnings per share.

#### (3) Management strategy in the medium-to-long term

The business environment surrounding the Company Group is expected to remain stringent due to intensifying competition, as well as changes in the social structure such as the drop in birthrate coupled with aging society.

Under these circumstances, the Company Group will focus on strengthening its sales and service capabilities in the loan and credit card business, expanding the scale of its guarantee business and financial business in Asia in collaboration with the MUFG Group, based on the know-how the Company Group has fostered such as in the consumer finance business at home and abroad, centralization of business and other low-cost operations, as well as expand ICT investment such as AI and RPA. Through these efforts, we will strive to establish a growth base in the medium-term and aim to deepen mutual trust with stakeholders and develop together with society based on the following basic policy.

- a) Provide service that customers can truly support based on a corporate stance emphasizing sociality and compliance, and thereby establish a corporate brand of “safety and trust”
- b) Appropriately forecast future environmental changes, and work to achieve the sustainable growth and enhanced corporate value
- c) Make the transition to business models capable of realizing drastic cost reductions and thereby achieve increased price competitiveness

#### (4) Issues to be addressed

There is risk of further economic downturn within and outside Japan, due to the impact from spread of COVID-19. The Company Group will strive to collect information regarding spread of COVID-19 and provide flexible and courteous support for repayment, etc.

In the three-year medium-term management plan beginning from the fiscal year ended March 31, 2020, the Company has set forth a medium-term management policy of “with expeditious reactions to environmental changes, ACOM will create services which exceed customers’ expectations, while endeavoring to achieve continuous growth and increase corporate value.” The Company will speedily respond to the diversifying trends of customer needs 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 aims 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.

The financial goal and other forward-looking statements herein were compiled based on information available to the Company and certain assumptions considered reasonable at the time this material was compiled, and are not meant as guarantee of the Company to achieve such results. 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.

## 2. Risks Related to Business

The following report on “Risks Related to Business” details major potential risks to the Group’s operations based on our assumptions and views as of the submission date of this securities report.

However, the risks described below may not cover all potential risks. Moreover, as there may be new risks arising from various uncertain factors such as future changes in economic and environmental conditions affecting the consumer credit market, from the viewpoint of prompt and timely disclosure to the investors, we disclose what may not be such risk factors but we believe are important for the investors in making their investment-related decisions. The forward-looking statements included in the following description are based on our assumptions and views as of the submission date of this securities report.

### (1) Financial results

The business performance of the Group may be influenced by changes, fluctuations and modifications –and the degree of these– in the each of the items 1) to 9) listed below.

- 1) Increase or decrease in number of customer accounts and average loan balance per customer account
- 2) Changes in judicial rulings and legal regulations applicable to the consumer finance industry
- 3) Changes in average contracted interest rates received from customers
- 4) Changes in number of requests for interest repayment, as well as amounts we will pay, in the loan business
- 5) Competition with other companies
- 6) Rate of default by customers
- 7) The Company’s ability to procure funds and costs involved
- 8) Cost levels for advertising expenses, personnel expenses, and other expenses
- 9) Occurrence of large-scale accidents and disasters

### (2) Allowance for doubtful accounts

Accounts receivable - operating loans, accounts receivable - installment and right to reimbursement constitute the majority of total assets of the Group. For this reason, we book allowance for doubtful accounts, based on the conditions of customers and other elements at the end of the fiscal year.

An increase of payment delays and uncollected loans receivable might occur as a result of potential future changes in economic conditions, the market environment, and the social structure in Japan as well as increases in the number of individuals (including loan customers of the Group) pursuing remedies under legal guardianship pursuant to revisions in legislation, including “Bankruptcy Act,” “Act on Special Conciliation,” “Civil Rehabilitation Act,” and “Judicial Scrivener Act.” Such events may require further increases in the allowance for doubtful accounts, which may have a negative effect on the business performance of the Group.

### (3) Addressing issues concerning multiple debtors

The Group addresses the issues concerning multiple debtors, who take out excessive loans or credit-card loans from multiple consumer credit companies, mainly by ways of “promoting consumer enlightenment activities,” “improvement of counseling functions for consumer loan customers,” “implementation of more rigorous credit administration,” “reduction in maximum lending interest rate,” “review of the content of advertisement.”

Nevertheless, business performance of the Group may be negatively influenced in cases where the number of multiple debtors increases due to factors such as economic, employment, and market conditions in Japan or other external factors, which leads to an increase in the allowance for doubtful accounts due to increase in uncollectible loans.

### (4) Guarantee business

In the guarantee business, the Company and MU Credit Guarantee Co., LTD. took measures to enhance partnerships with existing partners and continued appropriate screening. The Company also provided the results of analysis about loan portfolio and the effect of advertisement, and provided various support for existing partners with a view to enhancing their business results and stabilizing their growth. Nevertheless, business performance of the Company and MU Credit Guarantee Co., LTD. may be negatively influenced in cases where regulations on bank card loans become stringent in the future, etc.

### (5) Information systems

The Group relies on computer systems and networks to manage data on our store network and customers, etc., in order to provide services to customers and to manage our marketing activities. In case

our service for customers are hindered by factors such as damage to the communications infrastructure, the hardware, or the software used for these systems and networks resulting from human error, natural disasters, power outages, computer viruses, etc. or the suspension of support services provided by telecommunications carriers or computer systems companies, it may potentially impact on the performance of the Group. For example, it may result in a decline in new customers, delays in the repayment of loans, and a loss of trust in the Group.

In addition, the Group has a backup center for general ledger system, in order to avoid the possibility of business interruptions. However, it is possible that the Group's business may be suspended in the event of a large scale natural disaster, such as earthquake or flood.

(6) Management of personal information

The Group, including the Company and its main subsidiaries, are now regarded as businesses handling personal information as defined by the "Act on the Protection of Personal Information."

In the management of personal information, we have ensured management and control structure under "Policy for Protection of Personal Information" and "Regulation for Protection of Personal Information." The Company was granted the Privacy Mark authorized by Japan Institute for Promotion of Digital Economy and Community (JIPDEC).

As for the management of Computer Center, we have formulated rigorous safety measures for physical security, including controls on entering and leaving the Computer Center, and for information security, such as controlling access to computer systems.

Nonetheless, if personal information is leaked to a third party for any reason whatsoever, the negative effects may not be limited to a worsening of business performance arising from a decline in the reputation of the Group or compensation for damages. In the case of a violation of regulations concerning the handling of personal information, the Group may be also subjected to administrative recommendations, and orders.

(7) Status of interest repayment

The interest rates charged on some loan products by the Company, in which customers entered into contracts before June 17, 2007, exceed the interest rate ceilings specified in the Interest Rate Restriction Act.

Although the interest exceeding the interest ceilings specified in the Interest Rate Restriction Act is stipulated to be invalid, before the revised Money Lending Business Act was fully reinforced on June 18, 2010, it was determined under the Interest Rate Restriction Act that debtors who had voluntarily paid said excessive interest could not request for interest reimbursement. In addition, Article 13 of the supplementary provisions of the Money Lending Business Act before its full enforcement stipulated that such payment of interest exceeding the interest ceilings could be deemed an effective interest repayment under the condition that certain requirements be satisfied.

However, the verdict handed down by the Supreme Court on January 13, 2006, stated that in the case of a delayed repayment of the agreed interest, to which a contractual clause of "forfeiture of benefit of time" was attached, said payment of the interest exceeding the interest ceilings could be considered enforced without satisfying the "deemed repayment requirements," which need specific voluntariness in payment. Consequently, by reason of the above verdict of the Supreme Court, several consumers have taken legal action against consumer finance companies, calling for a reimbursement of payments made, in some recent court precedents, the plaintiffs' demands were accepted.

In case our customers request a reduction in the loan amount or reimbursement of excess interest paid, the Company may accept to write off such loan or reimburse payments. Though the costs of write-off and reimbursing repayments (hereinafter referred to as "loss on interest repayment") have steadily decreased, close attention should be paid to the number of requests for interest repayment. Future potential for loss on interest repayment, further booking of the provision for loss on interest repayment, and court rulings from lawsuits demanding refunds of interest paid that put the Company and other money lenders at a clear disadvantage, could have an impact on the Company's business performance.

(8) Fund procurement

The Group secures the necessary funds for its operations and liabilities repayments through financing activities such as borrowings from financial institutions, etc. and direct financing from capital markets, including via bond issues.

While the Group has steadily diversified its funding resources in recent years, there is no assurance that its existing main banks and lenders will not change their current lending policy due to a potential



reorganization of the financial industry or other factors. Furthermore, there is no assurance that capital markets will always be available as a reliable financing resource in the future.

There is the possibility that our ability to procure funds may decrease due to changes in credit rating. In that case, the financial expenses might increase and the amount of funding may be restricted. As a result, it may have a negative impact on our business performance in the future.

(9) Investments

To date, the Group has stepped up its entry into new markets and broadened the scale of its involvement in the consumer credit market, including through the formation of joint ventures. The prospect of potential profits obtained from such investments is uncertain and not all of the Groups' new joint businesses or expansion is necessarily successful. Although the Group regularly reviews the profitability and growth potential of each business, possibilities still remain that such reviews may prompt us to withdraw from new joint businesses or reduce allocation of human and other resources to such businesses in the future. In the case where a joint business falls short of its profit target, there is a risk that the Group may not be able to recoup its existing investments.

(10) Business and capital alliance with MUFG

In March 2004, we entered into a strategic business and capital alliance with MUFG. MUFG later raised its stake in the Company, and after completing the necessary procedures, the Company became a consolidated subsidiary of MUFG in December 2008. This means that if laws and regulations governing banks, such as the Banking Act, are changed, Group companies may become subject to restrictions concerning the business fields in which they operate.

(11) Disposal of our shares by major shareholders, etc.

MUFG and the MUFG Group hold around 40% of our issued/outstanding shares. In addition, Shigeyoshi Kinoshita, our Chairman, President & CEO, along with members of his families and affiliated companies together, holds around 40% of our issued/outstanding shares. If these shareholders dispose of some of their shares in the future, the market supply of our shares will increase, and this may have an impact on our share price.

(12) Accidents and disasters, etc.

Although we endeavor to verify and improve various measures to cope with the occurrence of accidents and disasters due to external factors including natural disasters such as large-scale earthquakes, wind and flood damage and pandemic, the occurrence of these phenomena could have a negative effect on the business performance of the Group attributable to damage to our store and facilities and/or physical damage to employees or customers.

(13) COVID-19

1) COVID-19 countermeasures

In Japan, the Company Group started alerting officers and employees to take measures such as wearing face masks from late January 2020, established an emergency headquarters, and had its officers and employees commute at off-peak times to avoid rush hours, beginning from late February. In early March, Group officers and employees who were required to stay at home due to the temporary closure of schools were placed on stand-by at home. Following the declaration of a state of emergency by the government in April, the Group made efforts to prevent the spread of infections and ensure safety for customers, officers and employees by reducing the number of officers and employees physically present in Group offices and branches to the minimum necessary. The reduction in the number of officers and employees physically present in Group offices and branches resulted in a suspension of operations at manned branches, reductions in the operating hours of automatic contract machines, a review of the operating days and operating hours at call centers, etc., and reductions in parts of the Group business.

Presently, the Company implemented preventive measures such as installing partitions at branch counters and between employee seats, following nationwide lift of the state of emergency by the government on May 25. Meanwhile, all manned branches resumed their operation from May 26 while operating days and hours of automatic contract machines and call centers, etc. returned to normal state before declaration of the state of emergency on June 8.

At overseas, EASY BUY Public Company Limited in the Kingdom of Thailand voluntarily limited operations at some of its branches, and ACOM CONSUMER FINANCE CORPORATION in the Republic of the Philippines suspended all operating activities effective from March 17, 2020 onward, at

the request of the respective national governments.

## 2) Impact of COVID-19 on the business scale and performance results

While it is difficult to reasonably calculate the impact of the spread of COVID-19 on the business scale and performance results at this point in time, we assume that the items listed below may be affected in the fiscal year ending March 31, 2021.

- Temporary closure of manned branches, reductions in the operating hours of automatic contract machines and some operations based on reviews of operating days and operating hours at call centers, etc.; as well as decreases in the balances of the loan and credit card business and the guarantee business and operating revenue, attributable to the decline in the demand for funds mainly associated with voluntary restrictions in customer activities outside of the home.
- Increased expenses related to bad debts caused by a deteriorated loan portfolio mainly attributable to decreased customer income.
- Decreases in other operating expenses resulting mainly from decreased computer expenses chiefly due to a review of system development plans and decreased advertising expenses stemming from a reduction in advertisements placed.

3. Analyses of Consolidated Business Results, Financial Position and Cash Flows by the Corporate Managers  
The forward-looking statements included in the following description are based on our judgment as of the end of the fiscal year.

(1) Business results

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.

1) Analyses on year on year basis

(Millions of yen, unless otherwise stated)

	Prior fiscal year (result)	Current fiscal year (result)	yoy	
	amount	amount	amount	%
Operating Revenue	277,069	279,510	+2,441	+0.9
Loan and Credit Card Business	144,829	149,266	+4,436	+3.1
Guarantee Business	69,341	68,569	(771)	(1.1)
Overseas Financial Business	56,995	56,314	(681)	(1.2)
Loan Servicing Business	5,893	5,358	(535)	(9.1)
Operating Profit	57,607	75,636	+18,029	+31.3
Loan and Credit Card Business	11,804	28,056	+16,251	+137.7
Guarantee Business	25,241	25,000	(240)	(1.0)
Overseas Financial Business	19,802	22,394	+2,591	+13.1
Loan Servicing Business	390	464	+73	+18.7
Ordinary Profit	58,205	75,104	+16,899	+29.0
Profit attributable to owners of parent	37,781	59,600	+21,819	+57.8

(Note) The amounts of operating revenue and operating profit for prior fiscal year and current fiscal year are different from sum of financial service businesses. Please refer to “4. Reconciliation between the total amounts of reported segments and amounts in the consolidated financial statements of Segment Information, in [Segment information] in [Notes] under 1. Consolidated Financial Statements, etc. of V. Financial Information” for the explanation of difference.

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.

Please refer to “(2) Status of financial service businesses” for the details.

## 2) Analyses on comparison with plan target

(Millions of yen, unless otherwise stated)

	Current fiscal year (plan)	Current fiscal year (result)	Compared to plan	
	amount	amount	amount	%
Operating Revenue	275,500	279,510	+4,010	+1.5
Loan and Credit Card Business	147,400	149,266	+1,866	+1.3
Guarantee Business	68,500	68,569	+69	+0.1
Overseas Financial Business	54,200	56,314	+2,114	+3.9
Loan Servicing Business	5,400	5,358	(41)	(0.8)
Operating Profit	87,600	75,636	(11,963)	(13.7)
Ordinary Profit	87,900	75,104	(12,795)	(14.6)
Profit attributable to owners of parent	75,500	59,600	(15,899)	(21.1)

(Note) The amounts of operating revenue for current fiscal year (result) are different from sum of financial service businesses. Please refer to “4. Reconciliation between the total amounts of reported segments and amounts in the consolidated financial statements of Segment Information, in [Segment information] in [Notes] under 1. Consolidated Financial Statements, etc. of V. Financial Information” for the explanation of difference.

Consolidated operating revenue for the fiscal year ended March 31, 2020, increased by 4,010 million yen (up 1.5% compared to the plan target) compared to the plan target of 275,500 million yen primarily due to outpacing in revenue from three core businesses. Consolidated operating profit decreased by 11,963 million yen (down 13.7% compared to the plan target) compared to the plan target of 87,600 million yen mainly due to the posting of provision for loss on interest repayment. Consolidated ordinary profit decreased by 12,795 million yen (down 14.6% compared to the plan target) compared to the plan target of 87,900 million yen and profit attributable to owners of parent decreased by 15,899 million yen (down 21.1% year on year) compared to the plan target of 75,500 million yen.

Please refer to “(2) Status of financial service businesses” for the details.

## (2) Overview of business results in each financial service business

### 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.

Compared to the plan target of 147,400 million yen, operating revenue increased by 1,866 million yen (up 1.3%) because interest on operating loans outpaced the plan target.

## 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).

Compared to the plan target of 68,500 million yen, operating revenue increased by 69 million yen (up 0.1%).

## 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).

Compared to the plan target of 54,200 million yen, operating revenue increased by 2,114 million yen (up 3.9%) due to business expansion at EASY BUY and the impact of foreign exchange.

## 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.

Compared to the plan target of 5,400 million yen, operating revenue decreased by 41 million yen (down 0.8%).

### (3) Analysis of financial position

Compared with the end of the prior fiscal year, total assets decreased by 19,518 million yen and total liabilities decreased by 80,513 million yen, whereas net assets increased by 60,994 million yen as of March 31, 2020. These changes reflect the exclusion of Bank BNP, a former consolidated subsidiary, from the scope of consolidation. Details of changes in assets, liabilities and net assets are as follows:

#### (Assets)

Current assets decreased by 9,419 million yen and noncurrent assets decreased by 10,099 million yen. Consequently, total assets decreased by 19,518 million yen. The breakdown of major changes in current assets is as follows: accounts receivable - operating loans (up 41,282 million yen), accounts receivable - installment (up 11,985 million yen), and loans receivable of banking business (down 48,331 million yen). The breakdown of major decreases in noncurrent assets is as follows: investment securities (down 3,082 million yen), deferred tax assets (down 2,282 million yen), and equipment (down 2,000 million yen).

#### (Liabilities)

With regard to the liabilities account, changes in current and noncurrent liabilities were a decrease of 110,130 million yen and an increase of 29,616 million yen, respectively, resulting in a decrease of 80,513 million yen in total liabilities. The breakdown of major decreases in liabilities includes: deposits of banking business (down 52,319 million yen), the outstanding balance of funds procured mainly in the form of loans and bonds payable (down 11,048 million yen) and provision for loss on interest repayment (down 14,700 million yen).

#### (Net assets)

In terms of net assets, shareholders' equity increased by 54,900 million yen mainly due to an increase in retained earnings, accumulated other comprehensive income increased by 4,247 million yen due to an increase in foreign currency translation adjustment (up 5,123 million yen) and a decrease in remeasurements of defined benefit plans (down 875 million yen), and non-controlling interests increased by 1,846 million yen. As a result, total net assets increased by 60,994 million yen, and the shareholders' equity ratio increased by 5.0 percentage points to 32.4%.

### (4) Status of cash flows during the current fiscal year

Cash and cash equivalents (hereinafter, "funds") at the end of the current fiscal year increased by 198 million yen from the end of the prior fiscal year to 82,545 million yen. This change reflects the exclusion of Bank BNP, a former consolidated subsidiary, from the scope of consolidation. The changes in the respective cash flows and the reasons thereof are as follows:

With respect to net cash provided by operating activities, funds saw an increase of 19,698 million yen, mainly reflecting funds-increasing factors such as 80,011 million yen in profit before income taxes, 3,503 million yen in depreciation and amortization, 2,370 million yen in impairment loss, and an increase of 6,396 million yen in allowance for doubtful accounts, as well as funds-decreasing factors such as an increase of 29,444 million yen in accounts receivable - operating loans, a decrease of 14,700 million yen in provision for loss on interest repayment, 13,838 million yen in income taxes paid, and an increase of 11,945 million yen in accounts receivable - installment.

With respect to net cash provided by investing activities, funds saw an increase of 6,214 million yen. This was primarily due to the fact that proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation amounted to 10,411 million yen, the purchase of intangible assets amounted to 2,151 million yen, and the purchase of property, plant and equipment amounted to 1,496 million yen.

With respect to net cash used in financing activities, funds saw a decrease of 24,339 million yen. This was primarily due to the fact that the total amount of proceeds from loans and issuance of bonds was 17,664 million yen less than the repayments of loans payable and payments at maturity of bonds, and cash dividends paid amounted to 4,698 million yen.

With regard to the financial resources of capital, the Group raised funds by way of borrowings from financial institutions, bond issuance, etc. With regard to the liquidity of funds, the Group secures sufficient liquidity through various fundraising measures, along with a commitment line agreement and overdraft agreement concluded with a main bank.

(5) Significant accounting estimates and assumptions used for the estimates

The consolidated financial statements of the Group are prepared on the basis of accounting principles generally accepted in Japan. In preparing the consolidated financial statements, the Group uses estimates and assumptions that have an impact on the reported amounts of assets, liabilities, revenue and expenses. However, the figures based on these estimates and assumptions may differ from the actual results.

Significant accounting estimates and assumptions used when preparing the consolidated financial statements are as follows.

1) Calculation of provision for loss on interest repayment

The interest rates charged on some loan products by the Company, in which customers entered into contracts before June 17, 2007, exceed the interest rate ceilings specified in the Interest Rate Restriction Act. In case our customers request forgiveness of the loan amount or reimbursement of excess interest paid, demanding to fulfill obligations based on these maximum interest rates, the Company may accept to write off such loan or reimburse payments in response.

The Company calculates provision for loss on interest repayment using estimated figures such as the estimated number of requests for interest repayment and the average amount of expected repayment, primarily in consideration of the current status of requests for interest repayment and the external management environment.

If the above estimates and estimated figures need to be reviewed because of changes in the external management environment due to future uncertainties and other factors, it may have a significant impact on the amount of provision for loss on interest repayment to be recognized in the consolidated financial statements for the next fiscal year and thereafter.

With respect to the above estimates, the Company evaluates the status of disparity between the estimates and actual results each quarter and accordingly reviews the need for additional provision, reversal, etc.

2) Calculation of allowance for doubtful accounts

For accounts receivable - operating loans, accounts receivable - installment and right to reimbursement, which constitute the majority of total assets of the Company Group, an allowance for doubtful accounts is provided for all or part of the outstanding balance of loans, based on the types and conditions at the end of the fiscal year.

Allowance for doubtful accounts is calculated mainly using the historical rate of defaults according to classifications based on a credit risk management model, the historical rate of defaults according to the conditions, or a collection rate, depending upon the types and conditions.

If the above estimates need to be reviewed because of changes in the external management environment due to future uncertainties and other factors, it may have an impact on the amount of allowance for doubtful accounts to be recognized in the consolidated financial statements for the next fiscal year and thereafter.

(6) Consolidated operating results

1) Operating revenue by business segment

Business segment			Prior fiscal year (From April 1, 2018 to March 31, 2019)		Current fiscal year (From April 1, 2019 to March 31, 2020)	
			Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Financial service businesses	Japan	Loan business	136,671	49.3	139,646	50.0
		Credit card business	8,154	3.0	9,619	3.4
		Guarantee business	69,341	25.0	68,569	24.5
		Loan servicing business	5,893	2.1	5,358	1.9
		Others	23	0.0	1	0.0
	Overseas	Loan business	49,692	18.0	54,397	19.5
		Installment loan business	83	0.0	87	0.0
		Banking business	7,207	2.6	1,829	0.7
Total			277,069	100.0	279,510	100.0

(Note) Category of business above applies the category of business stated in [Segment information] in [Notes] under 1. Consolidated Financial Statements, etc. of V. Financial Information.

2) Transaction volume and outstanding receivables at the end of the fiscal year of the financial service business segments

(i) Transaction volume

Business segment		Prior fiscal year (From April 1, 2018 to March 31, 2019)		Current fiscal year (From April 1, 2019 to March 31, 2020)	
		Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Japan	Loan business	372,240	63.5	379,419	65.9
	Credit card business	43,523	7.4	49,221	8.6
	Loan servicing business	2,286	0.4	2,764	0.5
Overseas	Loan business	115,154	19.6	133,804	23.2
	Installment loan business	731	0.1	807	0.1
	Banking business	52,469	9.0	9,736	1.7
Total		586,407	100.0	575,753	100.0

(Notes) 1. Category of business above applies the category of business stated in [Segment information] in [Notes] under 1. Consolidated Financial Statements, etc. of V. Financial Information.

2. Details and transaction volume of the above Financial Service business segments are as follows:

Loan business	Provision of loans directly to customers. The scope of this segment's transaction volume is the amount of loans to customers during the current fiscal year.
Credit card business	Provision of general financial services through the use of credit cards, based on comprehensive credit administration. The scope of transaction volume is the total amount of credit extended for shopping through the use of credit cards during the current fiscal year.
Loan servicing business	The amount of purchased receivables.
Installment loan business	Provision of financial services without using credit cards. Each transaction of this service involves customer screening and review. The scope of transaction volume is the sum of credit amount and commission fees.
Banking business	Provision of loans directly to customers. The scope of this segment's transaction volume is the amount of loans to customers.



## (ii) Receivables outstanding

Business segment		Prior fiscal year (As of March 31, 2019)		Current fiscal year (As of March 31, 2020)	
		Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Japan	Loan business	821,976	73.3	840,877	74.6
	Credit card business	63,137	5.6	75,035	6.7
	Loan servicing business	9,435	0.8	9,188	0.8
Overseas	Loan business	178,452	15.9	200,833	17.8
	Installment loan business	603	0.1	690	0.1
	Banking business	48,331	4.3	—	—
Total		1,121,936	100.0	1,126,626	100.0

(Note) Category of business above applies the category of business stated in [Segment information] in [Notes] under 1. Consolidated Financial Statements, etc. of V. Financial Information.

## 3) Number of outlets

Category	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Outlets	1,173	1,051

## 4) Number of customer accounts

Business segment		Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Japan	Loan business	1,540,012	1,589,340
	Credit card business	426,572	465,012
	Loan servicing business	359,351	365,986
Overseas	Loan business	1,355,618	1,435,728
	Installment loan business	12,699	14,389
	Banking business	72,463	—

(Notes) 1. Category of business above applies the category of business stated in [Segment information] in [Notes] under 1. Consolidated Financial Statements, etc. of V. Financial Information.

