Seed the Future.

JACCS

Annual Report 2020

For the Fiscal Year Ended March 31, 2020




A member of MUFG

PROFILE

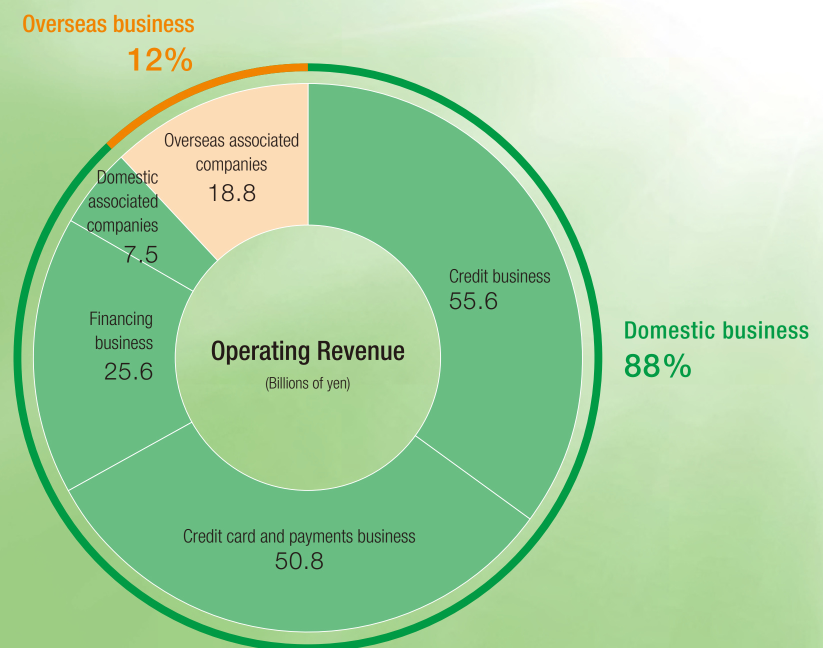
JACCS Co., Ltd., is a consumer finance company and a member of Mitsubishi UFJ Financial Group, Inc. (MUFG). JACCS started out in 1954 in Hakodate, Hokkaido, as a provider of monthly installment credit services for use at department stores. Since then, JACCS has developed its business earnestly with the objective of contributing to the realization of more affluent lifestyles by its customers. Today, the Company offers a diverse array of products and services in the consumer finance field, both domestically and overseas. The JACCS Group's main businesses in Japan are the credit business, the credit card and payments business and the financing business. Overseas, the Group is developing its business in four ASEAN member countries, centering on the provision of credit for the purchase of motorcycles and automobiles.

Operating Performance in the Fiscal Year Ended March 31, 2020

- **Volume of new contracts: ¥4,981.5 billion**
- **Total operating revenue: ¥158.6 billion**
- **Ordinary income: ¥16.7 billion**
- **Net income per share (basic): ¥311.65**

Number of Employees (As of March 31, 2020)

6,188 (Consolidated)



EDITORIAL POLICY

JACCS Annual Report 2020 aims to clearly explain to shareholders, investors, and other stakeholders the initiatives that the JACCS Group is taking to realize sustainable growth, as well as the drivers of the Group's value creation. Hence, in addition to financial information, the report contains an expanded level of non-financial information, including management strategy, a special feature, at a glance, principal risks and response, status of the Group's businesses, and environmental, social, and corporate governance (ESG) information.

REFERENCE GUIDELINES

International Integrated Reporting Framework, International Integrated Reporting Council (IIRC)
Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation, Ministry of Economy, Trade and Industry (METI)

REPORTING PERIOD

Fiscal year ended March 31, 2020 (April 1, 2019–March 31, 2020)
A portion of the content of this report includes information about periods up to and including the fiscal year ended March 31, 2019, and information about and activities planned for periods from the fiscal year ending March 31, 2021, onward.

SCOPE OF THE REPORT

JACCS Co., Ltd., and its domestic and overseas Group companies

FOR SHAREHOLDERS AND INVESTORS

For details on management policies, financial performance, share information and investor relations (IR) materials, please visit the JACCS website at:

https://www.jaccs.co.jp/en/corporate/ir/

CSR ACTIVITIES

For details on environmental and social initiatives, and relationships with stakeholders please visit the JACCS website at:

https://www.jaccs.co.jp/en/corporate/csr/

FORWARD-LOOKING STATEMENTS

The financial data and other business-related information in this report has been prepared to inform JACCS stakeholders about the business. Any forecasts regarding future performance contained in these materials are based on estimates and the best judgments of the Company, without guarantee or security. Readers are advised not to make investment decisions based solely on the information contained in these materials. All business and financial data relate to the consolidated operations of the Company, unless otherwise noted.

VISION

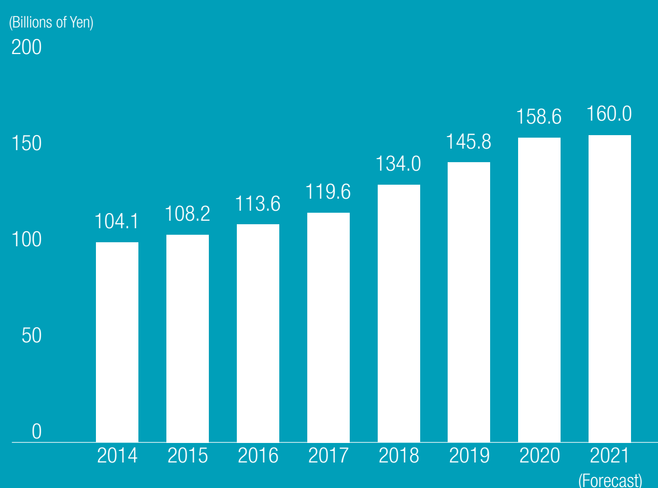
JACCS' Founding Philosophy	The essence of JACCS' founding philosophy is expressed in these Chinese characters, which may be translated as, "Trust is the basis for all." Since JACCS' establishment, we have remained faithful to our founding philosophy—a strong belief that trust and reliability form the cornerstone of all our activities, taking precedence in our relationships with consumers and business partners.
Management Principle	"JACCS contributes to the realization of a future inspired by dreams and an affluent society."
Long-Term Vision	Establish JACCS' position as a leading brand among Asian consumer finance companies
Code of Conduct and Ethics	• We will conduct business activities in compliance with laws and regulations. • We undertake business activities that value people highly. • We carry out business activities in a manner that places a high value on trust. • We maintain a fair and transparent corporate culture. • We carry out business activities in accordance with the principle of social justice. • We carry out business activities in a manner that thoroughly protects personal information. • We carry out business activities while recognizing our corporate social responsibility.

CONTENTS

SPECIAL FEATURE

Realizing Sustainable Growth through JACCS' Business Portfolio

Consolidated Total Operating Revenue



Diverse Business Base

Centered on its credit research functions, the JACCS Group serves a wide range of financing and payment needs through its credit business, credit card and payments business, financing business, and overseas business—operating across a broad array of retail and service fields. In addition to achieving expansion of its business domain and business growth, the Group has also expanded its business network comprising Group offices, members stores, and alliance partners. By cross-selling a diverse array of payment products through member stores and alliance partners, the Group is driving growth in its overall revenue base.

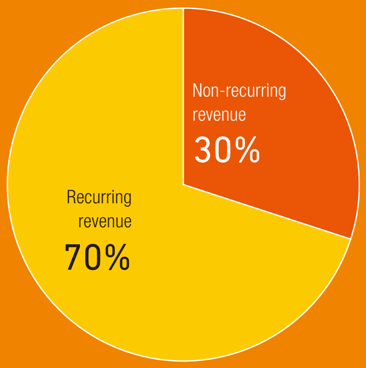
Stable Revenue Base

The Group is building up the balance of high-quality operating receivables in each business, as well as regular billing contracts. In the credit business, as a source of future revenue, the balance of deferred installment income exceeds ¥170.0 billion. In the credit card and payments business, the Group has built up the balance of revolving payments and regular billing contracts, while in the financing business the Group has grown the balance of guarantees.

Domestic non-consolidated recurring revenue-type business accounts for approximately 70% of total operating revenue, giving the Group a stable revenue base. In an operating environment affected by a fallback in consumption following the consumption tax rate increase in Japan and the impact of the COVID-19 pandemic, the Group's earnings structure has relatively low exposure to the impacts of a decrease in the volume of new contracts, meaning that volatility is low.

Ratio of Recurring Revenue Model to Non-Recurring Revenue Model in the Fiscal Year Ended March 31, 2020

(Non-Consolidated)



TO OUR STAKEHOLDERS

The COVID-19 pandemic is leading to unprecedented changes in such areas as consumer behavior and business activities. However, the JACCS Group is working to carefully identify changes in the operating environment and new needs that arise from such changes. By rapidly adapting, we aim to realize sustainable growth.

Operating Performance in the Fiscal Year Ended March 31, 2020

In the fiscal year ended March 31, 2020, JACCS achieved increases in both revenues and income compared with the previous fiscal year, and set a new record high for net income attributable to owners of the parent.

In Japan, although the Group was affected by the impact of the consumption tax rate hike in October 2019, all businesses recorded increases in the volume of new contracts, particularly centering on the credit business and financing business. In addition to the domestic business, the overseas business also steadily built up its aggregate balance of operating receivables, as all Group companies—both domestic and overseas—achieved increases in revenues. As a result, consolidated total operating revenue increased 8.8% compared with the previous fiscal year, to ¥158,610 million, meaning revenue has risen for seven consecutive fiscal years.

Consolidated ordinary income grew 15.6%, to ¥16,700 million. On the expense side, although selling, general and administrative (SG&A) expenses increased due to the robust volume of new contracts and expenses related to doubtful accounts increased accompanied by the expansion of the aggregate balance of operating receivables, owing to a variety of ongoing measures, including the overhaul of cost structures, we were able to keep this increase within the range of growth in total operating revenue. As a result, net income attributable to owners of the parent grew 19.8%, to ¥10,732 million. Both consolidated ordinary income and net income attributable to owners of the parent reached record-high levels.

Progress and Assessment of the Second Year of the Medium-Term Business Plan

While working toward the realization of our medium-term management vision of becoming “an innovative consumer finance company that wins the loyalty of customers, with operations focused on Japan and Southeast Asia,” we steadily implemented the Group’s management strategies based on three core policies—pursue sustainable growth in domestic businesses; accelerate growth in overseas business; and enhance productivity while strengthening the Group’s platform for growth.

In Japan, within the credit business we worked to enhance the convenience of our product and service lineup through such measures as further expansion of functionality of the Web-based application system. As a result, the volume of new contracts grew, centered on housing-related products and auto loans. Within the credit card and payments business, in the payments field—which has received significant attention through the Japanese government’s cashless rebate program for consumers—the Company steadily increased intermediation results in its credit card acquiring operations. In the financing business, growth was centered on housing loan guarantee operations, which was underpinned by continuing firm demand for studio condominiums purchased for investment purposes.

Overseas, JACCS increased its equity interest in its local affiliate company in the Philippines. Consequently, all four overseas associated companies are now consolidated subsidiaries of JACCS. The Group made sound progress in measures aimed at expanding its business in the ASEAN

(Billions of Yen)	2019 (Targets)	2019 (Results)	2020 (Targets)	2020 (Results)	Final year of the medium-term business plan	
					Targets*	Progress
Operating revenue	147.8	145.8	155.5	158.6	169.5	93.6%
Ordinary income	12.7	14.4	14.5	16.7	16.1	103.7%
Net income attributable to owners of the parent	8.2	8.9	9.5	10.7	10.6	100.9%
ROE	5.5%	6.0%	6.1%	7.0%	6.5%	Exceeded by +0.5 point
Dividend payout ratio (The Company will work to maintain stable shareholder return, based on an approximate target of 30%.)	—	30.8%	—	30.5%	—	—

* Targets for the final year of the medium-term business plan are performance targets announced in March 2018 for the fiscal year ending March 31, 2021.

region. Each overseas subsidiary steadily built up its balance of operating receivables and expanded operating revenue.

Last year, JACCS' customer center rolled out a question-answering support system that utilizes artificial intelligence (AI) technology. In the fiscal year under review, this system moved into full-scale operation, which contributed to enhanced service quality and increased operational efficiency. Through this initiative, we made progress in strengthening the Company's platform for growth.

As a result of these and other measures, in the fiscal year ended March 31, 2020, the Company was able to achieve its medium-term business plan final year profit target one year ahead of plan.

In our overseas business, growth was more moderate than had been initially anticipated. This was attributable to such factors as tightening of financial controls in each country and changes in the market environment. Consequently, profit growth emerged as an issue that the Group will need to address.

Meanwhile, managing the Group's response to the COVID-19 pandemic—which shows no sign of drawing to a conclusion either in Japan or globally—remains one of our most urgent tasks.

Outlook for the Final Year of the Three-Year Medium-Term Business Plan

In the fiscal year ending March 31, 2021—the final year of RAISE 2020—owing to the COVID-19 pandemic, uncertainty surrounds the outlook for the operating environment faced by the JACCS Group. This includes such factors as market trends and exchange rates both in Japan and the ASEAN region. Although this situation may affect the Group's financial position and operating performance, we do not intend to make any major changes to the strategies we have pursued to date.

In Japan, we confront such structural issues as a declining birth rate, aging population, and a decrease in the working-age population. However, centering on the credit and financing businesses, we are aiming to realize sustained growth through the provision of highly competitive products and services that offer customers an enhanced level of convenience. We are particularly focused on responding rapidly to customer and member store needs. For example, we are expanding the functionality of Web-based credit applications and offering customers a diverse range of repayment plans. In the payments field, which is attracting considerable attention as Japan's shift to a cashless society gathers pace, in addition to credit card acquiring operations, JACCS is working on a Groupwide basis to promote the expansion of payment functionality. This includes intermediation operations for QR code-based payments and deferred-payment settlement services.

In our overseas business, which is positioned as the Group's growth driver, compared with our experience to date in the domestic business, we have experienced unpredictable regulations and rapid changes in the market environment. At present, we are faced with an extremely high level of uncertainty owing to the COVID-19 pandemic. However, despite such a rapidly changing situation, countries in the ASEAN region hold the potential for sustained economic growth. We are working to establish a solid business base, while strengthening head office support in such areas as human resources, accounting and finance, and IT systems, and reinforcing our corporate governance framework. Hence, we aim to build resilient management structures that are capable of steadily contributing to consolidated results and Group profitability.

To increase the reliability of future growth, the Group is working to overhaul a wide range of cost structures on an ongoing basis. In addition, we are aggressively adopting such technologies as AI and robotic process automation (RPA) to maintain a high level of operational quality while striving to enhance productivity as part of efforts to reinforce our platform for growth.

With regard to the COVID-19 pandemic, governments in the jurisdictions in which the JACCS Group operates have implemented such measures as official requests for people to stay home, legally enforced curfews, and controls and restrictions on business activities. Most recently, although restrictions have been eased or lifted to enable the phased resumption of economic activity, in April and May 2020 the volume of new contracts centering on the credit and credit card and payments businesses fell compared with the corresponding months in 2019. Furthermore, we have received a significant number of inquiries from customers who have been affected by the pandemic to discuss payments. Since a substantial portion of the Group's profit structure is based on a recurring revenue model, even if the volume of new contracts falls, we believe that the Group will still be able to maintain a certain level of operating revenue centering on the credit and financing businesses through the balance of operating receivables it has built up to date. However, in light of the negative impact on revenue and increases in credit costs that we are anticipating, as well as implementing sales promotion programs aimed at bringing about a recovery in the volume of new contracts, we are working to underpin profitability through cost reductions, including reassessment of our fixed expenses. In response to customers' inquiries regarding payments, our approach includes implementing such measures as a payment moratorium. As I have outlined, we are undertaking a wide range of actions to mitigate the impacts of the pandemic, including on the marketing side and the cost side.

Even within this operating environment, ensuring the safety and health of employees remains a priority for JACCS. Simultaneously, we are working closely with all domestic and overseas Group companies to coordinate our response to this situation, and striving to gather and analyze information. Once the pandemic has been contained, we will aim to achieve a rapid recovery and adjust to the diverse changes that it triggered. The entire Group is united in its efforts to maximize the results gained to date through a wide variety of measures, as we work toward the realization of our medium-term management vision of becoming "an innovative consumer finance company that wins the loyalty of customers, with operations focused on Japan and Southeast Asia."

ESG Initiatives

In line with JACCS' management principle, which states, "JACCS contributes to the realization of a future inspired by dreams and an affluent society," the Group is pursuing an array of policies aimed at sustainably raising corporate value.

In the area of environmental initiatives, through the ongoing promotion by the credit business of its solar loan product, JACCS is working to facilitate the installation of renewable-energy generation facilities, which will help to reduce burden on the environment. Hence, this contributes to a reduction in CO_2 emissions. Furthermore, the Group is introducing the use of LED lighting in its offices and promoting a shift to paperless business operations. Such initiatives are part of the Group's continuous efforts to protect the natural environment through reduction in energy consumption and conservation of resources.

In the area of social initiatives, the declining birth rate and aging population as well as the shrinking working-age population are issues that Japanese society must grapple with. In an era where Japan's traditional lifetime employment practices are beginning to break down, many initiatives are being undertaken to enhance the mobility of human resources. To realize sustainable growth, we recognize that it is vital to acquire outstanding human resources, create an employee-friendly working environment, and ensure that the health of employees is maintained. Based on this recognition, we pursued a wide range of initiatives underpinned by close cooperation between management and employees. As a result, we were honored to be selected under the Certified Health and Productivity Management Organization Recognition Program ("White 500") by the Ministry of Economy, Trade and Industry (METI) for the third consecutive year. We believe that it is necessary to further expand our reforms of the personnel system and support diverse working styles. As part of our efforts to achieve this goal, we introduced several new programs. These included a program under which it is possible for employees to change their work location for such reasons as a work transfer by the employee's spouse or the need to be close to an aged relative that requires care, a re-employment program for retired employees, and an employee referral-based recruitment program. Furthermore, to strengthen and promote JACCS' health and productivity management programs, we established the Health Management Promotion Office. In the immediate term, we are addressing a range of measures that go beyond the level of simply responding to the COVID-19 pandemic. This includes the establishment of a home teleworking system that supports new lifestyle patterns, the introduction of systems that will lead to enhanced productivity, and consideration of potential areas in which to pursue greater digital transformation (DX).

In the area of corporate governance initiatives, we strengthened the management control system and audit functions through such measures as the appointment of a lead independent outside director, and by convening the Independent Outside Officers' Liaison Committee, which comprises outside directors and outside Audit & Supervisory Board members.

Delivering Shareholder Value

The Company believes that delivering stable shareholder return is a key management task. Simultaneously, the Company recognizes that the level of shareholder return should reflect operating performance.

Under RAISE 2020, the Company has established an approximate dividend payout ratio target of 30%. The cash dividend applicable to the fiscal year ended March 31, 2020, totaled ¥95.00 per share. This included a year-end dividend that was ¥5.00 per share higher than initially forecast, reflecting an operating performance that exceeded our initial expectations. As a result, the dividend payout ratio was 30.5%.

Toward the Realization of Our Long-Term Vision

The COVID-19 pandemic is leading to unprecedented changes in such areas as consumer behavior and business activities. However, the JACCS Group is working to carefully identify changes in the operating environment and new needs that arise from such changes. By rapidly adapting, we aim to realize sustainable growth.

Through consumer finance, the Group is focused on delivering products and services that help to enrich people's lives. As officers and employees of the Group, we are united in our efforts to bring this goal to fruition.

I wish to take this opportunity to express my sincere gratitude to our shareholders, investors, customers, business partners, and local communities for their continued, unwavering support.

August 2020

t.Yamazaki

Toru Yamazaki
President, COO and Representative Director

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

Takashi Saitou
Director and Managing Executive Officer

Financial Strategy of Medium-Term Business Plan, "RAISE 2020"

JACCS has achieved the targets set in its medium-term business plan one year ahead of schedule. Could you please explain the plan's financial strategy and the key areas of contribution? Furthermore, in response to the impact of the COVID-19 pandemic, are you looking at the possibility of implementing special measures with regard to your current funding position?

To secure a stable supply of funds necessary to maintain and expand the JACCS Group's business, we conduct fundraising through a wide range of methods. These include borrowings from financial institutions centering on the Group's principal financing bank, corporate bond and commercial paper (CP) issuance, and loans payable under securitization of receivables. With regard to fundraising, after taking into account such factors as demand for funds based on the business plan, interest rate trends and other fundraising conditions, and the timing of repayment of existing borrowings and bonds, etc., the Company prepares a funding plan covering the scale and methods of fundraising. The plan is executed using appropriate judgment of the situation.

The Company carries out fundraising of interest-bearing debt in accordance with the collection period of finance receivable-installment, which is the Group's principal operating asset. The balance of interest-bearing debt at March 31, 2020, stood at ¥2,130,548 million, including the balance of loans payable under securitization of receivables, which stood at ¥298,563 million. While working to reduce fundraising costs, the Company also aims to avoid excessive exposure to interest rate volatility risk. Hence, in recent periods, the Company has carried out approximately 60% of its fundraising using fixed-interest methods.

As of March 31, 2020, the Company has received the following credit ratings from Japan Credit Rating Agency, Ltd. (JCR), and Rating and Investment Information, Inc. (R&I):

Long-term bonds	A- (JCR and R&I)
Commercial paper	J-1 (JCR); a-1 (R&I)

In addition, the Company has entered into agreements with domestic financial institutions for committed lines of credit totaling ¥130.0 billion, which may be utilized to support liquidity.

Overseas subsidiaries use a range of fundraising sources to meet both working capital and facility and equipment funding needs. These include local banks, Japanese banks, local operating units of Japanese banks, and loans from the Company.

With regard to the impact of the COVID-19 pandemic, although some turmoil was seen in financial markets in Japan for a brief period, there was no impact on indirect financing from financial institutions or on the securitized receivables market. In the CP and corporate bond markets, financing support measures were introduced, including an increase by the Bank of Japan in the maximum amount allocated for purchases of CP and corporate bonds. Consequently, fundraising has continued without any problems. In the Group's overseas operations, although the situation varies between the four countries in which the Group operates, local subsidiaries took the initiative in carrying out fundraising necessary for the execution of their respective business plans, while the Company provided financial support as necessary. However, the Group assumes that impact from the current pandemic will persist for a given period within the fiscal year ending March 31, 2021. Consequently, the Company recognizes that this situation will have a certain impact on credit risk, including the Group's operating receivables. Taking into consideration the economic measures and financial support implemented by the Japanese government and its affiliated institutions, in the fiscal year ended March 31, 2020, the Company calculated allowance for doubtful accounts based on the assumption that impact from the COVID-19 pandemic would be limited. However, it is still not possible to predict when the pandemic will end, and the possibility of second and third waves of infections cannot be ruled out. Consequently, for business periods from the fiscal year ending March 31, 2021, onward, the Company may alter its assumptions, which may lead to increases or decreases in allowance for doubtful accounts. In the near term, we intend to pay close attention to customers' repayment status, and implement appropriate measures in response.

Long-Term Ratio and Fixed-Interest Ratio

	2018	2019	2020
Long-term ratio	47%	47%	54%
Fixed-interest ratio	50%	55%	61%

* Long term loans payable and loans payable under securitization of receivables due for repayment within one year are not included within the long-term ratio.

Policies Aimed at Raising Return on Equity (ROE)

ROE has steadily risen. How does this reflect specific measures taken within your financial strategy?

In the fiscal year ended March 31, 2020, ROE was 7.0%, an increase of 1.0 percentage point compared with the previous fiscal year. The parent company, which achieved a robust volume of new contracts, was the main driver of this performance. In addition, the Group as a whole recorded an increase in revenue, as consolidated total operating revenue rose for the seventh consecutive year. SG&A expenses increased, driven by such factors as expansion of the business and an increase in the consumption tax rate in Japan. Although expenses related to doubtful accounts increased, reflecting growth in the aggregate balance of operating receivables and an increase in write-offs of doubtful accounts, the Group was able to restrain financial expenses and IT and information system-related expenses. Consequently, the Company achieved a new record-high for net income attributable to owners of the parent one year ahead of the medium-term business plan, which had set this target for the plan's third year.

At present, we anticipate such impacts from the COVID-19 pandemic as slower growth or decline in the volume of new contracts, and increases in expenses related to doubtful accounts. We are implementing a wide range of measures to curb and reduce costs on an ongoing basis. This includes efforts focused on reducing the expense ratio through the overhaul of cost structures and measures aimed at improving operational efficiency and inhibiting the occurrence of receivables in arrears. Hence, by working to steadily expand profits, we are striving to enhance ROE.

Investment in Growth

What is the current situation regarding execution of strategic investments—both in Japan and overseas—and the Group's IT investment plan?

One of the core policies adopted within the current medium-term business plan is to "enhance productivity while strengthening the Group's platform for growth." Recent years have seen a rapid advance in the penetration of IT services, for both consumers and businesses. For the JACCS Group also, investment in IT is absolutely vital for increasing its competitiveness, developing and providing products and services that are attractive to customers, and growing each of its businesses. We continue to invest in IT systems in each business, with the aim of growing revenues and enhancing the efficiency of operations. Furthermore, to provide safe and secure services, we are working to strengthen IT system infrastructure that will help to ensure business continuity and legal compliance.

With regard to the operating environment in the fiscal year ending March 31, 2021, in addition to the reform of working styles and enhancement of productivity that we have pursued to date, we have added the objective of reducing the frequency of contact between people as part of efforts to prevent virus infection. Hence, we are responding to new lifestyle needs through such initiatives as establishing the systems and infrastructure necessary for employees to work from home. We are also aiming to further enhance operational efficiency and productivity through such measures as expanding the adoption of RPA and artificial intelligence (AI) technologies, which have already been introduced within some operations. We are also studying the potential for introducing cloud services.