2. The number of customer accounts by business segment shown above is as follows:

Loan business	Number of accounts with outstanding accounts receivable - operating loans
Credit card business	Number of credit card “MasterCard®” holders
Loan servicing business	Number of accounts with outstanding purchased receivables
Installment loan business	Number of contracts with outstanding accounts receivable - installment
Banking business	Number of loan accounts with outstanding loans receivable of banking business

## 5) Breakdown of accounts receivable - operating loans

### (i) By loan type

Loan type		Prior fiscal year (As of March 31, 2019)					Current fiscal year (As of March 31, 2020)				
		Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Average contracted interest rate (%)	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Average contracted interest rate (%)
Consumer loans	Unsecured loans (excluding housing loans)	2,893,695	99.9	995,223	99.5	17.53	3,023,478	99.9	1,037,468	99.6	17.60
	Secured loans (excluding housing loans)	1,915	0.1	5,110	0.5	11.58	1,577	0.1	4,206	0.4	11.51
	Housing loans	—	—	—	—	—	—	—	—	—	—
	Subtotal	2,895,610	100.0	1,000,333	100.0	17.49	3,025,055	100.0	1,041,674	100.0	17.58
Commercial loans	Unsecured loans	3	0.0	3	0.0	15.00	3	0.0	3	0.0	15.00
	Secured loans	17	0.0	91	0.0	8.90	10	0.0	32	0.0	6.47
	Subtotal	20	0.0	95	0.0	9.13	13	0.0	36	0.0	7.30
Total		2,895,630	100.0	1,000,428	100.0	17.49	3,025,068	100.0	1,041,711	100.0	17.58

### (ii) By industry

Industry	Prior fiscal year (As of March 31, 2019)				Current fiscal year (As of March 31, 2020)			
	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)
Agriculture, forestry and fishery	—	—	—	—	—	—	—	—
Construction	5	0.0	17	0.0	3	0.0	7	0.0
Manufacturing	1	0.0	1	0.0	1	0.0	1	0.0
Electricity; gas; heat supply; water supply	—	—	—	—	—	—	—	—
Information and communications	1	0.0	4	0.0	—	—	—	—
Transport and postal services	1	0.0	4	0.0	1	0.0	4	0.0
Wholesale and retail	3	0.0	9	0.0	2	0.0	5	0.0
Finance and insurance	1	0.0	3	0.0	1	0.0	3	0.0
Real estate, and goods rental and leasing	1	0.0	26	0.0	—	—	—	—
Accommodation, and food and beverage services	2	0.0	11	0.0	—	—	—	—
Education and educational support	—	—	—	—	—	—	—	—
Healthcare and welfare	—	—	—	—	—	—	—	—
Multiple services	—	—	—	—	—	—	—	—
Other services (Does not fall under any other category)	5	0.0	14	0.0	5	0.0	14	0.0
Individuals	2,895,610	100.0	1,000,333	100.0	3,025,055	100.0	1,041,674	100.0
Specified nonprofit organization	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
Total	2,895,630	100.0	1,000,428	100.0	3,025,068	100.0	1,041,711	100.0

(Note) Commercial loans to sole proprietors are included in corresponding categories other than “Individuals.”

## (iii) By collateral type

Collateral	Prior fiscal year (As of March 31, 2019)		Current fiscal year (As of March 31, 2020)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Securities (Stocks included in the above)	— (—)	— (—)	— (—)	— (—)
Credit (Deposits included in the above)	— (—)	— (—)	— (—)	— (—)
Merchandise	—	—	—	—
Real estate	5,143	0.5	4,238	0.4
Foundations	—	—	—	—
Others	58	0.0	0	0.0
Subtotal	5,201	0.5	4,239	0.4
Guarantee	—	—	—	—
Unsecured	995,226	99.5	1,037,472	99.6
Total	1,000,428	100.0	1,041,711	100.0

## (iv) By loan term

Loan period		Prior fiscal year (As of March 31, 2019)				Current fiscal year (As of March 31, 2020)			
		Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)
Unsecured loans	Revolving	2,748,225	94.9	942,685	94.2	2,857,125	94.5	985,150	94.6
	Due within 1 year	3,615	0.1	185	0.0	16,118	0.5	457	0.0
	Due after 1 year through 5 years	78,339	2.7	18,351	1.9	90,948	3.0	23,458	2.3
	Due after 5 years through 10 years	47,278	1.6	21,995	2.2	46,264	1.5	19,054	1.8
	Due after 10 years through 15 years	16,179	0.6	11,964	1.2	12,955	0.4	9,304	0.9
	Due after 15 years through 20 years	56	0.0	39	0.0	63	0.0	41	0.0
	Due after 20 years through 25 years	4	0.0	3	0.0	4	0.0	3	0.0
	Due after 25 years	2	0.0	0	0.0	4	0.0	1	0.0
	Subtotal	2,893,698	99.9	995,226	99.5	3,023,481	99.9	1,037,472	99.6
Secured loans	Revolving	1,472	0.1	3,767	0.4	1,212	0.1	3,083	0.3
	Due within 1 year	5	0.0	13	0.0	3	0.0	5	0.0
	Due after 1 year through 5 years	96	0.0	147	0.0	77	0.0	123	0.0
	Due after 5 years through 10 years	201	0.0	413	0.0	158	0.0	327	0.0
	Due after 10 years through 15 years	67	0.0	242	0.0	62	0.0	211	0.0
	Due after 15 years through 20 years	17	0.0	81	0.0	11	0.0	57	0.0
	Due after 20 years through 25 years	74	0.0	536	0.1	64	0.0	430	0.1
	Due after 25 years	—	—	—	—	—	—	—	—
	Subtotal	1,932	0.1	5,201	0.5	1,587	0.1	4,239	0.4
Revolving		2,749,697	95.0	946,453	94.6	2,858,337	94.5	988,233	94.9
Due within 1 year		3,620	0.1	198	0.0	16,121	0.5	462	0.0
Due after 1 year through 5 years		78,435	2.7	18,499	1.9	91,025	3.0	23,581	2.3
Due after 5 years through 10 years		47,479	1.6	22,408	2.2	46,422	1.6	19,381	1.9
Due after 10 years through 15 years		16,246	0.6	12,206	1.2	13,017	0.4	9,516	0.9
Due after 15 years through 20 years		73	0.0	120	0.0	74	0.0	98	0.0
Due after 20 years through 25 years		78	0.0	540	0.1	68	0.0	433	0.0
Due after 25 years		2	0.0	0	0.0	4	0.0	1	0.0
Total		2,895,630	100.0	1,000,428	100.0	3,025,068	100.0	1,041,711	100.0
Average term per contract		—				—			

(Note) “Average term per contract” is not calculated since revolving loan contracts are included in the table above.

6) Breakdown of funds

Funding sources, etc.	Prior fiscal year (As of March 31, 2019)		Current fiscal year (As of March 31, 2020)	
	Outstanding balance (Millions of yen)	Average interest rate (%)	Outstanding balance (Millions of yen)	Average interest rate (%)
Borrowings from financial institutions, etc.	440,933	0.96	439,768	0.77
Others (Corporate bonds, CPs)	284,209 (284,209)	0.97 (0.97)	274,325 (274,325)	0.96 (0.96)
Total	725,142	0.96	714,093	0.84
Owners' equity (Capital stock)	542,754 (63,832)	— (—)	591,593 (63,832)	— (—)

(Note) "Owners' equity" was calculated by deducting total liabilities, the amount of non-controlling interests in the "net assets" section, and the planned amount of dividend from total assets, and then adding the total amount of reserves (including reserves under special laws).

7) Operating results of the Filing Company

(i) The number of outlets and customer accounts by business segment

(A) The number of outlets and automated teller machines

Category		Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Outlets		1,000	938
	Staffed outlets	22	22
	Unstaffed outlets	978	916
Automatic contract machines		1,000 locations (1,040)	938 locations (978)
ATMs		51,737	51,344
	Proprietary	1,014	971
	Tie-up	50,723	50,373
	(Number of tie-up companies)	(16)	(16)

(Note) In addition to the above 938 loan business outlets, based on the Money Lending Business Act, we registered 22 automatic contract machines installed in staffed outlets (they stood at 22 as of March 31, 2019), 6 automated teller machines installed outside outlets (6 as of March 31, 2019) and 1 service center (1 as of March 31, 2019) for the various applications and registration acceptance via automatic contract machines and other means as outlets.

(B) Number of customer accounts

Business segment	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Loan business	1,539,957	1,589,295
Credit card business	426,572	465,012

(Note) The number of customer accounts by business segment shown above is as follows:

Loan business                      Number of accounts with outstanding accounts receivable - operating loans  
Credit card business              Number of "MasterCard®" holders

## (ii) Breakdown of operating revenue

## Operating revenue by business segment

Business segment	Prior fiscal year (From April 1, 2018 to March 31, 2019)		Current fiscal year (From April 1, 2019 to March 31, 2020)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Loan Business	136,674	67.1	139,646	67.5
Unsecured loans	136,046	66.8	139,076	67.2
Consumer loans	136,045	66.8	139,075	67.2
Commercial loans	0	0.0	0	0.0
Secured loans	628	0.3	570	0.3
Credit card business	8,154	4.0	9,619	4.7
Guarantee business	58,729	28.9	57,630	27.8
Others	78	0.0	71	0.0
Total	203,636	100.0	206,968	100.0

## (iii) Transaction volume and outstanding receivables at the end of the fiscal year for the financial service business segments

## (A) Transaction volume

Business segment		Prior fiscal year (From April 1, 2018 to March 31, 2019)		Current fiscal year (From April 1, 2019 to March 31, 2020)	
		Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Loan business	Unsecured loans	372,221	89.5	379,405	88.5
	Consumer loans	372,221	89.5	379,405	88.5
	Commercial loans	—	—	—	—
	Secured loans	18	0.0	13	0.0
	Subtotal	372,240	89.5	379,419	88.5
Credit card business		43,523	10.5	49,221	11.5
Total		415,764	100.0	428,640	100.0

(Note) Details and transaction volume of the above Financial Service business segments are as follows:

## Loan business

Provision of loans by the Filing Company directly to customers. The scope of this segment's transaction volume is the amount of loans to customers during the current fiscal year.

## Credit card business

Provision of general financial services through the use of credit cards, based on comprehensive credit administration. The scope of transaction volume is the total amount of credit extended for shopping through the use of credit cards during the current fiscal year.

## (B) Receivables outstanding

Business segment		Prior fiscal year (As of March 31, 2019)		Current fiscal year (As of March 31, 2020)	
		Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Loan business	Unsecured loans	816,742	92.3	836,608	91.3
	Consumer loans	816,738	92.3	836,604	91.3
	Commercial loans	3	0.0	3	0.0
	Secured loans	5,201	0.6	4,239	0.5
	Subtotal	821,943	92.9	840,847	91.8
Credit card business		63,137	7.1	75,035	8.2
Total		885,081	100.0	915,883	100.0

## (iv) Increase/decrease and outstanding balance of operating loans

(Millions of yen)

Item	Prior fiscal year (As of March 31, 2019)			Current fiscal year (As of March 31, 2020)		
	Total amount	Unsecured loans	Secured loans	Total amount	Unsecured loans	Secured loans
Beginning balance	803,365	797,288	6,077	821,943	816,742	5,201
Loans made during the period	372,240	372,221	18	379,419	379,405	13
Collection during the period	323,246	322,383	863	329,942	329,225	716
Transfer of claims on bankruptcy and reorganization, etc.	627	621	6	565	549	15
Write-off of bad debts during the period	29,787	29,763	24	30,007	29,763	243
Final balance	821,943	816,742	5,201	840,847	836,608	4,239
Average loans receivable	812,008	806,357	5,650	833,274	828,491	4,783

## (v) Breakdown of operating loans

## (A) By loan type

Loan type		Prior fiscal year (As of March 31, 2019)					Current fiscal year (As of March 31, 2020)				
		Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Average contracted interest rate (%)	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Average contracted interest rate (%)
Consumer loans	Unsecured loans (excluding housing loans)	1,538,022	99.9	816,738	99.4	15.62	1,587,705	99.9	836,604	99.5	15.56
	Secured loans (excluding housing loans)	1,915	0.1	5,110	0.6	11.58	1,577	0.1	4,206	0.5	11.51
	Housing loans	—	—	—	—	—	—	—	—	—	—
	Subtotal	1,539,937	100.0	821,848	100.0	15.60	1,589,282	100.0	840,810	100.0	15.54
Commercial loans	Unsecured loans	3	0.0	3	0.0	15.00	3	0.0	3	0.0	15.00
	Secured loans	17	0.0	91	0.0	8.90	10	0.0	32	0.0	6.47
	Subtotal	20	0.0	95	0.0	9.13	13	0.0	36	0.0	7.30
Total		1,539,957	100.0	821,943	100.0	15.60	1,589,295	100.0	840,847	100.0	15.54

## (B) By industry

Industry	Prior fiscal year (As of March 31, 2019)				Current fiscal year (As of March 31, 2020)			
	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)
Agriculture, forestry and fishery	—	—	—	—	—	—	—	—
Construction	5	0.0	17	0.0	3	0.0	7	0.0
Manufacturing	1	0.0	1	0.0	1	0.0	1	0.0
Electricity; gas; heat supply; water supply	—	—	—	—	—	—	—	—
Information and communications	1	0.0	4	0.0	—	—	—	—
Transport and postal services	1	0.0	4	0.0	1	0.0	4	0.0
Wholesale and retail	3	0.0	9	0.0	2	0.0	5	0.0
Finance and insurance	1	0.0	3	0.0	1	0.0	3	0.0
Real estate, and goods rental and leasing	1	0.0	26	0.0	—	—	—	—
Accommodation, and food and beverage services	2	0.0	11	0.0	—	—	—	—
Education and educational support	—	—	—	—	—	—	—	—
Healthcare and welfare	—	—	—	—	—	—	—	—
Multiple services	—	—	—	—	—	—	—	—
Other services (Does not fall under any other category)	5	0.0	14	0.0	5	0.0	14	0.0
Individuals	1,539,937	100.0	821,848	100.0	1,589,282	100.0	840,810	100.0
Specified nonprofit organization	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
Total	1,539,957	100.0	821,943	100.0	1,589,295	100.0	840,847	100.0

(Note) Commercial loans to sole proprietors are included in corresponding categories other than “Individuals.”



(C) Breakdown of unsecured consumer loans receivable by consumers' sex and age

Sex and age		Prior fiscal year (As of March 31, 2019)				Current fiscal year (As of March 31, 2020)			
		Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)
Male	18-19 years	—	—	—	—	—	—	—	—
	20-29	300,824	19.6	124,440	15.2	322,654	20.3	131,837	15.8
	30-39	270,684	17.6	159,581	19.5	274,355	17.3	162,203	19.4
	40-49	250,592	16.3	179,468	22.0	247,771	15.6	177,476	21.2
	50-59	180,096	11.7	138,215	16.9	184,538	11.6	141,583	16.9
	60 years and older	119,256	7.7	61,720	7.6	121,389	7.7	63,738	7.6
	Subtotal	1,121,452	72.9	663,426	81.2	1,150,707	72.5	676,839	80.9
Female	18-19 years	—	—	—	—	—	—	—	—
	20-29	108,880	7.1	34,286	4.2	120,652	7.6	37,570	4.5
	30-39	87,398	5.7	32,558	4.0	89,670	5.6	33,243	4.0
	40-49	98,094	6.4	39,155	4.8	98,793	6.2	39,305	4.7
	50-59	73,787	4.8	31,161	3.8	77,472	4.9	32,513	3.9
	60 years and older	48,411	3.1	16,151	2.0	50,411	3.2	17,132	2.0
	Subtotal	416,570	27.1	153,312	18.8	436,998	27.5	159,765	19.1
Total		1,538,022	100.0	816,738	100.0	1,587,705	100.0	836,604	100.0

(D) By collateral type

Collateral accepted	Prior fiscal year (As of March 31, 2019)		Current fiscal year (As of March 31, 2020)	
	Amount (Millions of yen)	Proportion (%)	Amount (Millions of yen)	Proportion (%)
Securities (Stocks included in the above)	— (—)	— (—)	— (—)	— (—)
Credit (Deposits included in the above)	— (—)	— (—)	— (—)	— (—)
Merchandise	—	—	—	—
Real estate	5,143	0.6	4,238	0.5
Foundations	—	—	—	—
Others	58	0.0	0	0.0
Subtotal	5,201	0.6	4,239	0.5
Guarantee	—	—	—	—
Unsecured	816,742	99.4	836,608	99.5
Total	821,943	100.0	840,847	100.0

## (E) By loan amount

Loan amount		Prior fiscal year (As of March 31, 2019)				Current fiscal year (As of March 31, 2020)			
		Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)
Unsecured loans	Due within 100,000 yen	198,519	12.9	12,605	1.6	208,938	13.1	13,079	1.6
	Due over 100,000 yen through 300,000 yen	364,068	23.6	77,145	9.4	379,520	23.9	80,075	9.5
	Due over 300,000 yen through 500,000 yen	515,811	33.5	222,960	27.1	532,580	33.5	229,969	27.3
	Due over 500,000 yen	459,627	29.9	504,030	61.3	466,670	29.4	513,483	61.1
	Subtotal	1,538,025	99.9	816,742	99.4	1,587,708	99.9	836,608	99.5
Secured loans	Due within 1 million yen	494	0.0	254	0.0	426	0.0	225	0.0
	Due over 1 million yen through 5 million yen	1,213	0.1	3,178	0.4	970	0.1	2,540	0.3
	Due over 5 million yen through 10 million yen	189	0.0	1,270	0.1	162	0.0	1,075	0.1
	Due over 10 million yen through 50 million yen	36	0.0	498	0.1	29	0.0	397	0.1
	Due over 50 million yen through 100 million yen	—	—	—	—	—	—	—	—
	Due over 100 million yen	—	—	—	—	—	—	—	—
	Subtotal	1,932	0.1	5,201	0.6	1,587	0.1	4,239	0.5
Total		1,539,957	100.0	821,943	100.0	1,589,295	100.0	840,847	100.0
Average loans receivable per contract (Thousands of yen)		—	—	533	—	—	—	529	—
	Unsecured loans	—	—	531	—	—	—	526	—
	Secured loans	—	—	2,692	—	—	—	2,671	—

## (F) By loan term

Loan term		Prior fiscal year (As of March 31, 2019)				Current fiscal year (As of March 31, 2020)			
		Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)
Unsecured loans	Revolving	1,435,749	93.2	770,159	93.7	1,482,437	93.3	791,837	94.2
	Due within 1 year	978	0.1	142	0.0	999	0.1	130	0.0
	Due after 1 year through 5 years	37,793	2.5	12,444	1.5	44,995	2.8	16,241	1.9
	Due after 5 years through 10 years	47,264	3.1	21,987	2.7	46,251	2.9	19,046	2.3
	Due after 10 years through 15 years	16,179	1.0	11,964	1.5	12,955	0.8	9,304	1.1
	Due after 15 years through 20 years	56	0.0	39	0.0	63	0.0	41	0.0
	Due after 20 years through 25 years	4	0.0	3	0.0	4	0.0	3	0.0
	Due after 25 years	2	0.0	0	0.0	4	0.0	1	0.0
	Subtotal	1,538,025	99.9	816,742	99.4	1,587,708	99.9	836,608	99.5
Secured loans	Revolving	1,472	0.1	3,767	0.5	1,212	0.1	3,083	0.4
	Due within 1 year	5	0.0	13	0.0	3	0.0	5	0.0
	Due after 1 year through 5 years	96	0.0	147	0.0	77	0.0	123	0.0
	Due after 5 years through 10 years	201	0.0	413	0.0	158	0.0	327	0.0
	Due after 10 years through 15 years	67	0.0	242	0.0	62	0.0	211	0.0
	Due after 15 years through 20 years	17	0.0	81	0.0	11	0.0	57	0.0
	Due after 20 years through 25 years	74	0.0	536	0.1	64	0.0	430	0.1
	Due after 25 years	—	—	—	—	—	—	—	—
	Subtotal	1,932	0.1	5,201	0.6	1,587	0.1	4,239	0.5
Revolving		1,437,221	93.3	773,927	94.2	1,483,649	93.4	794,921	94.5
Due within 1 year		983	0.1	156	0.0	1,002	0.1	135	0.0
Due after 1 year through 5 years		37,889	2.5	12,591	1.5	45,072	2.8	16,364	2.0
Due after 5 years through 10 years		47,465	3.1	22,400	2.7	46,409	2.9	19,374	2.3
Due after 10 years through 15 years		16,246	1.0	12,206	1.5	13,017	0.8	9,516	1.1
Due after 15 years through 20 years		73	0.0	120	0.0	74	0.0	98	0.0
Due after 20 years through 25 years		78	0.0	540	0.1	68	0.0	433	0.1
Due after 25 years		2	0.0	0	0.0	4	0.0	1	0.0
Total		1,539,957	100.0	821,943	100.0	1,589,295	100.0	840,847	100.0
Average term per contract		—				—			

(Note) “Average term per contract” is not calculated since revolving loan contracts are included in the table above.

## (G) By interest rate

Interest rate		Prior fiscal year (As of March 31, 2019)				Current fiscal year (As of March 31, 2020)			
		Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)	Number of loan contracts	Proportion (%)	Outstanding balance (Millions of yen)	Proportion (%)
Unsecured loans	Below 10% p.a.	93,038	6.0	44,490	5.4	97,475	6.1	45,495	5.4
	From 10.0% to 15.0% p.a.	348,729	22.7	374,258	45.6	359,692	22.6	389,873	46.4
	From 15.0% to 18.0% p.a.	1,082,229	70.3	390,438	47.5	1,130,539	71.2	401,239	47.7
	From 18.0% to 20.0% p.a.	1,081	0.1	1,643	0.2	—	—	—	—
	Above 20.0% p.a.	12,948	0.8	5,910	0.7	2	0.0	0	0.0
	Subtotal	1,538,025	99.9	816,742	99.4	1,587,708	99.9	836,608	99.5
Secured loans	Below 10.0% p.a.	451	0.0	1,592	0.2	391	0.0	1,347	0.2
	From 10.0% to 15.0% p.a.	1,480	0.1	3,607	0.4	1,196	0.1	2,891	0.3
	From 15.0% to 18.0% p.a.	1	0.0	1	0.0	—	—	—	—
	Subtotal	1,932	0.1	5,201	0.6	1,587	0.1	4,239	0.5
Total		1,539,957	100.0	821,943	100.0	1,589,295	100.0	840,847	100.0

## vi) Breakdown of funds

## (A) Breakdown by funding sources

Funding sources	Prior fiscal year (As of March 31, 2019)		Current fiscal year (As of March 31, 2020)	
	Outstanding balance (Millions of yen)	Average interest rate (%)	Outstanding balance (Millions of yen)	Average interest rate (%)
Borrowings from financial institutions, etc.	393,594	0.74	389,345	0.55
Others	230,998	0.55	222,998	0.54
(Corporate bonds, CPs)	(230,998)	(0.55)	(222,998)	(0.54)
Total	624,592	0.67	612,343	0.54
Owners' equity	479,775	—	517,272	—
(Capital stock)	(63,832)	(—)	(63,832)	(—)

(Notes) "Owners' equity" was calculated by deducting total liabilities and the planned amount of dividend from total assets, and then adding the total amount of reserves (including reserves under special laws).

## (B) Breakdown by financial institution

(Millions of yen)

Financial institution		Prior fiscal year (As of March 31, 2019)				Current fiscal year (As of March 31, 2020)			
		Beginning balance	Amount procured	Amount repaid	Final balance	Beginning balance	Amount procured	Amount repaid	Final balance
Borrowings	City banks, etc.	143,023	277,270	116,892	303,401	303,401	101,500	100,704	304,197
	Regional banks	40,484	18,035	16,992	41,527	41,527	18,100	17,715	41,912
	Trust banks	159,208	—	158,708	500	500	—	—	500
	Foreign banks	2,700	500	700	2,500	2,500	1,000	1,150	2,350
	Life insurance companies	18,402	6,000	9,472	14,930	14,930	5,000	9,218	10,712
	Non-life insurance companies	4,295	500	1,164	3,631	3,631	500	631	3,500
	Business corporations (leasing and financing companies, etc.)	2,500	500	940	2,060	2,060	—	1,096	964
	Other financial institutions	26,110	6,700	7,765	25,045	25,045	6,000	5,835	25,210
Subtotal		396,722	309,505	312,633	393,594	393,594	132,100	136,349	389,345
Commercial papers		29,998	159,999	150,000	39,998	39,998	140,000	150,000	29,998
Corporate bonds (including current portion of bonds payable)		201,000	25,000	35,000	191,000	191,000	30,000	28,000	193,000
Subtotal		230,998	184,999	185,000	230,998	230,998	170,000	178,000	222,998
Total		627,720	494,505	497,633	624,592	624,592	302,100	314,349	612,343

(Note) “City banks, etc.” includes Shinsei Bank, Limited and Aozora Bank, Ltd.

## 4. Material Business Agreements, etc.

Not applicable

## 5. Research and Development Activities

Not applicable

### III. Equipment and Facilities

#### 1. Status of Capital Expenditures, etc.

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

#### 2. Situation of Major Equipment

The major equipment in ACOM Group is the following:

##### (1) The Filing Company

As of March 31, 2020

Business Place (Location)	Name of business segments	Details of major facilities and equipment	Book value (Millions of yen)					Number of employees [Average number of fixed-term employees not included in the above numbers]
			Buildings and structures	Furniture and fixtures	Land [Area in m <sup>2</sup> ]	Leased Assets	Total	
Head Office (Note) 1 (Chiyoda-ku, Tokyo)	Corporate wide (shared)	Other facilities and equipment	35	5,674	—	3	5,712	368 [10]
ACOM Ikegami Building (Ota-ku, Tokyo)	Corporate wide (shared)	Other facilities and equipment	197	394	—	661	1,254	—
Toritsu Daigaku Company Residence (Meguro-ku, Tokyo) 4 other residential buildings	Corporate wide (shared)	Company residence	653	4	3,123 [3,008.04]	—	3,780	—
Nishishinjuku (Shinjuku-ku, Tokyo) and 937 other outlets, etc.	Loan and credit card business	Outlets	2,026	798	—	27	2,852	1,112
		Other facilities and equipment	10	209	—	213	432	[43]

(Notes) 1. Part of the building has been on lease since December 2004 and the leasing fee is 421 million yen.

2. The rent for part of the building and land other than the above (Note) 1 that is on lease is 3,795 million yen.

3. Consumption tax, etc., are not included in the above amounts.

4. There are no major facilities that are not operating.

5. Major facilities on lease other than the consolidated subsidiaries stated above are:

Business Place (Location)	Name of business segments	Details of major facilities and equipment	Number of units	Lease period	Annual leasing fee (Millions of yen)	Lease contracts with receivable outstanding (Millions of yen)
Head office (Chiyoda-ku, Tokyo) and 1 other place	Corporate wide (shared)	Automatic contract machines	1	5 years	0	0
		Vehicles	2	3 years	3	3
ACOM Ikegami Building (Ota-ku, Tokyo) and 1 other place	Corporate wide (shared)	Computer equipment and others	599	Primarily 5 years	414	949
Nishishinjuku (Shinjuku-ku, Tokyo) and 937 other outlets	Loan and credit card business	Automatic contract machines	79	5 years	90	31

(Note) Consumption tax, etc., are not included in the above amounts.