Shareholder Return

Please summarize your basic policy on shareholder return.

JACCS recognizes the maintenance of stable shareholder return as an important management task. At the same time, the Company also recognizes the need to align shareholder return with business performance. Based on this thinking, the Company's fundamental policy on distribution of profits is to strengthen its financial base and maintain internal reserves while taking into account a comprehensive range of factors when making decisions on dividend payments. Such factors include the performance of net income attributable to owners of the parent, the Company's financial position, and the payout ratio. Under RAISE 2020, the Group's three-year medium-term business plan that was launched in April 2018, the Company has set an approximate dividend payout ratio target of 30%, and we are striving to achieve stable shareholder return.

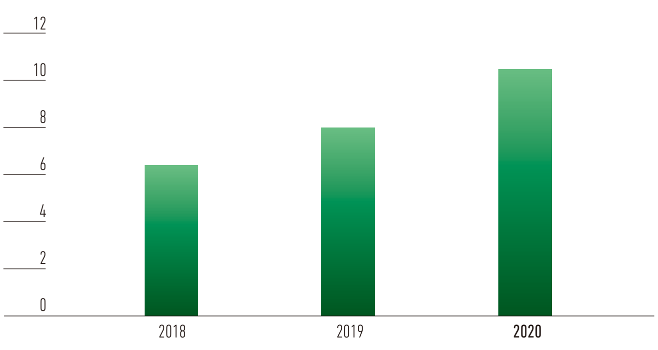
In the fiscal year ending March 31, 2021, the final year of RAISE 2020, although uncertainty remains owing to the impacts of the COVID-19 pandemic, after comprehensively taking into consideration such factors as our responsibility as a company to our shareholders and the Company's basic dividend policy, we are forecasting a total cash dividend of ¥90.00 per share, including an interim cash dividend of ¥45.00 per share.

Fundraising Status (Billions of Yen)

	2019		2020		
Type of funding	Amount	Ratio	Amount	Ratio	Change from 2019
Short-term loans payable	282.4	16.5%	300.2	14.8%	17.7
Long-term loans payable	701.7	40.9%	787.1	38.7%	85.4
CP	416.0	24.3%	422.0	20.8%	6.0
Bonds	174.7	10.2%	224.8	11.1%	50.0
Securitized receivables*	139.4	8.1%	298.5	14.7%	159.0
Total fundraising	1,714.9	100.0%	2,033.0	100.0%	318.0

* All on-balance-sheet transactions

Increase in New IT Investment (Billions of Yen)

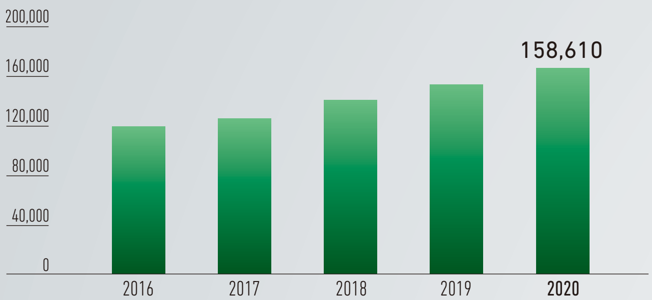


* The above graph shows the increase in software presented on the consolidated balance sheets for each fiscal year.

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

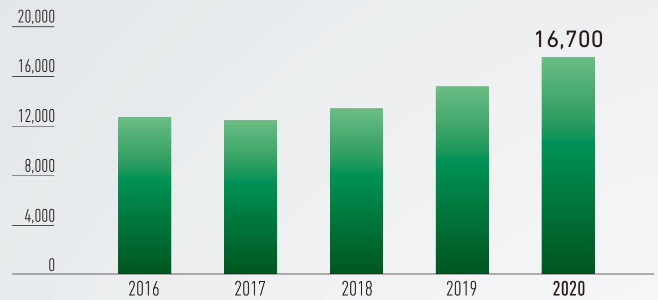
Total Operating Revenue

(Millions of Yen)



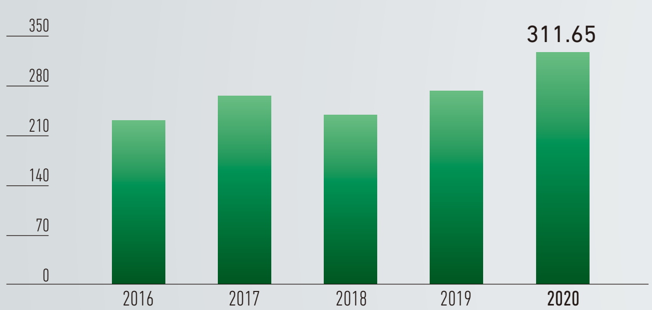
Ordinary Income

(Millions of Yen)



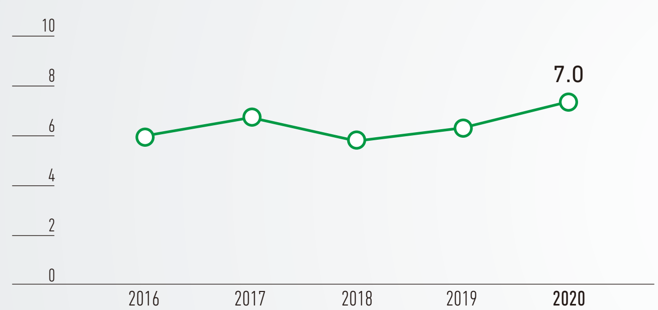
Net Income per Share—Basic*1

(Yen)



ROE

(%)



*1 On October 1, 2017, the Company executed a reverse stock split (consolidation of shares) at a ratio of 1-for-5 shares of common stock. Per share figures have been retrospectively adjusted to reflect the effects of the stock split.

BUSINESS HIGHLIGHTS

2019

April: Issued green bonds (unsecured straight bonds), with the funds raised to be used for solar loans for installation of photovoltaic power generation equipment, etc.

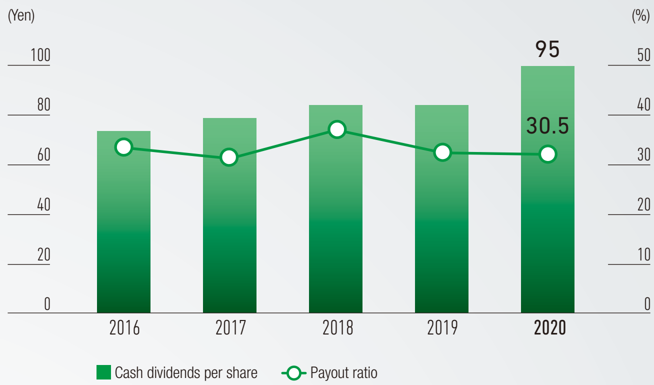
Completed production of a new animated television commercial featuring professional tennis player Kei Nishikori, with whom JACCS has maintained a sponsorship agreement since 2013

May: Collaborated with Hakodate City Kameda Societies of Commerce and Industry for promotion of the shift to cashless payments

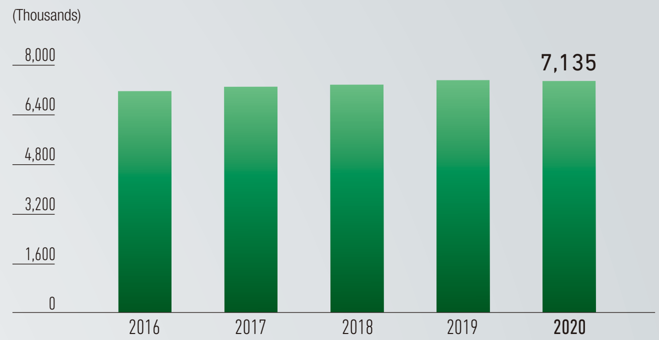
July: Acquired additional shares in the Group's equity-method associated company in the Philippines, thereby converting the company to a consolidated subsidiary

Launched business operations of Aston Martin Financial Service, in cooperation with Aston Martin Japan GK

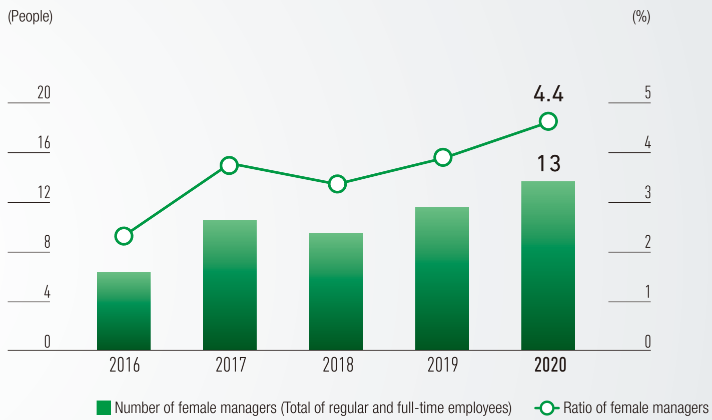
Cash Dividends per Share*1 and Payout Ratio



Number of JACCS Cardholders

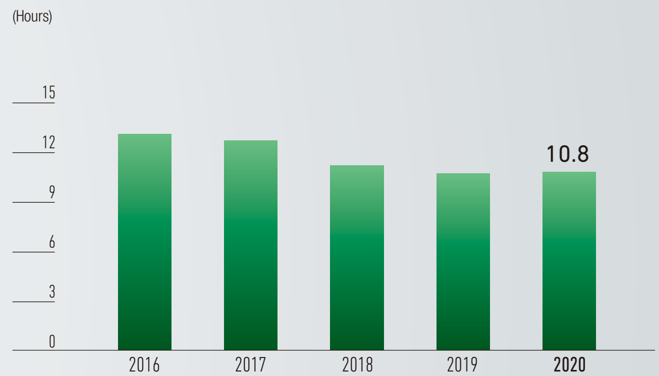


Number*2 and Ratio of Female Managers



*2 Manager or higher position

Employees' Average Monthly Overtime Hours



2020

September: Took over the credit guarantee operations of JCB Co., Ltd.

October: transcosmos Inc. implemented JACCS Payment Solutions Co., Ltd.'s deferred-payment settlement service at its online shopping brand Nihon Chokuhan

JACCS GROUP のコンビニ後払い決済 ATODENE

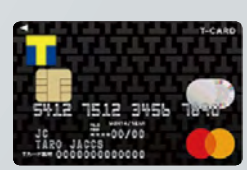
Made donation to assist communities that suffered damage from Typhoon Hagibis

March: Received certification from the Ministry of Economy, Trade and Industry (METI) under the Certified Health and Productivity Management Organization Recognition Program ("White 500") for the third consecutive year

2020 健康経営優良法人 Health and productivity ホワイト500

Collaborated with T Point Japan Co., Ltd., to commence taking applications for, and issuing, T Card Prime, a T Card* that includes credit functions

* T Card is used by members of the T Point program, one of the largest shared loyalty programs in Japan



TEN-YEAR FINANCIAL SUMMARY

Total Operating Revenue (Bar graph)

Ordinary Income (Line graph)

Economic and Business Sector Environment

2009–2011
- Rapid decline in consumption following the onset of the global financial crisis
- Deterioration in employment and incomes
- Tightening of regulations under related laws
- June 2010: Full implementation of the Money Lender Business Law
- December 2010: Full implementation of the Installment Sales Law
- March 2011: Great East Japan Earthquake

2012
- Prolonged appreciation of the yen
- Global economic slowdown triggered by the European debt crisis

2013–2015
- Economic slowdown in China and other emerging countries
- Underpinned by continued monetary easing, a weakening yen driven by robust economic conditions in the United States, and rising stock prices, corporate earnings perform strongly
- Following the April 2014 increase in the consumption tax rate, personal consumption shows weakness

Years ended March 31 (Millions of yen)	2011	2012	2013	2014
Summary of operations for the year:				
Total volume of new contracts	¥2,328,294	¥2,387,501	¥2,480,470	¥2,784,532
Volume of new contracts: Credit card	738,947	749,720	786,669	899,957
Volume of new contracts: Installment sales finance	227,300	230,352	211,539	293,029
Volume of new contracts: Credit guarantee	551,465	603,873	636,770	687,669
Volume of new contracts: Financing	118,673	86,418	83,022	79,010
Volume of new contracts: Other operations	691,907	717,136	762,469	824,866
Total operating revenue	116,241	107,384	102,950	104,134
Operating income	3,137	10,972	9,413	12,236
Ordinary income	5,479	13,271	11,750	12,238
Net income attributable to owners of the parent	4,398	6,822	7,642	6,504
Net cash provided by (used in) operating activities	104,111	36,236	15,157	(89,429)
Net cash provided by (used in) investing activities	(4,533)	(4,181)	(8,934)	(8,355)
Net cash provided by (used in) financing activities	(33,883)	(61,147)	(47,933)	72,821
At year-end:				
Total assets (Note 1)	¥2,786,288	¥2,725,816	¥2,718,518	¥2,896,405
Total net assets	105,261	111,348	117,486	122,712
Balance of deferred installment income (Non-consolidated)	75,242	80,433	84,746	93,620
Aggregate balance of operating receivables (Non-consolidated)	2,505,913	2,498,655	2,527,956	2,734,252
Balance of receivables in arrears (Non-consolidated) (Note 4)	360	254	221	229
Allowance for doubtful accounts (Non-consolidated)	29,158	19,733	16,474	14,036
Per share data:				
Net income—basic (Notes 2 and 3)	¥ 125.60	¥ 194.85	¥ 218.60	¥ 188.55
Net assets (Notes 2 and 3)	3,005.65	3,180.85	3,391.90	3,576.90
Cash dividends (Notes 2 and 3)	25	50	55	70
Key ratios (%):				
ROA (Note 1)	0.2%	0.5%	0.4%	0.4%
ROE	4.2	6.3	6.7	5.4
Equity ratio (Note 1)	3.8	4.1	4.3	4.2
Supplementary data:				
Number of JACCS cardholders (Thousands) (As of March 31)	9,601	8,419	7,281	6,828
Number of shares outstanding at year-end (Note 2)	175,395,808	175,395,808	175,395,808	175,395,808
Number of employees	2,839	2,977	3,096	3,355

Notes: 1. Previously, finance receivable-installment sales-credit guarantee and finance payable-credit guarantee were presented as corresponding asset and liability items in the consolidated balance sheets. However, from the fiscal year ended March 31, 2020, the Company made a change in accounting treatment of guarantee obligations that do not involve loan collection service, meaning these guarantee obligations are no longer presented on the consolidated balance sheets. The aforementioned change in accounting policy has been applied retroactively, and the figures for total assets and equity ratio presented for the fiscal year ended March 31, 2019, in the table above are subsequent to retroactive application of this change.

2. On October 1, 2017, the Company executed a reverse stock split (consolidation of shares) at a ratio of 1-for-5 shares of common stock.

3. Figures prior to October 2017 have been retrospectively adjusted to reflect the effects of the stock split stated in note 2.

4. Hundreds of millions of yen

2009–2011

10th Medium-Term Business Plan "VIC10"

- Organizational and business reforms in response to revisions to laws governing the consumer credit sector
- Reform of cost structures / Enhancement of business profitability
- Maximization of synergies with the MUFG Group
- Establishment of fourth core business, launch of business operations in Vietnam

2012
- Reinforcement of business foundations
- Measures to minimize the impacts of the Great East Japan Earthquake

2016–2018

- Against a backdrop of a range of government economic policies and the Bank of Japan's monetary policies, improvement in corporate performance and the employment and income environment
- Stagnation in personal consumption
- Owing to such factors as the change of administration in the United States and issues involving the United Kingdom's withdrawal from the European Union, prospects for the global economy remain uncertain
- Continuation of low interest rates, expansion of the e-commerce market, and the spread of cashless payment services
- Rising number of personal bankruptcy filings

2019

- The Japanese economy gradually recovered, driven by domestic demand
- Personal consumption rallied on the back of improving employment and income conditions
- Growth slowed in the global economy, due to the impact of U.S.–China trade friction
- In October 2019, Japan's consumption tax rate was raised, and a government program of consumer rebates for cashless payments commenced

	2015	2016	2017	2018	2019	**2020**
	¥3,061,297	¥3,404,510	¥3,768,118	¥4,158,700	¥4,559,202	**¥4,981,508**
	1,026,247	1,127,244	1,196,177	1,247,046	1,306,927	**1,358,230**
	307,767	446,153	640,321	782,994	1,041,888	**1,259,068**
	725,019	751,580	780,378	856,716	837,565	**942,765**
	79,235	77,348	72,667	74,386	86,465	**85,292**
	923,027	1,002,182	1,078,573	1,197,557	1,286,354	**1,336,149**
	108,259	113,673	119,654	134,051	145,836	**158,610**
	11,975	12,242	11,798	12,679	14,370	**16,506**
	11,951	12,091	11,815	12,733	14,448	**16,700**
	7,107	7,569	8,724	7,859	8,955	**10,732**
	(86,683)	(144,453)	(152,722)	(167,815)	(309,890)	**(308,473)**
	(13,942)	(8,859)	(6,143)	(10,464)	(8,644)	**(11,871)**
	115,197	151,897	124,318	210,159	329,161	**326,484**
	¥3,158,044	¥3,437,641	¥3,710,582	¥4,193,058	¥3,749,167	**4,231,590**
	132,846	133,282	140,287	153,123	156,738	**162,889**
	99,370	107,003	115,514	127,792	151,605	**172,998**
	2,950,828	3,233,058	3,551,367	3,937,590	4,512,213	**5,204,207**
	233	260	293	349	373	**377**
	11,683	11,080	14,482	17,378	19,304	**21,597**
	¥ 207.10	¥ 220.10	¥ 252.95	¥ 227.32	¥ 260.13	**¥ 311.65**
	3,863.35	3,864.05	4,055.91	4,242.44	4,388.98	**4,543.94**
	70	70	75	80	80	**95**
	0.4%	0.4%	0.3%	0.3%	0.4%	**0.4%**
	5.6	5.7	6.4	5.5	6.0	**7.0**
	4.2	3.9	3.8	3.5	4.0	**3.7**
	6,726	6,823	6,958	7,022	7,161	**7,135**
	175,395,808	175,395,808	175,395,808	35,079,161	35,079,161	**35,079,161**
	3,434	3,710	4,015	5,492	5,721	**6,188**

2013–2015

11th Medium-Term Business Plan "ACT11"

- Accelerate growth by turning around and expanding operating revenue (top line)
- Further strengthen our management structure to ensure adaptability to environmental change
- Continuously enhance our compliance system

2016–2018

12th Medium-Term Business Plan "ACT-Σ"

- Expansion of JACCS' earnings base through Group synergies
- The pursuit of innovativeness through strategic utilization of the Group's resources
- The practice of advanced corporate social responsibility (CSR)

2019–2021

13th Medium-Term Business Plan "RAISE 2020"

- Pursue sustainable growth in domestic businesses
- Accelerate growth in overseas business
- Enhance productivity while strengthening the Group's platform for growth

See pages 5–6 for details.

AT A GLANCE

Environment / Social Issues

Decreasing birth rate and aging population

Slackening consumption growth

Changes in consumption behavior

Expansion of e-commerce market

Progress of cashless society

Continuation of low interest rate environment

Economic growth in ASEAN countries

Climate change

Increasing severity of natural disasters

Diversification of values and lifestyles

Technological innovation in such fields as IT and AI

Management Resources and Strengths

Aggregate balance of operating receivables

¥5,308.6 billion

Number of employees

6,188

Years of business operation

66 years

Five major business functions

Credit research, bill collection, account and administrative processing, lending, and credit guarantee

Stable operation of core computer system, backup center

Investment in development of new IT and computer system

¥10.5 billion

Business locations

65 locations in Japan, overseas operations in four ASEAN countries

Number of credit card members

7.13 million members

Number of partner financial institutions for credit guarantees

More than 620 institutions

MUFG Group

Credit worthiness / credit ratings

R&I A– JCR A–

P1 JACCS' Founding Philosophy

Management Principle

Strengths of the JACCS Group

- Innovativeness
- Group Synergies
- Operating Network in the ASEAN Region
- Nationwide Sales Office Network and Member Store and Alliance Network
- Steady, Sound Management
- Human Resources

P4–7 To Our Stakeholders

Operating Performance

ESG

P17–25 ESG Initiatives

Three-Year Medium-Term Business Plan, "RAISE 2020"
(2019–2021)

Core Policies

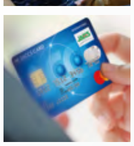
1. Pursue sustainable growth in domestic businesses
2. Accelerate growth in overseas business
3. Enhance productivity while strengthening the Group's platform for growth

Opportunities and Risks Management Strategy / Allocation of Resources

P4–7 To Our Stakeholders
P16 Principal Risks and Response
P26–32 Review of Operations

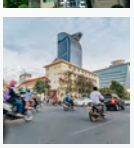
Main Businesses

Credit Business



Credit Card and Payments Business

Financing Business



Overseas Business

P26–32 Review of Operations

Services

Customers

Member stores / Alliances

ASEAN countries

Shareholders / Investors

Local communities

Environment

Employees

Operating Performance / Results

Total volume of new contracts
¥4,981.5 billion

Total operating revenue
¥158.6 billion

Ordinary income
¥16.7 billion

Net income attributable to owners of the parent
¥10.7 billion

ROE
7.0%

Dividend yield
5.2%

Solar loan volume of new contracts
¥58.1 billion

Employees' average monthly overtime hours
10.8 hours

Ratio of women at management level
14.6%

Value Provided to Society

Rich and fulfilling lives of consumers

Convenient, user-friendly, safe, and secure payment functions

Revitalization of consumption

8 DECENT WORK AND ECONOMIC GROWTH
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
10 REDUCED INEQUALITIES

Reduction of environmental burden and conservation of resources

7 AFFORDABLE AND CLEAN ENERGY
11 SUSTAINABLE CITIES AND COMMUNITIES
13 CLIMATE ACTION

Healthy and stimulating work environment

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

PRINCIPAL RISKS AND RESPONSE

The JACCS Group has established a risk management structure and internal regulations as part of its Fundamental Policy relating to the Internal Control System.

The Group recognizes risk management as one of its most important managerial tasks, and comprehensively examines and evaluates risks relating to strategic management decision-making and risks relating to the appropriate performance of business operations. Furthermore, the Group responds to changes in the operating environment by implementing necessary measures in a flexible manner.

Risks relating to strategic management decision-making are examined through a structure of committees comprising directors and other officers. Risks relating to the appropriate performance of business operations are managed in accordance with the Group's Product and Operational Risk Management Regulations. Key risks identified by the Product & Operational Risk Committee are reported to the Internal Control Committee.

If a serious situation arises affecting business operations, the Company convenes the Emergency Response Committee in accordance with the Emergency Response Committee Operational Rules, and implements rapid response. Hence, this structure is designed to minimize any losses or damage sustained by the Group.

Principal Risk Category	Summary of Risk	Measures
Compliance risk	• Administrative sanction by relevant government authorities (suspension of business operations, revocation of registration, etc.) if the Group were found to have violated laws or regulations	• Implement ongoing training programs covering all officers and employees • Conduct regular examinations to verify that business operations comply with laws, regulations, and internal rules
System risk	• Suspension of operations owing to system failure caused by natural disasters, accidents or breakdown, etc. • Loss of trust owing to data leaks, falsification, or disruption	• The Information Processing Center is located in a building that has an earthquake-resistant structure and a backup power supply. • The Group's computer system and network include built-in redundancy and features to ensure availability is maintained. • System backup is performed regularly.
Cybersecurity risk	• Data leaks due to cyberattacks, unauthorized access, etc., suspension of business operations due to loss of system functionality, and liabilities stemming from indemnity for damages associated with such contingencies	• Continuous monitoring to detect illegal attacks from external sources on the Group's security firewalls, etc., regular vulnerability checks, and security intelligence gathering, research and response
Credit risk	• Increase in occurrence of claims falling into arrears, member store bankruptcies, and increases in doubtful accounts and allowance for doubtful accounts due to fraud, etc.	• Data relating to such trends as occurrence of claims falling into arrears is shared between credit screening and credit operations departments as part of efforts to maintain a high-quality portfolio of operating receivables • Carry out regular supervision of member stores according to risk level
Market-related risk	• Rise in fundraising interest rates due to change in monetary conditions, and increase in financial expenses • Decline in credit ratings and creditworthiness owing to deterioration in operating performance • Fall in prices of investment securities • Impact on the consolidated financial statements due to exchange rate fluctuations at overseas consolidated subsidiaries	• Conduct interest rate sensitivity analysis, which models the effect interest rate changes will have on financial expenses • The ALM Committee monitors funding interest rates versus the yield on finance receivables, and prevailing monetary and financial conditions. The Company uses such data when making decisions on the need to review transaction terms and conditions. • Pursue efforts to raise the fixed interest rate ratio for fundraising
Information-related risk	• Loss of credibility, liability stemming from indemnity for damages, and administrative sanction due to such contingencies in relation to personal information as leak, loss, damage, or fraudulent use	• Appropriate handling of personal information led by the supervising department, and maintenance of safety management, etc. • Received Privacy Mark certification, which assesses measures taken by organizations to protect personal information, and maintenance of privacy system effectiveness
Overseas business risk	• Legal and regulatory changes, political and economic disorder, exchange rate fluctuation	• Close coordination with local Group companies, avoidance and reduction of risk based on timely information-gathering through relevant government agencies and legal advisors, etc.
Disaster risk and disease risk	• Interruption or suspension of business operations due to earthquake or other large-scale natural disaster, accident or viral infectious disease outbreak	• Established crisis management structure, including preparation of disaster response manual and formulation of a Business Continuity Plan (BCP) • Built a complementary structure, which is able to perform operations on a substitute interregional basis, and carries out disaster drills • Established a structure to enable home teleworking, remote business operations, etc.
Administrative risk	• Damages incurred by customers and member stores, and a loss of public credibility, due to such occurrences as data registration errors and processing delays	• Manage administrative operations strictly in accordance with fundamental rules, enhance processing accuracy • Promote systemization of administrative processing
Personnel risk	• Unable to recruit, retain, and train human resources	• Promote health and productivity management, ongoing improvement of the working environment
Related company risk	• Business risk materializes at one of the Company's eight consolidated subsidiaries	• Strengthening of parent company support and supervision for subsidiaries

The existence of the various risks outlined above may affect the operating performance of the JACCS Group.