##### (2) Domestic subsidiaries

Not applicable

(3) Overseas subsidiaries  
Not applicable

3. Plans for Equipment Introduction, Disposals, etc.

(1) Major equipment introduction, etc.  
Not applicable

(2) Major equipment disposal, etc.  
Not applicable

#### IV. Information on the Filing Company

##### 1. Information on the Company's Shares

###### (1) Total number of shares, etc.

###### 1) Total number of shares

Class	Total number of shares authorized to be issued
Common stock	5,321,974,000
Total	5,321,974,000

###### 2) Total number of shares issued

Class	As of the end of the current fiscal year (March 31, 2020)	As of the submission date (June 23, 2020)	Stock exchange on which the Company is listed	Description
Common stock	1,596,282,800	1,596,282,800	First Section of the Tokyo Stock Exchange	These are the Company's standard shares with no restricted rights. One unit of stock constitutes 100 common shares.
Total	1,596,282,800	1,596,282,800	—	—

###### (2) Status of the stock acquisition rights

###### 1) Details of stock option plans

Not applicable

###### 2) Rights plans

Not applicable

###### 3) Other stock acquisition rights

Not applicable

###### (3) Status in the exercise of bonds with stock acquisition rights with exercise price amendment

Not applicable

###### (4) Changes in the total number of shares issued and the amount of capital stock and other

(Millions of yen, unless otherwise stated)

Date	Changes in the total number of shares issued (Thousands of shares)	Balance of the total number of shares issued (Thousands of shares)	Changes in capital stock	Balance of capital stock	Changes in legal capital surplus	Balance of legal capital surplus
October 1, 2013	1,436,654	1,596,282	—	63,832	—	72,322

(Note) Pursuant to the resolution at the Board of Directors meeting held on June 21, 2013, the Company executed a stock split where each share of its common stock was split into 10 shares with October 1, 2013, as the effective date.



## (5) Status of shareholders

As of March 31, 2020

As of March 31, 2020

Classification	Status of shares (the number of minimum unit is 100 shares)								Status of shares below unit (Shares)
	Government and local municipalities	Japanese financial institutions and insurance companies	Financial instruments business operators	Other Japanese corporations	Foreign corporations, etc.		Individuals, others	Total	
					Others	Individuals			
Number of shareholders	0	27	34	87	435	7	9,343	9,933	—
Number of shares held (Units)	0	1,432,821	27,899	11,967,122	757,831	263	1,776,716	15,962,652	17,600
Ratio of shares held (%)	0	8.98	0.17	74.97	4.75	0	11.13	100.00	—

- (Notes) 1. 29,668,632 shares of treasury stocks include 296,686 units in the “Individuals, others” box and 32 shares in the “Status of shares below unit” box.
2. The number of shares in the “Other Japanese corporations” box includes 30 units of shares under the name of Japan Securities Depository Center, Inc.

## (6) Major shareholders

As of March 31, 2020

Name	Address	Number of shares held (Thousands of shares)	Percentage of shares held to the total number of issued shares (excluding shares of treasury stock) (%)
Mitsubishi UFJ Financial Group, Inc.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	588,723	37.57
Maruito Shokusan Co., Ltd.	1-2-3 Minato-machi, Naniwa-ku, Osaka City	273,467	17.45
Maruito Co., Ltd.	1-2-3 Minato-machi, Naniwa-ku, Osaka City	125,533	8.01
Foundation of Kinoshita Memorial Enterprise	6-2-14 Motomachi-dori, Chuo-ku, Kobe City	92,192	5.88
Maruito Shoten Co., Ltd.	1-2-3 Minato-machi, Naniwa-ku, Osaka City	38,733	2.47
General Incorporated Association Kyoeikai Trust Account	1-16-7 Ginza, Chuo-ku, Tokyo	32,598	2.08
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	31,572	2.01
NOBUKA CO., LTD.	1-2-3 Minato-machi, Naniwa-ku, Osaka City	30,000	1.91
Shigeyoshi Kinoshita	Minato-ku, Tokyo	28,007	1.78
Japan Trustee Services Bank, Ltd. (Trust account 4)	1-8-11 Harumi, Chuo-ku, Tokyo	27,290	1.74
Total	—	1,268,119	80.94

- (Notes) 1. In addition to the shares above, the Company owns 29,668 thousand shares of treasury stocks.
2. In “Number of shares held,” figures less than one thousand are truncated.

## (7) Status of voting rights

## 1) Issued shares

As of March 31, 2020

Classification	Number of shares (Shares)	Number of voting rights (Units)	Details
Shares without voting rights	—	—	—
Shares with limited voting rights (treasury stock, etc.)	—	—	—
Shares with limited voting rights (others)	—	—	—
Shares with full voting rights (treasury stock, etc.)	(Treasury stock) Common stock 29,668,600	—	—
Shares with full voting rights (others)	Common stock 1,566,596,600	15,665,966	—
Shares less than one unit	Common stock 17,600	—	—
Total number of shares issued	1,596,282,800	—	—
Total voting rights held by all shareholders	—	15,665,966	—

- (Notes) 1. The number of shares of common stock in the “Shares with full voting rights (others)” box includes 3,000 shares (30 units of voting rights) held by Japan Securities Depository Center, Inc.
2. The number of shares of common stock in the “Shares less than one unit” box includes 32 shares of treasury stock held by the Company.

## 2) Treasury stock, etc.

As of March 31, 2020

Shareholder	Address of shareholder	Number of shares held under own name (Shares)	Number of shares held under the names of others (Shares)	Total (Shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury stock) ACOM CO., LTD.	1-1, Marunouchi 2- chome, Chiyoda-ku, Tokyo	29,668,600	—	29,668,600	1.85
Total	—	29,668,600	—	29,668,600	1.85

2. Status of Acquisition of Treasury Stock, etc.

Class of stocks, etc.: Acquisition of common stock pursuant to Article 155, Item 7 of the Companies Act

(1) Status of the acquisition of treasury stock resolved at shareholders' meetings

Not applicable

(2) Status of the acquisition of treasury stock resolved at the meetings of the Board of Directors

Not applicable

(3) Details of the acquisition of treasury stock not based on the resolutions of shareholders' meetings or the meetings of the Board of Directors

Category	Number of shares (shares)	Total amount (Thousands of yen)
Acquired treasury stock during the current fiscal year	40	19
Acquired treasury stock during the current term	—	—

(Note) "Acquired treasury stock during the current term" does not include the number of shares acquired for purchase of shares less than one unit from June 1, 2020, to the submission date of the Securities Report.

(4) Status of the disposition and holding of acquired treasury stock

Category	Current fiscal year		Current term	
	Number of shares (shares)	Total amount disposed (Thousands of yen)	Number of shares (shares)	Total amount disposed (Thousands of yen)
Acquired treasury stock for which subscribers were solicited	—	—	—	—
Acquired treasury stock that was disposed of	—	—	—	—
Treasury stock transferred due to merger, stock exchange or corporate separation	—	—	—	—
Others	—	—	—	—
Number of shares of treasury stock held	29,668,632	—	29,668,632	—

(Note) "The number of shares of treasury stock held" during the current term does not include the number of shares acquired for purchase of shares less than one unit from June 1, 2020, to the submission date of the Securities Report.

### 3. Basic Policy on Dividends

With regard to the Company's policy on dividends, we make it a basic policy to ensure stable and continuous profit distribution to the shareholders, taking into consideration the Company's business performance and the shareholders' equity as well as the business environment surrounding the Company.

We basically pay dividends twice a year: an interim dividend and a year-end dividend. The amount of interim dividend is decided by the Board of Directors, and that of year-end dividend is decided by the general meeting of shareholders.

With regard to the year-end dividend for the current fiscal year, we set the payment at ¥2.00, as stated in the "Financial Report (*Kessan Tanshin*)" released on May 14, 2020.

With regard to dividends for the next fiscal year, we have not yet set the amounts, given the difficulty of making a reasonable business performance forecast at this point in time under the impacts of the spread of COVID-19.

Going forward, we will promptly make an announcement when business performance forecasts become viable.

(Note) Dividends whose record date falls in the current fiscal year are as follows:

Date of resolution	Total amount of dividends	Dividends per share
Resolution at the Board of Directors meeting held on November 5, 2019	3,133 million yen	2.00 yen
Resolution at the General Meeting of Shareholders held on June 23, 2020	3,133 million yen	2.00 yen

#### 4. Corporate Governance

##### (1) Overview of Corporate Governance

###### 1) Basic Policy on Corporate Governance

The ACOM Group, guided by its lifelong “Circle of Trust” spirit, maintains an ongoing corporate commitment to respecting other people, putting the customer first, and conducting creative and innovative management. Based on this commitment, we are seeking to deepen mutual trust between our stakeholders and ourselves and thus progress in partnership with society.

In order to meet the expectations of stakeholders and build stronger trust, we will strengthen corporate governance as a key management priority. To this end, we will take steps to enhance the soundness, transparency, and efficiency of our operations and achieve sustained increases in our shareholder value.

We recognize that effective internal control systems are essential to creating an appropriate corporate governance framework. Based on this recognition, we are encouraging all members of our organization to join forces in building internal control systems and assuring their effectiveness, under the leadership of the Chairman, President & CEO. At the same time, we are constantly evaluating, verifying, and improving the effectiveness of internal control mechanisms already in place.

###### 2) Corporate Governance Structure

###### (i) An overview of corporate governance structure and reasons for employing said structure

The Company is a company with an Audit & Supervisory Committee and aims to enable swift decision-making and enhance the Board of Directors’ supervisory functions by significantly delegating decision-making on material business executions to directors from the Board of Directors. The Board of Directors, in turn, performs thorough monitoring and other measures on delegated matters.

The Company aims to improve the transparency and objectivity of its management by having an Audit & Supervisory Committee composed mainly of outside directors conduct audit and supervisory functions.

The organs installed by the Company are as follows:

###### (A) Board of Directors

The Board of Directors of the Company consists of nine members: Chairman, President & CEO Shigeyoshi Kinoshita who chairs the Board, Directors Kaoru Wachi, Masataka Kinoshita, Tomomi Uchida, Takashi Kiribuchi and Naoki Hori, and Members of Audit & Supervisory Committee Tatsuya Ito (Outside Director), Kazuo Fukumoto and Masahide Ishikawa (Outside Director).

The Company has concluded a limited liability agreement with each of the four non-executive Directors (two of whom are Outside Directors), which limits the liability for damage under Article 423, Paragraph 1, of the Companies Act to the extent of the amount stipulated in the law, in accordance with the provision of Article 427, Paragraph 1, of the Act.

The Board deliberates and decides important business management matters, such as management strategies and business planning, and basic policies for building corporate governance and internal control systems, while ensuring objective and rational judgment. Furthermore, the Board delegates decision-making on matters related to the execution of business operations other than matters to be resolved at the Board of Directors to President and Director, and monitors and supervises the execution of duties by thorough monitoring and other measures on delegated matters.

It meets at least once every quarter, in principle, and more as deemed necessary.

###### (B) Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three members: Tatsuya Ito (Outside Director) who chairs the committee, Kazuo Fukumoto and Masahide Ishikawa (Outside Director).

It meets regularly to receive reports concerning important audit-related matters, hold discussions, and pass resolutions.

To support the Audit & Supervisory Committee’s duties, the Company established “the Administration for Audit & Supervisory Committee” and assigned persons to assist its duties. 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 the Directors (excluding those serving as Audit & Supervisory Committee Members) and other operational organizations. Assignment, transfer, evaluation and disciplinary action of such employees are decided after consultation with the Audit & Supervisory Committee.

### (C) Committees

#### (a) Appointment and Remuneration Committee

The Appointment and Remuneration Committee consists of six members: Chairman, President & CEO Shigeyoshi Kinoshita who chairs the committee, Representative Directors Kaoru Wachi and Masataka Kinoshita, and Members of Audit & Supervisory Committee Tatsuya Ito (Outside Director), Kazuo Fukumoto and Masahide Ishikawa (Outside Director).

The Appointment and Remuneration Committee reviews and proposes the appointment of candidates and remuneration for Directors (excluding those serving as Audit & Supervisory Committee Members) for resolution at the Board of Directors Meeting. The Committee also checks management and the status of training for candidates for management and provides an overview of the same to the Board of Directors.

The Appointment and Remuneration Committee meets three times a year, in principle, and more as deemed necessary.

#### (b) Compliance Committee

The Compliance Committee consists of five members: an expert from outside the Company Tatsuzo Honma who chairs the committee, experts from outside the Company Tan Mitchell and Yasunari Takaura, and Representative Directors Shigeyoshi Kinoshita and Kaoru Wachi.

In the presence of Members of Audit & Supervisory Committee, it discusses and, as necessary, makes recommendations to the Board of Directors about the following compliance-related matters.

- Items relating to formulation, revision or abolishment of the ACOM Group Code of Ethics and Code of Conduct;
- Important items related to establishment and operation of compliance systems;
- Items relating to formulation of basic plans;
- Items relating to the correction of major violations, actions for improvement and recurrence prevention measures; and
- Important items related to other compliance issues.

The Compliance Committee meets six times a year, in principle, and more as deemed necessary.

#### (c) Financial Information Disclosure Committee

The Financial Information Disclosure Committee consists of thirteen members: an executive officer who concurrently serve as director in charge of Treasury Department Tomoo Shikanoya who chairs the committee, executive officers who concurrently serve as directors in charge of the relevant departments, Tomomi Uchida, Makoto Kondo, Masataka Kinoshita and Takashi Kiribuchi, and chief general managers in charge of the relevant departments, Akifumi Kinoshita, Hiroko Shioiri, Takashi Okamoto, Masamitsu Iwamura, Masatoshi Nabeoka, Kazuki Morishita, Masahiko Machida and Daishi Haraguchi.

In the presence of Members of Audit & Supervisory Committee, the Committee deliberates in advance the items related to the improvement of the financial disclosure system and the financial information to be disclosed for resolution at the Board of Directors Meeting, in order for the disclosure of the financial information and internal control of financial reports to be made in accordance with the relevant laws in a timely and in an appropriate manner.

The Financial Information Disclosure Committee meets at least once every quarter, in principle, and more as deemed necessary.

#### (d) Risk Committee

The Risk Committee consists of seven members: Deputy Chairman Kaoru Wachi who chairs the committee, Representative Directors Shigeyoshi Kinoshita and Masataka Kinoshita, and Members of Audit & Supervisory Committee Tatsuya Ito (Outside Director), Kazuo Fukumoto and Masahide Ishikawa (Outside Director), and an executive officer who concurrently serve as director in charge of Corporate Risk Management Department Makoto Kondo.

The Risk Committee discusses important items related to risk management and makes proposals and reports to the Board of Directors as deemed necessary. The Committee also monitors the status of risk management and other matters and reports the results to the Board of Directors.

The Risk Committee meets at least once every quarter, in principle, and more as deemed necessary.

The Executive Officers' Meeting consists of ten members: Chairman, President & CEO Shigeyoshi Kinoshita who chairs the committee, Representative Directors Kaoru Wachi and Masataka Kinoshita, executive officers who serve concurrently as directors Tomomi Uchida, Takashi Kiribuchi, Makoto Kondo, Yasuhiro Kamura, Masaru Kuroda, Michihito Onodera and Tomoo Shikanoya.

The Executive Officers' Meeting assembles three times a month, in principle, and more as deemed necessary.

(As of June 23, 2020)



(iii) Other corporate governance related matters

(A) Basic stance on internal control system and the improvement of such system

The Company resolved as described below to improve its internal control system to ensure the appropriateness of its business activities, in accordance with Article 399-13, Paragraph 1, Item 1-(ii) and Item 1-(iii) of the Companies Act, as well as Article 110-4 of the Enforcement Regulations of the Companies Act.

The Company strives to periodically evaluate the status of improvement of the internal control system, take remedial measures as necessary, review the system to respond to changes in the business environment, etc. and improve the effectiveness of the internal control system.

[Basic Policy of Establishing ACOM Group's Internal Control System]

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
  - (1) 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.
  - (2) The Company and its subsidiaries establish a committee on compliance, etc. and place officers in charge of compliance and departments with across-the-board responsibilities for compliance.
  - (3) The Company and its subsidiaries formulate compliance plans, while managing their progress.
  - (4) The Company and its subsidiaries establish contact points for reporting and inquiry by employees concerning the act of violations or possible violations of compliance.
  - (5) In accordance with the ACOM Group Code of Ethics and the Company Group's basic policy with respect to antisocial forces, the Company and its subsidiaries develop a system to prevent relations with antisocial forces and ensure appropriate business operations.
  - (6) The Company and its subsidiaries note that funds provided from the Company and its subsidiaries may potentially be misused for criminal activities and/or acts of terrorism, and strive to prevent money launderings.
  - (7) In accordance with the Company 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.
  - (8) 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 its business activities. In order to contribute to the development of internal controls at the subsidiaries of the Company, an internal audit department of the Company audits the subsidiaries and assists the subsidiaries with their audits.
2. System concerning storage and management of information on the execution of duties by Directors of the Company
  - (1) 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.
  - (2) 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
  - (1) The Company and its subsidiaries establish a system for proper and efficient risk management in accordance with the rules for risk management.
  - (2) In order to manage risks in an integrated manner, the Company and its subsidiaries establish a committee on risk management, etc. and officers and responsible departments in charge of risk management.
  - (3) The Company and its subsidiaries establish a system 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
  - (1) The Company formulates management policies and management plans of the Company Group and carries out business management based on appropriate methods.
  - (2) The Board of Directors delegates decision-making on matters related to the execution of business operations other than matters to be resolved at the Board of Directors to President and Director. The Company establishes the Executive Officer's Meeting presided over by President and Director to discuss and decide on delegated matters.
  - (3) 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
  - (1) 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.
  - (2) The Company establishes departments for managing its subsidiaries, and manages its subsidiaries in accordance with the rules for management of subsidiaries, etc. The subsidiaries of the Company report important matters related to management and business execution to the Executive Officers' Meeting of the Company.
6. System for employees to assist the Audit & Supervisory Committee of the Company in the execution of their duties
  - (1) The Company establishes the Administration for Audit & Supervisory Committee to assist in the Audit & Supervisory Committee's duties, and assign assistants for the Audit & Supervisory Committee.
  - (2) The number of employees to assist the Audit & Supervisory Committee and their requirements are decided after discussion with the Audit & Supervisory Committee.
  - (3) Employees to assist the Audit & Supervisory Committee will be exclusively in charge of work that assists the Audit & Supervisory Committee, and are not subject to instructions and orders from the Directors (excluding those serving as Audit & Supervisory Committee Members) and other operational organizations.
  - (4) Assignment, transfer, evaluation and disciplinary action of employees who assist the Audit & Supervisory Committee are decided after discussion with the Audit & Supervisory Committee.
7. System for reporting to the Audit & Supervisory Committee of the Company
 

The Company reports the following matters at the Company and its subsidiaries to the Audit & Supervisory Committee. In addition, the Company will not treat any person who has reported to the Audit & Supervisory Committee unfavorably as a reprisal to such reports.

  - (i) Matters which may significantly damage the company
  - (ii) Material breach of laws and regulations, etc.

- (iii) Implementation status and results of an internal audit
- (iv) Status of whistleblowing and the details of cases reported
- (v) Other matters that the Audit & Supervisory Committee ask the company to report

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

- (1) The Company ensures a system that allows Members of Audit & Supervisory Committee selected by the Audit & Supervisory Committee to: attend the Executive Officers' meetings, and other important meetings and committees; and have access to the important documents concerning the execution of duties, such as statutory documents.
- (2) President and Director have regular meetings with Members of Audit & Supervisory Committee selected 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. They also take actions regarding the matters that the Audit & Supervisory Committee deems necessary to be addressed.
- (3) Directors (excluding those serving as Audit & Supervisory Committee Members) and employees respect 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.
- (4) The internal audit department establishes a cooperation system with the Audit & Supervisory Committee in order to contribute to ensuring the effectiveness of audits by the Audit & Supervisory Committee.
- (5) In cases where the internal audit department recognizes any breach or possible breach of laws and regulations (whether or not it is in breach of internal regulations), which is allegedly involving Directors (excluding Directors serving as Audit & Supervisory Committee Members), the internal audit department shall report to the Audit & Supervisory Committee before reporting to Directors (excluding Directors serving as Audit & Supervisory Committee Members).
- (6) The Audit & Supervisory Committee specifies a budget for expenses acknowledged by the Audit & Supervisory Committee to be necessary for the execution of their duties. Any expenses expended urgently or extraordinarily beyond the budget can be claimed after the event.

(B) Development of risk management system

As the management environment surrounding the Company changes, risks to be managed are becoming more complex and diverse. Under such circumstance, the Company recognizes that one of the most important tasks of the management is to enhance and strengthen the Company's risk management system in order to fully recognize risks, maintain the soundness of management, and stably secure profitability and growth.

The Company has established the Risk Committee to comprehensively control risks and clarifies basic matters concerning risk management such as risks to be managed and departments and sections in charge of risk management in the Risk Management Regulations, while comprehensively controlling and uniformly managing potential risks arising in execution of operations at the Corporate Risk Management Department, which comprehensively controls risks, in order to further enhance and strengthen the Company's risk management system.

In addition, with respect to management for information assets, such as personal information, the Company, in compliance with its information security management regulations, implements a variety of counter-measures, such as appropriate safety management measures, against potential risks, and strives to secure information security organically and systematically by appointing information security management officers, and deciding the roles of each organization and each manager and employee.

3) Number of Directors and Resolution Requirement for Election of Directors

The Articles of Incorporation stipulate that the number of Directors (excluding those serving as Audit & Supervisory Committee Members) shall be ten or less and that the number of Directors serving as Audit & Supervisory Committee Members shall be five or less.

The Articles of Incorporation stipulates that voting on resolutions for election of directors shall take place under the presence of shareholders who represent one-third or more of total voting rights, and the majority of the votes of those shareholders and those which are not contingent upon cumulative votes shall be the requisite for adoption of the resolution.

4) Purchase of Treasury Stock

Pursuant to Article 165, Paragraph 2 of the Companies Act, the Company has included in its Articles of Incorporation a clause allowing purchase of its own shares via the market, subject to a resolution of the Board of Directors. Such inclusion was made to permit flexible share buybacks according to the Company's business and financial conditions and other circumstances.

5) Liability Exemption for Directors

To ensure that directors can adequately carry out the duties they are entrusted with, pursuant to Article 426, Paragraph 1 of the Companies Act, a provision has been included in the Articles of Incorporation to allow the exemption of Directors (including former Directors), by decision of the Board of Directors and within the limits allowed by the law, from liability resulting from dereliction of duty.

6) Interim Dividend

Pursuant to Article 454, Paragraph 5 of the Companies Act, the Company may, by a resolution of the Board of Directors, pay interim dividends each year with September 30 as the base date.

7) Special Resolutions at the General Meeting of Shareholders

For purpose of maintaining smooth operation of the General Meeting of Shareholders, the Articles of Incorporation stipulates that special resolutions pursuant to Article 309, Paragraph 2 of the Companies Act, shall be passed if at least two-thirds of voting rights are cast in favor, if shareholders representing at least one-third of eligible votes are present.