The business risks described above are thought to be the main potential risks faced by the Group in its business operations, and are based on information understood by the Group as of the date of submission of the Company's annual securities report. However, the risks described do not constitute an exhaustive list of all risks, and new risks may arise owing to a wide range of uncertain factors, including future economic conditions and changes in the operating environment for the consumer credit sector.

For further details on these business risks, please refer to the Company's annual securities report (*Yuka Shoken Hokokusho*).

ESG INITIATIVES: THE ENVIRONMENT AND SOCIETY

The JACCS Group engages in its business operations based on the management principle that “JACCS contributes to the realization of a future inspired by dreams and an affluent society.” In addition to generating stable profits, in order for the Group to be recognized by stakeholders as making a meaningful contribution to society, we are proactively addressing—through our business operations—a wide range of issues affecting society.

In this section, we introduce the status of activities carried out by the Group during the fiscal year ended March 31, 2020.

The Environment

Protecting the Environment

● Contributing through our business activities to reductions in CO_2 emissions

We have established the JACCS Group Basic Environmental Code, and within the principles for action it sets out, one of the key tasks is to proactively support environment-friendly products through the credit business.

In the credit business, JACCS is promoting the provision of loans that will facilitate the adoption of such technologies as solar power generation equipment, storage batteries, and zero energy housing (ZEH). By supporting the generation of renewable energy, JACCS is contributing to reduced CO_2 emissions.

A portion of the funds used for these loans were raised through the issuance of green bonds. JACCS is working toward the realization of a sustainable society, and the green bonds the Company has issued are being incorporated into the investment portfolios of investors who are conscious of ESG considerations.

Society

Customer-Related Activities

● Maintaining and enhancing computer system security

Information received from customers is centrally managed on the Company’s core computer system, called “JANET,” which is protected by advanced system security.

To continuously maintain and enhance system security, the Company has acquired certification under the international standard relating to information security, ISO/IEC 27001, and has established an information security management system. JACCS also received conformity certification under the Payment Card Industry Data Security Standard (PCIDSS), which is an internationally recognized standard relating to credit card information protection. In addition to PCIDSS certification covering Web-based systems, which the Company had previously received, JACCS has also received certification covering the JANET core computer system and authorization system.

● Recovery support following large-scale disasters, through home renovation loans and auto loans

JACCS provides special home renovation loans and auto loans to its customers and members stores to support the earliest possible recovery of those affected by natural disasters. JACCS provides support to individuals and businesses who have received government classification as having suffered a major disaster, or are eligible for support under Japan’s Disaster Relief Law. Through the provision of special low-interest loans and such programs as delayed repayment plans, the Company assists households to rebuild their livelihoods and supports business recovery.

In the fiscal year ended March 31, 2020, the Company provided support to victims of the following disasters.

- Northern Kyushu torrential rains (August 2019)
- Typhoon Faxai (September 2019)
- Typhoon Hagibis (October 2019)

● Response measures to the COVID-19 pandemic

The Company engages in its business operations while striving to ensure the health and safety of all stakeholders, including employees, member stores, and alliance partners.

To prevent the spread of infection, the Company is implementing a broad array of measures designed to reduce the frequency of person-to-person contact. These include infection prevention awareness-raising programs, home teleworking, encouragement of staggered working hours, provision of special paid leave, and the introduction of a Web-based meeting system.

In our business operations, we are responding flexibly to customers who have been affected by the COVID-19 pandemic, including in the area of payments. In our sales activities, all sales staff have been provided with a mobile terminal, enabling them to adopt new methods for performing their sales functions, including through the use of Web-based video technologies.

During the COVID-19 crisis, changes are occurring in consumer purchasing behavior, and the growth seen in the volume of e-commerce is one indicator of changing patterns. To respond to these changes in the operating environment, JACCS will promote greater use of digital technologies and the further adoption of IT. In this context, we will pursue measures that help to stimulate and promote consumer confidence, and improve productivity.

Programs for Employees

● Helping female employees reach their potential

For JACCS, assisting female employees in reaching their potential is a key task for management. By supporting employees through a diverse array of working styles and expanding related programs, JACCS is striving to develop a work environment that will enable women to play a greater role in the Company—including helping them to achieve a balance between career and home life—and is building a human resources system to make this goal a reality.

Situation in the fiscal year ended March 31, 2020

1. Ratio of female recruits (among regular, full-time employees recruited as new graduates in April 2020)
   - Ratio of women among global recruits 10% (6 employees)
     (Global employees are recruited on the basis that they may be transferred to any JACCS Group office globally.)
   - Ratio of women among regional recruits 100% (50 employees)
     (Regional employees are recruited on the basis that they will be assigned to work in a specified region.)
2. Average monthly overtime hours* (regular and full-time employees)
   - Global employees 16.7 hours
   - Regional employees 7.1 hours
   - Average for all regular and full-time employees 10.8 hours

   * Hours worked that exceed statutory working hours
3. Ratio of female employees among management-level employees
   - Global employees 2.2% (13 employees)
   - Regional employees 98.9% (88 employees)
   - Total for all regular and full-time employees 14.6% (101 employees*)

   * The number of employees shown above includes the 13 female employees in a management position (section manager level or higher) stated on page 11 of this report.

● Promoting child-rearing assistance programs

JACCS promotes the use of programs to support employees who are raising a family. Specifically, we are working to increase understanding and awareness of maternity and paternity leave programs, and other programs to assist in child-rearing, and to make such programs as user-friendly as possible.

Targets and results in the fiscal year ended March 31, 2020, for programs to promote the use of child-rearing leave programs

	Targets	Results
Ratio for female employees	At least 95%	100%
Ratio for male employees	At least 30%	31.6%

● Promoting work–life balance and health and productivity management

As part of its reform of working styles, from April 2017 the Company has been implementing the JACCS Work-Life Balance Promotion (JWP) initiative, which aims to help employees enhance their working and home lives. As part of this initiative, we are promoting the following targets for employees: at least three days per month with no overtime worked; at least one "Premium Weekday"*1 per month; at least 60% of annual leave days used; and a maximum of 30 hours of overtime*2 worked per month.

Situation in the fiscal year ended March 31, 2020

Percentage of employees having at least three days per month with no overtime worked and taking one "Premium Weekday" per month 98.6%

Average percentage of allocated annual leave days taken by employees:

Average percentage of annual leave days taken by employees	73.1%
Average number of annual leave days taken per year	12.9 days

Maximum of 30 hours of overtime worked per month

Employees' average monthly overtime hours	14.8 hours
Percentage of employees who have undertaken a stress check	98.1%

*1 JACCS' version of "Premium Friday." Under this program, one weekday per month (in principle, the last Friday of each month) is designated, and employees commence work at 9:45 a.m. and leave work at 3:00 p.m. on that day. If an employee is unable to take the Premium Weekday on the designated day for reasons of work commitments, etc., they may take it on an alternate day. Hence, the program is operated in a fair and flexible manner.

*2 Number of hours exceeding the Company's prescribed working hours, which are within the statutory working hours

● New personnel programs

The declining birth rate, aging population, and shrinking working-age population are issues that Japanese society must grapple with. In an era where Japan's traditional lifetime employment practices are beginning to break down, many initiatives are being undertaken to enhance the fluidity of human resources. These are issues that JACCS must also address. For the Company to continue to achieve sustainable growth, we believe that flexible reform of the personnel system is necessary. Based on this recognition, the Company has newly introduced the following personnel programs related to transfer and recruitment.

- Program for change of work location, for such reasons as a work transfer by the employee's spouse
- Re-employment program for retired employees
- Referral-based recruitment program (referral by current employee)

● External certifications and awards

- In March 2020, for the third consecutive year JACCS received certification from the METI under the Certified Health and Productivity Management Organization Recognition Program ("White 500"), as a company engaging in strategic health and productivity management efforts to maintain employee health from a management perspective.
- In June 2020, JACCS received the "Hataraku Eru" award, which recognizes excellence in the implementation of corporate employee welfare programs. This award program is managed by the Employees Welfare Awards and Certification Executive Committee. Among the companies certified as Organizations that Promote Employee Welfare, JACCS was rated among the top five companies, receiving the award as an Excellent Employee Welfare Organization—Overall.

- JACCS received certification under the "Kurumin" program for the fourth time in June 2019. This certification recognizes JACCS as a company that supports child-rearing, based on the results of its programs, which fulfilled the criteria set and assessed by the Ministry of Health, Labour and Welfare (MHLW) (Tokyo Labor Bureau).

2019年認定
くるみん
子育てサポートしています

Social Contribution Initiatives

● Supporting the Japan Para-Volleyball Association (JPVA)

As a special partner of the JPVA, JACCS supports sitting volleyball competitions. Through the further development of disabled sports, we aim to contribute to the realization of a society in which people with diverse attributes and needs can flourish. As part of our efforts to increase awareness of and participation in the sport, JACCS holds internal Company experience sessions. In the fiscal year ended March 31, 2020, sessions were held in Tokyo, Osaka and Sendai, which were attended by a total of 77 people, comprising employees and their families.

● Social contribution through charitable donations

JACCS' social contributions include charitable donations made through the Company's business activities, as well as donations to disaster relief efforts.

Examples of Initiatives in the Fiscal Year Ended March 31, 2020

Initiative	Summary
Typhoon Hagibis (2019) disaster relief donation	¥6.50 million donated in total, comprising donations by all officers and employees of the Group, together with a matching donation by the Company
Japan Guide Dog Association Card (JGDA)	Approximately ¥5.07 million donated to the JGDA through the donation of a set percentage of card transactions

Initiative	Summary
Donation of loyalty points earned on employees' credit cards	Total of ¥6.40 million donated to 12 organizations, including the NPO Gold Ribbon Network, which supports child cancer patients

IR Activities

Twice a year, the Company holds results briefings for analysts and institutional investors approximately one week after the announcement of interim and full-year results. In addition, the Company holds briefings as part of debt IR activities for institutional investors. Subsequent to the holding of briefings, the Company publishes a range of materials on its corporate website, including results briefing presentation materials, video of the entire briefing, a highlights version of the video, a slideshow containing a transcription of the presentation, and content of the question and answer portion of the briefing. By producing a range of IR materials while conscious of the importance of fair disclosure, and providing clear explanations of the Company's performance and strategies, JACCS aims to increase understanding of the Group by investors and other stakeholders.

In addition to the publishing of the financial results statements submitted to the Tokyo Stock Exchange (*Kessan Tanshin*), the Company also publishes annual securities reports (*Yuka Shoken Hokokusho*), newsletters to shareholders, annual reports (Japanese and English editions), and other materials on its corporate website.

A dedicated IR manager is appointed within the Public Relations Section of the Corporate Planning Department.

In the fiscal year ended March 31, 2020, as part of efforts to prevent the spread of COVID-19, the Company cancelled its planned results briefing that had been scheduled to take place on May 22, 2020. Subsequently, one-on-one meetings with analysts and institutional investors were carried out via conference calls and other remote non-contact methods. The Company plans to continue such efforts to prevent infection.

For further information on the Company's IR activities, please visit the IR section of the JACCS website at:

https://www.jaccs.co.jp/en/corporate/ir/

For further information on the Company's CSR activities, please visit the JACCS website at:

https://www.jaccs.co.jp/en/corporate/csr/

ESG INITIATIVES: CORPORATE GOVERNANCE

Overview of Corporate Governance at the JACCS Group

Organizational format:	Company with Audit & Supervisory Board members
Number of directors:	11
Number of outside directors:	3
Number of outside directors designated as independent:	3
Term of office of directors:	1 year
Number of Audit & Supervisory Board members:	4
Number of outside Audit & Supervisory Board members:	2
Number of outside Audit & Supervisory Board members designated as independent:	2
Term of office of Audit & Supervisory Board members:	4 years
Independent auditor:	KPMG AZSA LLC
Use of executive officer system:	Yes

Fundamental Corporate Governance Philosophy

The JACCS Group works to meet the trust and expectations of a broad array of stakeholders, including shareholders, customers, business partners, society, and the environment. We aim to realize sustainable growth for the Group and raise corporate value over the medium to long term. Simultaneously, our management maintains a strong focus on CSR. In line with this philosophy, the Company is working to enhance the soundness and transparency of management and to strengthen management control systems and audit functions. The Company pursues corporate activities that comply with social justice.

The JACCS Group has defined its fundamental corporate governance philosophy, and formulated its basic policy relating to the framework and operation of corporate governance. For further details, please visit the JACCS website.
https://www.jaccs.co.jp/en/corporate/about/governance_info/governance/

Corporate Governance Structure

The Company has established the Audit & Supervisory Board to ensure that the Board of Directors carries out appropriate decision-making and supervisory functions, as well as ensure that Audit & Supervisory Board members, who are appointed on an individual basis, appropriately carry out their audit functions. Through the strengthening of the functions of both the Board of Directors and the Audit & Supervisory Board, the Company is working to enhance corporate governance. The Company has established a system of executive officers, thereby clarifying the division of roles in the execution of operations, delegating authority, and ensuring expeditious execution of operations. Furthermore, the Company aims to realize effective and transparent corporate governance. Specifically, it has established the Nominations Advisory Committee and the Remuneration Advisory Committee as advisory bodies to the Board of Directors, and the Corporate Governance Committee as a body reporting directly to the Board of Directors.

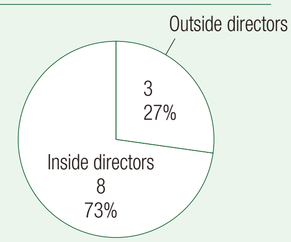
Executive officers hold responsibility and authority for the execution of operations, and comprise the CEO, COO, CFO, executive officers responsible for supervising specific functions, and executive officers. Executive officers are appointed through resolution of the Board of Directors.

Board of Directors

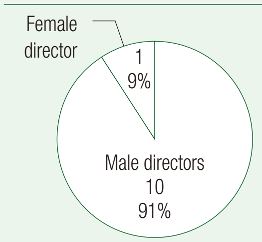
The Board of Directors determines the Company's basic management policies, and makes decisions regarding important operational matters and other matters delegated by resolution of the General Meeting of Shareholders. The Board of Directors also makes decisions on matters stipulated by law and the Company's Articles of Incorporation, and receives reports regarding the status of significant operational matters. Based on this structure, the Board of Directors oversees the operational execution of the Company's management.

The Board of Directors shall comprise at least three but no more than 13 members. Of those, at least two members shall be independent outside directors.

Ratio of Outside Directors within the Board of Directors



Gender Ratio within the Board of Directors



Audit & Supervisory Board Members and the Audit & Supervisory Board

As independent officers functioning under a mandate from the General Meeting of Shareholders, the Audit & Supervisory Board members audit the directors' execution of duties and have the role of carrying out a supervisory function over the Company in cooperation with the Board of Directors. The Audit & Supervisory Board is a body that holds discussions and makes decisions regarding the audits undertaken by the Audit & Supervisory Board members for the purpose of formulating opinions. Each Audit & Supervisory Board member utilizes the Audit & Supervisory Board as a means of ensuring effectiveness. As a body to support the Audit & Supervisory Board members' execution of duties, the Company has established the Audit & Supervisory Board Members' Secretariat and appointed dedicated staff to this body.

Management Committee

As an advisory body to the COO, the Management Committee comprises executive officers responsible for supervising each function of the Company's business organization. In principle, the committee convenes three times per month and broadly considers and deliberates matters delegated by the Board of Directors, important operational matters, and various issues.

Audit Office

The Company has established the Audit Office, which reports directly to the COO, as an independent internal audit unit. The office considers and evaluates the effectiveness of business risk management control and governance processes for the overall operations of each JACCS Group business site. The office also carries out internal audit operations based on the Fundamental Policy relating to the Internal Control System, etc.

Accounting Auditor

The Company appoints an accounting auditor, the appointment of which is based on standards established by the Audit & Supervisory Board.

Committees

• Nominations Advisory Committee

The Company has voluntarily established the Nominations Advisory Committee as an advisory body to the Board of Directors. The committee considers and deliberates nomination and dismissal proposals for directors and executive officers responsible for supervising specific functions, and reports its findings to the Board of Directors. The committee also considers and deliberates the standards applied to ensure the independence of outside officers, and reports its findings to the Board of Directors. The committee's membership comprises representative directors, the executive officer responsible for supervising general affairs and personnel, and outside directors. By including outside directors within its membership, the committee ensures objectivity and transparency are maintained.

• Remuneration Advisory Committee

The Company has voluntarily established the Remuneration Advisory Committee as an advisory body to the Board of Directors. The committee considers and debates the performance of directors and executive officers responsible for supervising specific functions and the content of their remuneration, and reports its findings to the Board of Directors. The committee's membership comprises representative directors, the executive officer responsible for supervising general affairs and personnel, and outside directors. By including outside directors within its membership, the committee ensures objectivity and transparency are maintained.

• Corporate Governance Committee

The Company has established the Corporate Governance Committee as a body reporting directly to the Board of Directors. The committee considers and deliberates matters relating to the following, and reports its findings to the Board of Directors.

- Enterprise risk management (ERM) for the JACCS Group
- JACCS Group compliance and the internal control situation
- Evaluation of the activities of such committees as the Compliance Committee, Internal Control Committee, and Personal Information Protection Committee, as well as review of important matters handled by these committees

The Corporate Governance Committee comprises representative directors, the executive officer responsible for supervising general affairs and personnel, the executive officer responsible for supervising compliance, outside directors, and Audit & Supervisory Board members (including outside Audit & Supervisory Board members). The Company ensures the effectiveness of the committee through the inclusion of outside directors and outside Audit & Supervisory Board members.

Outside Directors and Outside Audit & Supervisory Board Members

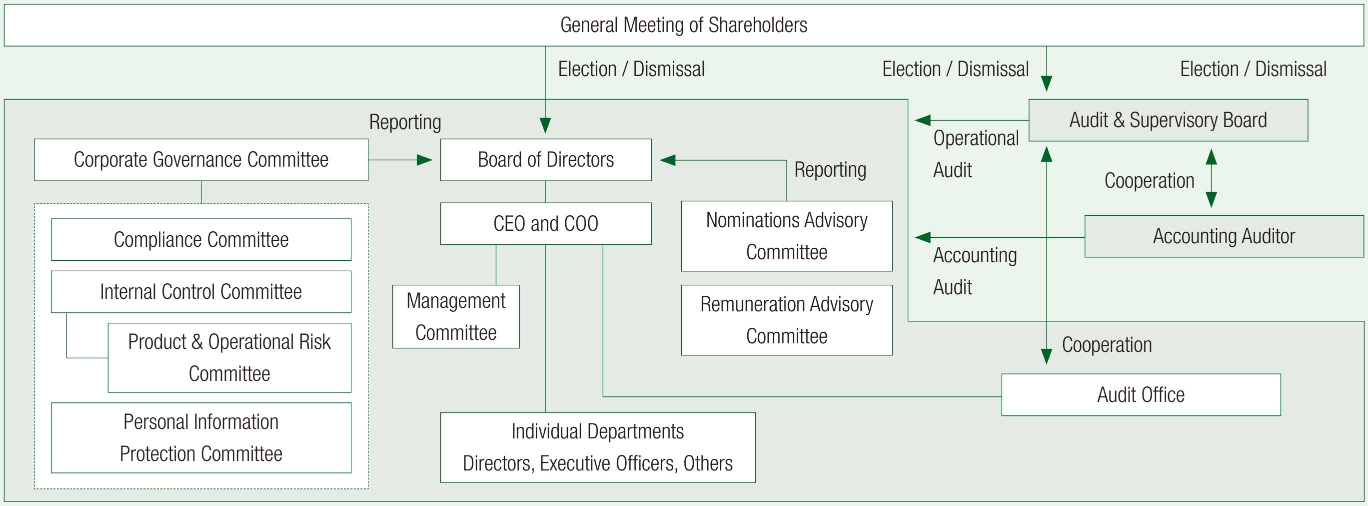
The Company has appointed three outside directors and two outside Audit & Supervisory Board members.

Based on the Companies Act and stipulations by stock exchanges regarding the independence of outside directors and outside Audit & Supervisory Board members, the Company has established the following as its Standards for the Independence of Outside Officers. If none of the following stipulations apply to an outside officer, the officer is judged to have independence.

Standards for the Independence of Outside Officers

1. A party with a material trading relationship with the Company, or an executive for such a party
2. A party that belongs to an organization that receives a large consulting fee from the Company in relation to accounting or legal consulting services, excluding officer remuneration
3. A major shareholder owning 5% or greater of the voting rights of the Company, or an executive of such a corporate body

Corporate Governance Structure



4. A party who is related to a JACCS Group director, Audit & Supervisory Board member, or executive officer, etc., up to the second degree (e.g., spouse, parent, child, sibling, grandparent, or any such relative's spouse), or related to the second degree to any party fulfilling stipulations 1–3 above
5. A party who has held the appointment of outside officer for a long period

The Company convenes a committee comprised entirely of outside directors and outside Audit & Supervisory Board members. This committee conducts discussions regarding matters related to the Company's business and corporate governance. The committee members appoint one of the independent outside directors as the lead independent outside director by an internal committee vote. The lead independent outside director serves as chair of the committee, which works to exchange information and share awareness, and makes recommendations to management.

Attendance by Directors and Audit & Supervisory Board Members at Meetings of the Board of Directors and Meetings of the Audit & Supervisory Board

Attendance at meetings of the Board of Directors and meetings of the Audit & Supervisory Board during the fiscal year ended March 31, 2020, was as follows.

Number of meetings convened of the Board of Directors and the Audit & Supervisory Board	7 meetings of each board
Directors	Meetings of the Board of Directors Attendance* 100%
Audit & Supervisory Board members	Meetings of the Audit & Supervisory Board Attendance* 100%
	Meetings of the Board of Directors Attendance* 100%

* Rate of attendance by directors and Audit & Supervisory Board members at meetings held during each member's respective terms of office

Evaluation of Effectiveness of the Board of Directors

Every year, the Board of Directors conducts an analysis and evaluation of its effectiveness. In the evaluation carried out in May 2020, the Company implemented a survey of directors and Audit & Supervisory Board members. The survey covered seven areas: composition of the Board of Directors; operation of the Board of Directors; fullness of deliberation of the Board of Directors; support structure for the Board of Directors; management strategy and business strategies; corporate ethics and risk management; and enhancement of relationships with shareholders and other stakeholders. The Company appointed a third-party institution to undertake evaluation of the survey results.

According to the survey results, evaluation improved across the majority of survey areas compared with the previous fiscal year. As an overall evaluation, the results confirmed that the effectiveness of the Board of Directors was maintained. The Board of Directors is committed to further enhancing its level of effectiveness.

Compensation of Officers

Total compensation of directors is set by a resolution of the 87th Ordinary General Meeting of Shareholders, held on June 28, 2018, within a maximum annual limit of ¥600 million. Within this total, the total annual compensation of outside directors is set within a maximum annual limit of ¥30 million. At present, there are 11 directors, including three outside directors.

Compensation for Audit & Supervisory Board members is set by a resolution of the 77th Ordinary General Meeting of Shareholders, held on June 27, 2008, within a maximum annual limit of ¥60 million. At present, there are four Audit & Supervisory Board members, including two outside members.

The composition of compensation of officers, and the method for determining compensation, are as follows.

1. Compensation of executive directors

Compensation of executive directors comprises basic compensation and stock-based compensation.

(i) Basic compensation

Basic compensation is determined based on the position held by each director.

(ii) Stock-based compensation

The Company introduced a stock-based compensation program utilizing shares with restriction on transfer, and a performance share unit (stock-based program linked to business performance). The objectives of these programs are to provide a medium- to long-term incentive as well as create a compensation structure that further promotes shared value with shareholders, and thereby promote sustainable growth in corporate value. The stock-based compensation program utilizing shares with restriction on transfer grants shares as performance-based compensation applicable to a single fiscal year in accordance with performance evaluation ranks for each position. The performance share unit (stock-based program linked to business performance) grants shares and cash after the conclusion of a medium-term business plan, with performance evaluation ranks established based on the level of achievement of the medium-term business plan. Details of these programs are described in the Company's annual securities report (*Yuka Shoken Hokokusho*) within "Part 4: Status of the Submitting Company; 1. Status of shares, etc. (8) Details of share ownership programs for officers and employees."

Indicators and targets (initial formulation) for the performance share unit (stock-based program linked to business performance) applicable to the medium-term business plan that commenced in the fiscal year ended March 31, 2019, were as follows.

Consolidated ordinary income	Targets (Millions of yen)	Results (Millions of yen)
Fiscal year ended March 31, 2019	12,700	14,448
Fiscal year ended March 31, 2020	14,500	16,700
Fiscal year ending March 31, 2021	16,100	—

Consolidated total operating revenue	Targets (Millions of yen)	Results (Millions of yen)
Fiscal year ended March 31, 2019	147,800	145,836
Fiscal year ended March 31, 2020	155,500	158,610
Fiscal year ending March 31, 2021	169,500	—

2. Compensation of outside directors

Compensation of outside directors comprises basic compensation only.

3. Procedures for determining compensation of officers

The procedures for determining compensation of officers are based on the

Internal Rules regarding Officer Compensation established by the Board of Directors. To ensure that objectivity and transparency are maintained during the determination of compensation, deliberation is carried out by the Remuneration Advisory Committee, and the results of this deliberation are reported to the Board of Directors.

4. Compensation of Audit & Supervisory Board members

Compensation of Audit & Supervisory Board members comprises basic compensation only, and is determined after discussions by the Audit & Supervisory Board.

Total compensation by officer category, by type of compensation and number of directors or Audit & Supervisory Board members

Officer category	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Number of directors or Audit & Supervisory Board members
		Basic compensation	Stock-based compensation utilizing shares with restriction on transfer	Retirement allowance	
Directors (excluding outside directors)	392	365	27	—	10
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	42	42	—	—	2
Outside officers	36	36	—	—	7

Notes:
1. The amounts presented have been truncated to whole million-yen amounts.
2. Pursuant to resolutions of the General Meeting of Shareholders, the total annual amount of directors' compensation is set at within a ¥600 million limit (resolution of the 87th Ordinary General Meeting of Shareholders), and the total annual amount of compensation of Audit & Supervisory Board members is set at within a ¥60 million limit (resolution of the 77th Ordinary General Meeting of Shareholders).
3. The officers' compensation presented in the above table includes that of one director, one outside director, and one outside Audit & Supervisory Board member whose terms of office ended at the conclusion of the 88th Ordinary General Meeting of Shareholders, held on June 27, 2019.
4. At the 87th Ordinary General Meeting of Shareholders, the Company revised its stock option program for stock-based compensation, and newly introduced a stock-based compensation program utilizing shares with restriction on transfer and a performance share unit (stock-based program linked to business performance).
5. The performance share unit involves the granting of cash compensation claims and cash following the conclusion of the medium-term business plan (from the fiscal year ended March 31, 2019, to the fiscal year ending March 31, 2021) based on the achievement ratio of numerical targets for the Company's business performance. Consequently, these amounts are not included in total compensation or total compensation by type presented in the above table.

Strengthening of the Internal Control System

In addition to building an expeditious and efficient structure for operational execution, the Company believes that strengthening the compliance system of the entire Group and establishing a highly independent internal audit system is extremely important. Hence, the Company has established specialist organizational units responsible for each of these functions. Furthermore, the Company has established the Fundamental Policy relating to the Internal Control System. For further details, please visit the JACCS website. (in Japanese only)
https://www.jaccs.co.jp/corporate/about/governance_info/system.html

Information Disclosure System

The Company believes that a proactive stance toward disclosure serves to increase the trust of stakeholders, and is essential for maintaining management accountability. To this end, the Company formulated a Disclosure Policy, and carries out disclosure so that stakeholders can be cognizant of important information quickly, correctly, and fairly.

Measures to Revitalize the General Meeting of Shareholders and Promote the Exercise of Voting Rights

The Company works to dispatch notices of convocation of the General Meeting of Shareholders as early as possible. Notice of the Ordinary General Meeting of Shareholders held on June 26, 2020, was dispatched on June 10, 2020. An English translation of the notice of convocation (summary version) is published on the JACCS website. To promote the exercise of voting rights, the Company participates in an electronic voting platform.

Message from an Independent Outside Director

Junko Nishiyama
Independent Outside Director

I was appointed as an independent outside director of JACCS Co., Ltd., at the end of June 2019. During the year since, I have attended meetings of the Board of Directors and the Corporate Governance Committee, and undertaken a range of activities aimed at increasing my depth of understanding of the Company. This has included receiving briefings on the operations carried out by each department and making visits to operational sites, such as the customer center. Through these activities, I have gained a strong sense of the sincerity of JACCS employees, whose approach to their work makes trust and reliability their first priority. This reflects JACCS' founding philosophy, "Trust is the basis for all." Naturally, this attitude applies to interactions with customers. However, it is also put into practice among executives and employees irrespective of rank, embodying the ideal toward which JACCS is striving. Such a corporate culture does not take root overnight. It is the product of consistent leadership provided by management over a long period, and the result of corporate governance structures that the Company has developed.

The fiscal year ending March 31, 2021, is a crucial year for JACCS, as the final year of the Group's 13th three-year medium-term business plan, "RAISE 2020." As the COVID-19 pandemic continues to spread globally and uncertainty persists, the true value of corporate management will be put to the test. For many years, I worked at a healthcare company in a role that was close to customers. I was involved in manufacturing aimed at realizing comfortable lifestyles and in the execution of brand strategies. By leveraging my knowledge and experience, I can offer an outside perspective of stakeholder expectations and raise issues that need to be addressed, thereby supporting the Company's management policies. I wish to expend my utmost efforts to contribute to the medium- and long-term enhancement of JACCS' corporate value.

Board of Directors

(As of June 26, 2020)

Chairman, CEO and Representative Director

Yasuyoshi Itagaki

June 1979 Joined the Company
June 2005 Executive Officer and General Manager of Kyushu Area
June 2008 Senior Executive Officer and Supervisor of Credit Card Business
Oct. 2008 Senior Executive Officer and Supervisor of Sales Planning of Business Strategy Department
June 2010 Director and Senior Executive Officer (Supervisor of General Affairs and Personnel)
June 2011 Director and Senior Executive Officer (Supervisor of Corporate Planning)
June 2012 President, CEO, COO and Representative Director
June 2018 Chairman, CEO and Representative Director

President, COO and Representative Director

Toru Yamazaki

Apr. 1982 Joined the Company
Oct. 2009 Executive Officer and General Manager of First Sales Promotion Department of Business Strategy Department
Oct. 2011 Executive Officer and General Manager of Shopping Credit Promotion Department of Business Strategy Department
June 2012 Executive Officer and General Manager of Chubu Area
June 2013 Senior Executive Officer and General Manager of Kinki Area
June 2015 Senior Executive Officer and General Manager of Shutoken Area
June 2016 Director and Senior Executive Officer (Supervisor of Corporate Planning)
June 2017 Director and Managing Executive Officer (Supervisor of Corporate Planning)
June 2018 President, COO and Representative Director

Deputy President and Representative Director

Minekazu Sugano

Supervisor of International Business and Information Systems

Apr. 1979 Joined the Company
June 2011 Director and Senior Executive Officer (Supervisor of Revenue Management and General Manager of Revenue Management Department)
Oct. 2011 Director and Senior Executive Officer (Supervisor of Accounting and Finance and General Manager of Finance Department)
June 2013 Director and Senior Executive Officer (Supervisor of Information Systems)
June 2014 Director and Managing Executive Officer (Supervisor of Information Systems)
June 2016 Director and Managing Executive Officer (Supervisor of Accounting and Finance and Information Systems)
June 2017 Director, CFO and Senior Managing Executive Officer (Supervisor of Accounting and Finance and Information Systems)
June 2019 Director, CFO and Senior Managing Executive Officer (Supervisor of Information Systems)
June 2020 Deputy President and Representative Director (Supervisor of International Business and Information Systems)

Director and Senior Managing Executive Officer

Hitoshi Chino

Manager of Business Strategy Department and Supervisor of Credit Business

Apr. 1981 Joined the Company
June 2006 Executive Officer and General Manager of Credit Card Promotion Department of Business Strategy Department
Oct. 2008 Executive Officer and General Manager of Hokkaido Area
Oct. 2010 Executive Officer and General Manager of Kita-Kanto Area
June 2012 Senior Executive Officer and Supervisor of Credit Screening and Operation
June 2016 Managing Executive Officer and Deputy General Manager of Business Strategy Department
June 2018 Director and Managing Executive Officer (Deputy General Manager of Business Strategy Department and Supervisor of Credit Card and Payments Business)
June 2019 Director and Managing Executive Officer (Supervisor of Credit Management and Credit Screening and Operation)
June 2020 Director and Senior Managing Executive Office (Manager of Business Strategy Department and Supervisor of Credit Business)

Director, CFO and Managing Executive Officer

Takashi Saitou

Supervisor of Accounting and Finance

Apr. 1983 Joined The Mitsubishi Bank, Limited (currently MUFG Bank, Ltd.)
June 2010 Executive Officer in charge of East Japan Area Branches of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
May 2011 Executive Officer and Manager of Corporate Administration Division
June 2012 Director and President of Chitose Kosan Co., Ltd.
June 2016 Adviser of the Company
June 2016 Senior Executive Officer and General Manager of Audit Office
June 2017 Director and Managing Executive Officer (Supervisor of Compliance and General Affairs and Personnel)
June 2018 Director and Managing Executive Officer (Supervisor of Compliance and General Affairs and Personnel, and Credit Screening and Operation Department)
June 2019 Director and Managing Executive Officer (Supervisor of Accounting and Finance and Compliance Department)
June 2020 Director, CFO and Managing Executive Officer (Supervisor of Accounting and Finance)

Director and Managing Executive Officer

Shigeki Ogata

Supervisor of Credit Screening and Operation and Compliance

Oct. 1985 Joined the Company
June 2010 Executive Officer and General Manager of Corporate Planning Department
June 2013 Director and Senior Executive Officer (Supervisor of Accounting and Finance and General Manager of Finance Department)
Apr. 2015 Director and Senior Executive Officer (Supervisor of Accounting and Finance)
June 2016 Director and Senior Executive Officer (Supervisor of Credit Screening and Operation)
June 2018 Director and Managing Executive Officer (Supervisor of Corporate Planning and Group Strategic Business)
Apr. 2019 Director and Managing Executive Officer (Supervisor of Corporate Planning)
June 2020 Director and Managing Executive Officer (Supervisor of Credit Screening and Operation and Compliance)

Director and Managing Executive Officer

Kenichi Oshima

Supervisor of General Affairs and Personnel and Credit Management

Apr. 1982 Joined the Company
Oct. 2011 Executive Officer and General Manager of Credit Management Department
June 2013 Senior Executive Officer and Supervisor of Credit Management
June 2015 Senior Executive Officer and General Manager of Hokkaido Area
June 2016 Senior Executive Officer and Supervisor of Information Systems
June 2019 Director and Managing Executive Officer (Supervisor of General Affairs and Personnel)
June 2020 Director and Managing Executive Officer (Supervisor of General Affairs and Personnel and Credit Management)

Director and Managing Executive Officer

Ryo Murakami

Supervisor of Corporate Planning

Apr. 1985 Joined the Company
Oct. 2012 Executive Officer and General Manager of Shopping Credit Promotion Department
June 2016 Senior Executive Officer and General Manager of Chubu Area
June 2018 Senior Executive Officer (Supervisor of Credit Business, Business Strategy Department)
June 2019 Senior Executive Officer (Deputy General Manager of Business Strategy Department and Supervisor of Credit Business)
June 2020 Director and Managing Executive Officer (Supervisor of Corporate Planning)

Outside Director*

Kuniaki Hara

Apr. 1971 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
Sept. 1978 Passed the third stage examination of Certified Public Accountant Examination and registered as Certified Public Accountant
June 1997 General Manager of Corporate Planning Division of Tokyo Office
June 2001 General Manager of Management and Finance Division (CFO)
June 2007 General Manager of Reputation & Risk Division (CRO) and Global Board Member of Deloitte Touche Tohmatsu Ltd.
July 2012 Established Kuniaki Hara Accounting Office (current position)
May 2014 Outside Corporate Auditor of Ryohin Keikaku Co., Ltd.
June 2014 Director of the Company (current position)

Outside Director*

Masahito Suzuki

Apr. 1980 Joined Kirin Brewery Company, Limited
Mar. 2007 Seconded to Kirin Beverage Company, Limited General Manager of Accounting Department
Mar. 2008 Executive Officer and General Manager of Corporate Planning Department
Mar. 2009 Director of the Board and General Manager of Corporate Planning Department
Mar. 2012 Director of the Board & CFO of Kirin Holdings Company, Limited
Mar. 2013 Director of the Board & CFO of Kirin Holdings Company, Limited and Director of the Board of Kirin Company, Limited
Mar. 2014 Audit & Supervisory Board Member of Kirin Holdings Company, Limited and Audit & Supervisory Board Member of Kirin Company, Limited
June 2018 Outside Director of WORLD CO., LTD. (current position)
June 2018 Outside Director of AJIS Co., Ltd. (current position)
June 2018 Director of the Company (current position)

Outside Director*

Junko Nishiyama

Apr. 1979 Joined Lion Fat and Oil Co., Ltd. (currently Lion Corporation)
Mar. 2006 Executive General Manager of Purchasing Headquarters of Lion Corporation
Mar. 2007 Product Purchasing Manager, Production Department, Production Division 2
Jan. 2009 Head of Container and Packaging Technologies, Research and Development
Jan. 2014 General Manager of CSR
Mar. 2015 Audit & Supervisory Board Member
Mar. 2019 Independent Director of EBARA CORPORATION (current position)
June 2019 Director of the Company (current position)
June 2020 Outside Corporate Auditor of TODA CORPORATION (current position)

* The three outside directors are registered as independent directors with the Tokyo Stock Exchange.

Audit & Supervisory Board Members

(As of June 26, 2020)

Audit & Supervisory Board Member (Full-time)

Hideo Yoshino

Apr. 1980 Joined The Mitsubishi Bank, Limited (currently MUFG Bank, Ltd.)
Mar. 2005 General Manager of Manila Branch of The Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.)
Sept. 2007 Regional Manager in Vietnam and General Manager of Ho Chi Minh City Branch of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
Apr. 2010 Joined the Company as General Manager of International Business Planning Department
June 2012 Senior Executive Officer and General Manager of International Business Planning Department
Aug. 2014 Senior Executive Officer and Representative Director of PT Mitra Pinasthika Mustika Finance
Mar. 2016 Senior Executive Officer and General Manager of International Business Planning Department of the Company
Apr. 2017 Senior Executive Officer and General Manager of International Business Department
June 2017 Audit & Supervisory Board Member of the Company (current position)

Audit & Supervisory Board Member (Full-time)

Terukazu Shimokawa

Apr. 1987 Joined the Company
June 2015 Executive Officer and General Manager of Credit Screening and Operation
June 2017 Executive Officer and General Manager of Kyushu Area
June 2020 Audit & Supervisory Board Member (current position)

Outside Audit & Supervisory Board Member**

Shinji Murakami

Nov. 1977 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
Aug. 1985 Registered as Certified Public Accountant
June 2007 General Manager of Business Administration Division
Apr. 2014 General Manager of Business Administration Division, Tohmatsu Challenged Co., Ltd.
July 2015 Established Shinji Murakami Accounting Office (current position)
June 2016 Member of Audit & Supervisory Board of the Company (current position)

Outside Audit & Supervisory Board Member**

Yusuke Komachiya

Dec. 2008 Registered as an attorney at Law
Dec. 2008 Joined ONO SOGO LEGAL PROFESSION CORPORATION
Mar. 2015 Representative, Japan Federation of Bar Associations
Apr. 2015 Permanent Member, Tokyo Bar Association
June 2019 Member of Audit & Supervisory Board of the Company (current position)

** The two outside Audit & Supervisory Board members are registered as independent auditors with the Tokyo Stock Exchange.

Executive Officers

(As of June 26, 2020)

Managing Executive Officer

Kojun Sato
PT JACCS MITRA PINASTHIKA MUSTIKA FINANCE INDONESIA
Representative Director (Planned appointment)

Senior Executive Officers

Takahiro Nagoshi
International Business

Akira Kuzukami
Shutoken Area

Toshio Sotoguchi
JACCS FINANCE PHILIPPINES COROPRATION

Masahiro Hasukawa
Audit Office

Toshiya Kaname
PT JACCS MITRA PINASTHIKA MUSTIKA FINANCE INDONESIA
President Commissioner

Masayuki Nemoto
Credit Management

Shingo Yuzue
Financing

Hiroki Yoshida
Credit Card and Payments Business

Toshikazu Kondo
Kinki Area

Osamu Ota
Information Systems and Systems Management

Noboru Taniguchi
Kyushu Area

Executive Officers

Ichiro Kobayashi
Corporate Planning

Kazuhiko Segawa
Compliance

Naoki Akiba
Credit Screening and Operation

Hirofumi Kato
Chubu Area

Tatsuya Kosuge
Tohoku Area

Akihito Suehiro
Acquiring Business, Business Strategy

Keigo Abo
Chugoku-Shikoku Area

Hideyuki Yamaoka
Housing Loan Guarantee, Business Strategy

Yosuke Sato
Shopping Credit Promotion, Business Strategy

Masatoshi Fukuyama
Auto Loans, Business Strategy

Toru Matsumura
Credit Card Promotion, Business Strategy

Shingo Asakawa
Payments Promotion and Payments Planning, Business Strategy

Satoru Yamashita
Kita-Kanto Area

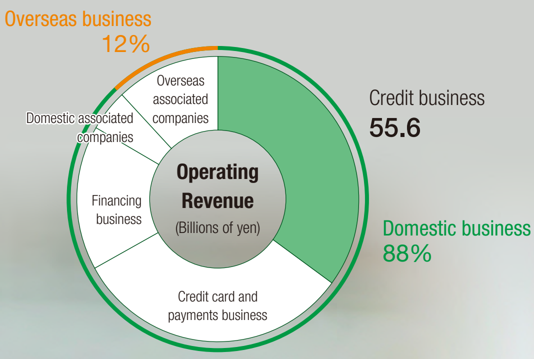
Yasuhiko Uchiyama
Hokkaido Area

Kenji Naiki
Credit Management

Seishi Tawaratumida
Guarantee Business, Business Strategy

Review of Operations

Credit Business



The Volume of New Contracts Grew in Such Major Product and Service Categories as Housing-Related Fields, Motorcycles, and Household Appliances, as Well as in Auto Loans.

Overview

JACCS provides installment credit and other settlement methods for a wide variety of products and services. In particular, there are significant market needs in the area of payment for high-value products and services that fall outside a customer's credit card limit. The credit business is based on a BtoBtoC model, with services provided to customers via member stores. Hence, JACCS' services support the promotion of sales by member stores while also contributing to greater convenience for customers.

Shopping credit includes such major product and service categories as home renovation and other housing-related fields, premium wristwatches and jewelry, motorcycles, household appliances and electronics, and kimono. JACCS also provides credit in such fields as education, bridal, and healthcare services. In auto loans, JACCS supports a broad range of vehicle purchases, from new domestic-brand vehicles and imported vehicles to used vehicles. The JACCS Group also handles auto leasing. JACCS is promoting the adoption of Web-based credit application services, and working to bolster demand for credit by enhancing customer convenience through a move to paperless application procedures and speedier credit screening.

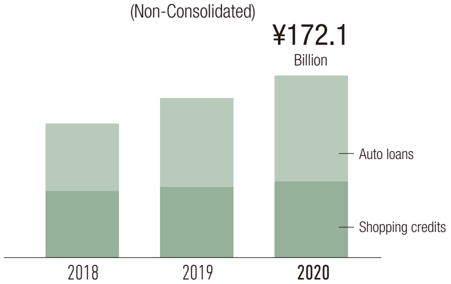
Operating Performance (Non-Consolidated)

In shopping credits, the volume of new contracts increased, driven by expansion in such key business categories as housing-related fields, motorcycles, and household appliances. In auto loans, the volume of new contracts grew, driven by expansion at imported-vehicle dealerships and dealerships specializing in used vehicles.

Operating revenue grew, reflecting increases in the volume of new contracts for installment sales finance in each business category and a reversal of deferred installment income.

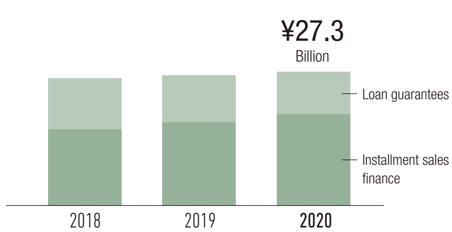
Balance of Deferred Installment Income

(Non-Consolidated)



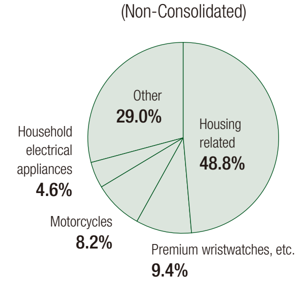
Operating Revenue in Shopping Credits

(Non-Consolidated)



Breakdown of the Volume of New Contracts among Major Business Categories in Shopping Credits

(Non-Consolidated)



Strengths

- Diverse product lineup to meet customer needs, including Web-based products
- Credit function that has built a high-quality portfolio of receivables, and back-office functions with superior response capabilities
- Nationwide network of sales offices, and network of member stores

Opportunities

- Expansion of the credit field
- Expansion of the e-commerce market
- Continuation of low interest rate environment

Strategy under RAISE 2020

In shopping credits, JACCS is aiming to realize sustainable growth centering on major product and service categories. In housing-related fields, by focusing efforts on such partners as house manufacturers and builders, JACCS is working to expand the volume of new contracts in home renovation and such environmental products as solar power generation equipment and storage batteries. We are also working to expand the volume of new contracts in major business categories through the execution of a variety of promotional programs, strengthening of alliance partnerships, and diversification of payment plans. To achieve sustainable growth, we aim to stimulate demand for credit and expand the market. Specifically, we are strengthening initiatives that cater to the e-commerce market by expanding and promoting Web functionality, which will lead to increased convenience and higher productivity, and offering credit products that cater to diverse needs.

In auto loans, JACCS is aiming to grow its market share by strengthening its sales programs in partnership with imported-vehicle dealerships and specialized used-vehicle dealerships. With regard to imported-vehicle dealerships, JACCS is working to strengthen relationships with its partners by providing high-quality services and sales-support services as part of captive-finance* solutions, thereby bolstering demand for auto loans. Through such measures, we aim to grow the volume of new contracts. With regard to specialized used-vehicle dealerships, by expanding the functionality and enhancing the usability of Web-based products, JACCS is striving to increase the volume of new contracts, centering on major dealerships that have a nationwide store network and large-scale regional dealerships.

Furthermore, in response to diversifying consumer needs, we are enhancing the functionality of JACCS' auto leasing system, and working to expand the volume of new contracts in auto leasing by strengthening our cooperation with vehicle importers and franchise alliance partners.

* Auto sales finance offered in partnership with automobile manufacturers

ESG-Related Initiatives

7 AFFORDABLE AND CLEAN ENERGY
13 CLIMATE ACTION

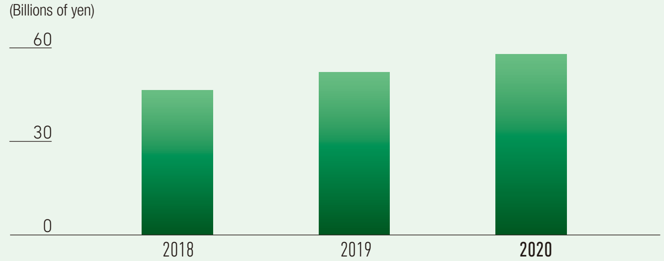
JACCS is contributing to the reduction of CO_2 emissions through loans for such items as electricity generation facilities based on renewable energy.

The JACCS Group's Basic Environmental Code stipulates that the Group will contribute to environmental conservation through its business operations.

In the credit business, JACCS began offering solar loans in 1998, making it the first company in the Japanese consumer credit industry to offer such loans. JACCS believed that the adoption of solar power generation facilities would contribute to a decrease in environmental burden, and for more than 20 years has promoted the use of its solar loans. As one of the main products driving growth in the balance of deferred installment income—a core component of the Group's stable revenue base—the Company is pursuing expansion in the volume of new contracts for solar loans. From the perspective of our affiliate stores, this product is easy to recommend, and for consumers it offers low-interest repayment plans. The provision of solar loans bolsters the uptake of renewable energy generation equipment, such as solar power generation systems and storage batteries. Hence, we believe that through this business we are able to contribute to the reduction of CO_2 emissions.

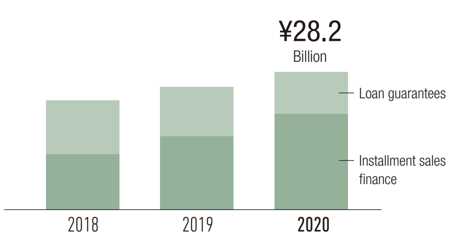
Volume of New Contracts for Solar Loans

(Billions of yen)



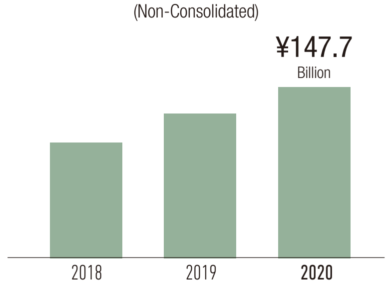
Operating Revenue in Auto Loans

(Non-Consolidated)



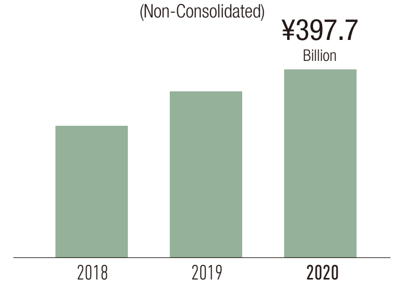
Volume of New Contracts of Web-Based Products in Shopping Credits

(Non-Consolidated)



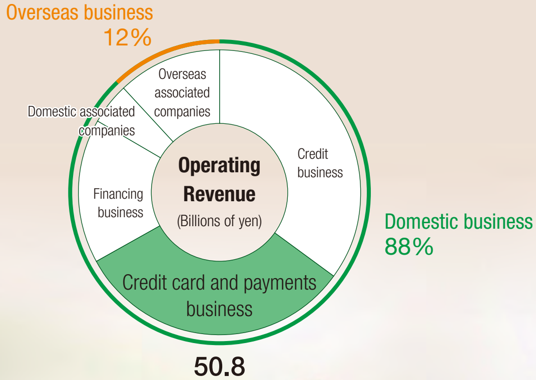
Volume of New Contracts of Web-Based Products in Auto Loans

(Non-Consolidated)



Review of Operations

Credit Card and Payments Business



The Volume of New Contracts Increased, Driven by Expansion in the Volumes Handled at Major Alliance Partners and Acquisition of New Alliance Partnerships.