(2) Directors and Audit & Supervisory Committee Members

1) List of Directors and Audit & Supervisory Committee Members

Male: 9, Female: – (Ratio of females to Directors and Audit & Supervisory Committee Members: –%)

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands)
Chairman, President & CEO	Shigeyoshi Kinoshita	April 14, 1949	April 1973 April 1978 December 1980 February 1983 May 1984 August 1986 June 1988 October 1991 October 1992 October 1996 June 2000 June 2003 June 2010	Joined Marubeni Corporation Joined Japan Consumer Finance Co., Ltd. Joined the Company Director and Chief General Manager, General Affairs Dept. of the Company Director and Chief General Manager, Accounting Dept. of the Company Managing Director of the Company Managing Director and Head of Business Promotion Division of the Company Representative and Senior Managing Director of the Company Representative and Senior Managing Director, and Head of the Loan Sales Division of the Company Representative Director and Deputy President of the Company Representative Director and President of the Company President and Chief Executive Officer of the Company (to present) Chairman and President of the Company (to present)	(Note) 2	28,007

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands)
Deputy Chairman In Charge of: Compliance Dept. and Internal Audit Dept.	Kaoru Wachi	December 9, 1955	April 1978	Joined The Mitsubishi Trust and Banking Corporation	(Note) 2	10
			April 2002	General Manager, Osaka Pension Business Division of The Mitsubishi Trust and Banking Corporation		
			May 2003	General Manager, Trust Business Division of The Bank of Tokyo-Mitsubishi, Ltd.		
			March 2004	General Manager, Trust Assets Planning Division of The Mitsubishi Trust and Banking Corporation		
			April 2004	General Manager, Asset Management and Administration Planning Div. of Mitsubishi Tokyo Financial Group, Inc.		
			June 2005	Executive Officer and General Manager, Asset Management and Administration Planning Div. of Mitsubishi Tokyo Financial Group, Inc.		
			June 2005	Executive Officer and General Manager, Trust Assets Planning Division of The Mitsubishi Trust and Banking Corporation		
			October 2005	Executive Officer and General Manager, Asset Management and Administration Planning Div. of Mitsubishi UFJ Financial Group, Inc.		
			October 2005	Executive Officer and General Manager, Trust Assets Planning Division of Mitsubishi UFJ Trust and Banking Corporation		
			June 2008	Director of Mitsubishi UFJ Financial Group, Inc.		
			June 2008	Managing Director of Mitsubishi UFJ Trust and Banking Corporation		
			June 2010	Senior Managing Director of Mitsubishi UFJ Trust and Banking Corporation		
			June 2011	Managing Officer and General Manager, Trust Assets Business Group of Mitsubishi UFJ Financial Group, Inc.		
			June 2012	Director and Deputy President of Mitsubishi UFJ Trust and Banking Corporation		
			June 2013	Representative Director and President of M.U. Trust Sougou Kanri Co., Ltd.		
			June 2014	Representative Director, President of The Master Trust Bank of Japan, Ltd.		
			June 2017	Deputy Chairman of the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands)
Deputy President and Deputy CEO In charge of: Corporate Planning Dept. and Human Resources Dept.	Masataka Kinoshita	September 19, 1977	September 2005	Joined the Company	(Note) 2	12,203
			October 2009	General Manager, Credit Supervision Division of the Company		
			January 2010	General Manager, Corporate Planning Dept. of the Company		
			April 2010	General Manager, Guarantee Business Dept. of the Company		
			April 2012	General Manager, Business Promotion Dept. of the Company		
			April 2013	Chief General Manager, Business Planning Dept. of the Company		
			April 2014	Executive Officer and Chief General Manager, Business Planning Dept. of the Company		
			June 2014	Executive Managing Officer, Deputy Head of Credit Business Promotion Division and Chief General Manager, Business Planning Dept. of the Company		
			April 2015	Executive Managing Officer and Deputy Head of Credit Business Promotion Division of the Company		
			June 2015	Managing Director of the Company		
			June 2015	Executive Managing Officer and Head of Credit Business Promotion Division of the Company		
			June 2016	Executive Managing Officer of the Company		
			June 2017	Deputy President of the Company (to present)		
			June 2017	Deputy Chief Executive Officer of the Company (to present)		

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands)
Managing Director and Executive Managing Officer Head of Credit Supervision Division In charge of: General Affairs Dept., Business Process Management Dept., Credit Supervision Dept. I, Credit Supervision Dept. II and Compliance for Credit Supervision Office	Tomomi Uchida	December 27, 1961	October 1982 April 2003 October 2005 April 2007 December 2007 October 2008 April 2011 April 2013 June 2015 April 2016 June 2016 June 2018 October 2018 June 2019 April 2020	Joined the Company General Manager, Business Promotion Dept. III of the Company General Manager, Business Promotion Dept. II of the Company Chief General Manager, Credit Business Management Dept. of the Company Chief General Manager, Marketing Dept. of the Company Head of East Japan Branch of the Company Chief General Manager, Business Promotion Dept. of the Company Executive Officer and Chief General Manager, Business Promotion Dept. of the Company Executive Managing Officer, Deputy Head of Credit Business Promotion Division, and Chief General Manager, Business Promotion Dept. of the Company Executive Managing Officer and Deputy Head of Credit Business Promotion Division of the Company Executive Managing Officer and Head of Credit Business Promotion Division of the Company Executive Managing Officer, Head of Credit Supervision Division, and Chief General Manager, Credit Supervision Dept. I of the Company Executive Managing Officer, Head of Credit Supervision Division, and Chief General Manager, Credit Supervision Dept. II of the Company Managing Director of the Company (to present) Executive Managing Officer and Head of Credit Supervision Division of the Company (to present)	(Note) 2	1

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands)
Managing Director and Executive Managing Officer In charge of: System Development & Administration Division Vice in charge of: Corporate Planning Dept. Chief General Manager of System Development & Administration Division	Takashi Kiribuchi	October 25, 1961	March 1982 April 2004 July 2005 October 2005 April 2011 April 2015 June 2017 June 2020 June 2020	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 Managing Director of the Company (to present) Executive Managing Officer and Chief General Manager, System Development & Administration Division of the Company (to present)	(Note) 2	15



Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands)
Director	Naoki Hori	January 27, 1961	<p>April 1983 May 2010</p> <p>May 2010</p> <p>June 2010</p> <p>June 2010</p> <p>May 2012</p> <p>May 2012</p> <p>May 2013</p> <p>May 2016</p> <p>June 2016</p> <p>May 2017</p> <p>June 2017</p> <p>April 2018</p> <p>May 2018</p> <p>June 2018 April 2019</p>	<p>Joined The Sanwa Bank, Ltd. General Manager, Corporate Business Planning Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>General Manager, Corporate Business Planning Division, General Manager, Trust Business Planning Division (Special Mission), Mitsubishi UFJ Financial Group, Inc.</p> <p>Executive Officer and General Manager, Corporate Business Planning Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Executive Officer and General Manager, Corporate Business Planning Division, General Manager, Trust Business Planning Division (Special Mission), Mitsubishi UFJ Financial Group, Inc.</p> <p>Executive Officer and General Manager, Corporate Banking Business Promotion Division, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Executive Officer and General Manager, Corporate Banking Business Division, Mitsubishi UFJ Financial Group, Inc.</p> <p>Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Managing Executive Officer, Mitsubishi UFJ Financial Group, Inc.</p> <p>Managing Director (representative director), The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Senior Managing Director (representative director), The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Member of the Board of Directors, Senior Managing Executive Officer (representative of the Board of directors), The Bank of Tokyo-Mitsubishi UFJ, Ltd.</p> <p>Member of the Board of Directors, Senior Managing Executive Officer (representative of the Board of directors), MUFG Bank, Ltd.</p> <p>Senior Managing Corporate Executive, Mitsubishi UFJ Financial Group, Inc. (to present)</p> <p>Director of the Company (to present)</p> <p>Member of the Board of Directors, Deputy President (representative of the Board of directors), MUFG Bank, Ltd. (to present)</p>	(Note) 2	—

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands)
Director, Full-time Member of the Audit & Supervisory Committee	Tatsuya Ito	February 10, 1958	<p>April 1981 October 1999</p> <p>March 2001</p> <p>March 2002</p> <p>March 2003</p> <p>March 2005</p> <p>July 2006</p> <p>April 2007</p> <p>February 2008</p> <p>October 2008</p> <p>July 2010</p> <p>July 2010 July 2012</p> <p>March 2013</p> <p>June 2015</p> <p>June 2017</p>	<p>Joined Japan Development Bank Manager, Commerce &amp; Logistics Department of Development Bank of Japan (DBJ)</p> <p>Manager, Environment &amp; Energy Department of DBJ</p> <p>Deputy Director General, Environment &amp; Energy Department of DBJ</p> <p>Deputy Director General, Kansai Branch of DBJ</p> <p>Deputy Director General, Environment &amp; Energy Department of DBJ</p> <p>Deputy Director General, Manufacturing &amp; Technology Department of DBJ</p> <p>Deputy Director General and Special Adviser, Legal and Compliance Department of DBJ</p> <p>Registered as an attorney-at-law (Dai-ichi Tokyo Bar Association) (to present)</p> <p>Deputy Director General and Special Adviser, Legal Affairs &amp; Compliance Department of Development Bank of Japan Inc. (DBJI)</p> <p>Temporary transfer to OKUNO &amp; PARTNERS</p> <p>Joined OKUNO &amp; PARTNERS</p> <p>Deputy Director General and Special Adviser, Legal Affairs &amp; Compliance Department of DBJI</p> <p>Special Senior Adviser, Legal Affairs &amp; Compliance Department of DBJI</p> <p>Standing Member of the Audit &amp; Supervisory Board of the Company</p> <p>Director, Full-time Member of the Audit &amp; Supervisory Committee of the Company (to present)</p>	(Note) 3	—
Director, Full-time Member of the Audit & Supervisory Committee	Kazuo Fukumoto	February 27, 1958	<p>March 1980 April 2002</p> <p>June 2003</p> <p>October 2005</p> <p>April 2007</p> <p>June 2012</p> <p>June 2013 June 2015</p> <p>June 2017</p>	<p>Joined the Company</p> <p>General Manager, Corporate Management Dept. of the Company</p> <p>Chief General Manager, Corporate Management Dept. of the Company</p> <p>Executive Officer and Chief General Manager, Corporate Management Dept. of the Company</p> <p>Executive Officer and Chief General Manager, Corporate Planning Dept. of the Company</p> <p>Executive Managing Officer and Head of Credit Business Promotion Division of the Company</p> <p>Managing Director of the Company</p> <p>Executive Managing Officer of the Company</p> <p>Director, Full-time Member of the Audit &amp; Supervisory Committee of the Company (to present)</p>	(Note) 3	10

Title and position	Name	Date of birth	Career summary		Term	Number of shares of the Company held (Thousands)
Director, Full-time Member of the Audit & Supervisory Committee	Masahide Ishikawa	March 15, 1956	April 1978	Joined Meiji Mutual Life Insurance Company	(Note) 3	—
			April 2002	General Manager, Financial Affairs Department, Investment Division of Meiji Mutual Life Insurance Company		
			January 2004	General Manager, Investment Planning & Research Department of Meiji Yasuda Life Insurance Company		
			April 2005	Managing Director and Managing Operating Officer of Meiji Dresdner Asset Management Ltd.		
			April 2007	General Manager, Credit Analysis & Investment Risk Management Department of Meiji Yasuda Life Insurance Company		
			July 2007	Operating Officer and General Manager, Credit Analysis & Investment Risk Management Department of Meiji Yasuda Life Insurance Company		
			April 2009	Operating Officer and Chief General Manager, Nagoya Marketing Headquarters of Meiji Yasuda Life Insurance Company		
			April 2010	Managing Operating Officer and Chief General Manager, Nagoya Marketing Headquarters of Meiji Yasuda Life Insurance Company		
			April 2011	Managing Operating Officer of Meiji Yasuda Life Insurance Company		
			April 2013	Representative Director and President of Meiji Yasuda Asset Management Company Ltd.		
			July 2014	Vice Chairman of Japan Investment Advisers Association		
			July 2017	Vice Chairman of Japan Investment Advisers Association		
			April 2018	Representative Director and Chairman of the Board of Meiji Yasuda Asset Management Company Ltd.		
			June 2019	Director, Full-time Member of the Audit & Supervisory Committee of the Company (to present)		
Total						40,246

- (Notes) 1. Directors serving as Members of Audit & Supervisory Committee, Tatsuya Ito and Masahide Ishikawa are all Outside Directors.
2. The term of office for Directors (excluding those serving as Audit & Supervisory Committee Members) is from the end of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2020, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2021.
3. The term of office for Directors serving as Members of Audit & Supervisory Committee is from the end of the Ordinary General Meeting of Shareholders for the fiscal year ended March 31, 2019, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2021.
4. Representative Director and Deputy President Masataka Kinoshita is a biological son of Chairman and President Shigeyoshi Kinoshita.

5. We have an executive officer system in order to establish corporate structure to quickly and accurately respond to issues of management by expanding the scope of corporate governance, strengthened function of the Board of Directors, separating decision making from business execution, and enforcing the function of audit.

Executive officers who are not Directors as of June 23, 2020, are as follows:

Title	Name	Position
Executive Managing Officer	Makoto Kondo	<ul style="list-style-type: none"> <li>· In charge of Corporate Risk Management Dept.</li> <li>· Vice in charge of Compliance Dept.</li> </ul>
Executive Managing Officer	Yasuhiro Kamura	<ul style="list-style-type: none"> <li>· Head of Credit Business Promotion Division</li> <li>· In charge of Business Planning Dept., Business Promotion Dept., East Japan Business Promotion Dept., West Japan Business Promotion Dept. and Compliance for Credit Business Promotion Office</li> </ul>
Executive Managing Officer	Masaru Kuroda	<ul style="list-style-type: none"> <li>· In charge of Overseas Business Dept.</li> </ul>
Executive Managing Officer	Michihito Onodera	<ul style="list-style-type: none"> <li>· In charge of Guarantee Business Dept.</li> <li>· Chief General Manager of Guarantee Business Dept.</li> </ul>
Executive Managing Officer	Tomoo Shikanoya	<ul style="list-style-type: none"> <li>· In charge of Finance Dept., Treasury Dept. and PR &amp; CSR Dept.</li> </ul>
Executive Officer	Masayuki Sone	<ul style="list-style-type: none"> <li>· Chief General Manager of West Japan Business Promotion Dept.</li> </ul>
Executive Officer	Akihiro Kiyooka	<ul style="list-style-type: none"> <li>· Credit Supervision Division (Special Mission)</li> </ul>
Executive Officer	Yasuhide Doi	<ul style="list-style-type: none"> <li>· Chief General Manager of Credit Supervision Dept. II</li> </ul>
Executive Officer	Masashi Yoshiba	<ul style="list-style-type: none"> <li>· Chief General Manager of Business Process Management Dept.</li> </ul>
Executive Officer	Hidehiko Shibata	<ul style="list-style-type: none"> <li>· Chief General Manager of East Japan Business Promotion Dept.</li> </ul>
Executive Officer	Yuji Kinoshita	<ul style="list-style-type: none"> <li>· Chief General Manager of Business Promotion Dept.</li> </ul>
Executive Officer	Masahiko Machida	<ul style="list-style-type: none"> <li>· Chief General Manager of Internal Audit Dept.</li> </ul>
Executive Officer	Masatoshi Nabeoka	<ul style="list-style-type: none"> <li>· Chief General Manager of Corporate Risk Management Dept.</li> </ul>
Executive Officer	Hitoshi Yokohama	<ul style="list-style-type: none"> <li>· Guarantee Business Dept. (Special Mission)</li> </ul>
Executive Officer	Takeo Noda	<ul style="list-style-type: none"> <li>· Overseas Business Dept. (Special Mission)</li> </ul>

6. After the Japan Consumer Finance Inc. changed its company name to NSK Guarantee Inc. on April 1, 1980, ACOM CO., LTD. absorbed it on March 1, 1992.
7. Shares below one thousand shares have been truncated.
8. In preparation for the contingency that the number of Directors serving as Members of Audit & Supervisory Committee falls below the required number stipulated in laws and ordinances, the Company has appointed a Substitute Director serving as an Audit & Supervisory Committee Member as stipulated under the provisions in Article 329, Paragraph 3 of the Companies Act. Career summary of the Substitute Director serving as Audit & Supervisory Committee Member is as follows.

Name	Date of birth	Career summary	Number of shares of the Company held (Thousands)
Hitoshi Shimbo	July 10, 1952	<p>April 1983 Appointed Prosecutor, the Tokyo District Public Prosecutor's Office</p> <p>April 1990 Assistant Judge, Tokyo District Court</p> <p>April 1993 Prosecutor, the Tokyo District Public Prosecutor's Office</p> <p>June 1995 Registered as an attorney-at-law (Daini Tokyo Bar Association) (to present)</p> <p>June 1995 Joined Nozomi Sogo Attorneys at Law (to present)</p> <p>March 2009 Outside Company Auditor, EMCOR Holdings Co., Ltd.</p> <p>April 2012 Managing Director, Kanto Federation of Bar Associations</p> <p>April 2012 Vice President, Daini Tokyo Bar Association</p> <p>April 2012 Managing Director, Japan Federation of Bar Associations</p> <p>April 2013 Mediator, Nuclear Damage Compensation Dispute Resolution Centre (to present)</p> <p>June 2015 Outside Director of the Company</p>	—

## 2) Outside Directors

The Company has two Outside Directors. Their relationships with the Company are as shown in the chart below.

Name of Outside Director	Relations with the Company
Tatsuya Ito	<ul style="list-style-type: none"> <li>- No special interests in the Company</li> <li>- He has garnered rich experience and knowledge centered around financial practice and corporate legal affairs through years of duty in the financial industry. He also has experience as an attorney-at-law. Therefore, the Company believes that its supervisory functions will be further reinforced by reflecting his strength in the management of the Company.</li> <li>- As he has no potential conflict of interest with general shareholders and meets the independence requirements of the Tokyo Stock Exchange, he has been designated as an independent director.</li> </ul>
Masahide Ishikawa	<ul style="list-style-type: none"> <li>- No special interests in the Company</li> <li>- He has a wealth of knowledge and experience acquired in the finance industry over many years, as well as achievements as a corporate manager. He has also served as Vice Chairman of the Japan Investment Advisers Association twice, and thus has wide-ranging insight. Therefore, the Company believes that he can supervise and provide appropriate advice for the management of the Company from an external viewpoint based on his knowledge and experience.</li> <li>- As he has no potential conflict of interest with general shareholders and meets the independence requirements of the Tokyo Stock Exchange, he has been designated as an independent director.</li> </ul>

As of June 24, 2019, the Company has formulated the following “Independence Standards for Outside Directors,” which focuses on ensuring the independence of Independent Outside Directors.

### “Independence Standards for Outside Directors”

The Company appoints Independent Outside Directors who meet all requirement items 1 through 7 below.

1. Meet all requirements stipulated under Article 2, Paragraph 15 of the Companies Act;
2. Do not fall under any of items (1) through (3) below.
  - (1) Major creditors of the Company<sup>1</sup> or their executors of operations, and were executors of operations in the last three years;
  - (2) Those for whom the Company is a major business partner<sup>2</sup> or their executors of operations, and were executors of operations in the last three years;
  - (3) Major business partners of the Company<sup>3</sup> or their executors of operations, and were executors of operations in the three years;
3. Are not consultants, accountants or legal experts who receive, in terms of the average for the past three years, ¥10 million or more of monetary or other property benefits other than executive remunerations from the Company, nor belong to accounting or law firms where the Company is a major business partner<sup>4</sup>;
4. Are not Directors, officers or executive officers of the Company or its subsidiaries, nor spouses or relatives within the second degree of kinship of those whom the Company judges their independences are not ensured as provided in items 2 and 3;
5. Are not current major shareholders<sup>5</sup> of the Company or their executors of operations;
6. Those who do not belong to auditing firms of the Company or its subsidiaries, nor were in charge of auditing operations of the Company or its subsidiaries as employees of said auditing firms.
7. Were not executors of operations at the parent company and/or fellow subsidiary of the

Company in the last ten years.

(Notes)

1. "Major creditors of the Company" refer to those the Company procures 3% or more of its consolidated amount of borrowings.
2. "Those for whom the Company is a major business partner" refer to those the Company accounted for 2% or more of their consolidated sales.
3. "Major business partners of the Company" refer to those who accounted for 2% or more of the Company's consolidated operating revenue.
4. "Accounting or law firms where the Company is a major business partner" refers to those the Company for 2% or more of their consolidated sales.
5. "Major shareholders" refer to those who hold 10% or more of the Company's total voting rights.

### (3) Status of Audits

#### 1) Status of Audits by the Audit & Supervisory Committee

##### (i) Organization, members, and procedures of audit by the Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three Audit & Supervisory Committee Members, all of whom are selected as a Full-time Audit & Supervisory Committee Member. The Company has selected two Outside Audit & Supervisory Committee Members who have been registered as independent directors with the Tokyo Stock Exchange in accordance with its regulations. Furthermore, with a view to enhancing the effectiveness of audits, all Audit & Supervisory Committee Members have been selected as Selected Members of Audit & Supervisory Committee who are authorized to investigate pursuant to Article 399-3 of the Companies Act. A Member of Audit & Supervisory Committee Kazuo Fukumoto has abundant knowledge about financial and accounting affairs with his experience of having served as Chief General Manager of the corporate planning and administration and accounting departments and Executive Officer of the Company, as well as Director in charge of accounting department after his assumption of office as Director.

##### (ii) Status of Activities of the Audit & Supervisory Committee and Audit & Supervisory Committee Members

Category	Name	Number of meetings held	Number of meetings attended
Full-time Member of the Audit & Supervisory Committee of the Company (Outside)	Tatsuya Ito	14	14
Full-time Member of the Audit & Supervisory Committee of the Company	Kazuo Fukumoto	14	14
Full-time Member of the Audit & Supervisory Committee of the Company (Outside)	Masahide Ishikawa	10	10

(Note) The difference in the number of meetings held is due to difference in timing of taking office.

The Audit & Supervisory Committee attended the Board of Directors Meetings and other important meetings, received reports from Directors, employees, etc. on matters regarding their execution of duties, requested explanations as necessary, and expressed opinions, and also reviewed important approval documents and other materials and examined the Company's business and financial situation at the head office and principal offices, in accordance with resolved auditing policies, audit plan, etc., and in cooperation with the Company's Internal Audit Department and other departments. As for subsidiaries, the Audit & Supervisory Committee endeavored to communicate and share information with the directors and corporate auditors of subsidiaries and received reports on business from subsidiaries, as necessary. The Audit & Supervisory Committee monitored and verified whether the Accounting Auditor maintained its independent position and performed appropriate audits. At the same time, the Audit & Supervisory Committee received reports from the Accounting Auditor on the status of the execution of its duties and requested explanations, as necessary. Each Audit & Supervisory Committee Member conducted the above auditing activities based on the division of duties prescribed in the audit plan and reported results to the Audit & Supervisory Committee each time. The Audit & Supervisory Committee discussed matters set forth in the Companies Act, such as the approval of transactions involving conflict of interest and the reappointment of the Accounting Auditor, and performed audits while paying due attention to the establishment of an internal control system and the status of its operation.

#### 2) Status of Internal Audits

##### (i) Internal Audits

With an auditing staff of nineteen people, the Internal Audit Department verifies, evaluates, and recommends ways to address problems pertaining to compliance status, including observance of relevant laws, internal control initiatives, and other activities of the Company's business execution departments. In addition to ensuring conformity with various rules, the Department obtains an accurate understanding of the risks facing the Company. Based on this understanding, it conducts risk approach audits to evaluate the risk management stance of each relevant entity within the Company, and reports the results of such audits regularly to the Board of Directors and the Audit & Supervisory Committee.

In addition, the Internal Audit Department conducts direct audits of subsidiaries in the ACOM Group and provides assistance to auditing staff of such subsidiaries, thus ensuring establishment of an effective Group auditing system.

### 3) Status of Accounting Audits

#### (i) Name of the audit corporation

Deloitte Touche Tohmatsu LLC

#### (ii) Continuous audit period

11 years

#### (iii) Names of Certified Public Accountants (CPAs) who audited the Company's Accounts

Designated employee, managing partner: Kunikazu Awashima

Designated employee, managing partner: Kenji Ota

#### (iv) Breakdown of team auditing the Company's accounts

CPAs: 11 persons

Assistant certified public accountants, etc.: 6 persons

Other staffs: 27 persons

#### (v) Reasons for selecting Certified Public Accountants

Policies set forth by the Company prescribe that if the Audit & Supervisory Committee determines that the accounting auditor falls under the provisions specified in each item of Article 340, Paragraph 1, of the Companies Act, the Audit & Supervisory Committee shall dismiss the accounting auditor conditional upon its unanimous approval, and if 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. In accordance with these policies, the Audit & Supervisory Committee has examined the suitability of the accounting auditor mainly from a viewpoint of independence and auditing quality. As a result, the Audit & Supervisory Committee has judged that it is appropriate to reappoint the accounting auditor.

#### (vi) Evaluation of Certified Public Accountants and details of the evaluation

The Audit & Supervisory Committee has set the items for appropriately evaluating an accounting auditor and evaluates the accounting auditor by obtaining the required materials and receiving reports from directors, the relevant internal departments and offices, and the accounting auditor on the details of activities, etc. of the accounting auditor. As a result, the Audit & Supervisory Committee has judged that it is appropriate to reappoint the accounting auditor.

### 4) Details of Compensation for Auditors

#### (i) Details of Compensation for Certified Public Accountants

Category	Prior fiscal year		Current fiscal year	
	Compensation in accordance with audit certification (Thousands of yen)	Compensation in accordance with non-audit certification (Thousands of yen)	Compensation in accordance with audit certification (Thousands of yen)	Compensation in accordance with non-audit certification (Thousands of yen)
The Filing Company	125,000	1,100	125,000	2,400
Consolidated subsidiaries	23,500	—	23,500	—
Total	148,500	1,100	148,500	2,400



\* Details of non-audit work  
(Prior fiscal year)

The Company entrusted certified public accountants with the preparation of a comfort letter, which are considered services other than the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountant Act and paid compensation to them.

(Current fiscal year)

The Company entrusted certified public accountants with the preparation of a comfort letter, which are considered services other than the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountant Act and paid compensation to them.

(ii) Details of compensation (excluding (i)) for the same network as Certified Public Accountants

Category	Prior fiscal year		Current fiscal year	
	Compensation in accordance with audit certification (Thousands of yen)	Compensation in accordance with non-audit certification (Thousands of yen)	Compensation in accordance with audit certification (Thousands of yen)	Compensation in accordance with non-audit certification (Thousands of yen)
The Filing Company	3,974	2,400	3,230	2,400
Consolidated subsidiaries	18,332	—	10,934	9,292
Total	22,307	2,400	14,164	11,692

\* Details of non-audit work  
(Prior fiscal year)

The Company entrusted the same network as certified public accountants with the tax advisory works, which are considered services other than the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountant Act, and paid compensation to them.

(Current fiscal year)

The Company entrusted the same network as certified public accountants with the tax advisory works, which are considered services other than the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountant Act, and paid compensation to them.

In addition, the consolidated subsidiaries entrusted the same network as certified public accountants with reviews on the adoption of new accounting standards, regular study sessions, and services pertaining to the improvement of operational efficiency, all of which are considered services other than the services prescribed in Article 2, Paragraph 1 of the Certified Public Accountant Act, and paid compensation to them.

(iii) Details of remuneration for other important audit certification

Not applicable

(iv) Policies concerning auditing remuneration

Not applicable

(v) Reasons for the agreement by the Audit & Supervisory Committee on the compensation payable to Accounting Auditors

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.

(4) Compensation to Directors and Audit & Supervisory Committee Members

1) Matters concerning the policy for the decision on the amounts of compensation to Directors and Audit & Supervisory Committee Members or the calculation method thereof

The amount of compensation payable to Directors (excluding those serving as Audit & Supervisory Committee Members) is reviewed and proposed at the Appointment and Remuneration Committee and determined at the Board of Directors in consideration of business results and other factors, within the total amount of compensation resolved at the meeting of shareholders. The amount of compensation payable to Members of Audit & Supervisory Committee is determined at consultation with Members of Audit & Supervisory Committee in consideration of their duties and responsibilities, within the total amount of compensation resolved at the meeting of shareholders. The Company newly introduced performance-linked compensation based on single-year performance for compensation to full-time Directors (excluding those serving as Audit & Supervisory Committee Members) from the fiscal year ended March 31, 2020.

It was resolved that compensation 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) at the 40th Ordinary General Meeting of Shareholders held on June 22, 2017. It was also resolved that compensation to Directors serving as Audit & Supervisory Committee Members per year shall be no more than 100 million yen at the said Ordinary General Meeting of Shareholders.

The specific amount of compensation to Directors (excluding those serving as Audit & Supervisory Committee Members) is resolved at the Board of Directors Meeting based on the result of meetings of the Appointment and Remuneration Committee.

The indicator for performance-linked compensation for full-time Directors (excluding those serving as Audit & Supervisory Committee Members) is profit attributable to owners of parent (hereinafter, "profit"). The reason for the selection of this indicator was to establish an objective and transparent compensation system for full-time Directors (excluding those serving as Audit & Supervisory Committee Members) linked to single-year performance, in light of the situation where dividends were not distributed continuously until the interim dividend for the fiscal year ended March 31, 2018. The amount of performance-linked compensation is decided by a method whereby the Appointment and Remuneration Committee first determines a range of profit, which becomes a standard for basic source of distribution, by taking into consideration special factors such as future increases in tax burden and extraordinary income or loss, and the Board of Directors determines a specific amount of performance-linked compensation by multiplying the basic source of distribution by a ratio corresponding to the ratio of distribution for each title and individual evaluation of Directors.

While target figures for the indicator for performance-linked compensation have not been determined for the current fiscal year, the actual figure of the basic source of distribution amounted to 30 million yen, with the standard range of profit from 30.0 billion yen to less than 40.0 billion yen.

For the composition of the Appointment and Remuneration Committee and the Audit & Supervisory Committee and details of the committees' activities, please see (a) Appointment and Remuneration Committee in 4. Corporate Governance, (1) Overview of Corporate Governance, 2) Corporate Governance Structure, (i) An overview of corporate governance structure and reasons for employing said structure, (C) Committees, and (B) Audit & Supervisory Committee.