Overview

The credit card domain encompasses the issuing of credit cards and acquiring operations for a network of member stores for Visa and Mastercard, in addition to Alipay and WeChat Pay (payment services catering to Chinese consumers), and a range of domestic QR code- and barcode-based payment platforms. As an independent credit card issuer not affiliated with any particular retail group, JACCS issues cards centering on co-branded cards in partnership with companies and organizations from a broad spectrum of industries and fields. Through the expansion of alliance partners, JACCS is striving to increase new card members. By executing promotions targeting members that utilize card usage data, we are working to increase the volume of new contracts. In response to increasingly diverse consumer needs, JACCS issues prepaid cards and other products in addition to credit cards. We are also working to ensure the provision of a convenient, safe, and secure payment environment for consumers, through such measures as issuing IC chip-embedded credit cards as standard, and implementing efforts to expand the adoption of contactless IC-based payment services, including smartphone payments.

In the payments domain, we provide subscription bill collection services on behalf of fitness clubs and other organizations, as well as rent guarantee services.

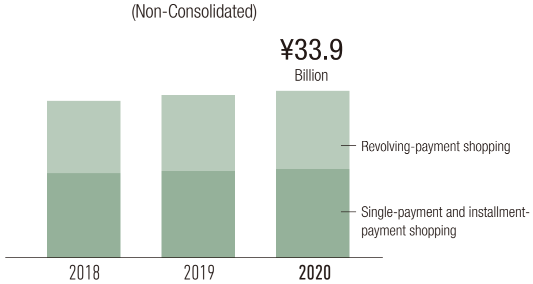
We are also promoting multi-payment services through cross-selling. This encompasses not only customers in the credit card and payments business but also in the credit business. Hence, we aim to generate synergies that go beyond growth in individual businesses.

Operating Performance (Non-Consolidated)

In card shopping, operating revenues increased, driven by growth in the volume of new contracts at major alliance partners, including large-scale consumer electronics stores and discount stores, a buildup in the balance of revolving-payment shopping, and growth in the performance of acquiring operations. In cash advances, despite the execution of promotional campaigns, the volume of new contracts and balance of revolving-payment cash advances

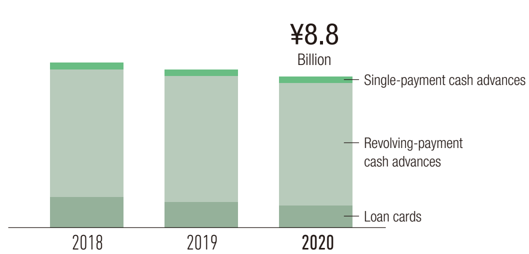
Operating Revenue in Credit Card Business for Shopping

(Non-Consolidated)



Operating Revenue in Cash Advances

(Non-Consolidated)



Strengths

- Lineup of payment products and services catering to a diverse range of needs, including credit cards, prepaid cards, and bill collection services
- Acquiring operations that handle international brands and an array of code-based payments
- Nationwide network of sales offices, and network of member stores and alliance partners

Opportunities

- Increased sophistication of customer contact points, growth in cashless payments
- Greater efficiency in billing-related operations and reduction of risk of claims falling into arrears
- Increase in the number of single-person households, increased needs among institutions for guarantees, driven by revision of the Civil Code

both decreased, and operating revenue declined. The number of new members declined as new members acquired by major alliance partners decreased. The number of existing cardholders decreased, reflecting an increase in the number of membership withdrawals owing to such factors as retrenchment of inactive members. The number of active members and the ratio of active members maintained similar levels to the previous fiscal year.

In bill collection within the payments business, the volume of new contracts and operating revenue increased, driven by an expansion in transaction volume centering on real estate management companies and fitness clubs. In rent guarantee operations, the volume of new contracts and operating revenue both increased, underpinned by growth in the volume of new contracts at major alliance partners, and acquisition of new alliance partners.

Strategy under RAISE 2020

In the credit card domain, the Company is pursuing expansion of the revenue base and reform of cost structures. In addition to the acquisition of new members through co-branded cards with alliance partners, and expansion of the number of active members through the use of sophisticated promotional programs, the Company is working to grow its acquiring operations as well as intermediary operations for QR code-based payment services. Furthermore, on an ongoing basis we are implementing measures aimed at enhancing profitability and reducing costs.

In the payments domain, we aim to generate growth by promoting conversion to Web-based services, and through the rollout of new services. We will promote multi-payment services, such as credit card payments and bill collection services, work to increase JACCS' customer share at existing alliance partners by strengthening our Web-based functionality and pursuing conversion to Web-based services, and promote expansion of new alliance partnerships. Furthermore, the Company is strengthening measures that target the education field and other key strategic markets.

ESG-Related Initiatives

10 REDUCED INEQUALITIES

Social and Local Community Contribution through the Credit Card Business

JACCS issues co-branded cards in partnership with a broad range of companies and organizations. This includes co-branded cards that contribute to society and local communities, such as the Japan Guide Dog Association Card. By using these credit cards to make shopping purchases, customers are able to make donations to local community organizations and philanthropic organizations.

Examples of Cards that Contribute to Society and Local Communities

- Japan Guide Dog Association Card

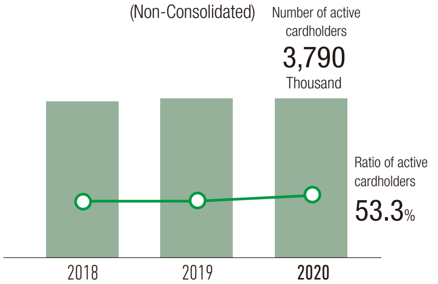
- Hakodate Card

https://www.jaccs.co.jp/service/card_lineup/
(in Japanese only)

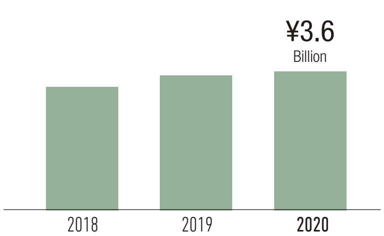
Efforts for Social Contributions

https://www.jaccs.co.jp/en/corporate/csr/social.html

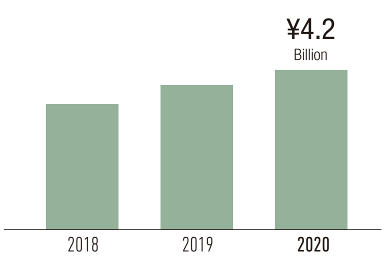
Number and Ratio of Active Cardholders



Revenue from Bill Collection Services



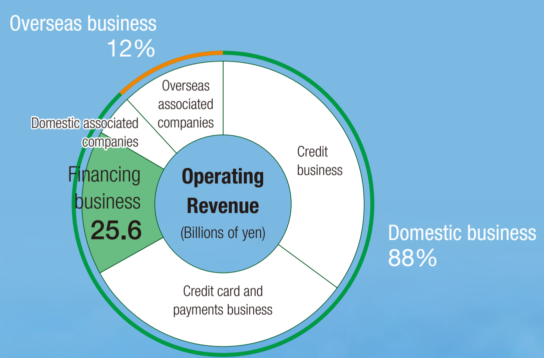
Revenue from Rent Guarantees



Review of Operations

Financing Business

The Balances of Both Housing Loan Guarantees and Personal Loan Guarantees Grew.



Strengths

Housing loan guarantees:

- Business experience spanning more than 45 years; accumulated expertise based on this experience; precise credit operations that leverage the Company's know-how
- Network of alliances with real estate sales companies

Personal loan guarantees:

- Product lineup that responds to the needs of financial institutions
- Collaboration with MUFG Bank; partnerships with more than 600 financial institutions nationwide

Opportunities

Housing loan guarantees:

- As an investment category, there are steady needs for studio condominiums purchased for investment purposes.
- Low interest rate environment

Personal loan guarantees:

- Expansion of guarantee needs among financial institutions that focus on personal loans

Overview

The financing business provides credit guarantee services for housing loans and personal loans extended by financial institutions. Housing loan guarantee services specialize in mortgage guarantees on studio condominiums purchased for investment purposes. JACCS conducts this business in the major urban areas centering on Tokyo, Osaka, and Fukuoka, where apartments have sound, long-term rental income-earning potential. Guarantee services for personal loans extended by financial institutions are conducted through partnerships with more than 600 financial institutions nationwide.

Operating Performance (Non-Consolidated)

In housing loan guarantees, the balance of loan guarantees and operating revenue both grew, driven by an increase in the volume of new contracts, reflecting robust demand and strengthened product appeal. In personal loan guarantees for financial institutions, the balance of loan guarantees and operating revenue increased, underpinned by such factors as an increase in loans handled by MUFG Bank and the effect of the acquisition of the credit guarantee business of JCB Co., Ltd.

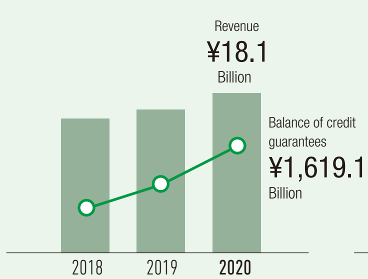
Strategy under RAISE 2020

In housing loan guarantees, we aim to grow earnings by expanding the volume of new contracts and promoting efficiency improvements. To achieve this, we are pursuing greater efficiency in administrative operations and increased computerization, and by offering products that respond to the needs of alliance partners and customers we will strive to increase the volume of new contracts. In addition, we are working to achieve further growth in the balance of guarantees by promoting measures to enhance market soundness.

In guarantees for personal loans extended by financial institutions, we aim to grow earnings by promoting intra-Group cooperation and further advancing the Web-based platform for this business. In the area of Group cooperation, we will strive to increase the volume of new contracts at MUFG Bank. We will work to strengthen the functionality of Web-based products, and pursue infrastructure development, including in the credit screening system. Underpinned by these efforts, we will focus on developing products that meet market needs. In addition, JACCS will strive to leverage the credit guarantee operations it acquired from JCB and use this to further strengthen and expand the earnings base of the guarantee business.

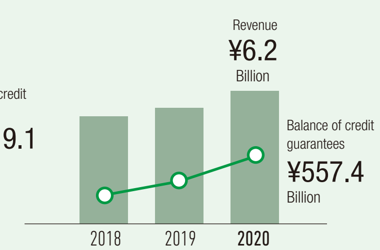
Revenue from and Balance of Guarantees for Housing Loans

(Non-Consolidated)



Revenue from and Balance of Guarantees for Personal Loans

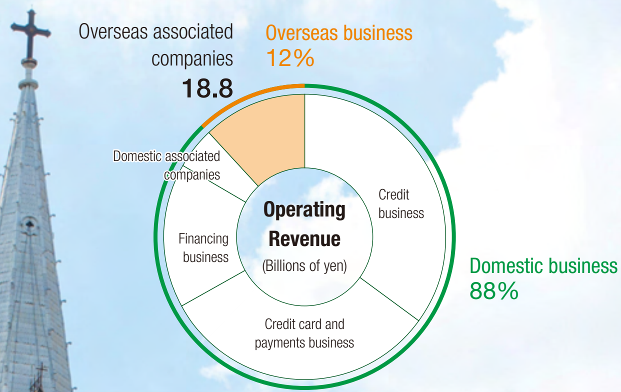
(Non-Consolidated)

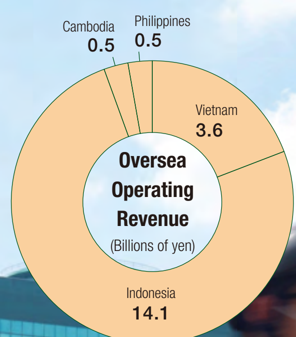


Review of Operations

Overseas Business

Operating Revenue Increased, Driven by Expansion of the Balance of Operating Receivables; Rise in Ordinary Income Was Slight, Reflecting Such Factors as an Increase in Operating Expenses in Indonesia.





Strengths

- Business know-how cultivated in Japan over more than 65 years
- MUFG Group
- A network of businesses in four overseas markets

Opportunities

- Sustained economic growth in countries across the ASEAN region
- Ongoing overseas business expansion by Japanese companies

Overview

Expansion of the overseas business is a key policy of JACCS' three-year medium-term business plan, RAISE 2020.

JACCS has entered the market in four ASEAN member countries—Vietnam, Indonesia, Cambodia, and the Philippines—and conducts business in all four countries through consolidated subsidiaries. The Group is developing these businesses centering on the provision of sales finance for motorcycles and automobiles.

In Vietnam, which JACCS entered in 2010 through the establishment of a wholly owned local subsidiary, core operations include motorcycle sales finance, personal loans, and credit cards. In addition, the Group also provides sales finance for automobiles and household electrical appliances. In Indonesia, JACCS established a partnership with leading Indonesian corporate group PT Mitra Pinasthika Mustika (MPM), and entered the market. At present, the Group's main products in Indonesia are motorcycle and automobile sales finance. In 2016, JACCS entered the Philippines market by launching automobile sales finance operations. JACCS entered Cambodia through the establishment of a wholly owned local subsidiary and began offering shopping credit services. From 2018, the Group launched motorcycle sales finance services in Cambodia.

Operating Performance

In the Group's overseas associated companies, overall operating revenue increased 20.8% compared with the previous fiscal year, driven by expansion of the balance of operating receivables. However, owing to such factors as increases in expenses related to doubtful accounts and financial expenses in Indonesia and conversion of the Philippines operation into a consolidated subsidiary, ordinary income rose only slightly.

In Vietnam, although lending balance controls imposed by the State Bank of Vietnam had restrained the volume of new contracts, after controls were lifted the volume of new contracts achieved solid growth. Consequently, both operating revenue and ordinary income increased.

In Indonesia, to improve the quality of the operating receivables portfolio, we commenced the use of external credit information and revised the credit screening criteria, which led to a decrease in the ratio of approved credit applications. A slowdown in the Indonesian economy and a slump in new-vehicle sales were also contributing factors to a 17.6% decrease in the volume of new contracts compared with the previous fiscal year. Although operating revenue increased 10.7%, driven by an expansion in the balance of operating receivables and the handling of such high-profit-margin products as used-vehicle loans, ordinary income declined 2.8% owing to increases in expenses related to doubtful accounts and financial expenses.

In Cambodia, the volume of new contracts rose, reflecting the strengthening of sales activities in the capital Phnom Penh and surrounding areas. Profitability on a single fiscal year basis was achieved one year ahead of plan, reflecting initiatives implemented to strengthen the management system for operating receivables.

In the Philippines, following the decision of the conversion of JACCS' operations to a consolidated subsidiary in March 2019, receipt of permissions necessary from the authorities was postponed, which meant the commencement of operations was delayed. Although operations focused primarily on expanding the volume of new contracts for used vehicles, ordinary loss increased, reflecting a rise in expenses related to doubtful accounts.

* The fiscal year-end for overseas affiliates is December 31. The consolidated results reflect operations from January to December.

Strategy under RAISE 2020

JACCS is striving to expand profits and build and strengthen its operating base in ASEAN member countries. In Vietnam and Indonesia, the Group is working to reinforce its management structure and increase profit contributions to its consolidated performance. In Cambodia, we are pursuing growth in the volume of new contracts and a strengthened business base. In the Philippines, JACCS is working to rebuild the business by focusing on the provision of used-vehicle loans.

In Vietnam, JACCS will strive to increase the volume of new contracts through cross-selling of such services as credit cards, centering on existing motorcycle loan customers. In addition to developing and launching new products, the Group is strengthening its structures for managing receivables, and expanding its earnings base.

In Indonesia, JACCS is working to strengthen its sales function, enhance the quality of its products and services, and expand market share. We are also implementing improvements to systems for credit screening and receivables management, as we aim to reinforce the management structure.

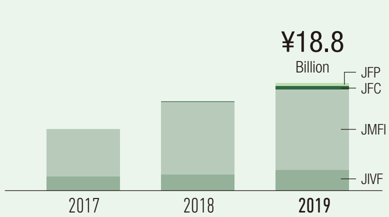
In Cambodia, we will work to increase market share by strengthening our sales structure. Furthermore, we are pursuing expansion of the business' sales territory, and working to sign up new member dealers.

In the Philippines, in addition to developing member dealers for used-vehicle loans, we aim to achieve profitability at an early stage by strengthening receivables management and expanding the portfolio of high-quality receivables.

The parent company will continue to strengthen its support systems for overseas Group affiliates while striving to grow the overseas business as a whole.

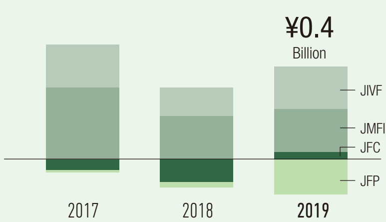
Operating Revenue at Overseas Affiliates*1

(Years ended December 31)



Ordinary Income (Loss) at Overseas Affiliates*2

(Years ended December 31)



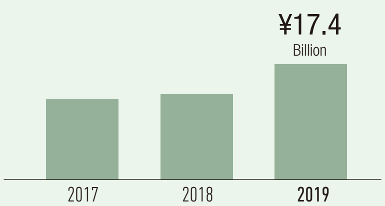
JIVF: JACCS International Vietnam Finance Co., Ltd.
JMFI: PT JACCS MITRA PINASTHIKA MUSTIKA FINANCE INDONESIA
JFC: JACCS FINANCE (CAMBODIA) PLC.
JFP: JACCS FINANCE PHILIPPINES CORPORTION

*1 JMFI became a consolidated subsidiary in the second quarter of the fiscal year ended March 31, 2018.
JFP became a consolidated subsidiary in the third quarter of the fiscal year ended March 31, 2020.

*2 The ordinary income amounts presented are the net contribution to consolidated results after allowing for changes in goodwill and consolidation adjustment amounts.

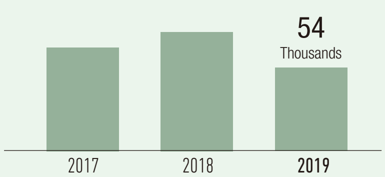
Volume of New Contracts in Vietnam

(Years ended December 31)



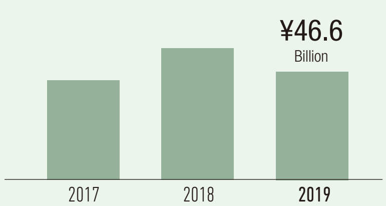
Number of Existing Credit Cardholders in Vietnam

(As of December 31)



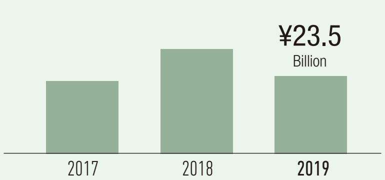
Volume of New Contracts in Indonesia

(Years ended December 31)



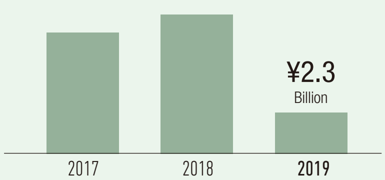
Volume of New Contracts for Automobiles in Indonesia

(Years ended December 31)



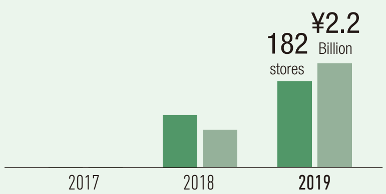
Volume of New Contracts in Philippines

(Years ended December 31)



Volume of New Contracts and Number of Member Stores in Cambodia

(Years ended December 31)
Number of member stores (As of December 31)



MANAGEMENT'S DISCUSSION AND ANALYSIS

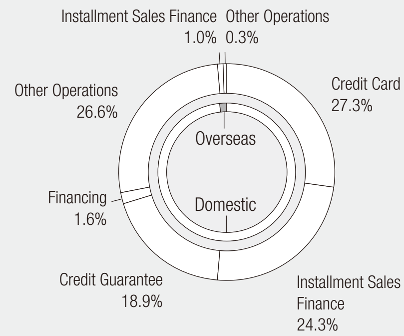
Analysis of Operating Performance

Overview

The fiscal year ended March 31, 2020, was the second year of the JACCS Group's three-year medium-term business plan, "RAISE 2020," during which the Group worked toward the realization of its medium-term management vision of becoming "an innovative consumer finance company that wins the loyalty of customers, with operations focused on Japan and Southeast Asia," by steadily executing its management strategies. The plan is underpinned by the following three core policies: Pursue sustainable growth in domestic businesses; accelerate growth in overseas business; and enhance productivity while strengthening the Group's platform for growth.

In Japan, in the credit business, the Group worked to enhance convenience for customers and alliance partners through such efforts as continued expansion of functionality of the Web-based loan application system. As a result, the volume of new contracts grew, centering on housing-related fields and auto loans. In the credit card and payments business, driven by the government's cashless rebate program for consumers, in the payments field—which is attracting significant attention—acquiring intermediation operations recorded steady growth. The financing business expanded, centering on housing loan guarantees, which were underpinned by continuing firm demand for studio condominiums purchased for investment purposes. Overseas, with the

Composition of Total Volume of New Contracts (%)



Volume of New Contracts Mapping Table (Non-Consolidated)

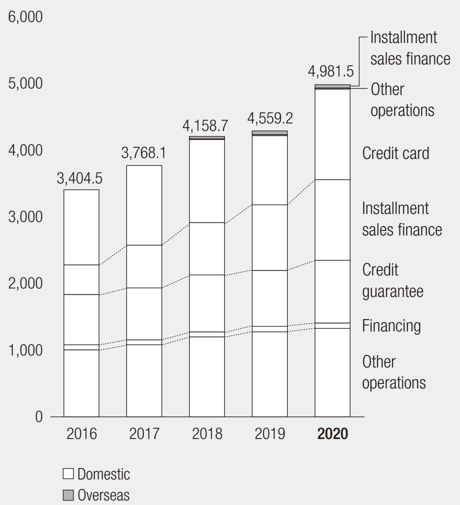
Business type	Main business	Credit Card	Installment Sales Finance	Credit Guarantee	Financing	Other Operations
Credit Business	Shopping credits		○	○		
	Auto loans		○	○		
Credit Card and Payments Business	Card shopping	○				
	Cash advances				○	
	Bill collection services			○		○
	Rent guarantee services	○		○		
Financing Business	Housing loan guarantees			○		
	Personal loan guarantees for financial institutions			○		
	Other		○		○	

Operating Revenue Mapping Table (Non-Consolidated)

Business type	Main business	Credit Card	Installment Sales Finance	Credit Guarantee	Financing	Other Operating Revenue	Financial Revenue
Credit Business	Shopping credits		○	○			
	Auto loans		○	○			
Credit Card and Payments Business	Card shopping	○					
	Cash advances				○		
	Bill collection services			○		○	
	Rent guarantee services	○		○			
Financing Business	Housing loan guarantees			○			
	Personal loan guarantees for financial institutions			○			
	Other		○		○		
Financial Revenue							○

Total Volume of New Contracts*

(Billions of Yen)



* From the fiscal year ended March 31, 2019, the Company has changed its reportable segment classifications in order to present the domestic segment and the overseas segment separately. Consequently, in this report operating results for the fiscal year ended March 31, 2018, are presented based on recalculation according to this reportable segment classification.

Company having increased its equity interest in its associated company in the Philippines, all four overseas associated companies are now consolidated subsidiaries. In Japan, the question-answering support system deployed by JACCS last year at its customer center, which utilizes AI technology, moved into full-scale operation. The system has proved highly effective, and has contributed to enhanced service quality and increased operational efficiency. Through this initiative, the Company made progress in strengthening its platform for growth.

Overall Performance and Results by Business

On a consolidated basis, the total volume of new contracts amounted to ¥4,981,508 million (US$45,701 million), an increase of 9.3% compared with the previous fiscal year. Despite the impact of the consumption tax rate increase in Japan in October 2019, the increase in the volume of new contracts reflected growth across all businesses, particularly centering on the credit business and the financing business. Total operating revenue grew 8.8%, to ¥158,610 million (US$1,455 million). As the Group built up its aggregate balance of operating receivables, not only in the domestic business but also in the overseas business, all domestic and overseas Group companies achieved increases in operating revenue.

Results by business segment were as outlined below.

Domestic Business

• Credit Card

In card shopping, the volume of new contracts increased, driven by the use of co-branded cards issued through alliances with large-scale consumer electronics stores and discount stores. Operating revenue rose, underpinned by the execution of various marketing programs, including campaigns to promote the use of revolving-payment shopping, as well as growth in member stores from acquiring operations. Conditions were favorable for acquiring operations as the market expanded, driven by the government's cashless rebate program for consumers. However, in the fourth quarter (January–March), owing to the spread of COVID-19, the volume of new contracts recorded in March (single-month basis) declined compared with the corresponding month of the previous fiscal year.

In rent-related products, the number of business partners increased as a result of introductions through an alliance partner company with which JACCS cooperates in the area of rent management systems. JACCS strengthened its ability to rapidly commence services with newly signed-up business partners. In addition, by reinforcing relationships with existing business partners, the number of contracts handled grew, leading to increases in both the volume of new contracts and operating revenue.

As a result, on a consolidated basis, in the credit card business the volume of new contracts

About the Five Business Categories

The four core businesses operated by JACCS that are introduced on pages 26–32 are classified according to the following five business categories for Japanese accounting and regulatory disclosure purposes.

Credit Card

JACCS receives credit card applications from consumers, and issues cards after conducting a credit check. Card members may purchase goods and services at member stores using their credit card, and may choose from either the monthly clearance of account payment option or revolving credit. JACCS settles the purchase amount with the member store on behalf of the cardholder, and collects payment from the card member in accordance with the credit card agreement. JACCS issues credit cards under its own brand as well as co-branded cards issued in cooperation with alliance partners.

Installment Sales Finance

When a consumer purchases goods or services at a JACCS member store, if they choose the installment payment option, JACCS runs a credit check and pays the member store on behalf of the customer if the credit check is approved. The amount owing is then collected from the customer by JACCS through monthly payments and other installment payment options.

increased 3.9% compared with the previous fiscal year, to ¥1,358,192 million (US$12,460 million), and operating revenue rose 3.1%, to ¥34,367 million (US$315 million).

• Installment Sales Finance

In shopping credits, despite the impact of the increase in Japan's consumption tax rate from October 2019 onward, the volume of new contracts and operating revenue increased, driven by robust performances in major product categories, including motorcycles, household appliances, and housing-related fields. In addition to the ongoing execution of sales promotion campaigns, the increase in the volume of new contracts was underpinned by a rise in the ratio of loans. This reflected efforts to promote the rollout of Web-based loan applications, centering on household appliances and personal computer-related products.

In auto loans, despite a slowdown in growth in the volume of new contracts due to the impact of the consumption tax rate rise, the Company successfully grew the volume of new contracts. This reflected efforts in both the imported-vehicle market—where JACCS strengthened its marketing programs and further deepened cooperation with business partners—and the used-vehicle market, where the Company strengthened its relationships with major used-vehicle dealerships and developed closer ties to dealerships in local regions. Consequently, the volume of new contracts and operating revenue increased.

As a result, on a consolidated basis, the installment sales finance business recorded a 22.7% increase in the volume of new contracts, to ¥1,208,440 million (US$11,086 million). Operating revenue grew 23.4%, to ¥40,213 million (US$368 million).

• Credit Guarantee

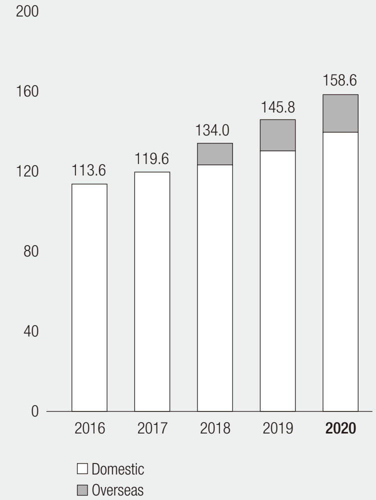
Housing loan guarantees on condominiums for investment purposes achieved an expansion in market share of volume of new contracts, driven by the introduction of new products and strengthened sales activities, within a generally robust market for sales of investment condominiums. Furthermore, JACCS recorded increases in the volume of new contracts and operating revenue, underpinned by efforts at new alliance partners to add to the volume handled.

In personal loan guarantees for financial institutions, JACCS continuously carried out promotional campaigns for personal auto loans—a major Web product of MUFG Bank, Ltd.—as well as product proposals to meet the particular needs of each regional bank. Performance was also bolstered by adding the credit guarantee operations acquired from JCB Co., Ltd. Consequently, the volume of new contracts and operating revenue increased.

As a result, on a consolidated basis, the credit guarantee business recorded a 12.6% increase in the volume of new contracts, to ¥942,765 million (US$8,649 million). Operating revenue rose 0.2%, to ¥40,850 million (US$374 million).

Total Operating Revenue*

(Billions of Yen)



* From the fiscal year ended March 31, 2019, the Company has changed its reportable segment classifications in order to present the domestic segment and the overseas segment separately. Consequently, in this report operating results for the fiscal year ended March 31, 2018, are presented based on recalculation according to this reportable segment classification.

Credit Guarantee

When a consumer purchases real estate or an automobile and applies for a loan from a JACCS partner financial institution to cover the purchase, JACCS carries out a credit check and provides a guarantee of the debt to the partner financial institution. The main loan categories are condominiums for investment purposes, home renovation loans, and auto loans.

Financing

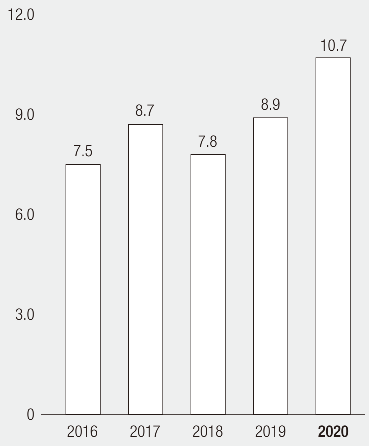
This segment mainly comprises cash advances made to credit card members. Cards issued by JACCS include credit cards and specialized cash advance cards.

Other Operations

Other operations include bill collection services on behalf of partner companies for regular-payment items collected via JACCS' account fund transfer network and leasing operations serving both corporate clients and individual customers.

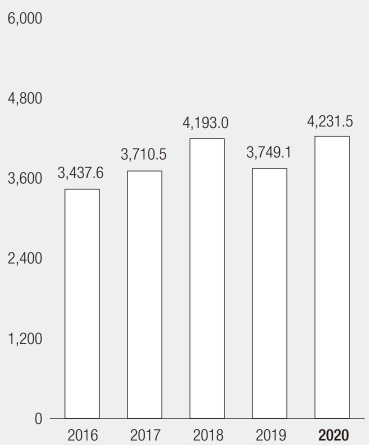
Net Income Attributable to Owners of the Parent

(Billions of Yen)



Total Assets*

(Billions of Yen)



* Previously, finance receivable-installment sales-credit guarantee and finance payable-credit guarantee were presented as corresponding asset and liability items in the consolidated balance sheets. However, from the fiscal year ended March 31, 2020, the Company made a change in accounting treatment of guarantee obligations that do not involve loan collection service, meaning these guarantee obligations are no longer presented on the consolidated balance sheets. The aforementioned change in accounting policy has been applied retroactively, and the figures for total assets presented for the fiscal year ended March 31, 2019, in the graph above are subsequent to retroactive application of this change.

• Financing

In financing, despite carrying out campaigns to promote the use of cash advances, the volume of new contracts and operating revenue declined.

As a result, on a consolidated basis, the financing business recorded a 5.6% decrease in the volume of new contracts, to ¥78,333 million (US$718 million). Operating revenue decreased 2.5%, to ¥9,470 million (US$86 million).

• Other Operations

In bill collection services, the volume of new contracts and operating revenue grew, underpinned by a stable base of regular monthly payment categories, such as rent collection and fitness club membership fees, as well as growth in volumes handled from new alliance partners.

In leasing operations, the volume of new contracts increased, driven by the key product category of auto leasing to individual customers. This reflected efforts to acquire customers at franchise stores through the use of JACCS' auto leasing system.

As a result, on a consolidated basis, other operations posted a 4.1% increase in the volume of new contracts, to ¥1,326,275 million (US$12,167 million). Operating revenue* increased 5.6%, to ¥14,611 million (US$134 million).

* Operating revenue presented for other operations is the sum of other operating revenue and financial revenue.

As a result, the volume of new contracts in the domestic business segment as a whole increased 9.5% compared with the previous fiscal year, to ¥4,914,008 million (US$45,082 million), and operating revenue grew 7.1%, to ¥139,513 million (US$1,279 million). Segment income amounted to ¥16,086 million (US$147 million), an increase of 14.4% compared with the previous fiscal year.

Overseas Business

• Installment Sales Finance

In Vietnam, the volume of new contracts and operating revenue increased, centering on the core product area of motorcycle loans, which was underpinned by the execution of a range of promotional campaigns. In Indonesia, the volume of new contracts decreased, reflecting a decrease in the ratio of approved credit applications following a revision of credit screening criteria, and the impact of a slump in sales of new automobiles in Indonesia. However, operating revenue increased, underpinned by growth in the aggregate balance of operating receivables. In the Philippines, in July 2019 JACCS raised its equity interest in the local joint venture company, thereby converting it into a consolidated subsidiary. JACCS will continue rebuilding the business base as it works to expand the business. In Cambodia, the volume of new contracts and operating revenue increased, and operations achieved profitability on a single-year basis. This was driven by the development of new business alliances, expansion of business share at existing alliance partners, and the execution of a range of marketing programs.

• Other Operations

In unsecured personal loan operations in Vietnam, the volume of new contracts and operating revenue increased, driven by the execution of a range of marketing programs and strengthening of the sales organization. In lease operations carried out in Indonesia, the volume of new contracts decreased, reflecting the focus on prioritizing the buildup of high-quality receivables.

As a result, the volume of new contracts in the overseas business segment as a whole decreased 7.5% compared with the previous fiscal year, to ¥67,499 million (US$619 million), and operating revenue grew

Volume of New Contracts by Business

Reportable segment	Business category	Millions of Yen 2020 Amount	2020 Ratio	2019 Amount	2019 Ratio	YoY change (%)	Millions of U.S. Dollars 2020 Amount
Domestic	Credit Card	¥1,358,192	27.6%	¥1,306,907	29.1%	3.9%	$12,460
	Installment Sales Finance	1,208,440	24.6%	985,208	22.0%	22.7%	11,086
	Credit Guarantee	942,765	19.2%	837,565	18.7%	12.6%	8,649
	Financing	78,333	1.6%	82,954	1.8%	(5.6)%	718
	Other Operations	1,326,275	27.0%	1,273,575	28.4%	4.1%	12,167
	Total	¥4,914,008	100.0%	¥4,486,212	100.0%	9.5%	$45,082
Overseas	Installment Sales Finance	¥ 50,628	75.0%	¥ 56,680	77.7%	(10.7)%	$464
	Other	16,870	25.0%	16,309	22.3%	3.4%	154
	Total	¥ 67,499	100.0%	¥ 72,990	100.0%	(7.5)%	$ 619
Total		¥4,981,508	—	¥4,559,202	—	9.3%	$45,701

Operating Revenue by Business

Reportable segment	Business category	Millions of Yen 2020 Amount	2020 Ratio	2019 Amount	2019 Ratio	YoY change (%)	Millions of U.S. Dollars 2020 Amount
Domestic	Credit Card	¥ 34,367	24.6%	¥ 33,337	25.6%	3.1%	$ 315
	Installment Sales Finance	40,213	28.8%	32,578	25.0%	23.4%	368
	Credit Guarantee	40,850	29.3%	40,767	31.3%	0.2%	374
	Financing	9,470	6.8%	9,711	7.5%	(2.5)%	86
	Other Operations	14,114	10.1%	13,339	10.2%	5.8%	129
	Financial Revenue	497	0.4%	501	0.4%	(0.9)%	4
	Total	¥ 139,513	100.0%	¥130,236	100.0%	7.1%	$ 1,279
Overseas	Installment Sales Finance	¥ 13,759	73.0%	¥ 11,361	72.8%	21.1%	$ 126
	Other	5,081	27.0%	4,238	27.2%	19.9%	46
	Total	¥ 18,841	100.0%	¥ 15,600	100.0%	20.8%	$ 172
Total		¥1,583,564	—	¥145,836	—	8.6%	$14,528

Notes: 1. Figures have been adjusted for the elimination of inter-segment transactions.
2. The breakdown of main items within operating revenue is as follows.
Revenue from credit card business: Customer fees and member store fees
Revenue from installment sales finance: Customer fees and member store fees
Revenue from credit guarantee: Guarantee fees and administrative fees
Financing revenue: Interest

Segment Income

Reportable segment	Millions of Yen				Millions of U.S. Dollars	
	2020		2019		2020	
	Domestic	Overseas	Domestic	Overseas	Domestic	Overseas
Operating income	¥16,086	¥573	¥14,062	¥1,587	$147	$5
Equity in earnings (losses) of affiliated companies	—	(16)	—	(42)	—	(0)
Total	¥16,086	¥557	¥14,062	¥1,545	$147	$5

20.8%, to ¥18,841 million (US$172 million). Segment income amounted to ¥557 million (US$5 million), a decrease of 63.9% compared with the previous fiscal year.

Operating Expenses and Net Income Attributable to Owners of the Parent

Total operating expenses increased 8.1%, compared with the previous fiscal year, to ¥142,104 million (US$1,303 million). This reflects an increase in selling, general and administrative (SG&A) expenses driven by a robust volume of new contracts, and increases in expenses related to doubtful accounts accompanying an expansion in the aggregate balance of operating receivables.

Ordinary income grew 15.6% compared with the previous fiscal year, to ¥16,700 million (US$153 million).

Income before income taxes amounted to ¥16,406 million (US$150 million), an increase of 19.0% compared with the previous fiscal year.

Net income attributable to owners of the parent increased 19.8% compared with the previous fiscal year, to ¥10,732 million (US$98 million).

Net income per share (basic) amounted to ¥311.65 (US$2.85), compared with ¥260.13 in the previous fiscal year. The Company implemented cash dividends totaling ¥95.00 (US$0.87) per share applicable to the fiscal year under review, an increase of ¥15.00 (US$0.13) per share compared with the previous fiscal year.

Analysis of Financial Position

Fund Procurement

To secure a stable supply of funds necessary for the maintenance and expansion of its business activities, the Group undertakes a wide range of fund procurement. This includes borrowings from financial institutions centering on its main bank, corporate bonds, issuance of commercial paper, and securitization of receivables. With regard to fund procurement, based on consideration of such factors as fund demand based on the Company's business plan, interest rate trends and other factors affecting the environment for procurement, sources of existing borrowings, and timing of redemption of bonds, the Company prepares a funding plan that includes the scale of fund procurement and methods of procurement. The Company executes the plan while exercising appropriate judgment.

The Company procures interest-bearing debt based on the collection period of shopping credit receivables, which are the Group's main operating assets. The balance of interest-bearing debt at the end of the fiscal year under review was ¥2,130,548 million (US$19,546 million). The Company works to reduce its fund procurement costs while procuring approximately 60% of the funds at fixed interest rates as a means of reducing exposure to interest rate volatility risk. Long-term bonds and commercial papers issued by the Group receives credit ratings from Japan Credit Rating Agency, Ltd. (JCR), and Rating & Investment Information, Inc. (R&I). (Please refer to the figure on the left.) The Company has arranged commitment lines with domestic financial institutions amounting to a total of ¥100 billion (US$917 million), which is able to complement the

Credit Rating

	R&I	JCR
Long term	A-	A-
Short term	a-1	J-1

Group's liquidity. Overseas subsidiaries carry out fund procurement from such sources as local banks, local subsidiaries of Japanese banks, and loans from the Company, for both working capital and facility and equipment funds.

Financial Position*(Note)

Total assets at March 31, 2020, amounted to ¥4,231,590 million (US$38,821 million), an increase of ¥482,423 million (US$4,425 million), or 12.9%, compared with the previous fiscal year-end.

Total current assets increased ¥478,827 million (US$4,392 million), to ¥4,150,512 million (US$38,078 million). This was attributable to increases in such items as finance receivable-installment, finance receivable-installment sales-credit guarantee, lease investment assets, and advances paid.

Total noncurrent assets increased ¥3,595 million (US$32 million) compared with the previous fiscal year-end, to ¥81,078 million (US$743 million). This reflected decreases in investment securities and assets for retirement benefits, and increases in software, long-term prepaid expenses, and deferred tax assets.

Total current liabilities at March 31, 2020, amounted to ¥2,920,385 million (US$26,792 million), an increase of ¥171,392 million (US$1,572 million) compared with the previous fiscal year-end, reflecting increases in finance payable-credit guarantee, current portion of loans payable under securitization of receivables, notes and accounts payable, and deferred income on finance receivables.

Total noncurrent liabilities at fiscal year-end increased ¥304,879 million (US$2,797 million), to ¥1,148,314 million (US$10,534 million). This reflected increases in interest-bearing debt, such as long-term loans payable.

Total net assets increased ¥6,151 million (US$56 million), to ¥162,889 million (US$1,494 million). This reflected a decrease in unrealized gains on available-for-sale securities and an increase in retained earnings. The equity ratio decreased 0.3 percentage point, to 3.7%. Net assets per share amounted to ¥4,543.94 (US$41.68) at fiscal year-end, compared with ¥4,388.98 at the previous fiscal year-end.

Note: Previously, finance receivable-installment sales-credit guarantee and finance payable-credit guarantee were presented as corresponding asset and liability items in the consolidated balance sheets. However, from the fiscal year ended March 31, 2020, guarantee obligations that do not involve loan collection service are no longer presented on the consolidated balance sheets, but are instead noted as contingent liabilities. This change in accounting policy has been applied retroactively, and the figures presented for current assets and current liabilities as of March 31, 2019, are subsequent to the retroactive application of this change.

Cash Flows

Cash and cash equivalents at end of year totaled ¥97,428 million (US$893 million), an increase of ¥6,364 million (US$58 million) compared with the previous fiscal year-end.

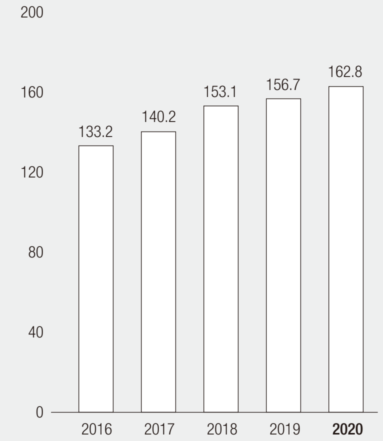
Net cash used in operating activities amounted to ¥308,473 million (US$2,830 million), compared with ¥309,890 million used in the previous fiscal year. Significant items included increase in finance and accounts payable of ¥105,872 million (US$971 million), increase in deferred income on finance receivables of ¥20,257 million (US$185 million), income before income taxes of ¥16,406 million (US$150 million), and increase in finance receivable of ¥451,010 million (US$4,137 million).

Net cash used in investing activities amounted to ¥11,871 million (US$108 million), compared with ¥8,644 million used in the previous fiscal year. Significant items included purchase of property, plant and equipment and intangible assets of ¥11,427 million (US$104 million).

Net cash provided by financing activities amounted to ¥326,484 million (US$2,995 million), compared with ¥329,161 million provided in the previous fiscal year. Significant items included proceeds from long-term loans payable of ¥274,768 million (US$2,520 million), proceeds from loans payable under securitization of receivables of ¥235,185 million (US$2,157 million), proceeds from issuance of bonds of ¥67,431 million (US$618 million), repayment of long-term loans payable of ¥178,126 million (US$1,634 million), and repayment of loans payable under securitization of receivables of ¥76,116 million (US$698 million).

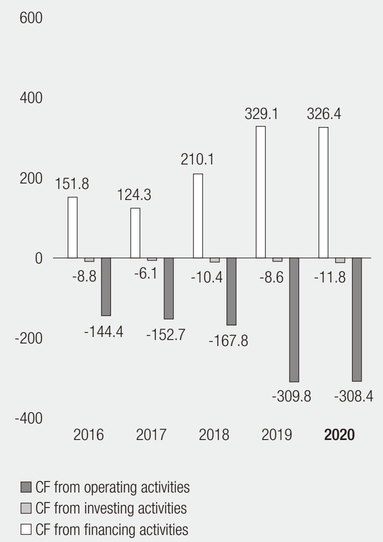
Total Net Assets

(Billions of Yen)



Cash Flows

(Billions of Yen)



CONSOLIDATED BALANCE SHEETS

JACCS CO., LTD. and Consolidated Subsidiaries

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
ASSETS			
Current assets:			
Cash and deposits (Notes 17 and 18)	¥ 97,466	¥ 91,103	$ 894
Finance receivable-installment (Notes 6, 7 and 18)	2,377,220	2,000,686	21,809
Finance receivable-installment sales-credit guarantee (Note 18)	1,488,008	1,405,735	13,651
Lease investment assets (Notes 6 and 18)	131,636	122,795	1,207
Prepaid expenses	3,236	4,306	29
Advances paid	35,160	28,164	322
Other receivable	24,815	23,937	227
Other	17,953	15,517	164
Allowance for doubtful accounts	(24,987)	(20,560)	(229)
Total current assets	4,150,512	3,671,684	38,078
Noncurrent assets:			
Property, plant and equipment:			
Buildings and structures	8,663	9,118	79
Land	14,986	14,986	137
Other	10,588	10,341	97
Total	34,238	34,447	314
Less accumulated depreciation	(10,867)	(11,231)	(99)
Total property, plant and equipment	23,370	23,215	214
Investments and other assets:			
Investment securities (Notes 18 and 19)	13,715	16,244	125
Investments in unconsolidated subsidiaries and affiliated companies	—	240	—
Bad debts	1,339	1,591	12
Long-term prepaid expenses	3,180	459	29
Intangible assets	25,599	22,709	234
Goodwill	1,551	763	14
Deferred tax assets (Note 23)	4,763	3,079	43
Guarantee deposits	1,546	1,722	14
Assets for retirement benefits (Note 21)	4,062	4,963	37
Other	2,828	3,534	25
Allowance for doubtful accounts	(879)	(1,043)	(8)
Total investments and other assets	57,708	54,266	529
Total noncurrent assets	81,078	77,482	743
Total assets	¥4,231,590	¥3,749,167	$38,821

The accompanying notes are an integral part of these statements.

As of March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
LIABILITIES			
Current liabilities:			
Notes and accounts payable	¥ 152,225	¥ 128,632	$ 1,396
Finance payable-credit guarantee	1,488,008	1,405,735	13,651
Short-term loans payable (Notes 6, 9 and 18)	320,451	295,796	2,939
Current portion of bonds payable (Notes 6, 9 and 18)	30,000	12,308	275
Current portion of long-term loans payable (Notes 6, 9 and 18)	110,293	171,462	1,011
Current portion of loans payable under securitization of receivables (Notes 6, 9 and 18)	104,278	52,613	956
Commercial papers (Notes 9 and 18)	422,000	416,000	3,871
Other payable	4,088	3,571	37
Accrued expenses (Note 6)	2,055	1,932	18
Income taxes payable	4,016	2,511	36
Deposits received	70,909	70,322	650
Unearned revenue	512	554	4
Allowance for bonuses	2,675	2,757	24
Allowance for credit card point program	3,260	3,443	29
Allowance for loss on guarantees	706	498	6
Deferred income on finance receivables (Note 8)	182,760	162,097	1,676
Other	22,142	18,754	203
Total current liabilities	2,920,385	2,748,993	26,792
Noncurrent liabilities:			
Bonds payable (Notes 6, 9 and 18)	202,318	164,789	1,856
Long-term loans payable (Notes 6, 9 and 18)	746,921	587,950	6,852
Loans payable under securitization of receivables (Notes 6, 9 and 18)	194,284	86,880	1,782
Allowance for directors' retirement benefits	3	2	0
Allowance for loss on interest repayment	633	875	5
Liabilities for retirement benefits (Note 21)	57	87	0
Long-term guarantee deposited	2,203	2,086	20
Other	1,892	761	17
Total noncurrent liabilities	1,148,314	843,435	10,534
Total liabilities	4,068,700	3,592,428	37,327
NET ASSETS			
Shareholders' equity: (Notes 15 and 16)			
Capital stock	16,138	16,138	148
Authorized 78,910,000 shares as of March 31, 2020 and 78,910,000 shares as of March 31, 2019			
Issued 35,079,161 shares as of March 31, 2020 and 35,079,161 shares as of March 31, 2019			
Capital surplus	30,533	30,543	280
Retained earnings	109,843	102,047	1,007
Treasury stock 570,686 shares as of March 31, 2020 and 712,273 shares as of March 31, 2019	(1,307)	(1,643)	(11)
Total shareholders' equity	155,207	147,086	1,423
Accumulated other comprehensive income:			
Unrealized gains (losses) on available-for-sale securities	3,898	5,295	35
Deferred gains (losses) on hedges	(285)	46	(2)
Foreign currency translation adjustment	(853)	(1,115)	(7)
Remeasurements of defined benefit plans	(1,162)	(477)	(10)
Total accumulated other comprehensive income	1,596	3,748	14
Subscription rights to shares (Notes 16 and 22)	263	275	2
Non-controlling interest	5,822	5,627	53
Total net assets	162,889	156,738	1,494
Total liabilities and net assets	¥4,231,590	¥3,749,167	$38,821

CONSOLIDATED STATEMENTS OF INCOME

JACCS CO., LTD. and Consolidated Subsidiaries

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Operating revenue:			
Revenue from credit card business	¥ 34,367	¥ 33,337	$ 315
Revenue from installment sales finance business	53,972	43,939	495
Revenue from credit guarantee	40,850	40,767	374
Financing revenue	11,281	10,467	103
Other operating revenue	17,305	16,809	158
Financial revenue:			
Interest income	92	31	0
Dividends income	484	484	4
Other financial revenue	256	0	2
Total financial revenue	832	515	7
Total operating revenue	158,610	145,836	1,455
Operating expenses:			
Selling, general and administrative expenses	127,491	118,496	1,169
Financial expenses:			
Interest on loans	11,505	9,175	105
Interest on commercial papers	254	236	2
Other financial expenses	2,852	3,557	26
Total financial expenses	14,612	12,969	134
Total operating expenses	142,104	131,466	1,303
Operating income	16,506	14,370	151
Non-operating income:			
Miscellaneous income	217	133	1
Gain on sales of non-current assets	7	—	0
Gain on sales of investment securities	357	14	3
Total non-operating income	581	148	5
Non-operating expenses:			
Equity in loss of affiliated companies	16	42	0
Miscellaneous loss	6	13	0
Loss on retirement of non-current assets	89	471	0
Loss on sales of investment securities	32	24	0
Loss on valuation of investment securities	268	1	2
Impairment loss (Note 13)	167	183	1
Loss on step acquisition	100	—	0
Total non-operating expenses	681	737	6
Income before income taxes	16,406	13,781	150
Income taxes-current	6,209	4,990	56
Income taxes-deferred	(570)	(342)	(5)
Total income taxes	5,639	4,647	51
Net income	10,766	9,134	98
Net income attributable to non-controlling interests	33	178	0
Net income attributable to owners of the parent	¥ 10,732	¥ 8,955	$ 98