2) Total amount of compensations by categories for the Filing Company, total amount of compensations by type, and the number of paid officers

Category	Total amount (Millions of yen)	Total amount of compensations by type (Millions of yen)			Number of Persons
		Fixed compensation	Performance- linked compensation	Retirement benefits	
Directors (excluding Audit & Supervisory Committee Members and Outside Directors)	176	148	27	—	7
Audit & Supervisory Committee Members (excluding Outside Directors)	19	19	—	—	1
Outside Directors and Outside Audit & Supervisory Committee Members	37	37	—	—	4
Total	233	205	27	—	12

- (Notes)
1. There are no employee-directors.
  2. “Number of persons” represents the cumulative number of officers who received compensation during the current fiscal year.

3) Total amount of consolidated compensations by Filing Company’s officers

This is omitted as none of officers of the Filing Company received aggregated consolidated compensations of 100 million yen and above.

(5) Status of securities held by the Company

1) Criteria and basic stance of classification of investment securities

For classification between investment securities held for pure investment purposes and investment securities held for other than pure investment purposes, the Company does not hold any investment securities held for other than pure investment purposes and does not have a plan to hold them in the future.

2) Investment securities held for other than pure investment purposes  
Not applicable

3) Investment securities held for pure investment purposes

Classification	Current fiscal year		Prior fiscal year	
	Number of names (Name)	Value in balance sheet (Millions of yen)	Number of names (Name)	Value in balance sheet (Millions of yen)
Non-listed securities	19	817	22	821
Securities other than the above	2	0	2	0

Classification	Current fiscal year		
	Total dividend received (Millions of yen)	Total gain or loss on sale (Millions of yen)	Total valuation gain or loss (Millions of yen)
Non-listed securities	25	(1)	(Note)
Securities other than the above	—	—	0

(Note) “Total valuation gain or loss” is not shown for non-listed securities, since they have no market value and it is considered extremely difficult to obtain the value of such securities.

4) Investment securities, of which holding purpose has been changed from pure investment to other than pure investment  
Not applicable

5) Investment securities, of which holding purpose has been changed from other than pure investment to pure investment  
Not applicable

## V. Financial Information

### 1. Basis of preparation of the consolidated financial statements

- (1) The consolidated financial statements of the Company are prepared in accordance with the “Regulations Concerning the Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Finance Ministry No. 28 of 1976) and the “Ordinance on Reorganization of Accounting Methods for Special Finance Corporations, etc.” (Ordinance of General Administrative Agency of the Cabinet/the Finance Ministry No. 32 of 1999).
- (2) The non-consolidated financial statements of the Company are prepared in accordance with the “Regulations Concerning Terminology, Forms, and Preparation Methods of Non-Consolidated Financial Statements” (Ordinance of the Finance Ministry No. 59 of 1963) and the “Ordinance on Reorganization of Accounting Methods for Special Finance Corporations, etc.” (Ordinance of General Administrative Agency of the Cabinet/the Finance Ministry No. 32 of 1999).

### 2. Audit reports

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements and non-consolidated financial statements for the fiscal year (from April 1, 2019, to March 31, 2020) were audited by Deloitte Touche Tohmatsu LLC.

### 3. Specific efforts to ensure the appropriateness of the consolidated financial statements, etc.

As specific efforts to ensure the appropriateness of the consolidated financial statements, etc., the Company holds membership in the Financial Accounting Standards Foundation, etc., and attends seminars provided by the Accounting Standards Board of Japan, etc., to ensure an appropriate understanding of the corporate accounting standards and prepare to adopt any applicable changes in accounting standards, etc.

1. Consolidated Financial Statements, etc.  
(1) Consolidated Financial Statements  
1) Consolidated Balance Sheet

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	*2 85,546	*2 82,545
Accounts receivable - operating loans	*4, *6, *8 1,000,428	*4, *6, *8 1,041,711
Loans receivable of banking business	*5 48,331	—
Accounts receivable - installment	*9 63,740	*9 75,726
Purchased receivables	9,435	9,188
Securities	479	—
Raw materials and supplies	64	42
Other	91,327	87,162
Allowance for doubtful accounts	(76,532)	(82,974)
Total current assets	1,222,821	1,213,402
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	24,545	23,350
Accumulated depreciation	(20,753)	(19,833)
Buildings and structures, net	3,791	3,516
Vehicles	11	0
Accumulated depreciation	(10)	0
Vehicles, net	0	0
Equipment	21,245	19,017
Accumulated depreciation	(11,638)	(11,411)
Equipment, net	9,606	7,606
Land	3,196	3,123
Lease assets	4,139	4,124
Accumulated depreciation	(2,870)	(3,213)
Lease assets, net	1,269	910
Total property, plant and equipment	17,864	15,156
Intangible assets		
Goodwill	3,250	2,436
Leasehold right	4	4
Software	5,387	5,056
Telephone subscription right	37	37
Other	9	8
Total intangible assets	8,687	7,542
Investments and other assets		
Investment securities	*1 4,247	*1 1,165
Net defined benefit asset	3,898	2,379
Deferred tax assets	36,117	33,835
Guarantee deposits	5,035	5,041
Other	*6 4,266	*6 4,839
Allowance for doubtful accounts	(1,032)	(973)
Total investments and other assets	52,534	46,287
Total noncurrent assets	79,086	68,986
Total assets	1,301,908	1,282,389

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	509	682
Short-term loans payable	*7 11,547	*7 15,330
Commercial papers	39,998	29,998
Current portion of long-term loans payable	*7 146,714	*7 91,048
Current portion of bonds	41,519	48,026
Deposits of banking business	52,319	—
Lease obligations	523	405
Income taxes payable	7,772	7,888
Provision for loss on guarantees	*3 9,661	*3 9,475
Asset retirement obligations	10	32
Deferred installment income	*10 42	*10 36
Other	16,205	13,767
Total current liabilities	326,824	216,694
Noncurrent liabilities		
Bonds payable	202,691	196,300
Long-term loans payable	*7 282,671	*7 333,388
Lease obligations	896	642
Deferred tax liabilities	28	—
Provision for directors' retirement benefits	25	28
Provision for loss on interest repayment	102,300	87,600
Net defined benefit liability	338	676
Asset retirement obligations	4,159	4,375
Other	470	186
Total noncurrent liabilities	593,581	623,198
Total liabilities	920,406	839,892
<b>Net assets</b>		
Shareholders' equity		
Capital stock	63,832	63,832
Capital surplus	73,549	73,549
Retained earnings	237,058	291,959
Treasury stock	(19,794)	(19,794)
Total shareholders' equity	354,646	409,547
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	2,832	7,956
Remeasurements of defined benefit plans	(1,304)	(2,180)
Total accumulated other comprehensive income	1,528	5,775
Non-controlling interests	25,327	27,173
Total net assets	381,501	442,496
Total liabilities and net assets	1,301,908	1,282,389

2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income  
(Consolidated Statement of Income)

(Millions of yen)

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Operating revenue		
Interest on operating loans	169,273	176,286
Interest on loans of banking business	6,135	1,567
Revenue from credit card business	7,773	9,198
Revenue from installment sales finance business	64	67
Revenue from credit guarantee	61,428	60,142
Collection from purchased receivable	4,739	4,272
Other financial revenue		
Interest on deposits	61	12
Interest on securities	101	12
Interest on loans	87	59
Interest on deposits with banks	126	43
Other	455	73
Total other financial revenue	832	200
Other operating revenue	26,822	27,774
Total operating revenue	277,069	279,510
Operating expenses		
Financial expenses		
Interest expenses	5,044	3,897
Interest expenses of banking business	2,615	745
Interest on bonds	2,845	2,725
Amortization of bond issuance cost	143	175
Other	662	684
Total financial expenses	11,310	8,228
Cost of purchased receivable	2,087	1,782
Other operating expenses		
Advertising expenses	12,103	12,737
Provision of allowance for doubtful accounts	66,261	72,468
Provision for loss on guarantees	9,728	9,448
Provision for loss on interest repayment	39,479	19,700
Employees' salaries and bonuses	20,193	20,293
Retirement benefit expenses	954	1,635
Provision for directors' retirement benefits	3	3
Welfare expenses	2,684	2,694
Rent expenses	6,408	6,148
Depreciation	4,749	3,503
Commission fee	22,954	22,901
Amortization of goodwill	813	813
Other	19,728	21,513
Total other operating expenses	*1 206,062	*1 193,862
Total operating expenses	219,461	203,873
Operating profit	57,607	75,636



(Millions of yen)

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Non-operating income		
Interest income	209	53
Dividend income	15	25
Equity in earnings of affiliates	7	3
House rent income	282	250
Other	209	119
Total non-operating income	724	451
Non-operating expenses		
Interest expenses	31	23
Foreign exchange losses	25	931
Other	69	27
Total non-operating expenses	126	983
Ordinary profit	58,205	75,104
Extraordinary income		
Gain on sales of noncurrent assets	*2 384	*2 0
Gain on sales of investment securities	3	–
Gain on sales of stocks of subsidiaries and affiliates	–	9,875
Total extraordinary income	388	9,875
Extraordinary loss		
Loss on sales of noncurrent assets	*3 259	*3 0
Loss on retirement of noncurrent assets	*4 191	*4 230
Impairment loss	*5 2,800	*5 2,370
Loss on sales of investment securities	–	1
Loss on valuation of investment securities	6	–
Merger expenses	–	*6 2,363
Other	*7 1	*7 2
Total extraordinary losses	3,259	4,969
Profit before income taxes	55,334	80,011
Income taxes-current	11,126	13,720
Income taxes-deferred	1,684	2,269
Total income taxes	12,810	15,990
Profit	42,523	64,020
Profit attributable to non-controlling interests	4,742	4,419
Profit attributable to owners of parent	37,781	59,600

## (Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Profit	42,523	64,020
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(1,113)	7,777
Remeasurements of defined benefit plans, net of tax	(766)	(879)
Total other comprehensive income	* (1,880)	* 6,898
Comprehensive income	40,643	70,918
Comprehensive income attributable to:		
Owners of parent	36,420	63,848
Non-controlling interests	4,223	7,070

3) Consolidated Statement of Changes in Net Assets  
For the prior fiscal year (from April 1, 2018, to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Beginning balance	63,832	73,578	202,410	(19,794)	320,026
Changes of items during the period					
Dividends from surplus			(3,133)		(3,133)
Profit attributable to owners of parent			37,781		37,781
Purchase of treasury stock					
Purchase of shares of consolidated subsidiaries		(29)			(29)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(29)	34,648	—	34,619
Ending balance	63,832	73,549	237,058	(19,794)	354,646

	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	3,412	(523)	2,889	21,521	344,437
Changes of items during the period						
Dividends from surplus						(3,133)
Profit attributable to owners of parent						37,781
Purchase of treasury stock						—
Purchase of shares of consolidated subsidiaries						(29)
Net changes of items other than shareholders' equity	(0)	(579)	(781)	(1,361)	3,806	2,444
Total changes of items during the period	(0)	(579)	(781)	(1,361)	3,806	37,064
Ending balance	(0)	2,832	(1,304)	1,528	25,327	381,501

For the current fiscal year (from April 1, 2019, to 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 from surplus			(4,699)		(4,699)
Profit attributable to owners of parent			59,600		59,600
Purchase of treasury stock				(0)	(0)
Purchase of shares of consolidated subsidiaries					
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 from surplus						(4,699)
Profit attributable to owners of parent						59,600
Purchase of treasury stock						(0)
Purchase of shares of consolidated subsidiaries						—
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

## 4) Consolidated Statement of Cash Flows

(Millions of yen)

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Net cash provided by (used in) operating activities		
Profit before income taxes	55,334	80,011
Depreciation and amortization	4,749	3,503
Impairment loss	2,800	2,370
Amortization of goodwill	813	813
Increase (decrease) in allowance for doubtful accounts	1,214	6,396
Increase (decrease) in provision for loss on guarantees	(399)	(186)
Increase (decrease) in net defined benefit liability	48	187
Increase (decrease) in provision for directors' retirement benefits	3	3
Increase (decrease) in provision for loss on interest repayment	(1,768)	(14,700)
Interest and dividends income	(224)	(78)
Interest expenses	31	23
Amortization of bond issuance cost	143	175
Foreign exchange losses (gains)	13	864
Equity in (earnings) losses of affiliates	(7)	(3)
Loss (gain) on sales of property, plant and equipment	(125)	(0)
Loss on retirement of property, plant and equipment	191	213
Loss (gain) on sales of investment securities	(3)	1
Loss (gain) on valuation of investment securities	6	–
Loss (gain) on sales of stocks of subsidiaries and affiliates	–	(9,875)
Merger expenses	–	2,363
Decrease (increase) in accounts receivable - operating loans	(27,327)	(29,444)
Decrease (increase) in loans receivable of banking business	(3,637)	1,092
Decrease (increase) in accounts receivable - installment	(10,713)	(11,945)
Decrease (increase) in purchased receivables	1,167	247
Decrease (increase) in net defined benefit asset	(492)	165
Decrease (increase) in trading account securities	1,533	–
Decrease (increase) in inventories	(6)	10
Decrease (increase) in other current assets	(10,430)	1,433
Increase (decrease) in notes and accounts payable - trade	9	172
Increase (decrease) in deposits of banking business	3,714	385
Increase (decrease) in deferred installment income	(11)	(7)
Increase (decrease) in other current liabilities	193	(1,740)
Increase (decrease) by other operating activities	(1,178)	1,026
Subtotal	15,641	33,481
Interest and dividends income received	235	78
Interest expenses paid	(31)	(23)
Income taxes paid	(8,516)	(13,838)
Net cash provided by (used in) operating activities	7,329	19,698

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Net cash provided by (used in) investing activities		
Purchase of securities	(1,365)	–
Proceeds from redemption of securities	1,187	21
Purchase of property, plant and equipment	(704)	(1,496)
Proceeds from sales of property, plant and equipment	917	0
Purchase of intangible assets	(2,019)	(2,151)
Purchase of investment securities	(477)	–
Proceeds from sales and redemption of investment securities	784	2
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	*2 10,411
Increase (decrease) by other investing activities	511	(573)
Net cash provided by (used in) investing activities	(1,165)	6,214
Net cash provided by (used in) financing activities		
Proceeds from short-term loans payable	143,597	185,197
Repayments of short-term loans payable	(142,880)	(182,341)
Proceeds from issuance of commercial papers	159,976	139,978
Redemption of commercial papers	(150,000)	(150,000)
Proceeds from issuance of bonds	33,404	38,624
Redemption of bonds	(45,260)	(41,956)
Proceeds from long-term loans payable	158,191	141,566
Repayment of long-term loans payable	(165,436)	(148,732)
Repayments of finance lease obligations	(591)	(529)
Purchase of treasury stock	–	(0)
Proceeds from share issuance to non-controlling shareholders	357	–
Cash dividends paid	(3,131)	(4,698)
Cash dividends paid to non-controlling shareholders	(790)	(1,447)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(13)	–
Net cash provided by (used in) financing activities	(12,573)	(24,339)
Effect of exchange rate change on cash and cash equivalents	205	(1,373)
Net increase (decrease) in cash and cash equivalents	(6,204)	198
Cash and cash equivalents at beginning of period	88,551	82,346
Cash and cash equivalents at end of period	*1 82,346	*1 82,545

[Notes]

(Significant matters providing the basis for the preparation of consolidated financial statements)

1. Matters concerning the scope of consolidation

All subsidiaries are consolidated.

Number of consolidated subsidiaries: 4

Names of principal consolidated subsidiaries are referred to in “4. Information on Subsidiaries and Affiliates” under “I. Overview of the Company,” 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 shares held 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 period of consolidated subsidiaries

Fiscal year of the following consolidated subsidiaries ends on December 31:

EASY BUY Public Company Limited

ACOM CONSUMER FINANCE CORPORATION

Consolidated financial statements hereof are prepared by using financial statements as of the abovementioned closing date and significant matters that occurred between the closing date and the consolidated closing date are subject to the adjustments necessary for consolidation.

4. Matters concerning accounting policies

(1) Evaluation standards and methods for significant assets

1) 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.

2) Derivative financial instruments, etc.

Derivative transactions:

Market value method

3) Inventories

Supplies:

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

(2) Depreciation and amortization methods for significant depreciable assets

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

The Company and its domestic consolidated subsidiaries use the declining balance method, and overseas consolidated subsidiaries use straight-line method.

Useful lives of assets are principally as follows:

Buildings and structures: 1 to 47 years

Vehicles: 5 years

Equipment: 2 to 20 years

2) Intangible assets (excluding lease assets)

The Company and its consolidated subsidiaries use the straight-line method.  
Software for internal use is amortized over an estimated useful life of 5 years.

3) 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 residual value equaling zero

4) Long-term prepaid expenses

The Company and its consolidated subsidiaries use the equal installment method over the estimated useful life.

5) Deferred assets

Bond issuance cost:

These costs are fully charged to expenses when they are paid.

(3) Accounting standards for significant allowances and provisions

1) Allowance for doubtful accounts

To provide for potential loss on accounts receivable - operating loans and other receivables, 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.

2) 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.

3) 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.

4) 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.

(4) Accounting method for retirement benefits

1) Periodic allocation of projected retirement benefit

In calculating retirement benefit obligations, the attribution on a benefit formula basis is applied for allocation of projected benefits to the periods until the end of the current fiscal year.

2) Amortization of actuarial differences and past service costs

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.

(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 are calculated pursuant to the prescribed rates applicable to the relevant credit balance.

- (6) Accounting standards for the translation of significant foreign currency-denominated assets and liabilities into Japanese yen used in preparing the financial statements of consolidated companies on which consolidated financial statements are based

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.

With regard to overseas subsidiaries, 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.

- (7) Significant 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 and designation transactions are applied to those that conform to the requirements of designated currency swap.

- 2) Hedging instruments and hedging items

Interest rate-related items

Hedging instruments:

Interest-rate swap agreements

Hedging items:

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

Currency-related items

Hedging instruments:

Currency swap agreements

Hedging items:

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

- 3) Hedging policy

The Company and its subsidiaries enter into derivatives contracts to hedge against various risks in accordance with internal rules. 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.

- 4) 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.

- (8) 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.

- (9) Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents include cash at hand, demand deposits at banks and highly liquid short-term investments with negligible risk of fluctuation in value and maturities of less than three months.

- (10) Other significant matters for the preparation of consolidated 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.

In addition, unpaid consumption tax is included in “Other” in current liabilities on the consolidated balance sheet.

2) Adoption of consolidated taxation system

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

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

As for the transition to the group tax sharing system established in the “Act for Partial Amendment to the Income Tax Act, etc. (Act No. 8 of 2020)” as well as the items reviewed under the non-consolidated taxation system in conjunction 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),” in accordance with the treatment under 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 (PITF No. 39; March 31, 2020).” The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act before the revision.

(Unapplied accounting standards)

1. Accounting Standard for Disclosure of Accounting Estimates

- \* “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020)

(1) Overview

The purpose of the new accounting standard is to disclose information that will help the users of financial statements understand the details of accounting estimates pertaining to items that may potentially have a material impact on financial statements for the next fiscal year, from among the amounts recorded in the financial statements for the current fiscal year that are based on accounting estimates.

(2) Scheduled date of application

The new accounting standard is scheduled to be applied from the end of the fiscal year ending March 31, 2021.

2. Accounting Standard for Fair Value Measurement, etc.

- \* “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
- \* “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
- \* “Accounting Standard for Financial Instrument” (ASBJ Statement No. 10, July 4, 2019)
- \* “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019)

(1) Overview

To improve comparability with international accounting standards, “Accounting Standard for Fair Value Measurement” and “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter, “Accounting Standards for Fair Value Measurement, etc.”) have been developed as guidance on determining fair values. “Accounting Standards for Fair Value Measurement, etc.” will be applied in determining the fair values of the following items.

- Financial instruments set forth in “Accounting Standard for Financial Instruments”

“Implementation Guidance on Disclosures about Fair Value of Financial Instruments” was revised to include notes regarding the breakdown by level of fair values of financial instruments.

(2) Scheduled date of application

These accounting standards are scheduled to be applied from the end of the fiscal year ending March 31, 2022.

(3) Impact of application

The impact of applying these accounting standards is undetermined at the time of preparing this financial statement.

(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” in the current fiscal year. To reflect this change in presentation, the consolidated financial statements for the prior fiscal year have been reclassified.

As a result, 55 million yen of “Loss on cancellation of insurance policies” and 13 million yen of “Other” under non-operating expenses of the consolidated statement of income for the prior fiscal year has been reclassified into 69 million yen of “Other.”

(Additional Information)

<Accounting estimates regarding the impact of COVID-19>

As described in “2) Impact of COVID-19 on the business contents and performance results” in II. Business Overview, 2. Risks Related to Business, (13) COVID-19, the Group may be affected by factors including a decrease in operating revenue, an increase in provision for bad debts, decreases in computer expenses and advertising expenses in the fiscal year ending March 31, 2021.

The Company group assumes that the calculation of allowance for doubtful accounts and estimates on recoverability of deferred tax assets, etc. does not have material impact on estimates as of March 31, 2020. The bases of assumption are actual results of defaults since April 2020 until formulation of financial statement after the end of fiscal year.

However, it must be noted that this estimate is highly uncertain. Changes in status of COVID-19 infection and its impact on economy may impact business performance of the Company Group starting from following fiscal year.

(Notes to Consolidated Balance Sheet)

\*1. Amount of subsidiaries and affiliates' stocks included in investment securities (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Investment securities	342	345

\*2. Reserve for deposit of a consolidated subsidiary pursuant to the regulations of Bank Indonesia (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Cash and deposits	3,092	—

\*3. Contingent liabilities (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Outstanding guarantee obligation in the guarantee business	1,212,255	1,233,228
Outstanding guarantee obligation in the banking business	510	—
Provision for loss on guarantees	9,661	9,475
Net	1,203,103	1,223,753

\*4. Commitment line contracts for accounts receivable - operating loans

Prior fiscal year (As of March 31, 2019)

Contracts for accounts receivable - operating loans extended by the Company and some of consolidated subsidiaries primarily take the form of revolving credit-line contracts whereby a facility indicating a maximum loanable amount is assigned to a customer who is then able to borrow repeatedly within the limit of the facility, provided that contract terms have not been violated. Outstanding unexercised portions of such facilities amounted to 496,960 million yen at the end of the fiscal year. This included a total of 314,419 million yen of unexercised amounts remaining in the accounts of customers with zero outstanding balances at the end of the fiscal year.

A certain portion of revolving credit-line contracts lapse without being used. Therefore, the amount of outstanding unexercised facilities will not necessarily affect the future cash flow of the Company and its consolidated subsidiaries.

Contracts contain provisions allowing the Company and its consolidated subsidiaries to reject applications for additional borrowing or reduce the facility in case of changes in the customer's credit standing or other material reasons. Outstanding contracts are regularly examined according to internal procedures to determine the credit standing of customers and other pertinent information. When necessary, contracts are reviewed and measures are taken to preserve loan assets.

Current fiscal year (As of March 31, 2020)

Contracts for accounts receivable - operating loans extended by the Company and some of consolidated subsidiaries primarily take the form of revolving credit-line contracts whereby a facility indicating a maximum loanable amount is assigned to a customer who is then able to borrow repeatedly within the limit of the facility, provided that contract terms have not been violated. Outstanding unexercised portions of such facilities amounted to 545,784 million yen at the end of the fiscal year. This included a total of 361,059 million yen of unexercised amounts remaining in the accounts of customers with zero outstanding balances at the end of the fiscal year.

A certain portion of revolving credit-line contracts lapse without being used. Therefore, the amount of outstanding unexercised facilities will not necessarily affect the future cash flow of the Company and its consolidated subsidiaries.

Contracts contain provisions allowing the Company and its consolidated subsidiaries to reject applications for additional borrowing or reduce the facility in case of changes in the customer's credit standing or other material reasons. Outstanding contracts are regularly examined according to internal procedures to determine the credit standing of customers and other pertinent information. When necessary, contracts are reviewed and measures are taken to preserve loan assets.

\*5. Commitment line contracts for loans receivable of banking business

Prior fiscal year (As of March 31, 2019)

The consolidated subsidiary PT. Bank Nusantara Parahyangan, Tbk. has concluded a savings overdraft agreement pledging to lend funds up to an established limit when such financing is requested by a customer (as long as this lending does not violate conditions stipulated in the agreements) and a commitment line agreement on loans. The balance of undrawn lines of credit based on these agreements is 10,336 million yen as of the end of the fiscal year.

A certain portion of commitment line contracts lapse without being used. Therefore, the amount of outstanding unexercised facilities will not necessarily affect the future cash flow of the consolidated subsidiary of the Company.

Contracts contain provisions allowing the consolidated subsidiary of the Company to reject applications for additional borrowing or reduce the facility in case of changes in the customer's credit standing or other material reasons. Outstanding contracts are regularly examined according to internal procedures to determine the credit standing of customers and other pertinent information. When necessary, contracts are reviewed and measures are taken to preserve loan assets.

Current fiscal year (As of March 31, 2020)

Not applicable

\*6. Status of non-performing loans in accounts receivable - operating loans

Losses on unsecured consumer loans to bankrupt parties are written off at the time bankruptcy is declared. For this reason, loans to bankrupt parties include those to debtors who have petitioned for bankruptcy as of the end of the fiscal year, but have not yet been declared bankrupt. This entire amount is charged to the allowance for doubtful accounts.

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Loans to debtors who have petitioned for bankruptcy, but have not yet been declared bankrupt	275	316

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Loans to bankrupt parties	769	652
Loans in arrears	24,179	25,821
Loans overdue by three months or more	4,753	5,964
Restructured loans	31,990	31,862
Total	61,692	64,301

Notes:

1. Loans to bankrupt parties refer to loans to bankrupt parties, parties in rehabilitation and reorganization, and others which are loans where interest is not accrued.
2. Loans in arrears refer to other loans where interest is not accrued, excluding loans on which interest payment is deferred for the purpose of reconstructing or assisting debtors.
3. Loans overdue by three months or more refer to loans other than the above that are overdue by three months or more.
4. Restructured loans refer to loans other than the above that are restructured by favorable terms for debtors, such as reduction or waiving of interest, in order to facilitate collection of an outstanding balance.

\*7. Agreements for overdraft and commitment facilities

For efficient procurement of working capital, the Company and some of its consolidated subsidiaries maintain overdraft contracts and designated commitment line contracts with financial institutions and others. The unexercised portion of facilities based on these contracts is as follows: (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Amount of agreement for overdraft and commitment line	123,458	124,533
Amount of borrowing	39,579	41,693
Net	83,879	82,840

\*8. Amount of unsecured consumer loans in accounts receivable - operating loans (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Unsecured consumer loans in accounts receivable - operating loans	995,223	1,037,468

\*9. Balances of accounts receivable - installment by business categories (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Fees from the credit card business	63,137	75,035
Fees from installment sales finance business	603	690
Total	63,740	75,726

\*10. Balance of deferred installment income

The balance of deferred installment income belongs entirely to the installment sales finance business.