	Yen		U.S. Dollars
	2020	2019	2020
Per share data (Note 27)			
Net assets	¥4,543.94	¥4,388.98	$41.68
Net income—basic	311.65	260.13	2.85
Net income—diluted	310.13	258.79	2.84
Cash dividends—interim	45	40	0.41
Cash dividends—year end	50	40	0.45

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

JACCS CO., LTD. and Consolidated Subsidiaries

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Net income	¥10,766	¥ 9,134	$ 98
Other comprehensive income: (Note 14)			
Unrealized gains (losses) on available-for-sale securities	(1,396)	(677)	(12)
Deferred gains (losses) on hedges	(553)	(7)	(5)
Foreign currency translation adjustment	360	(1,514)	3
Remeasurements of defined benefit plans, net of tax	(701)	79	(6)
Share of other comprehensive income of affiliated company accounted for using equity method	51	(21)	0
Total other comprehensive income	(2,239)	(2,142)	(20)
Comprehensive income	¥ 8,527	¥ 6,991	78
Comprehensive income attributable to:			
Owners of the parent	¥ 8,580	¥ 7,326	$ 78
Non-controlling interests	(53)	(334)	(0)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

JACCS CO., LTD. and Consolidated Subsidiaries

	Millions of Yen				
	Shareholders' equity				
Year ended March 31, 2020	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at beginning of year	¥16,138	¥30,543	¥102,047	¥(1,643)	¥147,086
Changes during the consolidated fiscal year					
Dividends from surplus	—	—	(2,937)	—	(2,937)
Net income attributable to owners of the parent	—	—	10,732	—	10,732
Purchase of treasury stock	—	—	—	(1)	(1)
Disposal of treasury stock	—	(10)	—	338	327
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the consolidated fiscal year	—	(10)	7,795	336	8,121
Balance as of March 31, 2020	¥16,138	¥30,533	¥109,843	¥(1,307)	¥155,207

	Millions of Yen							
	Accumulated other comprehensive income							
Year ended March 31, 2020	Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Subscription rights to shares	Non-controlling interests	Net assets
Balance at beginning of year	¥5,295	¥46	¥(1,115)	¥(477)	¥ 3,748	¥275	¥5,627	¥156,738
Changes during the consolidated fiscal year								
Dividends from surplus	—	—	—	—	—	—	—	(2,937)
Net income attributable to owners of the parent	—	—	—	—	—	—	—	10,732
Purchase of treasury stock	—	—	—	—	—	—	—	(1)
Disposal of treasury stock	—	—	—	—	—	—	—	327
Net changes of items other than shareholders' equity	(1,396)	(331)	261	(685)	(2,152)	(12)	194	(1,970)
Total changes during the consolidated fiscal year	(1,396)	(331)	261	(685)	(2,152)	(12)	194	6,151
Balance as of March 31, 2020	¥3,898	¥(285)	¥(853)	¥(1,162)	¥ 1,596	¥263	¥5,822	¥162,889

	Millions of Yen				
	Shareholders' equity				
Year ended March 31, 2019	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at beginning of year	¥16,138	¥30,533	¥95,858	¥(1,014)	¥141,515
Changes during the consolidated fiscal year					
Dividends from surplus	—	—	(2,766)	—	(2,766)
Net income attributable to owners of the parent	—	—	8,955	—	8,955
Purchase of treasury stock	—	—	—	(848)	(848)
Disposal of treasury stock	—	(5)	—	220	215
Other	—	15	—	—	15
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the consolidated fiscal year	—	10	6,188	(628)	5,570
Balance as of March 31, 2019	¥16,138	¥30,543	¥102,047	¥(1,643)	¥147,086

Year ended March 31, 2019	Millions of Yen Accumulated other comprehensive income Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Subscription rights to shares	Non-controlling interests	Net assets
Balance at beginning of year	¥5,973	¥50	¥ (92)	¥(553)	¥ 5,378	¥266	¥5,963	¥153,123
Changes during the consolidated fiscal year								
Dividends from surplus	—	—	—	—	—	—	—	(2,766)
Net income attributable to owners of the parent	—	—	—	—	—	—	—	8,955
Purchase of treasury stock	—	—	—	—	—	—	—	(848)
Disposal of treasury stock	—	—	—	—	—	—	—	215
Other	—	—	—	—	—	—	—	15
Net changes of items other than shareholders' equity	(677)	(4)	(1,022)	75	(1,629)	9	(335)	(1,955)
Total changes during the consolidated fiscal year	(677)	(4)	(1,022)	75	(1,629)	9	(335)	3,614
Balance as of March 31, 2019	¥5,295	¥46	¥(1,115)	¥(477)	¥ 3,748	¥275	¥5,627	¥156,738

Year ended March 31, 2020	Millions of U.S. Dollars Shareholders' equity Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at beginning of year	$148	$280	$936	$(15)	$1,349
Changes during the consolidated fiscal year					
Dividends from surplus	—	—	(26)	—	(26)
Net income attributable to owners of the parent	—	—	98	—	98
Purchase of treasury stock	—	—	—	(0)	(0)
Disposal of treasury stock	—	(0)	—	3	3
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes during the consolidated fiscal year	—	(0)	71	3	74
Balance as of March 31, 2020	$148	$280	$1,007	$(11)	$1,423

Year ended March 31, 2020	Millions of U.S. Dollars Accumulated other comprehensive income Unrealized gains (losses) on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total	Subscription rights to shares	Non-controlling interests	Net assets
Balance at beginning of year	$48	$0	$(10)	$(4)	$34	$2	$51	$1,437
Changes during the consolidated fiscal year								
Dividends from surplus	—	—	—	—	—	—	—	(26)
Net income attributable to owners of the parent	—	—	—	—	—	—	—	98
Purchase of treasury stock	—	—	—	—	—	—	—	(0)
Disposal of treasury stock	—	—	—	—	—	—	—	3
Net changes of items other than shareholders' equity	(12)	(3)	2	(6)	(19)	(0)	1	(18)
Total changes during the consolidated fiscal year	(12)	(3)	2	(6)	(19)	(0)	1	56
Balance as of March 31, 2020	$35	$(2)	$(7)	$(10)	$14	$2	$53	$1,494

CONSOLIDATED STATEMENTS OF CASH FLOWS

JACCS CO., LTD. and Consolidated Subsidiaries

Years ended March 31	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Cash flows from operating activities:			
Income before income taxes	¥ 16,406	¥ 13,781	$ 150
Depreciation and amortization	9,126	9,741	83
Amortization of goodwill	349	239	3
Increase (decrease) in allowance for doubtful accounts	3,660	2,660	33
Increase (decrease) in allowance for loss on guarantees	207	96	1
Increase (decrease) in allowance for bonuses	(80)	215	(0)
Increase (decrease) in allowance for credit card point programs	(183)	(310)	(1)
Decrease (increase) in asset for retirement benefits	(50)	(190)	(0)
Increase (decrease) in liabilities for retirement benefits	(39)	34	(0)
Increase (decrease) in allowance for loss on interest repayment	(242)	(155)	(2)
Interest and dividends income	(576)	(515)	(5)
Interest expenses	12,721	10,526	116
Foreign exchange losses (gains)	(256)	864	(2)
Loss (gain) on sales of property, plant and equipment and intangible assets	(7)	—	(0)
Loss on retirement of property, plant and equipment and intangible assets	89	471	0
Loss (gain) on sales of investment securities	(324)	9	(2)
Loss (gain) on valuation of investment securities	268	1	2
Impairment loss	167	183	1
Equity in losses (earnings) of affiliates	16	42	0
Loss (gain) on step acquisition	100	—	0
Decrease (increase) in finance receivable	(451,010)	(409,033)	(4,137)
Decrease (increase) in other receivable	(877)	(10,335)	(8)
Increase (decrease) in finance and accounts payable	105,872	62,274	971
Increase (decrease) in deferred income on finance receivables	20,257	28,852	185
Decrease (increase) in other assets	(13,348)	(12,842)	(122)
Increase (decrease) in other liabilities	5,431	8,057	49
Subtotal	(292,320)	(295,328)	(2,681)
Interest and dividends income received	537	483	4
Interest expenses paid	(11,898)	(10,235)	(109)
Income taxes paid	(4,791)	(4,809)	(43)
Net cash provided by (used in) operating activities	(308,473)	(309,890)	(2,830)
Cash flows from investing activities:			
Purchase of property, plant and equipment and intangible assets	(11,427)	(8,578)	(104)
Proceeds from sales of property, plant and equipment and intangible assets	10	—	0
Purchase of investment securities	—	(400)	—
Proceeds from sales of investment securities	640	353	5
Payments for guarantee deposits	(330)	(102)	(3)
Proceeds from collection of guarantee deposits	408	79	3
Net decrease (increase) in short-term loans receivable	—	0	—
Payments of loans receivable	(18)	(17)	(0)
Collection of loans receivable	11	19	0
Payment (net) for acquisition of business (Note 17)	(1,099)	—	(10)
Payment (net) for acquisition of shares of subsidiary resulting in change in scope of consolidation (Note 17)	(66)	—	(0)
Net cash provided by (used in) investing activities	(11,871)	(8,644)	(108)
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	12,301	9,619	112
Net increase (decrease) in commercial papers	6,000	52,000	55
Proceeds from long-term loans payable	274,768	225,652	2,520
Repayment of long-term loans payable	(178,126)	(116,089)	(1,634)
Proceeds from issuance of bonds	67,431	50,000	618
Redemption of bonds	(12,335)	(15,000)	(113)
Proceeds from loans payable under securitization of receivables	235,185	153,310	2,157
Repayment of loans payable under securitization of receivables	(76,116)	(26,930)	(698)
Proceeds from sales of treasury stock	315	215	2
Purchase of treasury stock	(1)	(848)	(0)
Cash dividends paid	(2,937)	(2,766)	(26)
Net cash provided by (used in) financing activities	326,484	329,161	2,995
Effect of exchange rate change on cash and cash equivalents	224	(983)	2
Net increase (decrease) in cash and cash equivalents	6,364	9,642	58
Cash and cash equivalents at beginning of year	91,064	81,421	835
Cash and cash equivalents at end of year (Note 17)	¥ 97,428	¥ 91,064	$ 893

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JACCS CO., LTD. and Consolidated Subsidiaries

1. Basis of Presenting the Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of JACCS Co., Ltd. and its consolidated subsidiaries ("the Company") prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Japanese Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements. Figures in these consolidated financial statements are rounded down to the nearest millions of yen. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2020, which was ¥109 to U.S.$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Translated amounts in U.S. dollars in these consolidated financial statements are also rounded down to the nearest million of U.S. dollars. As a result, the totals shown in U.S. dollars do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation

The accompanying consolidated financial statements include the accounts of JACCS Co., Ltd. and its significant subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The consolidated financial statements include the accounts of JACCS Co., Ltd. and 8 subsidiaries in the year ended March 31, 2020 and 7 subsidiaries in the year ended March 31, 2019, respectively.

Investments in a significant affiliate are accounted for by the equity method. Investments in an insignificant non-consolidated subsidiary not accounted for by the equity method are carried at cost.

1. Number of consolidated subsidiaries: 8

   JACCS Loan-Collection Service Co., Ltd.
   JACCS Total Service Co., Ltd.
   JACCS Lease Co., Ltd.
   JACCS Payment Solutions Co., Ltd.
   JACCS International Vietnam Finance Co., Ltd.
   PT JACCS MITRA PINASTHIKA MUSTIKA FINANCE INDONESIA
   JACCS FINANCE (CAMBODIA) PLC.
   JACCS FINANCE PHILIPPINES CORPORATION

   The Company acquired additional shares of MMPC Auto Financial Services Corporation ("MAFS")—domiciled in the Republic of the Philippines—which had been an equity-method affiliate of the Company in the year ended March 31, 2019, making MAFS a consolidated subsidiary of the Company and bringing MAFS within the scope of consolidation. Furthermore, on July 10, 2019, MAFS changed its name to JACCS FINANCE PHILIPPINES CORPORATION.

   On December 10, 2019, PT Mitra Pinasthika Mustika Finance—domiciled in the Republic of Indonesia—changed its name to PT JACCS MITRA PINASTHIKA MUSTIKA FINANCE INDONESIA.

2. Name of non-consolidated subsidiary

   Not applicable as of March 31, 2020

(b) Application of the Equity Method

1. Number of equity-method affiliates

   Not applicable as of March 31, 2020

   The Company acquired additional shares of MMPC Auto Financial Services Corporation ("MAFS")—domiciled in the Republic of the Philippines—which had been an equity-method affiliate of the Company in the year ended March 31, 2019, making MAFS a subsidiary of the Company, and bringing MAFS out of the scope of application of the equity method.

2. Name of non-consolidated subsidiary not accounted for by the equity method

   Not applicable as of March 31, 2020

(c) Fiscal Years of Consolidated Subsidiaries

The fiscal year-end date of JACCS International Vietnam Finance Co., Ltd., PT JACCS MITRA PINASTHIKA MUSTIKA FINANCE INDONESIA, JACCS FINANCE (CAMBODIA) PLC. and JACCS FINANCE PHILIPPINES CORPORATION are December 31. The financial statements of these companies as of and for the year ended December 31 are used in preparing the consolidated financial statements of the Company. All material intercompany transactions that occur during the period from January 1 to March 31 are adjusted in the consolidation process.

(d) Financial Instruments

1. Securities

   Available-for-sale securities with fair market value readily available are stated at fair value as of the balance sheet date. The related valuation differences are directly included in net assets and the cost of available-for-sale securities sold is determined by the moving-average method. Available-for-sale securities without fair market value readily available are stated at the moving-average cost.

2. Derivatives

   Derivatives are stated at fair value.

(e) Property, Plant and Equipment (except for leased assets)

Property, plant and equipment are stated at cost. Depreciation of property and equipment is computed using the declining-balance method based on the estimated useful lives of assets, however, the straight-line method is used for buildings (excluding building fixtures) acquired on or after April 1, 1998 and for building fixtures and structures acquired on or after April 1, 2016.

(f) Intangible Assets (except for leased assets)

Software for internal use is amortized over the estimated useful lives using the straight-line method (the maximum period being 5 years).

(g) Leased Assets

Leased assets related to finance leases without transferring ownership are depreciated over the lease period as useful life using the straight-line method with no residual value.

(h) Long-Term Prepaid Expense

Straight-line method based on provisions of the Corporation Tax Law

(i) Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided for possible losses on the collection of receivables. The amount of the allowance for general receivables is based on the past write-off ratio and other factors. For certain receivables, such as the ones from debtors whose solvency is in doubt, the recoverability of each receivable is examined individually and the estimated unrecoverable amounts are recognized as the allowance.

(j) Allowance for Bonuses

For payment of bonuses to employees and executive officers having employee positions, allowance for bonuses is provided for in the amount that is expected to be paid.

(k) Allowance for Credit Card Point Program

For covering the cost of future card-point redemption when credit card members use their card-points given by the Company, the allowance for credit card point program is provided for in the amount that is expected to be used as of the balance sheet date.

(l) Allowance for Loss on Guarantees

Allowance for loss on guarantees is provided for possible losses on loan guarantees, etc. The amount of allowance is estimated for expected future losses due to default by principal obligors based on the past write-off ratio and other factors.

(m) Allowance for Directors' Retirement Benefits

For payment of retirement benefits to directors and corporate auditors, allowance for directors' retirement benefits is provided for in the amount required to be accrued at year-end in accordance with internal rules. Provided amounts on the consolidated balance sheets are solely for consolidated subsidiaries.

(n) Allowance for Loss on Interest Repayment

Allowance for loss on interest repayment is provided to prepare for future repayment claims for interest rates charged in excess of the limitation stipulated by the Interest Rate Restriction Act, and the allowance is estimated based on historical amount of the repayments and other factors.

(o) Employee Retirement Benefits

1. Method of period attribution for estimated retirement benefits

   To calculate the employee retirement benefit obligations, a benefit formula basis is applied in attributing the estimated retirement benefits up to the end of this consolidated fiscal year.

2. Methods for amortizing actuarial differences and past service costs

   Past service costs are amortized using the straight-line method over a certain number of years (5 years) within the average remaining service period of the employees as of the time such costs are incurred. Actuarial differences are amortized from the following fiscal year, using the straight-line method over a certain number of years (5 years) within the average remaining service period of employees at the time of incurrence of such differences.

(p) Recognition of Operating Revenues

1. Revenue from individual customers

   Revenue from individual customers is recognized at the time of payment due date by the following method:

• Revenue from credit card business:	remaining debt balance method
• Revenue from installment sales finance business:	remaining debt balance method
• Revenue from credit guarantee:	remaining debt balance method (in some cases, at the time of concluding the guarantee contract)
• Financing revenue:	remaining debt balance method

   Note: Under the remaining debt balance method, revenue is calculated based on the annual interest rate applicable to the contract and the remaining principal balance.

2. Commission from member stores

   Commission from member stores is recognized at the time of execution of new contracts.

(q) Translation of Significant Assets and Liabilities Denominated in Foreign Currencies into Yen
Monetary assets and liabilities denominated in foreign currencies have been translated into yen at the exchange rates in effect at the fiscal year-end. The resulting exchange gain or loss is charged or credited to income. Assets and liabilities of the overseas subsidiary have been translated into yen at the exchange rates in effect as of the fiscal year-end of the subsidiary, and revenues and expenses of the overseas subsidiary have been translated into yen at the average rates prevailing during the period. The resulting translation differences are included in "foreign currency translation adjustment" in net assets.

(r) Significant Hedging Activities

1. Accounting for hedging activities
   In principle, the deferred hedge accounting method is applied.
   Interest rate swaps which qualify for exceptional treatments are accounted for according to the exceptional treatments.
2. Hedging instruments and hedged items
   Hedging instruments...........Derivatives transactions (interest rate swap and currency swap)
   Hedged items......................Loans payable
3. Hedging policy
   Derivatives transactions are utilized to reduce risks arising from interest rate and foreign exchange fluctuations in the future.
4. Assessment of the effectiveness of hedging activities
   The aggregate of changes in cash flows from the hedging instruments and the hedged items is compared quarterly, and evaluation of the effectiveness of hedging activities is made based on such comparison. With regard to interest rate swaps accounted for according to the exceptional treatments, assessment of the effectiveness is omitted.

(s) Method and Period for Amortization of Goodwill
Amortization of goodwill is carried out over five years using the straight-line method.

(t) Cash Equivalents
All highly liquid investments with a maturity of three months or less when purchased are considered cash equivalents.

(u) Consumption Taxes
Consumption taxes are excluded from each transaction amount. Consumption taxes paid at acquisition of noncurrent assets, which are not deducted on the consumption taxes calculation, are recorded as "Other" in investments and other assets and amortized equally over five years.

(Change in Presentation Method)

• Change in Presentation Method relating to Loans Payable under Securitization of Receivables

Asset Backed Loans ("ABLs") were previously presented as part of current portion of long-term loans payable within current liabilities, and long-term loans payable within noncurrent liabilities. However, from the fiscal year ended March 31, 2020, the method of presentation has been changed and these ABLs are separately presented as current portion of loans payable under securitization of receivables within current liabilities, and loans payable under securitization of receivables within noncurrent liabilities. The note relating to financial instruments has been changed.

ABLs are a financing method underpinned by the credit worthiness of securitized receivables and have different credit characteristics than those of conventional loans payable, which are backed by the Company's credit worthiness. In addition, the significance of ABLs as a financing method has been increasing. Therefore, the Company has decided to change the presentation method as it believes that presenting ABLs separately on the consolidated balance sheets as loans payable under securitization of receivables, rather than aggregating and presenting them as long-term loans payable, provides a clearer picture of the Company's financial condition and contributes to the provision of more useful information to users of the financial statements.

As a result, on the consolidated balance sheet as of March 31, 2019, ¥224,076 million previously presented as current portion of long-term loans payable within current liabilities has been reclassified to ¥171,462 million of current portion of long-term loans payable and ¥52,613 million of current portion of loans payable under securitization of receivables.

Also, as of March 31, 2019, ¥674,831 million previously presented as long-term loans payable within noncurrent liabilities has been reclassified to ¥587,950 of long-term loans payable and ¥86,880 million of loans payable under securitization of receivables. This change in presentation method did not have any impact on income for the fiscal year ended March 31, 2019.

In addition, as a result of this change in presentation, in the consolidated statement of cash flows for the fiscal year ended March 31, 2019, within cash flows from financing activities, ¥378,962 million previously presented as proceeds from long-term loans payable has been reclassified to ¥225,652 million of proceeds from long-term loans payable and ¥153,310 million of proceeds from loans payable under securitization of receivables, and ¥143,020 million previously presented as repayment of long-term loans payable has been reclassified to ¥116,089 million of repayment of long-term loans payable and ¥26,930 million of repayment of loans payable under securitization of receivables.

3. Accounting Standards Issued But Not Yet Adopted

(a) The Company and its domestic consolidated subsidiaries

• Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, revised March 31, 2020)
• Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, revised March 31, 2020)
• Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, revised March 31, 2020)

1. Outline
   The International Accounting Standards Board (IASB) and the United States Financial Accounting Standards Board (FASB) initiated a joint project to develop a comprehensive accounting standard for revenue recognition. In May 2014, the Boards published "Revenue from Contracts with Customers" (IFRS 15 for the IASB;

Accounting Standards Codification (ASC) Topic 606 for the FASB). IFRS 15 is effective from fiscal years beginning on or after January 1, 2018, and ASC Topic 606 is applied from fiscal years beginning after December 15, 2017. In response to these developments, the Accounting Standards Board of Japan (ASBJ) developed a comprehensive accounting standard relating to revenue recognition and released this standard together with implementation guidance.

The ASBJ's basic policy for the development of an accounting standard relating to revenue recognition was to establish the accounting standard with the fundamental principles of IFRS 15 used as a starting point from the perspective of comparability between financial statements, which is one of the benefits of having consistency with IFRS 15. In the case that considerations are required for conventional practices in Japan, the ASBJ determined that alternative treatments may be added to the extent that such additions do not impair comparability.

2. Planned Date of Adoption

The Company plans to adopt this accounting standard and related implementation guidance from the beginning of the fiscal year ending March 31, 2022.

3. Impact of the Adoption of the Accounting Standard and Implementation Guidance

The Company is currently assessing the amount of impact on the consolidated financial statements of applying the Accounting Standard for Revenue Recognition and its related guidance.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, revised July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, revised July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, revised March 31, 2020)

1. Outline

The International Accounting Standards Board (IASB) and the United States Financial Accounting Standards Board (FASB) have established very similar detailed guidance regarding fair value measurement (IFRS 13 for the IASB; ASC Topic 820 for the FASB). In response to these developments, the Accounting Standard for Fair Value Measurement, along with other related accounting standards and implementation guidance, was released as a result of the ASBJ's initiative to achieve consistency between Japanese and internationally recognized accounting standards.

The ASBJ's basic policy for the development of accounting standards relating to fair value measurement was to adopt basically all requirements of IFRS 13 from the perspective of enhancing the comparability between financial statements published by domestic and overseas companies through the use of uniform measurement approach. In addition, having taken conventional practices in Japan into consideration, the ASBJ decided to establish alternative accounting treatment for particular items to an extent that does not significantly impair the comparability of financial statements.

2. Planned Date of Adoption

The Company plans to adopt these accounting standards and implementation guidance from the beginning of the fiscal year ending March 31, 2022.

3. Impact of the Adoption of the Accounting Standard and Implementation Guidance

The amount of impact on the consolidated financial statements of applying the Accounting Standard for Fair Value Measurement and related standards and guidance is undetermined at the present time.

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

1. Outline

With regard to disclosures for "sources of estimation uncertainty" required by paragraph 125 of IAS 1 Presentation of Financial Statements, which was issued by the International Accounting Standards Board (IASB) in 2003, the ASBJ received numerous requests that it consider mandating such disclosures under Japanese GAAP as part of information provided within the notes to financial statements, because such information is very useful to users of financial statements. In response, the ASBJ developed and released the Accounting Standard for Disclosure of Accounting Estimates.

The ASBJ's basic policy for the development of this accounting standard was to establish principles (disclosure objectives), rather than to expand existing individual footnote disclosure rules, allowing companies to decide on specific disclosure content based on the disclosure objectives. When developing the accounting standards, the ASBJ used the requirements in paragraph 125 of IAS 1 as reference.

2. Planned Date of Adoption

The Company plans to adopt this accounting standard from the year-end of the fiscal year ending March 31, 2021.

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24, revised March 31, 2020)

1. Outline

The ASBJ received a recommendation that it consider expanding the information provided in notes to financial statements relating to "accounting principles and procedures adopted in cases where relevant accounting requirements and guidance are unclear." In response, the ASBJ carried out the necessary revisions, and released them as (Revised) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

In developing a framework to expand the information provided in notes to financial statements relating to "accounting principles and procedures adopted in cases where relevant accounting requirements and guidance are unclear," the ASBJ decided to carry over the prescriptions contained in the annotations to the Business Accounting Principles (Note 1-2). ASBJ adopted this approach to ensure that disclosure practices used to date would not be affected in cases where relevant accounting requirements and guidance are clear.