The breakdown of the amount during the period is as follows: (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Balance at the beginning of period	53 [15]	42 [24]
Accrued during the period	53 [34]	62 [47]
Realized during the period	64 [25]	67 [41]
Balance at the end of period	42 [24]	36 [30]

Figures in brackets “[ ]” represent fees from member outlets.

(Notes to Consolidated Statement of Income)

\*1. Research and development expenses included in “Other operating expenses” are as follows.

(Millions of yen)

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Research and development expenses	111	—

\*2. Breakdown of gain on sales of noncurrent assets

(Millions of yen)

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Buildings and structures	383	—
Vehicles	0	—
Equipment	1	0
Total	384	0

\*3. Breakdown of loss on sales of noncurrent assets

(Millions of yen)

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Buildings and structures	1	—
Equipment	7	0
Land	250	—
Total	259	0

\*4. Loss on retirement of noncurrent assets mainly results from transfer of operating outlets, remodeling of interior and change of signboards. The breakdown thereof is set out below.

(Millions of yen)

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Buildings and structures	178	197
Equipment	13	15
Software	0	17
Total	191	230

\*5. Impairment loss

The following losses on impairment of noncurrent assets are recorded.

Prior fiscal year (from April 1, 2018, to March 31, 2019)

(1) Assets recognized as having suffered impairment

Location	Usage	Type
Kashiwa City, Chiba and other	Properties to be sold	Land, buildings and structures, and equipment

(2) Method of grouping assets

The smallest units the Group has adopted for the grouping of assets are as below:

(a) For the domestic loan and credit card business and guarantee business: each business

(b) For other financial businesses: each company

(c) For the overseas financial business: each company

For leasehold estate and property to be sold, the smallest units are the individual assets themselves.

Our headquarters and welfare/leisure facilities for our employees are treated as common assets because they do not generate their own cash flows.

(3) Process through which impairment loss was recognized

An impairment loss was recognized on properties to be sold because the expected sale prices were significantly lower than the book values of the assets.

(4) Amount of impairment loss

	(Millions of yen)
Land	2,337
Buildings and structures	462
Equipment	0
Total	2,800

(5) Calculation method of recoverable amount

The recoverable amount of the properties to be sold is measured by the net selling price and evaluated based on the minimum limit of the appraised selling price.

Current fiscal year (from April 1, 2019, to March 31, 2020)

(1) Assets recognized as having suffered impairment

Location	Usage	Type
Chiyoda-ku, Tokyo	Idle assets (paintings)	Equipment

(2) Method of grouping assets

The smallest units the Group has adopted for the grouping of assets are as below:

(a) For the domestic loan and credit card business and guarantee business: each business

(b) For other financial businesses: each company

(c) For the overseas financial business: each company

For leasehold estate, property to be sold, and idle assets, the smallest units are the individual assets themselves.

Our headquarters and welfare/leisure facilities for our employees are treated as common assets because they do not generate their own cash flows.

(3) Process through which impairment loss was recognized

Some paintings (artworks) were designated as idle assets, as they were expected to have no future use due to layout changes in the head office building. The book values of these paintings were reduced to the recoverable amount and the amount of reduction was recognized as an impairment loss.



(4) Amount of impairment loss

	(Millions of yen)
Equipment	2,370

(5) Calculation method of recoverable amount

The recoverable amount of the idle assets is measured by net selling price and evaluated based on appraisal value.

\*6. Merger expenses under extraordinary loss includes retirement payments (2,158 million yen), office closing expenses (68 million yen), and inventory disposal expenses (136 million yen), which were recorded as expenses pertaining to merger between PT Bank Danamon Indonesia, Tbk. and PT. Bank Nusantara Parahyangan, Tbk., a former consolidated subsidiary of the Company.

\*7. Breakdown of other extraordinary loss

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Lump sum amortization of long-term prepaid expenses	0	0
Losses on retirement, including amortization of lease and guarantee deposits	1	1
Loss on sales of golf club memberships	0	—
Total	1	2

8. Basis for classification of financial revenue and financial expenses on consolidated statement of income

(1) Financial revenue stated as operating revenue

Includes all financial revenue earned by the Company and its consolidated subsidiaries which engaged in the financial service business, excluding dividends and interest on investment securities, etc.

(2) Financial expenses stated as operating expenses

Include all financial expenses spent by the Company and its consolidated subsidiaries which engaged in the financial service business, excluding interest expenses, etc. which have no relationship to operating revenue

## (Notes to Consolidated Statement of Comprehensive Income)

\* Reclassification adjustments and tax effects relating to other comprehensive income:

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Valuation difference on available-for-sale securities		
Gains arising during the year	(0)	(0)
Reclassification adjustments	—	0
Amount before income tax effect	(0)	0
Income tax effect	0	—
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment		
Gains arising during the year	(1,730)	5,382
Reclassification adjustments	—	3,013
Amount before income tax effect	(1,730)	8,395
Income tax effect	617	(617)
Foreign currency translation adjustment	(1,113)	7,777
Remeasurements of defined benefit plans, net of tax		
Gains arising during the year	(1,020)	(1,810)
Reclassification adjustments	(92)	554
Amount before income tax effect	(1,112)	(1,256)
Income tax effect	346	376
Remeasurements of defined benefit plans, net of tax	(766)	(879)
Total other comprehensive income	(1,880)	6,898

(Notes to Consolidated Statement of Changes in Net Assets)  
For the prior fiscal year (from April 1, 2018, to March 31, 2019)

1. Matters related to outstanding shares

(Shares)

Class of shares	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common stock	1,596,282,800	—	—	1,596,282,800

2. Matters related to treasury stock

(Shares)

Class of shares	As of April 1, 2018	Increase	Decrease	As of March 31, 2019
Common stock	29,668,592	—	—	29,668,592

3. Matters related to stock acquisition rights, etc.

Not applicable

4. Matters related to dividends

(1) Dividends paid

Resolution	Class of shares	Total amount (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2018	Common stock	1,566	1.00	March 31, 2018	June 25, 2018
Board of Directors meeting held on November 1, 2018	Common stock	1,566	1.00	September 30, 2018	December 6, 2018

(2) Dividends whose record date fell in the fiscal year, but whose effective date is after March 31, 2019

Resolution	Class of shares	Sources of dividend	Total amount (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 21, 2019	Common stock	Retained earnings	1,566	1.00	March 31, 2019	June 24, 2019

For the current fiscal year (from April 1, 2019, to March 31, 2020)

1. Matters related to outstanding shares

(Shares)

Class of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common stock	1,596,282,800	—	—	1,596,282,800

2. Matters related to treasury stock

(Shares)

Class of shares	As of April 1, 2019	Increase	Decrease	As of March 31, 2020
Common stock	29,668,592	40	—	29,668,632

(Outline of the cause of changes)

The increase of treasury stock by 40 shares was due to the purchase of shares less than one unit.

3. Matters related to stock acquisition rights, etc.

Not applicable

#### 4. Matters related to dividends

##### (1) Dividends paid

Resolution	Class of shares	Total amount (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 21, 2019	Common stock	1,566	1.00	March 31, 2019	June 24, 2019
Board of Directors meeting held on November 5, 2019	Common stock	3,133	2.00	September 30, 2019	December 6, 2019

##### (2) Dividends whose record date fell in the fiscal year, but whose effective date is after March 31, 2020

Resolution	Class of shares	Sources of dividend	Total amount (Millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2020	Common stock	Retained earnings	3,133	2.00	March 31, 2020	June 24, 2020

#### (Notes to Consolidated Statement of Cash Flows)

- \*1. Relationship between the fiscal year-end balance of cash and cash equivalents and the amount of consolidated balance sheet items

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Cash and deposits	85,546	82,545
Short-term investment securities	479	—
Time deposits with original maturities of more than three months	(106)	—
Cash reserved for banking business	(3,092)	—
Bonds with maturities of more than three months	(479)	—
Cash and cash equivalents	82,346	82,545

- \*2 Breakdown of assets and liabilities of the company excluded from the scope of consolidation due to sales of shares

The breakdown of the assets and liabilities of PT. Bank Nusantara Parahyangan, Tbk. at the time of sales of shares, the sales value of shares, and proceeds from the sales of shares associated with its exclusion from the scope of consolidation due to the sales of shares, are as follows:

	(Millions of yen)
Current assets	61,673
Noncurrent assets	2,899
Current liabilities	(56,324)
Noncurrent liabilities	(58)
Foreign currency translation adjustment	1,923
Remeasurements of defined benefit plans	62
Non-controlling interests	(2,654)
Gain on sales of shares	9,875
Sales value of shares	17,396
Cash and cash equivalents	(6,984)
Net proceeds from the sales of shares	10,411

(Notes to Lease Transactions)

1. Finance lease transactions

(1) Finance lease transactions that transfer ownership

1) Details of lease assets

Property, plant and equipment

They are mainly servers, etc.

2) Depreciation of lease assets

Same depreciation method as that applied to our noncurrent assets

(2) Finance lease transactions that do not transfer ownership

1) Details of lease assets

Property, plant and equipment

They are mainly servers, automatic contract machines, etc.

2) Depreciation of lease assets

Depreciated using the straight-line method, with the lease term of respective assets as their useful lives, without residual value

2. Operating lease transactions

The rental commitments under noncancellable operating leases are as follows:

(Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Due within 1 year	101	84
Due after 1 year	26	87
Total	127	171

(Notes to Financial Instruments)

1. Matters concerning the financial instruments

(1) The Group's policy for financial instruments

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

(2) Details of financial instruments and associated risks

Major financial assets held by the Group are accounts receivable - operating loans, loans receivable of banking business and accounts receivable - installment; these assets are exposed to credit risk resulting from customers' default of payments. In addition, the Group holds shares, bonds, investments in partnership, etc. either on a held-to-maturity or portfolio investment basis. 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 "Significant matters providing the basis for the preparation of consolidated financial statements, 4. Significant accounting policies, (7) Significant hedge accounting method."

(3) Risk management system for financial instruments

1) 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.

2) 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 has a policy to not conduct 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 a large part of loans payable and bonds, which are the Group's principal financial liabilities, is 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, the estimated effects of a change of 1 basis point (0.01%) in the fiscal year-end market interest rate on their net asset amount-financial assets after deduction of financial liabilities are as follows. This estimation assumes that there are no changes in any risk variables other than the market interest rate.

	(Millions of yen)	
	As of March 31, 2019	As of March 31, 2020
If the market interest rate had been:		
higher by 1 basis point	71	90
lower by 1 basis point	(71)	(90)

### 3) 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 "Notes to Derivative Transactions" 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 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))

For the prior fiscal year (As of March 31, 2019)

	(Millions of yen)		
	Book value	Market value	Difference
(1) Cash and deposits	85,546	85,546	—
(2) Accounts receivable - operating loans	1,000,428		
Allowance for doubtful accounts	(40,191)		
Provision for loss on interest repayment			
(Amount of voluntary waiver of repayments)	(10,300)		
	949,936	1,241,228	291,291
(3) Loans receivable of banking business	48,331		
Allowance for doubtful accounts	(724)		
	47,606	51,591	3,984
(4) Accounts receivable - installment	63,740		
Allowance for doubtful accounts	(3,632)		
Deferred installment income	(42)		
	60,066	76,257	16,190
(5) Purchased receivables	9,435		
Allowance for doubtful accounts	(3,081)		
	6,354	6,354	—
(6) Marketable securities and investment securities			
1) Held-to-maturity securities	3,560	3,560	0
2) Other securities	0	0	—
Total assets	1,153,071	1,464,538	311,467
(1) Short-term loans payable	11,547	11,547	—
(2) Commercial papers	39,998	39,998	—
(3) Deposits of banking business	52,319	52,319	—
(4) Current portion of bonds and bonds payable	244,211	246,440	2,229
(5) Current portion of long-term loans payable and long-term loans payable	429,386	428,761	(624)
Total liabilities	777,461	779,066	1,605
Derivative transaction*			
(1) Transactions not subject to the application of hedge accounting	—	—	—
(2) 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 “[ ].”



For the current fiscal year (As of March 31, 2020)

(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) Loans receivable of banking business	—		
Allowance for doubtful accounts	—		
	—	—	—
(4) Accounts receivable - installment	75,726		
Allowance for doubtful accounts	(4,639)		
Deferred installment income	(36)		
	71,049	89,941	18,892
(5) Purchased receivables	9,188		
Allowance for doubtful accounts	(2,897)		
	6,291	6,291	—
(6) Marketable securities and investment securities			
1) Held-to-maturity securities	—	—	—
2) 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) Deposits of banking business	—	—	—
(4) Current portion of bonds and bonds payable	244,326	245,091	764
(5) 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*			
(1) Transactions not subject to the application of hedge accounting	—	—	—
(2) Transactions subject to the application of hedge accounting	—	—	—
Total derivative transactions	—	—	—

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

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

#### Assets

##### (1) Cash and deposits

Deposits without maturity are stated at their book values, as their market values approximate book values. Deposits with maturity are stated at their book values, as their remaining periods are short (within a year) and their market values approximate book values.

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

The fiscal year-end outstanding balances are stated at their present values, which are calculated by discounting expected future cash flows of the potentially recoverable principal and interest by the current market interest rate. These exclude secured loans and accounts receivable - installment, which are stated at adjusted book value; the expected amount of loan losses on these assets are calculated based on the expected recoverable amount of their collateral securities, hence their market values approximate their balance sheet values at the closing date, less the current expected amount of loan losses. Meanwhile, 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.

##### (5) Purchased receivables

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

##### (6) Marketable securities and investment securities

Shares are stated at the stock exchange quoted price and bonds are stated at either the stock exchange quoted price or the price presented by transacting financial institution. Certain bonds are stated at amortized cost method, as they are redeemed in the short term and their market values approximate their book values.

For notes to securities according to holding purposes, please refer to "Notes to Securities."

#### Liabilities

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

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

##### (3) Deposits of banking business

Deposits due within one year are stated at their book values as they are settled in the short term and their market values approximate their book values. Deposits due after one year are stated at the net present value, which is calculated by discounting the compound value of principal and interest by the current market interest rate.

##### (4) Current portion of bonds and bonds payable

Bonds with market value are stated at market price. Bonds without market value and privately offered bonds are stated at the net present value, which is calculated by discounting the compound value (for bonds involved in an interest-rate swap that meet the conditions for exceptional accounting treatment or a currency swap that conforms to the requirements of designated transactions, a principal with interest income at a post-swap interest rate is applied) by the discount rate (i.e. the current market interest rate taking credit risk into consideration).

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

Long-term loans payable are stated at the net present value, which is calculated by discounting the compound value (for loans involved in an interest-rate swap that meet the conditions for exceptional accounting treatment or a currency swap that conforms to the requirements of designated transactions, a principal with interest income at a post-swap interest rate is applied) by the discount rate (i.e. the current market interest rate taking credit risk into consideration).

# Derivative transactions

Please refer to “Notes to Derivative Transactions.”

(Note 2) The book values of financial instruments whose market value cannot be reliably determined  
(Millions of yen)

Item	As of March 31, 2019	As of March 31, 2020
1) Unlisted shares (*1) (*2)	1,164	1,163
2) Investments in investment partnerships (*1) (*3)	1	1
Total	1,166	1,165

(\*1) These shares are not included in “Asset (6) 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 do not have a quoted market price in an active market and it appears to be extremely difficult to determine their market values.

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

(Note 3) Scheduled redemption amount of monetary claims and marketable securities with maturity

For the prior fiscal year (As of March 31, 2019)

	(Millions of yen)					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and deposits	85,546	—	—	—	—	—
Accounts receivable - operating loans (*1) (*2)	187,900	182,437	178,074	174,248	171,125	67,483
Loans receivable of banking business	30,474	3,251	5,039	3,580	2,448	3,537
Accounts receivable - installment (*1) (*2)	12,624	12,021	12,021	12,021	12,021	458
Marketable securities and Investment securities						
1) Held-to-maturity securities (Government bond)	479	598	—	448	223	1,809
2) Other securities with maturities						
Government bond	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	317,025	198,308	195,135	190,298	185,820	73,288

For the current fiscal year (As of March 31, 2020)

	(Millions of yen)					
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Cash and deposits	82,545	—	—	—	—	—
Accounts receivable - operating loans (*1) (*2)	191,937	186,238	181,451	177,502	174,244	88,056
Loans receivable of banking business	—	—	—	—	—	—
Accounts receivable - installment (*1) (*2)	14,335	13,645	13,645	13,645	13,645	1,342
Marketable securities and Investment securities						
1) Held-to-maturity securities (Government bond)	—	—	—	—	—	—
2) Other securities with maturities						
Government bond	—	—	—	—	—	—
Other	—	—	—	—	—	—
Total	288,818	199,883	195,097	191,147	187,889	89,399

(\*1) Accounts receivable - operating loans and accounts receivable - installment do not include loans whose recovery is doubtful because their redemption schedule is unclear (amounts: 37,621 million yen for the prior fiscal year and 44,313 million yen for the current fiscal year).

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

(Note 4) Scheduled repayment amount of bonds payable, long-term loans payable, lease obligations and other interest-bearing liabilities

For the prior fiscal year (As of March 31, 2019)

(Millions of yen)						
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	11,547	—	—	—	—	—
Commercial papers	39,998	—	—	—	—	—
Deposits of banking business	52,319	—	—	—	—	—
Current portion of bonds and bonds payable	41,519	47,116	53,640	50,115	28,410	23,410
Current portion of long-term loans payable and long-term loans payable	146,714	84,967	55,350	66,833	45,020	30,500
Lease obligations	523	370	336	150	39	—
Total	292,623	132,453	109,326	117,098	73,470	53,910

For the current fiscal year (As of March 31, 2020)

(Millions of yen)						
	Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years
Short-term loans payable	15,330	—	—	—	—	—
Commercial papers	29,998	—	—	—	—	—
Deposits of banking business	—	—	—	—	—	—
Current portion of bonds and bonds payable	48,026	54,520	59,520	28,630	43,630	10,000
Current portion of long-term loans payable and long-term loans payable	91,048	66,565	83,217	58,991	71,615	53,000
Lease obligations	405	371	186	75	9	—
Total	184,810	121,456	142,923	87,696	115,254	63,000

## (Notes to Securities)

## 1. Held-to-maturity securities

For the prior fiscal year (As of March 31, 2019)

(Millions of yen)

Category	Book value	Market value	Unrealized gain (loss)
Market value greater than book value			
(1) Government/municipal bonds	2,047	2,072	24
(2) Corporate bonds	—	—	—
(3) Other	—	—	—
Subtotal	2,047	2,072	24
Market value not greater than book value			
(1) Government/municipal bonds	1,512	1,487	(24)
(2) Corporate bonds	—	—	—
(3) Other	—	—	—
Subtotal	1,512	1,487	(24)
Total	3,560	3,560	0

For the current fiscal year (As of March 31, 2020)

(Millions of yen)

Category	Book value	Market value	Unrealized gain (loss)
Market value greater than book value			
(1) Government/municipal bonds	—	—	—
(2) Corporate bonds	—	—	—
(3) Other	—	—	—
Subtotal	—	—	—
Market value not greater than book value			
(1) Government/municipal bonds	—	—	—
(2) Corporate bonds	—	—	—
(3) Other	—	—	—
Subtotal	—	—	—
Total	—	—	—

2. Other marketable securities

For the prior fiscal year (As of March 31, 2019)

(Millions of yen)

Category	Book value	Acquisition cost	Unrealized gain (loss)
Acquisition cost not greater than book value			
(1) Stocks	0	0	0
(2) Bonds			
Government/municipal	—	—	—
Corporate	—	—	—
Other	—	—	—
(3) Other	—	—	—
Subtotal	0	0	0
Acquisition cost greater than book value			
(1) Stocks	—	—	—
(2) Bonds			
Government/municipal	—	—	—
Corporate	—	—	—
Other	—	—	—
(3) Other	—	—	—
Subtotal	—	—	—
Total	0	0	0

For the current fiscal year (As of March 31, 2020)

(Millions of yen)

Category	Book value	Acquisition cost	Unrealized gain (loss)
Acquisition cost not greater than book value			
(1) Stocks	0	0	0
(2) Bonds			
Government/municipal	—	—	—
Corporate	—	—	—
Other	—	—	—
(3) Other	—	—	—
Subtotal	0	0	0
Acquisition cost greater than book value			
(1) Stocks	—	—	—
(2) Bonds			
Government/municipal	—	—	—
Corporate	—	—	—
Other	—	—	—
(3) Other	—	—	—
Subtotal	—	—	—
Total	0	0	0

3. Other marketable securities sold during the fiscal year  
For the prior fiscal year (from April 1, 2018, to March 31, 2019)

(Millions of yen)

Category	Amount of proceeds	Total gains on sales	Total losses on sales
(1) Stocks	3	3	—
(2) Bonds			
Government/municipal	—	—	—
Corporate	—	—	—
Other	—	—	—
(3) Other	—	—	—
Total	3	3	—

For the current fiscal year (from April 1, 2019, to March 31, 2020)

(Millions of yen)

Category	Amount of proceeds	Total gains on sales	Total losses on sales
(1) Stocks	2	—	1
(2) Bonds			
Government/municipal	—	—	—
Corporate	—	—	—
Other	—	—	—
(3) Other	—	—	—
Total	2	—	1

4. Impaired securities written down to their fair values

(Millions of yen)

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Loss on impairment of securities (shares classified as “Other marketable securities”)	6	—



(Notes to Derivative Transactions)

1. Derivative transactions not subject to hedge accounting

For the prior fiscal year (As of March 31, 2019)

Not applicable

For the current fiscal year (As of March 31, 2020)

Not applicable

2. Derivative transactions subject to hedge accounting

(1) Interest rate-related derivatives

For the prior fiscal year (As of March 31, 2019)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedging items	Contract amount	Contract amount due after 1 year-period	Market value
Interest rate swaps which qualify for hedge accounting and meet specific matching criteria	Interest rate swap transactions Fixed interest payments and floating interest receivables	Long-term loans payable and bonds payable	81,715	32,455	(Note)

(Note) Interest rate swaps 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.

For the current fiscal year (As of March 31, 2020)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedging items	Contract amount	Contract amount due after 1 year-period	Market value
Interest rate swaps which qualify for hedge accounting and meet specific matching criteria	Interest rate swap transactions Fixed interest payments and floating interest receivables	Long-term loans payable and bonds payable	37,723	25,979	(Note)

(Note) Interest rate swaps 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.

(2) Currency-related derivatives

For the prior fiscal year (As of March 31, 2019)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedging items	Contract amount	Contract amount due after 1 year-period	Market value
Currency swaps which qualify for hedge accounting and meet specific matching criteria	Currency swap	Long-term loans payable and bonds payable	21,197	8,980	(Note)

(Note) Forward contracts 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.

For the current fiscal year (As of March 31, 2020)

(Millions of yen)

Hedge accounting method	Type of derivatives	Major hedging items	Contract amount	Contract amount due after 1 year-period	Market value
Currency swaps which qualify for hedge accounting and meet specific matching criteria	Currency swap	Long-term loans payable and bonds payable	12,062	3,505	(Note)

(Note) Forward contracts 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.

(Notes to Retirement Benefits)

1. Overview of retirement benefit plans

The Company and consolidated subsidiaries utilize funded and unfunded types of defined-benefit plans and defined-contribution plans to provide for retirement benefits to employees.

Defined-benefit pension plans, all of which are funded plans, offer retirement lump sum grants or pensions according to the salary and service period of the eligible employees.

Retirement lump sum payment plans (unfunded plans) offer retirement lump sum grants according to the salary and service period of the eligible employees.

2. Defined-benefit plans

(1) Changes in retirement benefit obligations

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Balance at the beginning of the year	22,631	23,377
Service cost	1,452	1,559
Interest cost	70	28
Actuarial differences generated	311	31
Retirement benefits paid	(1,014)	(895)
Other	(74)	(636)
Balance at the end of year	23,377	23,464

(2) Changes in plan assets

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Balance at the beginning of the year	26,856	26,937
Expected return on plan assets	830	801
Actuarial differences generated	(709)	(1,774)
Contribution from employers	1,027	892
Retirement benefits paid	(1,014)	(895)
Other	(54)	(791)
Balance at the end of the year	26,937	25,168

(3) Adjustments between the ending balances of retirement benefit obligations and plan assets and the net defined benefit liability and net defined benefit asset reported on the consolidated balance sheet

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Retirement benefit obligations for funded type plans	23,038	22,788
Plan assets	(26,937)	(25,168)
	(3,898)	(2,379)
Retirement benefit obligations for unfunded type plans	338	676
Net asset and liability reported on the consolidated balance sheet	(3,559)	(1,703)
Net defined benefit liability	338	676
Net defined benefit asset	(3,898)	(2,379)
Net asset and liability reported on the consolidated balance sheet	(3,559)	(1,703)

(4) Breakdown of retirement benefit expenses

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Service cost	1,452	1,559
Interest cost	70	28
Expected return on plan assets	(830)	(801)
Recognized actuarial gain or loss	(103)	462
Special severance pay premium	74	80
Retirement benefit expenses for defined benefit plans	663	1,330

(5) Remeasurements of defined benefit plans, net of tax

Remeasurements of defined benefit plans, net of tax (before tax effect) consist of the following.

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Actuarial gain or loss	(1,112)	(1,256)

(6) Remeasurements of defined benefit plans

Remeasurements of defined benefit plans (before tax effect) consist of the following.

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Unrecognized actuarial gain or loss	(1,916)	(3,172)

(7) Plan assets

1) Components of plan assets

Plan assets consist of the following:

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Domestic stocks	21%	22%
Domestic bonds	22%	23%
Foreign stocks	16%	16%
Foreign bonds	8%	11%
Alternative investments	18%	16%
Insurer's general accounts	4%	5%
Other	11%	7%
Total	100%	100%

2) Method for determining the long-term expected rates of return on plan assets

To determine the long-term expected rates of return on plan assets, the current and expected portfolios of the plan assets held, as well as the current and future long-term expected rates of return on the various pension plan assets, are considered.

(8) Assumptions used in actuarial calculations

The major assumptions (on the weighted average basis) used in actuarial calculations are as follows:

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Discount rates	Primarily 0.00%	Primarily 0.05%
Long-term expected rates of return on plan assets	Primarily 3.00%	Primarily 3.00%
Expected rates of salary raises	Primarily 6.50%	Primarily 6.50%

(Note) Point system is used as the basis for calculation of expected rates of salary raises.

3. Defined-contribution plans

The required amounts of contribution to the defined-contribution plans of the Company and its consolidated subsidiaries were 290 million yen for the prior fiscal year and 305 million yen for the current fiscal year.

(Notes to Stock Options, etc.)

For the prior fiscal year (from April 1, 2018, to March 31, 2019)

Not applicable

For the current fiscal year (from April 1, 2019, to March 31, 2020)

Not applicable

## (Notes to the Method of Tax Effect Accounting)

## 1. Breakdown of major factors that resulted in deferred tax assets and liabilities

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Deferred tax assets		
Bad debt expenses	20,791	23,050
Allowance for doubtful accounts	10,432	9,771
Provision for loss on guarantees	2,958	2,901
Provision for loss on interest repayment	31,324	26,823
Accrued bonuses	488	517
Accrued directors' retirement benefits	52	53
Unrecognized accrued interest	501	670
Software	3,676	4,508
Deferred assets	282	292
Deferred consumption taxes	363	428
Loss on valuation of securities	163	148
Loss on valuation of golf club memberships	13	13
Impairment loss	255	981
Asset retirement obligations	1,153	1,240
Stock dividends	3,493	3,493
Net defined benefit liability	67	134
Retained tax loss (Note 2)	100,090	59,482
Other	989	1,085
Deferred tax assets (subtotal)	177,100	135,596
Valuation allowance pertaining to retained tax loss (Note 2)	(93,764)	(52,652)
Valuation allowance pertaining to total deductible temporary difference	(41,382)	(42,442)
Valuation allowance (subtotal) (Note 1)	(135,146)	(95,095)
Total deferred tax assets	41,953	40,501
Deferred tax liabilities		
Retained earnings of subsidiaries	4,655	5,920
Net defined benefit asset	1,190	728
Other	18	17
Total deferred tax liabilities	5,864	6,666
Balance of net deferred tax assets	36,089	33,835

(Notes) 1. Valuation allowance showed a decrease of 40,051 million yen composed mainly of a 41,112 million yen decrease in valuation allowance pertaining to retained tax loss and a 2,970 million yen decrease in valuation allowance pertaining to provision for loss on interest repayment.

2. Amounts classified by the deadline for retention of retained tax loss and related deferred tax assets

Prior fiscal year (As of March 31, 2019)

	(Millions of yen)						
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Retained tax loss (a)	40,609	29,782	18,206	6,824	4,667	—	100,090
Valuation allowance	(34,283)	(29,782)	(18,206)	(6,824)	(4,667)	—	(93,764)
Deferred tax assets	6,326	—	—	—	—	—	(b) 6,326

(a) Retained tax loss is shown as an amount multiplied by the effective tax rate.

- (b) The Company recorded deferred tax assets of 6,326 million yen for a retained tax loss of 100,090 million yen (an amount multiplied by the effective tax rate). The deferred tax assets of 6,326 million yen were recognized for the balance of a retained tax loss (an amount multiplied by the effective tax rate) of 99,976 million yen in the Company. We believe that the above retained tax loss will be recoverable mainly by the estimated future taxable income.

Current fiscal year (As of March 31, 2020)

(Millions of yen)

	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Retained tax loss (a)	29,782	18,207	6,825	4,667	—	—	59,482
Valuation allowance	(22,952)	(18,207)	(6,825)	(4,667)	—	—	(52,652)
Deferred tax assets	6,830	—	—	—	—	—	(b) 6,830

(a) Retained tax loss is shown as an amount multiplied by the effective tax rate.

- (b) The Company recorded deferred tax assets of 6,830 million yen for a retained tax loss of 59,482 million yen (an amount multiplied by the effective tax rate). The deferred tax assets of 6,830 million yen were recognized for the balance of a retained tax loss (an amount multiplied by the effective tax rate) of 59,367 million yen in the Company. We believe that the above retained tax loss will be recoverable mainly by the estimated future taxable income.

2. Breakdown of items which caused the difference between the normal statutory tax rate and the effective tax rate after adoption of tax effect accounting

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Normal effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Changes in valuation allowance	(43.7%)	(50.4%)
Amortization of goodwill	0.5%	0.3%
Dividends income and other items not counted for tax purposes	0.0%	0.1%
Retained earnings of subsidiaries	2.8%	0.8%
Difference in tax rates for consolidated subsidiaries	(3.9%)	(3.0%)
Withholding income tax relating to dividends from overseas subsidiaries	0.4%	0.4%
Expiration of retained loss	36.2%	40.8%
Other	0.3%	0.4%
Actual effective tax rate	23.2%	20.0%

(Notes to Business Combinations, etc.)

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	64,443 million yen
Current liabilities	56,324 million yen
Noncurrent liabilities	— million yen
Total liabilities	56,324 million yen

(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



(Notes to Asset Retirement Obligations)

Asset retirement obligations reported in the consolidated balance sheet

(1) Description of relevant asset retirement obligations

Asset retirement obligations are recognized for internal equipment, etc. furnished in leased properties where restoration is required in lease contracts.

(2) Calculation method for the amount of relevant asset retirement obligations

Assumed use period of 5 to 16 years following acquisition, and discount rate at market rate (swap rate) corresponding to rebate period are used for calculation of asset retirement obligations.

(3) Changes in asset retirement obligations

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Balance at the beginning of the year	4,410	4,170
Additional provisions associated with the acquisition of property, plant and equipment	33	30
Accretion with passage of time	20	17
Reduction associated with meeting asset retirement obligations	(282)	(332)
Changes associated with changes in estimates	(9)	507
Foreign currency translation adjustment	(2)	14
Balance at the end of the year	4,170	4,407

(Segments of an Enterprise and Related Information)

[Segment information]

1. Summary of reported segment information

The reported segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic review to determine distribution of management resources and evaluate their business results.

The Company conducts finance businesses comprised mainly of loan and credit card business in Japan and overseas.

In Japan, the Company mainly conducts guarantee business and loan servicing business in addition to loan and credit card business. In overseas, the Company also conducts finance businesses in Asia.

Accordingly, the Company's four reported segments are "Loan and credit card business," "Guarantee business," "Overseas financial business" and "Loan servicing business."

2. Methods of measurement for the amounts of operating revenue, profit or loss, assets and other items by reported segments

The accounting treatment regarding the reported business segments are the same as described in the "Significant matters providing the basis for the preparation of consolidated financial statements." The profit of business segments is based on operating profit. Intersegment operating revenue is based on trading prices in the market.

3. Operating revenue, profit or loss, assets and other items by reported segments

For the prior fiscal year (from April 1, 2018, to March 31, 2019)

(Millions of yen)

	Reported segments					Others (Note 1)	Total
	Loan and credit card business	Guarantee business	Overseas financial business	Loan servicing business	Subtotal		
Operating revenue							
Operating revenue from external customers	144,826	69,341	56,984	5,893	277,045	23	277,069
Revenues from transactions with other operating segments	2	—	11	—	14	54	69
Total	144,829	69,341	56,995	5,893	277,060	78	277,138
Segment profit	11,804	25,241	19,802	390	57,239	78	57,317
Segment assets	882,241	42,163	245,352	7,713	1,177,471	6,987	1,184,458
Other items							
Depreciation	2,824	1,282	631	10	4,749	—	4,749
Amortization of goodwill	—	813	—	—	813	—	813
Provision for bad debts (Note 2)	29,761	30,245	14,634	1,406	76,048	—	76,048
Provision for loss on interest repayment	39,479	—	—	—	39,479	—	39,479
Increase in property, plant and equipment and intangible assets	677	175	245	62	1,160	—	1,160

(Notes) 1. The "Others" category represents operating revenue, profit, assets, and other items which are not included in the reported segments.

2. This item is the sum of provision of allowance for doubtful accounts and provision for loss on guarantees, etc.

3. The standard for the distribution of noncurrent assets to segments differs from the standard for the distribution of the relevant depreciation.

For the current fiscal year (from April 1, 2019, to March 31, 2020)

(Millions of yen)

	Reported segments					Others (Note 1)	Total
	Loan and credit card business	Guarantee business	Overseas financial business	Loan servicing business	Subtotal		
Operating revenue							
Operating revenue from external customers	149,266	68,569	56,314	5,358	279,508	1	279,510
Revenues from transactions with other operating segments	—	—	—	—	—	69	69
Total	149,266	68,569	56,314	5,358	279,508	71	279,579
Segment profit	28,056	25,000	22,394	464	75,915	71	75,986
Segment assets	918,185	41,889	201,814	7,706	1,169,596	15,397	1,184,993
Other items							
Depreciation	2,217	764	498	23	3,503	—	3,503
Amortization of goodwill	—	813	—	—	813	—	813
Provision for bad debts (Note 2)	35,661	29,420	15,361	1,058	81,501	—	81,501
Provision for loss on interest repayment	19,700	—	—	—	19,700	—	19,700
Increase in property, plant and equipment and intangible assets	1,644	53	86	34	1,818	—	1,818

(Notes) 1. The “Others” category represents operating revenue, profit, assets, and other items which are not included in the reported segments.

2. This item is the sum of provision of allowance for doubtful accounts and provision for loss on guarantees, etc.

3. The standard for the distribution of noncurrent assets to segments differs from the standard for the distribution of the relevant depreciation.

4. Reconciliation between the total amounts of reported segments and amounts in the consolidated financial statements

(Millions of yen)

Operating revenue	For the prior fiscal year	For the current fiscal year
Total reported segments	277,060	279,508
Operating revenue of “Others” category	78	71
Elimination of intersegment transactions	(69)	(68)
Adjustment due to unification of accounting treatment between parent company and subsidiaries, etc.	0	(0)
Operating revenue in the consolidated financial statements	277,069	279,510

(Millions of yen)

Profit	For the prior fiscal year	For the current fiscal year
Total reported segments	57,239	75,915
Profit of “Others” category	78	71
Elimination of intersegment transactions	48	14
Adjustment due to unification of accounting treatment between parent company and subsidiaries, etc.	241	(364)
Operating profit in the consolidated financial statements	57,607	75,636

(Millions of yen)

Assets	For the prior fiscal year	For the current fiscal year
Total reported segments	1,177,471	1,169,596
Assets of “Others” category	6,987	15,397
Elimination of intersegment assets	(23,828)	(16,686)
Corporate assets	148,843	123,111
Adjustment due to unification of accounting treatment between parent company and subsidiaries, etc.	(7,565)	(9,029)
Total assets in the consolidated financial statements	1,301,908	1,282,389

(Millions of yen)

Other items	Total reported segments		Others		Adjustment amount		Amounts in the consolidated financial statements	
	For the prior fiscal year	For the current fiscal year	For the prior fiscal year	For the current fiscal year	For the prior fiscal year	For the current fiscal year	For the prior fiscal year	For the current fiscal year
Depreciation	4,749	3,503	—	—	—	—	4,749	3,503
Amortization of goodwill	813	813	—	—	—	—	813	813
Provision for bad debts	76,048	81,501	—	—	(58)	415	75,989	81,916
Provision for loss on interest repayment	39,479	19,700	—	—	—	—	39,479	19,700
Increase of property, plant and equipment and intangible assets	1,160	1,818	—	—	597	1,282	1,758	3,100

(Note) The adjustment amount of increase of property, plant and equipment and intangible assets represents the amount of capital investment in corporate assets.

[Related information]

For the prior fiscal year (from April 1, 2018, to March 31, 2019)

1. Information about products and services

Information about products and services is omitted as operating revenue from external customers in “financial service businesses” accounts for more than 90% of operating revenue in the consolidated statement of income.

2. Information about geographic areas

(1) Operating revenue

(Millions of yen)

Japan	Overseas	Total
219,995	57,073	277,069

(Note) Operating revenue is categorized by country or region based on customers' location.

(2) Property, plant and equipment

Details of property, plant and equipment are omitted as amounts of property, plant and equipment located in Japan account for more than 90% of all property, plant and equipment listed in the consolidated balance sheet.

3. Information about major customers

No single external customer accounts for more than 10% of operating revenue in the consolidated statement of income.

For the current fiscal year (from April 1, 2019, to March 31, 2020)

1. Information about products and services

Information about products and services is omitted as operating revenue from external customers in “financial service businesses” accounts for more than 90% of operating revenue in the consolidated statement of income.

2. Information about geographic areas

(1) Operating revenue

(Millions of yen)

Japan	Overseas	Total
223,104	56,405	279,510

(Note) Operating revenue is categorized by country or region based on customers' location.

(2) Property, plant and equipment

Details of property, plant and equipment are omitted as amounts of property, plant and equipment located in Japan account for more than 90% of all property, plant and equipment listed in the consolidated balance sheet.

3. Information about major customers

No single external customer accounts for more than 10% of operating revenue in the consolidated statement of income.

[Information about impairment loss on noncurrent assets of each reported segment]  
For the prior fiscal year (from April 1, 2018, to March 31, 2019)

(Millions of yen)

	Loan and credit card business	Guarantee business	Overseas financial business	Loan servicing business	Others	Corporate/elimination (Note)	Total
Impairment loss	—	—	—	—	—	2,800	2,800

(Note) Represents impairment loss of our headquarters' welfare/leisure facilities for our employees that is not allocated to reported segments.

For the current fiscal year (from April 1, 2019, to March 31, 2020)

(Millions of yen)

	Loan and credit card business	Guarantee business	Overseas financial business	Loan servicing business	Others	Corporate/elimination (Note)	Total
Impairment loss	—	—	—	—	—	2,370	2,370

(Note) Represents impairment loss of idle assets that is not allocated to reported segments.

[Information about amortization of goodwill and unamortized balance of each reported segment]  
For the prior fiscal year (from April 1, 2018, to March 31, 2019)

(Millions of yen)

	Loan and credit card business	Guarantee business	Overseas financial business	Loan servicing business	Others	Corporate/elimination	Total
Amortization of goodwill	—	813	—	—	—	—	813
Goodwill at the end of the fiscal year	—	3,250	—	—	—	—	3,250

For the current fiscal year (from April 1, 2019, to March 31, 2020)

(Millions of yen)

	Loan and credit card business	Guarantee business	Overseas financial business	Loan servicing business	Others	Corporate/elimination	Total
Amortization of goodwill	—	813	—	—	—	—	813
Goodwill at the end of the fiscal year	—	2,436	—	—	—	—	2,436

[Information about gain on negative goodwill of each reported segment]  
For the prior fiscal year (from April 1, 2018, to March 31, 2019)  
Not applicable

For the current fiscal year (from April 1, 2019, to March 31, 2020)  
Not applicable

[Information on related parties]

1. Transactions between related parties

(1) Transactions between the Company and related parties

(i) Subsidiaries of the Company's parent company and the subsidiaries of other related companies of the Company

For the prior fiscal year (from April 1, 2018, to March 31, 2019)

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

(Millions of yen)						
Type	Name	Relationship	Summary of transactions	Amount of transaction	Item	Outstanding amount at the end of the fiscal year
Companies of the same parent company	Mitsubishi UFJ Trust and Banking Corporation	Borrowing	Borrowing of the capital	Repayment 167,558	—	—
			Payment of interest	73	—	—
	MUFG Bank, Ltd.	Borrowing	Borrowing of the capital	Borrowing 340,859	Commercial papers	21,999
					Current portion of long-term loans payable	63,454
				Repayment 169,312	Long-term loans payable	147,322
			Payment of interest	2,412	Other current liabilities	13
		Guarantee of liabilities	Receiving of guarantee fees for unsecured loans of the bank	24,545	Other current assets	6,249
			Outstanding guarantee obligation for unsecured loans issued by the bank	618,836	—	—

(Notes) Terms and conditions of the transactions and their policies

- Interest rates of borrowing from Mitsubishi UFJ Trust and Banking Corporation and MUFG Bank, Ltd. are the money market rates.
- Guarantee commission rates on the debt guarantees for consumer loan by MUFG Bank, Ltd. are 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.
- Borrowing from Mitsubishi UFJ Trust and Banking Corporation was transferred to MUFG Bank, Ltd. as of April 16, 2018, as a result of a functional reorganization of Mitsubishi UFJ Financial Group, Inc. The repayment amount for the above-stated transaction with Mitsubishi UFJ Trust and Banking Corporation corresponds to borrowing of the capital transferred to MUFG Bank, Ltd. The same amount is included in the amount of borrowing in the transaction amount with MUFG Bank, Ltd.

For the current fiscal year (from April 1, 2019, to March 31, 2020)

(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	—

(Millions of yen)						
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
					Current portion of long-term loans payable	34,384
				Repayment 149,454	Long-term loans payable	176,938
			Payment of interest	1,638	Other current liabilities	2
		Guarantee of liabilities	Receiving of guarantee fees for unsecured loans of the bank	22,600	Other current assets	5,678
			Outstanding guarantee obligation for unsecured loans issued by the bank	613,928	—	—
		—	Sales of subsidiaries and affiliates' stock	Proceeds from sales 17,459 Gain on sales 9,875	—	—

(Notes) Terms and conditions of the transactions and their policies

1. Interest rates of borrowing from MUFG Bank, Ltd. are the money market rates.
2. Guarantee commission rates on the debt guarantees for consumer loan by MUFG Bank, Ltd. are 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.
3. 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., and the Company received the consideration in a lump sum payment.

(ii) Directors of the Company and major individual shareholders, etc.

For the prior fiscal year (from April 1, 2018, to March 31, 2019)

Not applicable

For the current fiscal year (from April 1, 2019, to March 31, 2020)

Not applicable



(2) Transactions between consolidated subsidiaries of the Company and related parties

(i) Subsidiaries of the Company's parent company and the subsidiaries of other related companies of the Company

For the prior fiscal year (from April 1, 2018, to March 31, 2019)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Companies of the same parent company	Bank of Ayudhya Public Company Limited	Bangkok, Kingdom of Thailand	(Million THB) 73,557	Banking business	—

Type	Name	Relationship	Summary of transactions	Amount of transaction (Million yen)	Item	Outstanding amount at the end of the fiscal year (Million yen)
Companies of the same parent company	Bank of Ayudhya Public Company Limited	Borrowing	Borrowing of the capital	Borrowing 10,410	Short-term loans payable	1,125
					Current portion of long-term loans payable	1,023
				Repayment 7,743	Long-term loans payable	11,539
			Payment of interest	388	Other current liabilities	72

(Note) Terms and conditions of transactions and their policies

Interest rates of borrowing from Bank of Ayudhya Public Company Limited are the money market rates.

For the current fiscal year (from April 1, 2019, to March 31, 2020)

Type	Name	Location	Paid-in capital	Business outline	Ratio of voting rights holding (held)
Companies of the same parent company	Bank of Ayudhya Public Company Limited	Bangkok, Kingdom of Thailand	(Million THB) 73,557	Banking business	—

Type	Name	Relationship	Summary of transactions	Amount of transaction (Million yen)	Item	Outstanding amount at the end of the fiscal year (Million yen)
Companies of the same parent company	Bank of Ayudhya Public Company Limited	Borrowing	Borrowing of the capital	Borrowing 14,467	Short-term loans payable	1,452
					Current portion of long-term loans payable	1,089
				Repayment 11,756	Long-term loans payable	14,825
			Payment of interest	438	Other current liabilities	102

(Note) Terms and conditions of transactions and their policies

Interest rates of borrowing from Bank of Ayudhya Public Company Limited are the money market rates.

(ii) Directors of the Company and major individual shareholders, etc.

For the prior fiscal year (from April 1, 2018, to March 31, 2019)

Not applicable

For the current fiscal year (from April 1, 2019, to March 31, 2020)

Not applicable

2. Notes to the parent company or other significant affiliated companies

(1) Information on the parent company

Mitsubishi UFJ Financial Group, Inc.

(Listed on the Tokyo Stock Exchange, Nagoya Stock Exchange, and New York Stock Exchange)

(2) Financial statements of other significant affiliated company

Disclosure is omitted as the information for the current fiscal year is not significant.

(Per Share Information)

Item	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Net assets per share	227.35 yen	265.11 yen
Basic earnings per share	24.12 yen	38.04 yen

Notes: 1. Diluted earnings per share is not stated because there is no dilutive security.

2. The basis for calculation of Basic earnings per share is as follows.

(Millions of yen unless otherwise stated)

Item	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Profit attributable to owners of parent	37,781	59,600
Profit not attributable to common shareholders	—	—
Profit attributable to owners of parent in relation to common stock	37,781	59,600
Weighted average number of common stock during the fiscal year	1,566,614,208 shares	1,566,614,197 shares

3. The basis for calculation of net assets per share is as follows.

(Millions of yen unless otherwise stated)

Item	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Total net assets	381,501	442,496
Amount deducted from total net assets	25,327	27,173
[Non-controlling interests included in the above]	[25,327]	[27,173]
Amounts of net assets related to common stock at the end of the fiscal year	356,174	415,322
Number of common stock used to calculate net assets per share at the end of the fiscal year	1,566,614,208 shares	1,566,614,168 shares

(Significant Subsequent Events)

Not applicable

5) Consolidated supplemental schedules  
[Schedule of bonds]

Company	Description	Date of issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
The Company	65th Issuance of Domestic Unsecured Bonds (Public Offering)	February 28, 2014	18,000	—	—	—	—
	66th Issuance of Domestic Unsecured Bonds (Public Offering)	February 28, 2014	18,000	18,000 (18,000)	0.900	—	February 26, 2021
	67th Issuance of Domestic Unsecured Bonds (Public Offering)	June 6, 2014	10,000	—	—	—	—
	68th Issuance of Domestic Unsecured Bonds (Public Offering)	June 6, 2014	20,000	20,000 (—)	0.950	—	June 6, 2022
	69th Issuance of Domestic Unsecured Bonds (Public Offering)	September 26, 2014	20,000	20,000 (—)	1.210	—	September 26, 2024
	8th Issuance of Domestic Unsecured Bonds (Private Placement)	March 31, 2015	10,000	10,000 (—)	0.367 (Note 3)	—	March 31, 2022
	71st Issuance of Domestic Unsecured Bonds (Public Offering)	May 29, 2015	15,000	15,000 (15,000)	0.560	—	May 29, 2020
	72nd Issuance of Domestic Unsecured Bonds (Public Offering)	June 3, 2016	10,000	10,000 (—)	0.370	—	June 3, 2021
	73rd Issuance of Domestic Unsecured Bonds (Public Offering)	February 28, 2017	10,000	10,000 (—)	0.369	—	February 28, 2022
	74th Issuance of Domestic Unsecured Bonds (Public Offering)	February 28, 2017	10,000	10,000 (—)	0.590	—	February 28, 2024
	75th Issuance of Domestic Unsecured Bonds (Public Offering)	February 28, 2018	25,000	25,000 (—)	0.309	—	February 28, 2023
	76th Issuance of Domestic Unsecured Bonds (Public Offering)	August 30, 2018	10,000	10,000 (—)	0.140	—	August 30, 2021
	77th Issuance of Domestic Unsecured Bonds (Public Offering)	August 30, 2018	15,000	15,000 (—)	0.274	—	August 30, 2023
	78th Issuance of Domestic Unsecured Bonds (Public Offering)	August 30, 2019	—	10,000 (—)	0.380	—	August 28, 2026
	79th Issuance of Domestic Unsecured Bonds (Public Offering)	February 28, 2020	—	20,000 (—)	0.290	—	February 28, 2025

Company	Description	Date of issuance	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Interest rate (%)	Collateral	Maturity
EASY BUY Public Company Limited	6th privately offered unsecured bonds	September 26, 2014	3,289 [964 million baht]	—	—	—	—
	7th privately offered unsecured bonds	February 24, 2015	3,886 [1,139 million baht]	4,136 (4,136) [1,139 million baht]	3.491	—	February 24, 2020
	9th privately offered unsecured bonds	March 12, 2015	3,410 [1,000 million baht]	3,630 (3,630) [1,000 million baht]	4.100	—	March 12, 2020
	11th privately offered unsecured bonds	September 30, 2015	1,705 [500 million baht]	1,815 (1,815) [500 million baht]	3.080	—	September 30, 2020
	12th privately offered unsecured bonds	February 25, 2016	6,820 [2,000 million baht]	—	—	—	—
	13th privately offered unsecured bonds	February 25, 2016	6,820 [2,000 million baht]	7,260 (—) [2,000 million baht]	2.560	—	February 25, 2021
	14th privately offered unsecured bonds	September 15, 2016	3,410 [1,000 million baht]	3,630 (—) [1,000 million baht]	2.990	—	September 15, 2023
	15th privately offered unsecured bonds	September 15, 2016	3,410 [1,000 million baht]	—	—	—	—
	16th privately offered unsecured bonds	March 30, 2017	5,115 [1,500 million baht]	5,445 (5,445) [1,500 million baht]	3.020	—	March 30, 2022
	17th privately offered unsecured bonds	June 7, 2017	3,410 [1,000 million baht]	3,630 (—) [1,000 million baht]	3.370	—	June 7, 2024
	18th privately offered unsecured bonds	November 24, 2017	3,410 [1,000 million baht]	3,630 (—) [1,000 million baht]	2.220	—	November 24, 2021
	19th privately offered unsecured bonds	April 27, 2018	3,410 [1,000 million baht]	3,630 (—) [1,000 million baht]	1.990	—	April 27, 2021
	20th privately offered unsecured bonds	October 22, 2018	5,115 [1,500 million baht]	5,445 (—) [1,500 million baht]	2.500	—	October 22, 2020
	21st privately offered unsecured bonds	April 29, 2019	—	5,445 (—) [1,500 million baht]	2.460	—	January 28, 2022
	22nd privately offered unsecured bonds	July 26, 2019	—	3,630 (—) [1,000 million baht]	2.240	—	July 22, 2022
Total	—	—	244,211	244,326 (48,026)	—	—	—

- (Notes) 1. Figures in parentheses “( )” in the columns of “Balance at the end of current fiscal year” represent the current portions.
2. Figures in brackets “[ ]” in the columns of “Balance at the beginning of current fiscal year” and “Balance at the end of current fiscal year” are stated in a foreign currency.
3. Because of the bond with the variable interest rate, the applicable interest rate as of the end of March 2020 is stated.
4. The redemption schedule of bonds for 5 years subsequent to March 31, 2020, is summarized as follows:

(Millions of yen)				
Due within 1 year	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
48,026	54,520	59,520	28,630	43,630

[Schedule of loans]

Category	Balance at the beginning of current fiscal year (Millions of yen)	Balance at the end of current fiscal year (Millions of yen)	Average interest rate (%)	Maturity
Short-term loans payable	11,547	15,330	1.56	—
Commercial papers	39,998	29,998	0.05	—
Current portion of long-term loans payable	146,714	91,048	1.04	—
Current portion of lease obligations	523	405	2.06	—
Long-term loans payable (excluding current portion)	282,671	333,388	0.67	From January 29, 2021 to March 31, 2026
Lease obligations (excluding current portion)	896	642	1.85	From December 31, 2020 to June 28, 2024
Other interest-bearing debt (Deposits of banking business)	52,319	—	—	—
Total	534,670	470,815	—	—

- (Notes) 1. To calculate “Average interest rate,” fiscal year-end interest rates and balances are used.  
2. The redemption schedule of long-term loans payable and lease obligations (excluding current portion) for 5 years subsequent to March 31, 2020, is summarized as follows:

(Millions of yen)

Category	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Long-term loans payable	66,565	83,217	58,991	71,615
Lease obligations	371	186	75	9

[Schedule of asset retirement obligations]

The amounts of asset retirement obligations at the beginning and the end of the current fiscal year are not larger than 1% of the total liabilities and net assets at the beginning and the end of the current fiscal year. Therefore, the schedule of asset retirement obligations is not disclosed in accordance with Article 92-2 of the Regulations for Consolidated Financial Statements.

## (2) [Others]

## Quarterly Information for the current fiscal year

(Millions of yen unless otherwise stated)

Cumulative period	First Quarter (Three months ended June 30, 2019)	Second Quarter (Six months ended Sept. 30, 2019)	Third Quarter (Nine months ended Dec. 31, 2019)	Fourth Quarter (Fiscal year ended March 31, 2020)
Operating revenue	69,735	139,290	208,986	279,510
Profit before income taxes	31,732	55,235	79,785	80,011
Profit attributable to owners of parent	26,670	45,098	64,702	59,600
Basic earnings per share (Yen)	17.02	28.79	41.30	38.04

Each quarter	First Quarter (From April 1, 2019 to June 30, 2019)	Second Quarter (From July 1, 2019 to Sept. 30, 2019)	Third Quarter (From Oct. 1, 2019 to Dec. 31, 2019)	Fourth Quarter (From Jan. 1, 2020 to March 31, 2020)
Basic earnings (loss) per share (Yen)	17.02	11.76	12.51	(3.26)

## 2. Non-consolidated Financial Statements, etc.

## (1) Non-consolidated Financial Statements

## 1) Non-consolidated Balance Sheet

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	72,826	78,870
Accounts receivable - operating loans	*2, *3, *5 821,943	*2, *3, *5 840,847
Accounts receivable - installment	*6 63,137	*6 75,035
Raw materials and supplies	34	27
Prepaid expenses	763	1,018
Accrued income	15,833	15,378
Short-term loans receivable from subsidiaries and affiliates	1,300	1,250
Right to reimbursement	52,608	54,351
Other	3,483	3,012
Allowance for doubtful accounts	(58,410)	(63,470)
Total current assets	973,522	1,006,323
Noncurrent assets		
Property, plant and equipment		
Buildings	19,561	18,587
Accumulated depreciation	(16,713)	(15,888)
Buildings, net	2,847	2,699
Structures	3,411	3,164
Accumulated depreciation	(2,744)	(2,574)
Structures, net	667	589
Equipment	18,109	16,419
Accumulated depreciation	(9,139)	(9,283)
Equipment, net	8,969	7,135
Land	3,123	3,123
Lease assets	4,130	4,115
Accumulated depreciation	(2,868)	(3,209)
Lease assets, net	1,261	905
Total property, plant and equipment	16,869	14,453
Intangible assets		
Goodwill	3,250	2,436
Leasehold right	4	4
Software	4,593	4,515
Telephone subscription right	36	36
Other	1	1
Total intangible assets	7,886	6,994
Investments and other assets		
Investment securities	823	819
Stocks of subsidiaries and affiliates	21,437	14,410
Claims provable in bankruptcy, claims provable in rehabilitation and other	*3 1,589	*3 1,507
Long-term prepaid expenses	1,920	2,372
Deferred tax assets	36,919	33,921
Guarantee deposits	4,598	4,544
Prepaid pension costs	5,458	5,264
Other	483	670
Allowance for doubtful accounts	(990)	(930)
Total investments and other assets	72,240	62,579
Total noncurrent assets	96,996	84,028
<b>Total assets</b>	<b>1,070,518</b>	<b>1,090,351</b>



	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	494	673
Commercial papers	39,998	29,998
Current portion of long-term loans payable	*4 134,718	*4 79,006
Current portion of bonds	28,000	33,000
Lease obligations	521	403
Accounts payable - other	3,270	2,163
Accrued expenses	8,419	8,222
Income taxes payable	5,348	5,127
Deposits received	350	283
Provision for loss on guarantees	*1 8,850	*1 8,640
Asset retirement obligations	10	31
Other	337	201
Total current liabilities	230,319	167,751
Noncurrent liabilities		
Bonds payable	163,000	160,000
Long-term loans payable	*4 258,876	*4 310,339
Lease obligations	890	638
Provision for loss on interest repayment	102,300	87,600
Asset retirement obligations	3,901	4,103
Other	438	152
Total noncurrent liabilities	529,406	562,834
Total liabilities	759,726	730,585
<b>Net assets</b>		
Shareholders' equity		
Capital stock	63,832	63,832
Capital surplus		
Legal capital surplus	72,322	72,322
Other capital surplus	3,687	3,687
Total capital surpluses	76,010	76,010
Retained earnings		
Legal retained earnings	4,320	4,320
Other retained earnings		
General reserve	80,000	80,000
Retained earnings brought forward	106,422	155,396
Total retained earnings	190,743	239,716
Treasury stock	(19,794)	(19,794)
Total shareholders' equity	310,792	359,765
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(0)	0
Total valuation and translation adjustments	(0)	0
Total net assets	310,792	359,765
Total liabilities and net assets	1,070,518	1,090,351

## 2) Non-consolidated Statement of Income

(Millions of yen)

	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Operating revenue		
Interest on operating loans	123,474	126,516
Revenue from credit card business	7,773	9,198
Revenue from credit guarantee	51,231	49,635
Other financial revenue		
Interest on deposits	0	0
Interest on securities	0	0
Foreign exchange gains	10	1
Total other financial revenue	11	2
Other operating revenue	21,145	21,614
Total operating revenue	203,636	206,968
Operating expenses		
Financial expenses		
Interest expenses	3,652	2,581
Interest on bonds	1,349	1,248
Amortization of bond issuance cost	130	162
Other	487	656
Total financial expenses	5,619	4,648
Other operating expenses		
Advertising expenses	11,800	12,622
Provision of allowance for doubtful accounts	48,057	53,310
Provision for loss on guarantees	8,850	8,640
Provision for loss on interest repayment	39,479	19,700
Employees' salaries and bonuses	12,300	13,126
Retirement benefit expenses	644	1,245
Welfare expenses	1,997	2,088
Rent expenses	4,940	4,777
Depreciation	3,629	2,897
Commission fee	19,476	19,514
Amortization of goodwill	813	813
Other	12,391	14,308
Total other operating expenses	164,381	153,045
Total operating expenses	170,000	157,694
Operating profit	33,635	49,273

	(Millions of yen)			
	Prior fiscal year (From April 1, 2018 to March 31, 2019)		Current fiscal year (From April 1, 2019 to March 31, 2020)	
Non-operating income				
Interest income	*1	42	*1	12
Interest on securities		0		–
Dividend income	*1	3,449	*1	7,669
Other	*1	467	*1	366
Total non-operating income		3,960		8,048
Non-operating expenses				
Interest expenses		30		22
Foreign exchange losses		31		931
Other		61		15
Total non-operating expenses		124		969
Ordinary profit		37,472		56,352
Extraordinary income				
Gain on sales of noncurrent assets	*2	345	*2	0
Gain on sales of investment securities		3		–
Gain on sales of stocks of subsidiaries and affiliates		–		10,824
Total extraordinary income		348		10,824
Extraordinary loss				
Loss on sales of noncurrent assets	*3	258	*3	0
Loss on retirement of noncurrent assets	*4	185	*4	210
Impairment loss		2,800		2,370
Loss on sales of investment securities		–		1
Loss on valuation of investment securities		6		–
Loss on valuation of stocks of subsidiaries and affiliates		–		454
Other	*5	1	*5	2
Total extraordinary losses		3,252		3,040
Profit before income taxes		34,568		64,136
Income taxes-current		5,492		7,464
Income taxes-deferred		(851)		2,998
Total income taxes		4,640		10,463
Profit		29,927		53,673

3) Non-consolidated Statement of Changes in Net Assets  
For the prior fiscal year (from April 1, 2018, to March 31, 2019)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total legal retained earnings		
						General reserve	Retained earnings brought forward			
Beginning balance	63,832	72,322	3,687	76,010	4,320	80,000	79,627	163,948	(19,794)	283,997
Changes of items during the period										
Dividends from surplus							(3,133)	(3,133)		(3,133)
Profit							29,927	29,927		29,927
Purchase of treasury stock										
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	—	—	—	—	26,794	26,794	—	26,794
Ending balance	63,832	72,322	3,687	76,010	4,320	80,000	106,422	190,743	(19,794)	310,792

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Beginning balance	0	0	283,997
Changes of items during the period			
Dividends from surplus			(3,133)
Profit			29,927
Purchase of treasury stock			—
Net changes of items other than shareholders' equity	(0)	(0)	(0)
Total changes of items during the period	(0)	(0)	26,794
Ending balance	(0)	(0)	310,792

For the current fiscal year (from April 1, 2019, to March 31, 2020)

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings				Treasury stock	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total legal 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 from 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 from 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]

(Significant accounting policies)

1. Evaluation standards and methods for marketable securities

(1) Stocks of subsidiaries and affiliates

Stated at cost by the moving-average method

(2) Other marketable securities

1) 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.

2) 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

4. Depreciation and amortization methods for noncurrent assets

(1) Property, plant and equipment (excluding lease assets): Declining balance method

Useful lives of assets are principally as follows:

Buildings: 1 to 47 years

Structures: 3 to 45 years

Equipment: 2 to 20 years

(2) Intangible assets (excluding lease assets): Straight-line method

Period of amortization is principally as follows:

Goodwill: 10 to 15 years

Software for internal use: Estimated useful life of 5 years

(3) 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 residual value equaling zero

(4) Long-term prepaid expenses: Depreciated by the equal installment method

5. Accounting method for deferred assets

Bond issuance costs are fully charged to expenses when they are paid.

6. Accounting policies for the translation of foreign currency-denominated assets and liabilities into Japanese yen

Foreign currency monetary-denominated claims and obligations are translated into Japanese yen, using the spot exchange rates on the closing date of accounting and the resulting translation gains and losses are recognized as income and expenses.

7. Accounting standards for allowances and provisions

(1) Allowance for doubtful accounts

To provide for potential loss on accounts receivable - operating loans and other receivables, 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.

(2) 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.

(3) Provision for retirement benefits

To provide for employees' retirement benefits, the Company makes a provision for retirement benefits, based on the projected amount of retirement benefit obligations and related pension assets at the end of the current 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.

1) Periodic allocation of projected retirement benefits

In calculating retirement benefit obligations, the attribution on a benefit formula basis is applied for allocation of projected benefits to the periods until the end of the current fiscal year.

2) Amortization of actuarial differences and past service costs

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.

(4) 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.

8. Accounting standards for revenue and expenses

(1) 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.

(2) 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

(3) 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 are calculated pursuant to the prescribed rates applicable to the relevant credit balance.

9. 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 in accordance with its internal rules. 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.

10. Other significant matters providing the basis for the preparation of financial statements

(1) Accounting for retirement benefits

The method for accounting for unrecognized actuarial differences and unrecognized past service costs is different from that applied for the consolidated financial statements.

(2) 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 when incurred.

In addition, accrued consumption tax payable is included in “Other” in current liabilities on the balance sheet.

(3) Adoption of consolidated taxation system

The Company adopts the consolidated taxation system.

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

As for the transition to the group tax sharing system established in the “Act for Partial Amendment to the Income Tax Act, etc. (Act No. 8 of 2020)” as well as the items reviewed under the non-consolidated taxation system in conjunction 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),” in accordance with the treatment under 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 (PITF No. 39; March 31, 2020).” The amounts of deferred tax assets and deferred tax liabilities are calculated based on the provisions of the Income Tax Act before the revision.

(Changes in Presentation)

<Non-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” in the current fiscal year. To reflect this change in presentation, the financial statements for the prior fiscal year have been reclassified.

As a result, 55 million yen of “Loss on cancellation of insurance policies” and 6 million yen of “Other” under non-operating expenses of the non-consolidated statement of income for the prior fiscal year has been reclassified into 61 million yen of “Other.”



(Notes to Non-consolidated Balance Sheet)

\*1. Contingent liabilities

(1) Outstanding guarantee obligation in the guarantee business

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Guarantee obligation	1,058,760	1,071,640
Provision for loss on guarantees	8,850	8,640
Net	1,049,910	1,063,000

(2) Outstanding guarantee obligation to loans payable, etc. of subsidiaries and affiliates

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
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\*2. Commitment line contracts for accounts receivable - operating loans

Prior fiscal year (As of March 31, 2019)

Contracts for accounts receivable - operating loans primarily take the form of revolving credit-line contracts whereby a facility indicating a maximum loanable amount is assigned to a customer who is then able to borrow repeatedly within the limit of the facility, provided that contract terms have not been violated. Outstanding unexercised portions of such facilities amounted to 386,385 million yen at the end of the fiscal year. This included a total of 217,588 million yen of unexercised amounts remaining in the accounts of customers with zero outstanding balances at the end of the fiscal year.

A certain portion of revolving credit-line contracts lapse without being used. Therefore, the amount of outstanding unexercised facilities will not necessarily affect the future cash flow of the Company.

Contracts contain provisions allowing the Company to reject applications for additional borrowing or reduce the facility in case of changes in the customer's credit standing or other material reasons. Outstanding contracts are regularly examined according to internal procedures to determine the credit standing of customers and other pertinent information. When necessary, contracts are reviewed and measures are taken to preserve loan assets.

Current fiscal year (As of March 31, 2020)

Contracts for accounts receivable - operating loans primarily take the form of revolving credit-line contracts whereby a facility indicating a maximum loanable amount is assigned to a customer who is then able to borrow repeatedly within the limit of the facility, provided that contract terms have not been violated. Outstanding unexercised portions of such facilities amounted to 414,342 million yen at the end of the fiscal year. This included a total of 244,018 million yen of unexercised amounts remaining in the accounts of customers with zero outstanding balances at the end of the fiscal year.

A certain portion of revolving credit-line contracts lapse without being used. Therefore, the amount of outstanding unexercised facilities will not necessarily affect the future cash flow of the Company.

Contracts contain provisions allowing the Company to reject applications for additional borrowing or reduce the facility in case of changes in the customer's credit standing or other material reasons. Outstanding contracts are regularly examined according to internal procedures to determine the credit standing of customers and other pertinent information. When necessary, contracts are reviewed and measures are taken to preserve loan assets.

\*3. Status of non-performing loans in accounts receivable - operating loans

Losses on unsecured consumer loans to bankrupt parties are written off at the time bankruptcy is declared. For this reason, loans to bankrupt parties include those to debtors who have petitioned for bankruptcy as of the end of the fiscal year, but have not yet been declared bankrupt. This entire amount is charged to the allowance for doubtful accounts.

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Loans to debtors who have petitioned for bankruptcy, but have not yet been declared bankrupt	275	316

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Loans to bankrupt parties	769	652
Loans in arrears	24,140	25,746
Loans overdue by three months or more	1,839	2,385
Restructured loans	31,302	31,276
Total	58,052	60,061

Notes:

1. Loans to bankrupt parties refer to loans to bankrupt parties, parties in rehabilitation and reorganization, and others which are loans where interest is not accrued.
2. Loans in arrears refer to other loans where interest is not accrued, excluding loans on which interest payment is deferred for the purpose of reconstructing or assisting debtors.
3. Loans overdue by three months or more refer to loans other than the above that are overdue by three months or more.
4. Restructured loans refer to loans other than the above that are restructured on favorable terms for debtors, such as reduction or waiving of interest, in order to facilitate collection of an outstanding balance.

\*4. Agreements for overdraft and commitment facilities

For efficient procurement of working capital, the Company maintains overdraft contracts and designated commitment line contracts with financial institutions. The unexercised portion of facilities based on these contracts is as follows.

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Amount of agreement for overdraft and commitment line	44,600	44,600
Amount of borrowing	—	—
Net	44,600	44,600

\*5. Amount of unsecured consumer loans in accounts receivable - operating loans (Millions of yen)

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Unsecured consumer loans in accounts receivable - operating loans	816,738	836,604

\*6. Balances of accounts receivable - installment by business categories

All of accounts receivable - installment is from the credit card business.

(Notes to Non-consolidated Statement of Income)

- \*1. The business operation results with subsidiaries and affiliates are included into non-operating income as follows:

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Interest income	38	9
Dividends income	3,433	7,643
Guarantee commission received	—	0
Part-time director's bonus	3	3
Total	3,475	7,657

- \*2. Breakdown of gain on sales of noncurrent assets

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Buildings	344	—
Vehicles	0	—
Equipment	0	0
Total	345	0

- \*3. Breakdown of loss on sales of noncurrent assets

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Structures	1	—
Equipment	6	0
Land	250	—
Total	258	0

- \*4. Loss on retirement of noncurrent assets mainly results from transfer of operating outlets, remodeling of interior and change of signboards. The breakdown thereof is set out below.

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Buildings	107	150
Structures	63	46
Equipment	13	14
Total	185	210

\*5. Breakdown of other extraordinary loss

	(Millions of yen)	
	Prior fiscal year (From April 1, 2018 to March 31, 2019)	Current fiscal year (From April 1, 2019 to March 31, 2020)
Lump sum amortization of long-term prepaid expenses	0	0
Losses on retirement, including amortization of lease and guarantee deposits	1	1
Loss on sales of golf club memberships	0	—
Total	1	2

6. Basis for classification of financial revenue and financial expenses on Non-consolidated statement of income

(1) Financial revenue stated as operating revenue

Includes all financial revenue, excluding interest on loans and dividends income related to subsidiaries and affiliates, and dividends and interest on investment securities.

(2) Financial expenses stated as operating expenses

Include all financial expenses, excluding interest expenses, etc. which have no relationship to operating revenue.

(Notes to Securities)

Subsidiaries and affiliates' stocks

For the prior fiscal year (As of March 31, 2019)

(Millions of yen)

Category	Book value	Market value	Difference
Subsidiaries' stocks	6,572	9,277	2,704
Affiliates' stocks	—	—	—
Total	6,572	9,277	2,704

For the current fiscal year (As of March 31, 2020)

Not applicable

(Note) Subsidiaries and affiliates' stocks whose market values appear to be extremely difficult to determine:

(Millions of yen)

Category	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Subsidiaries' stocks	14,365	13,910
Affiliates' stocks	500	500
Total	14,865	14,410

For above mentioned stocks, quoted market prices are not available. Accordingly, their market values appear to be extremely difficult to determine.

(Notes to the Method of Tax Effect Accounting)

1. Breakdown of major factors that resulted in deferred tax assets and liabilities

	(Millions of yen)	
	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Deferred tax assets		
Bad debt expenses	19,499	21,540
Allowance for doubtful accounts	7,280	6,230
Provision for loss on guarantees	2,709	2,645
Provision for loss on interest repayment	31,324	26,823
Accrued bonuses	437	461
Unrecognized accrued interest	499	668
Software	3,604	4,398
Deferred assets	282	292
Deferred consumption taxes	353	415
Loss on valuation of securities	163	148
Loss on valuation of shares of subsidiaries and affiliates	1,034	139
Enterprise tax payable	391	424
Impairment loss	255	981
Asset retirement obligations	1,099	1,182
Stock dividends	3,493	3,493
Retained tax loss	99,976	59,367
Other	395	431
Deferred tax assets (subtotal)	172,802	129,643
Valuation allowance pertaining to retained tax loss	(93,650)	(52,536)
Valuation allowance pertaining to total deductible temporary difference	(40,560)	(41,573)
Valuation allowance (subtotal)	(134,211)	(94,109)
Deferred tax assets (total)	38,591	35,533
Deferred tax liabilities		
Prepaid pension costs	1,671	1,611
Total deferred tax liabilities	1,671	1,611
Balance of net deferred tax assets	36,919	33,921

2. Breakdown of items which caused the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting

	Prior fiscal year (As of March 31, 2019)	Current fiscal year (As of March 31, 2020)
Normal effective statutory tax rate	30.6%	30.6%
(Adjustment)		
Changes in valuation allowance	(73.9%)	(62.5%)
Amortization of goodwill	0.7%	0.4%
Dividends income and other items not counted for tax purposes	(3.0%)	(3.6%)
Withholding income tax relating to dividends from overseas subsidiaries	0.6%	0.6%
Expiration of retained loss	57.9%	50.9%
Other	0.5%	(0.1%)
Actual effective tax rate	13.4%	16.3%

(Notes to Business Combinations, etc.)

Notes are omitted because the same description is stated in the “Notes to Business Combinations, etc.” in the Consolidated Financial Statements.

(Significant Subsequent Events)

Not applicable

4) [Supplemental schedules]  
 [Schedule of marketable securities]  
 [Stocks]

Name			Number of shares	Book value (Millions of yen)
Investment securities	Other securities	Japan Credit Information Reference Center Corp.	24,234	737
		Koganei Golf Co., Ltd.	1	40
		Others (19 brands)	1,121,849	38
Total			1,146,084	817

[Others]

Classification and name			Number of units invested, etc.	Book value (Millions of yen)
Investment securities	Other securities	Equity in limited investment partnership (one brand)	5	1
Total			5	1



[Schedule of property, plant and equipment, etc.]

(Millions of yen)

Type of asset	Balance at the beginning of current period	Increase during the period	Decrease during the period	Balance at the end of current period	Accumulated depreciation or amortization at end of current fiscal year	Depreciation or amortization during the period	Balance at end of current fiscal year, net of accumulated depreciation or amortization
Property, plant and equipment							
Buildings	19,561	362	1,336	18,587	15,888	360	2,699
Structures	3,411	43	291	3,164	2,574	74	589
Equipment	18,109	1,116	2,806 (2,370)	16,419	9,283	564	7,135
Land	3,123	—	—	3,123	—	—	3,123
Lease assets	4,130	143	158	4,115	3,209	499	905
Total property, plant and equipment	48,336	1,666	4,592 (2,370)	45,409	30,955	1,499	14,453
Intangible assets							
Goodwill	12,008	—	—	12,008	9,572	813	2,436
Leasehold right	4	—	—	4	—	—	4
Software	11,863	1,303	—	13,167	8,651	1,381	4,515
Telephone subscription right	36	—	—	36	—	—	36
Other (right to use specific communication channel, etc.)	13	—	—	13	12	—	1
Total intangible assets	23,926	1,303	—	25,230	18,235	2,194	6,994
Long-term prepaid expenses	3,903	1,316	999	4,221	1,849	28	2,372

(Note) Figures in brackets “( )” in the column of “Decrease during the period” represents the amounts of impairment losses for the current fiscal year.

[Schedule of allowances]

(Millions of yen)

Category	Balance at the beginning of current fiscal year	Increase during the period	Decrease during the period		Balance at the end of current fiscal year
			Used for primary purposes	Others	
Allowance for doubtful accounts	59,400	62,199	57,160	38	64,400
Provision for loss on guarantees	8,850	8,640	8,850	—	8,640
Provision for loss on interest repayment	102,300	19,700	34,400	—	87,600

(Note) “Decrease during the period (others)” in the amount of “Allowance for doubtful accounts” consists of the following.

Reversal due to payment

38 million yen

(2) Details of major assets and liabilities

This information is omitted because the Company prepares consolidated financial statements.

(3) Others

Not applicable

## VI. Stock-Related Administration for the Filing Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	In June
Record date	March 31
Record date for distribution from surplus	September 30 and March 31
Number of shares constituting one unit	100 shares
Purchase of shares of less than one unit	
Handling office	(Special account) 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency Department
Transfer agent	(Special account) 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Forward office	—
Purchasing fee	Amount separately specified as an amount equivalent to the fees pertaining to the entrustment of sale and purchase of shares
Method of public notice	The Company's method of public notice is through electronic public notice. However, if the above-mentioned method of public notice is not possible due to an accident or through other compelling reasons, then Nihon Keizai Shimbun will be adopted as its medium. The Company's electronic public notice is posted on our home page, and the following is the address: <a href="https://www.acom.co.jp">https://www.acom.co.jp</a>
Shareholders' privileges	None

(Note) The Company's shareholders, concerning the possession of shares of less than one unit, are not able to exercise their rights other than the rights that are stipulated in the following:

- (1) The rights stipulated in each item of Article 189, Paragraph 2, of the Companies Act;
- (2) The right to demand what is stipulated under Article 166, Paragraph 1, of the Companies Act;  
and
- (3) The right to receive an allotment of offered shares and offered new stock acquisition rights in proportion to the number of shares held.

## VII. Reference Information on the Filing Company

### 1. Information on a Parent Company, etc. of the Filing Company

The Company does not have a parent company or other entity that is provided in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

### 2. Other Reference Information

The Company submitted the following documents during the period from the starting date of the current fiscal year to the date on which the Annual Securities Report was submitted.

#### (1) Shelf Registration Statement (straight bond) and documents attached thereto

Submitted to the Director-General of the Kanto Local Finance Bureau on July 2, 2019

#### (2) Shelf Registration Supplement (straight bond) and documents attached thereto

Submitted to the Director-General of the Kanto Local Finance Bureau on August 23, 2019

Submitted to the Director-General of the Kanto Local Finance Bureau on February 21, 2020

#### (3) Annual Securities Report and documents attached thereto, and Confirmation Letter thereof

The Annual Securities Report for the 42nd fiscal year (from April 1, 2018, to March 31, 2019) and documents attached thereto, and Confirmation Letter thereof were submitted to the Director-General of the Kanto Local Finance Bureau on June 21, 2019.

#### (4) Internal Control Report

The Internal Control Report was submitted to the Director-General of the Kanto Local Finance Bureau on June 21, 2019.

#### (5) Quarterly Securities Report and Confirmation Letter thereof

The Quarterly Securities Report for the 1st Quarter (from April 1, 2019, to June 30, 2019) of the 43rd fiscal year and the Confirmation Letter thereof were submitted to the Director-General of the Kanto Local Finance Bureau on August 14, 2019.

The Quarterly Securities Report for the 2nd Quarter (from July 1, 2019, to September 30, 2019) of the 43rd fiscal year and the Confirmation Letter thereof were submitted to the Director-General of the Kanto Local Finance Bureau on November 14, 2019.

The Quarterly Securities Report for the 3rd Quarter (from October 1, 2019, to December 31, 2019) of the 43rd fiscal year and the Confirmation Letter thereof were submitted to the Director-General of the Kanto Local Finance Bureau on February 14, 2020.

#### (6) Extraordinary Report

The Extraordinary Report according to the provision of Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights at the shareholders' general meetings) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. was submitted to the Director-General of the Kanto Local Finance Bureau on June 24, 2019.

Part II Information on Guarantors for the Filing Company

Not applicable