2. Planned Date of Adoption

The Company plans to adopt this accounting standard from the year-end of the fiscal year ending March 31, 2021.

(b) Overseas consolidated subsidiaries

The following accounting standards, which are based on International Financial Reporting Standards (IFRS), have not been adopted for a certain overseas consolidated subsidiary. These accounting standards are planned to be adopted from the beginning of the year ending March 31, 2021. The Company is currently assessing the amount of impact from the adoption of these standards at the present time.

Name of accounting standard	Outline
Financial Instruments	Introduces new requirements relating to classification and measurement of financial instruments, impairment accounting, and hedge accounting
Leases	Introduces a single accounting model under which a lessee recognizes all assets and liabilities arising from leases

4. Changes in Accounting Policies

Change in Accounting Treatment related to Finance Receivable-Installment Sales-Credit Guarantee and Finance Payable-Credit Guarantee

The Company's finance receivable-installment sales-credit guarantee and finance payable-credit guarantee included two types of guarantee obligations on loans held by financial institutions; the first one is only to provide loan-guarantee service, and the other is to provide loan collection service in addition to the guarantee service. However, with regard to the first type of guarantee obligations for which the Company undertakes loan guarantee service only, from the fiscal year ended March 31, 2020, these are disclosed only as a note to the consolidated balance sheets.

Previously, both types of guarantee obligations were regarded as similar in nature in terms of contractual treatment and revenue management, and accordingly they were both recognized on the consolidated balance sheets regardless of whether or not the Company undertook loan-collection services. However, considering recent business developments such as a new form of transactions related to credit guarantee and the acquisition of credit guarantee business of another company, the Company re-examined its accounting treatment of guarantee transactions. As a result, the Company determined that disclosing guarantee obligations that do not involve loan collection service as contingent liabilities in a note to the financial statements and recognizing allowance corresponding to them as allowance for loss on guarantees, rather than recognizing those guarantee obligations on the consolidated balance sheets, would facilitate more appropriate presentation of the Company's financial condition because it would enable users of financial statements to properly evaluate the actual condition of the Company through the use of financial indicators that are calculated based on total assets and total liabilities, etc. and reflect risk management perspective of timeliness in credit monitoring on the guaranteed party, under the circumstance where the guarantee obligations that do not involve loan collection service have been increasing.

Due to this change in accounting policy, on the consolidated balance sheet as of March 31, 2020, each of finance receivable installment sales-credit guarantee within current assets and finance payable-credit guarantee within current liabilities decreased by ¥1,310,415 million, as compared to the amounts under the previous accounting treatment. With regard to allowance for doubtful accounts previously provided for in relation to the balance of guarantee obligations that do not involve loan collection service, ¥706 million was recorded on the consolidated balance sheets as allowance for loss on guarantees. This change did not have any impact on income for the fiscal year ended March 31, 2020.

This change in accounting policy has been applied retrospectively, and on the consolidated balance sheet as of March 31, 2019, each of finance receivable installment sales-credit guarantee within current assets and finance payable-credit guarantee within current liabilities decreased by ¥1,064,615 million, and the corresponding allowance for doubtful accounts of ¥498 million was reclassified and recorded as allowance for loss on guarantees. This change did not have any impact on income for the fiscal year ended March 31, 2019.

In addition, in the consolidated statement of cash flows for the fiscal year ended March 31, 2020, within cash flows from operating activities, each of decrease (increase) in finance receivable and increase (decrease) in finance and accounts payable decreased by ¥245,799 million, as compared to the amounts under the previous accounting treatment. With regard to increase (decrease) in allowance for doubtful accounts previously provided for in relation to the balance of guarantee obligations that do not involve loan collection service, ¥207 million has been reclassified as increase (decrease) in allowance for loss on guarantees.

In the consolidated statement of cash flows for the fiscal year ended March 31, 2019, within cash flows from operating activities, each of decrease (increase) in finance receivable and increase (decrease) in finance and accounts payable decreased by ¥189,377 million, and the corresponding increase (decrease) in allowance for doubtful accounts of ¥96 million has been reclassified as increase (decrease) in allowance for loss on guarantees.

Change in Accounting Treatment relating to Allowance for Doubtful Accounts

With regard to delinquent receivables that have been transferred to a subsidiary, JACCS Loan-Collection Service Co., Ltd. ("JLS"), since the transfers are internal transactions within the same consolidation group, the Company recognized the transferred receivables at the amount of receivables prior to the transfers, along with the corresponding allowance for doubtful accounts, on the consolidated balance sheets. However, from the fiscal year ended March 31, 2020, the Company has changed accounting treatment to recognize the transferred receivables at the amount of receivables subsequent to the transfers on the consolidated balance sheets.

With improved data resource relating to valuation of delinquent receivables accumulated during the time period since the Company began transferring receivables to JLS with the aim of accelerating management of delinquent receivables and the commencement of transfer of delinquent receivables to parties outside the Group in March 2020, the Company re-examined its accounting treatment of receivables transferred to JLS. As a result, the Company determined that recognizing the transferred receivables at the amount of receivables subsequent to the transfer on the consolidated balance sheets would contribute to the provision of useful information to users of the financial statements as it properly describes substance of the transactions and enhances comparability between consolidated financial statements and nonconsolidated financial statements.

Due to this change in accounting policy, on the consolidated balance sheet as of March 31, 2020, each of finance receivable-installment and allowance for doubtful accounts within current assets decreased by ¥17,924 million, as compared to the amounts under the previous accounting treatment. This change did not have any impact on income for the fiscal year ended March 31, 2020.

This change in accounting policy has been applied retrospectively, and on the consolidated balance sheet as of March 31, 2019, each of finance receivable-installment and allowance for doubtful accounts within current assets decreased by ¥11,367 million. This change did not have any impact on income for the fiscal year ended March 31, 2019.

In the consolidated statement of cash flows for the fiscal year ended March 31, 2020, within cash flows from operating activities, each of increase (decrease) in allowance for doubtful accounts and decrease (increase) in finance receivable decreased by ¥6,557 million, as compared to the amounts under the previous accounting treatment.

Furthermore, in the consolidated statement of cash flows for the fiscal year ended March 31, 2019, within cash flows from operating activities, each of increase (decrease) in allowance for doubtful accounts and decrease (increase) in finance receivable decreased by ¥6,236 million.

5. Additional Information

(a) Transactions Granting the Company's Stock to Employees, etc., through Trusts

1. Overview of Transactions

   On August 3, 2018, the Board of Directors passed a resolution for the reintroduction of an employee incentive plan, or "employee stock ownership plan (ESOP) trust account," with the objective of raising the Company's medium- to long-term corporate value.

   Under this plan, the Company established a trust, which has as its beneficiaries members of the JACCS Co., Ltd., Employee Stock Ownership Association (JESOA) who satisfy a set of specific conditions. This trust made a block purchase in advance, to acquire the number of the Company's shares that were expected to be purchased by JESOA over the ensuing three-year period. Subsequently, the trust carries out sales of shares of the Company to JESOA on a predetermined date each month.

2. Residual Treasury Stock Held by the Trust

   Shares of the Company residually held by the trust are recognized as treasury stock under net assets in the consolidated balance sheets. These shares are recognized at the book value recorded by the trust (excluding incidental expenses). As of March 31, 2019, the book value of this treasury stock was ¥427 million and the number of shares was 178 thousand shares. As of March 31, 2020, the book value of this treasury stock was ¥148 million and the number of shares was 62 thousand shares.

3. Book Value of Loans Payable of the Trust Recognized using the Gross Recognition Method

   As of March 31, 2020 ¥300 million

   As of March 31, 2019 ¥540 million

(b) Accounting estimates related to the spread of COVID-19 infections

The Company expects the impact from the spread of Coronavirus disease 2019 (COVID-19) infections to continue for a certain period of time during the fiscal year ending March 31, 2021. Based on this expectation, the Company recognizes that there will be a certain level of impact on the Group's credit risk including the credit risk on its finance receivables. However, the Company is assuming that the impact will be limited with economic measures and financial support programs implemented by national governments and local public bodies, and therefore, the Company calculated allowance for doubtful accounts, etc., based on this assumption.

However, as the impact of the spread of COVID-19 involves significant uncertainties the balances of allowance for doubtful accounts, etc. may increase or decrease in the event that changes to this assumption arise.

6. Pledged Assets

Pledged assets as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Assets pledged as collateral:			
Finance receivable-installment	¥381,655	¥226,806	$3,501
Lease investment assets	13,228	14,824	121
Total	¥394,883	¥241,630	$3,622
Debt secured by the above collateral:			
Short-term loans payable	¥ 6,800	¥ 13,624	$ 62
Current portion of bonds payable	—	2,308	—
Current portion of long-term loans payable	31,335	26,026	287
Current portion of loans payable under securitization of receivables	104,278	52,613	956
Accrued expenses	427	268	3
Bonds	7,482	—	68
Long-term loans payable	50,733	53,278	465
Loans payable under securitization of receivables	194,284	86,880	1,782
Total	¥395,341	¥235,000	$3,626

With regard to the balance of securitized auto loan and other installment sales finance receivables, owing to the treatment of this item as a financing transaction, ¥298,563 million and ¥139,494 million are included within the balance of finance receivable-installment in current assets, ¥104,278 million and ¥52,613 million are included within the balance of current portion of loans payable under securitization of receivables in current liabilities, and ¥194,284 million and ¥86,880 million are included within the balance of loans payable under securitization of receivables in noncurrent liabilities as of March 31, 2020 and March 31, 2019, respectively.

7. Finance Receivable-Installment

Finance receivable-installment as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Credit card business	¥ 197,397	¥ 198,886	$ 1,810
Installment sales finance business	1,950,488	1,589,185	17,894
Financing	215,541	205,913	1,977
Other	13,793	6,700	126
Total	¥2,377,220	¥2,000,686	$21,809

8. Deferred Income on Finance Receivables

Deferred income on finance receivables as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Credit card business	¥ 702	¥ 722	$ 6
Installment sales finance business	146,622	118,897	1,345
Credit guarantee	35,431	42,094	325
Financing	0	382	0
Other	3	0	0
Total	¥182,760	¥162,097	$1,676

9. Short-Term Loans and Long-Term Debt

Short-term loans as of March 31, 2020 and 2019, consist of the following:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Short-term loans principally from banks at weighted average rate of:			
0.6% and 0.4% as of March 31, 2020, and March 31, 2019, respectively	¥320,451	¥295,796	$2,939
Commercial papers at weighted average rate of:			
0.1% as of March 31, 2020, and March 31, 2019, respectively	422,000	416,000	3,871

Long-term debt as of March 31, 2020 and 2019, consist of the following:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Bonds and notes issued by the Company			
1.130% bonds due in Year ended March 31, 2021	¥ 15,000	¥ 15,000	$ 137
0.790% bonds due in Year ended March 31, 2021	15,000	15,000	137
0.342% bonds due in Year ended March 31, 2020	—	10,000	—
0.545% bonds due in Year ended March 31, 2022	10,000	10,000	91
0.644% bonds due in Year ended March 31, 2022	10,000	10,000	91
0.752% bonds due in Year ended March 31, 2023	10,000	10,000	91
0.120% bonds due in Year ended March 31, 2024	19,836	19,789	181
0.250% bonds due in Year ended March 31, 2023	10,000	10,000	91
0.370% bonds due in Year ended March 31, 2025	10,000	10,000	91
0.370% bonds due in Year ended March 31, 2025	15,000	15,000	137
0.250% bonds due in Year ended March 31, 2024	15,000	15,000	137
0.360% bonds due in Year ended March 31, 2026	10,000	10,000	91
0.490% bonds due in Year ended March 31, 2029	5,000	5,000	45
0.240% bonds due in Year ended March 31, 2024	15,000	15,000	137
0.544% bonds due in Year ended March 31, 2029	5,000	5,000	45
0.300% bonds due in Year ended March 31, 2025	10,000	—	91
0.400% bonds due in Year ended March 31, 2027	10,000	—	91
0.030% bonds due in Year ended March 31, 2023	20,000	—	183
0.210% bonds due in Year ended March 31, 2025	10,000	—	91
0.380% bonds due in Year ended March 31, 2030	10,000	—	91
8.520% bonds due in Year ended March 31, 2019 (140,000 million IDR)*	—	1,077	—
7.770% bonds due in Year ended March 31, 2020 (160,000 million IDR)*	—	1,230	—
7.757% bonds due in Year ended March 31, 2023 (150,000 million IDR)*	1,171	—	10
7.757% bonds due in Year ended March 31, 2023 (150,000 million IDR)*	1,171	—	10
9.345% bonds due in Year ended March 31, 2023 (616,000 million IDR)*	4,767	—	43
9.598% bonds due in Year ended March 31, 2024 (30,000 million IDR)*	232	—	2
9.850% bonds due in Year ended March 31, 2025 (18,000 million IDR)*	139	—	1
Long-term loans payable, principally from banks and other financial institutions at weighted average rate of: 1.1% as of March 31, 2020, and 1.1% as of March 31, 2019	857,215	759,413	7,864
Loans payable under securitization of receivables at weighted average rate of: 0.3% as of March 31, 2020, and 0.3% as of March 31, 2019	298,563	139,494	2,739
	1,388,096	1,076,005	12,734
Less current portion	(244,572)	(236,384)	(2,243)
Long-term debt, less current portion	¥1,143,524	¥ 839,621	$10,491

*These bonds were issued by PT JACCS MITRA PINASTHIKA MUSTIKA FINANCE INDONESIA for which the balance sheets as of December 31, 2019 and 2018 have been consolidated in the accompanying consolidated balance sheets as of March 31, 2020 and 2019, respectively.

The aggregate annual maturities of long-term debt as of March 31, 2020 are summarized as follows:

Years ended March 31	Millions of Yen	Millions of U.S. Dollars
2021	¥ 244,572	$ 2,243
2022	254,198	2,332
2023	261,632	2,400
2024	217,328	1,993
2025 and thereafter	410,364	3,764
Total	¥1,388,096	$12,734

10. Contingent Liabilities

(a) Guarantee Obligations

Guarantee obligations that involve loan collection service are recognized on the consolidated balance sheets as finance receivables-installment sales-credit guarantee and finance payable-credit guarantee, both in the same amount. On the other hand, guarantee obligations that do not involve loan collection service are disclosed only in the footnote as contingent liabilities as follow:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Loans to individuals held by financial institutions	¥1,310,415	¥1,064,615	$12,022
Allowance for loss on guarantees	706	498	6
Net amount at the end of fiscal years	¥1,309,709	¥1,064,117	$12,015

(b) Commitment to Guarantee

The Company has executed contracts for commitment to guarantee, in relation to loans (housing loans to individuals, card loans, etc.) which are held by financial institutions and guaranteed by guarantee companies. Under these contracts, the Company fulfills guarantee obligations on behalf of guarantee companies if certain events or conditions have occurred for the guarantee companies, as stipulated in the contracts. The balance of loans subject to the contracts for commitment to guarantee is disclosed as a foot note of contingent liability in the table below.

Commitment to guarantee as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Guarantee companies	¥228,085	¥227,354	$2,092

11. Loan Commitments

The Company carries out cash advance operations, which are ancillary to loan card and credit card operations. The balance of unexecuted lending related to loan commitments within cash advance operations is as shown below. Under loan commitment contracts, since lending terms include screening relating to the borrower's use of loan funds and credit standing, the loans are not necessarily executed up to the full amount.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Total loan commitments	¥1,179,637	¥1,180,275	$10,822
Executed loans	50,765	53,139	465
Balance	¥1,128,871	¥1,127,135	$10,356

12. New Contracts

Volume of new contracts for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Credit card business	¥1,358,230	¥1,306,927	$12,460
Installment sales finance business	1,259,068	1,041,888	11,551
Credit guarantee	942,765	837,565	8,649
Financing	85,292	86,465	782
Other	1,336,149	1,286,354	12,258
Total	¥4,981,508	¥4,559,202	$45,701
Note: Year-end balance of credit guarantee for line of credit	¥ 55,648	¥ 45,791	$ 510

13. Impairment Loss

In the fiscal year ended March 31, 2020, the JACCS Group recognized impairment losses relating to the following assets.

Location	Asset group	Purpose	Type	Impairment loss
Shibuya, Tokyo	JACCS Co., Ltd.	Business asset	Buildings and structures	¥108 million (US$0 million)
			Tools, furniture and fixtures	¥0 million (US$0 million)
Shinagawa, Tokyo	JACCS Loan-Collection Service Co., Ltd.	Business asset	Software	¥47 million (US$0 million)
			Tools, furniture and fixtures	¥10 million (US$0 million)

The JACCS Group performs grouping of assets principally based on each of consolidated entities as it represents a smallest unit independently generating cash flows and based on individual assets if the assets are to be disposed or idle assets.

JACCS Co., Ltd., reduced the book value of assets expected to be disposed of due to office relocation to an amount deemed recoverable, and recognized the resulting impairment loss as an extraordinary loss.

JACCS Loan-Collection Service Co., Ltd., reduced the book value of a cancelled IT system renewal project to an amount deemed recoverable, and recognized the resulting impairment loss as an extraordinary loss. The amount deemed recoverable was calculated based on the usage value, etc.

In the fiscal year ended March 31, 2019, the JACCS Group recognized impairment losses relating to the following assets.

Location	Asset group	Purpose	Type	Impairment loss
Shibuya, Tokyo	JACCS Co., Ltd.	Business asset	Software	¥177 million
Shinagawa, Tokyo	JACCS Loan-Collection Service Co., Ltd.	Business asset	Software	¥6 million

The JACCS Group performs grouping of assets principally based on each of consolidated entities as it represents a smallest unit independently generating cash flows and based on individual assets if the assets are to be disposed or idle assets.

Based on the decision made at JACCS Co., Ltd. during the fiscal year ended March 31, 2019 to discontinue offering of certain payment services, the Company reduced the book value of software related to the discontinued services to an amount deemed recoverable and recognized the resulting impairment loss as an extraordinary loss.

Based on the assessment made at JACCS Loan-Collection Service Co., Ltd. that certain software was unlikely to be used in the future, the Company reduced the book value of the software to an amount deemed recoverable and recognized the resulting impairment loss as an extraordinary loss.

The amount deemed recoverable was measured based on the value in use.

14. Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Unrealized gains (losses) on available-for-sale securities			
Gains (losses) arising during the year	¥(1,919)	¥ (877)	$ (17)
Reclassification adjustments to profit or loss	(30)	10	(0)
Amount before income tax effect	(1,950)	(866)	(17)
Income tax effect	553	188	5
Total unrealized gains (losses) on available-for-sale securities	(1,396)	(677)	(12)
Deferred gains (losses) on hedges			
Gains (losses) arising during the year	(737)	(9)	(6)
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	(737)	(9)	(6)
Income tax effect	184	2	1
Total deferred gains (losses) on hedges	(553)	(7)	(5)
Foreign currency translation adjustment			
Adjustment arising during the year	360	(1,514)	3
Remeasurements of defined benefit plans, net of tax			
Gains (losses) arising during the year	(1,254)	2	(11)
Reclassification adjustments to profit or loss	251	106	2
Amount before income tax effect	(1,002)	109	(9)
Income tax effect	301	(30)	2
Total remeasurements of defined benefit plans, net of tax	(701)	79	(6)
Share of other comprehensive income of affiliated companies accounted for using equity method			
Gains (losses) arising during the year	(1)	(21)	(0)
Reclassification adjustments to profit or loss	52	—	0
Total share of other comprehensive income of affiliated companies accounted for using equity method	51	(21)	0
Total other comprehensive income	¥(2,239)	¥(2,142)	$(20)

15. Net Assets

Equity

Japanese companies are subject to the Companies Act of Japan (the “Companies Act”).

The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

1. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders’ meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

2. Increases/decreases and transfer of common stock, reserve, and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

3. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula.

The Companies Act also provides that companies can purchase treasury stock acquisition rights. Such treasury stock acquisition rights are presented as a separate component of net assets or deducted directly from subscription rights to shares, which are presented as a separate component of net assets.

16. Consolidated Statements of Changes in Net Assets

Year Ended March 31, 2020

1. Shares outstanding

Class of shares	April 1, 2019	Increase	Decrease	March 31, 2020
Shares of common stock	35,079,161	—	—	35,079,161

2. Treasury stock

Class of shares	April 1, 2019	Increase	Decrease	March 31, 2020
Shares of common stock	712,373	813	142,500	570,686

Notes: 1. The increase of 813 shares of treasury stock (shares of common stock) was due to an acquisition of 813 shares based on requests for purchase of shares less than one unit.
2. The decrease of 142,500 shares of treasury stock (shares of common stock) comprised a decrease of 116,500 shares due to transfer from the ESOP Trust Account to the JACCS Co., Ltd. Employee Stock Ownership Association; a decrease of 9,800 shares due to exercise of stock options; and a decrease of 16,200 shares due to grant of restricted share units as stock-based compensation.
3. Treasury stock (shares of common stock) includes shares of the Company held by the ESOP Trust Account (62,200 shares as of March 31, 2020). This is because shares of the Company held by the ESOP Trust Account are presented on the Consolidated Balance Sheets as treasury stock.

3. Subscription rights to shares

Company name	Classification	Class of shares to be delivered	Number of shares to be delivered				Balance at March 31, 2020 (Millions of Yen)
			April 1, 2019	Increase	Decrease	March 31, 2020	
JACCS Co., Ltd.	Subscription rights to shares	—	—	—	—	—	¥263
	Total		—	—	—	—	¥263

Company name	Classification	Class of shares to be delivered	Number of shares to be delivered				Balance at March 31, 2020 (Millions of U.S. Dollars)
			April 1, 2019	Increase	Decrease	March 31, 2020	
JACCS Co., Ltd.	Subscription rights to shares	—	—	—	—	—	$2
	Total		—	—	—	—	$2

4. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders, June 27, 2019	Shares of common stock	¥1,381 million	¥40.00	March 31, 2019	June 28, 2019
Board of Directors, November 7, 2019	Shares of common stock	¥1,555 million	¥45.00	September 30, 2019	November 29, 2019

Notes: 1. The total dividend amount authorized by a resolution of the Ordinary General Meeting of Shareholders on June 27, 2019, included ¥7 million paid to The Master Trust Bank of Japan, Ltd. (ESOP Trust Account, No. 76325).
2. The total dividend amount authorized by a resolution of the Board of Directors on November 7, 2019 included ¥5 million paid to The Master Trust Bank of Japan, Ltd. (ESOP Trust Account, No. 76325).

Resolution	Class of shares	Total dividend amount	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders, June 27, 2019	Shares of common stock	$12 million	$0.36	March 31, 2019	June 28, 2019
Board of Directors, November 7, 2019	Shares of common stock	$14 million	$0.41	September 30, 2019	November 29, 2019

(2) Dividends applicable to the fiscal year ended March 31, 2020, which have an effective date during the fiscal year ending March 31, 2021

Resolution	Class of shares	Source of dividends	Total dividend amount	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders, June 26, 2020	Shares of common stock	Retained earnings	¥1,728 million	¥50.00	March 31, 2020	June 29, 2020

Note: The total dividend amount authorized by a resolution of the Ordinary General Meeting of Shareholders on June 26, 2020, included ¥3 million paid to The Master Trust Bank of Japan, Ltd. (ESOP Trust Account, No. 76325).

Resolution	Class of shares	Source of dividends	Total dividend amount	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders, June 26, 2020	Shares of common stock	Retained earnings	$15 million	$0.45	March 31, 2020	June 29, 2020

Year Ended March 31, 2019

1. Shares outstanding

Class of shares	April 1, 2018	Increase	Decrease	March 31, 2019
Shares of common stock	35,079,161	—	—	35,079,161

2. Treasury stock

Class of shares	April 1, 2018	Increase	Decrease	March 31, 2019
Shares of common stock	454,248	351,125	93,000	712,373

Notes: 1. The increase of 351,125 shares of treasury stock (shares of common stock) comprised acquisition of 425 shares based on requests for purchase of shares less than one unit; acquisition of 100,000 shares in the market based on a resolution of the Board of Directors on May 15, 2018; and acquisition of 250,700 shares in the market by the ESOP Trust Account.

2. The decrease of 93,000 shares of treasury stock (shares of common stock) comprised a decrease of 72,000 shares due to transfer from the ESOP Trust Account to the JACCS Co., Ltd. Employee Stock Ownership Association; a decrease of 4,800 shares due to exercise of stock options; and a decrease of 16,200 shares due to grant of restricted share units as stock-based compensation.

3. Treasury stock (shares of common stock) includes shares of the Company held by the ESOP Trust Account (178,700 shares as of March 31, 2019). This is because shares of the Company held by the ESOP Trust Account are presented on the Consolidated Balance Sheets as treasury stock.

3. Subscription rights to shares

Company name	Classification	Class of shares to be delivered	Number of shares to be delivered				Balance at March 31, 2019 (Millions of Yen)
			April 1, 2018	Increase	Decrease	March 31, 2019	
JACCS Co., Ltd.	Subscription rights to shares	—	—	—	—	—	¥275
	Total		—	—	—	—	¥275

4. Dividends

(1) Dividends paid

Resolution	Class of shares	Total dividend amount	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders, June 28, 2018	Shares of common stock	¥1,384 million	¥40.00	March 31, 2018	June 29, 2018
Board of Directors, November 7, 2018	Shares of common stock	¥1,381 million	¥40.00	September 30, 2018	November 30, 2019

Note: The total dividend amount authorized by a resolution of the Board of Directors on November 7, 2018, included ¥10 million paid to The Master Trust Bank of Japan, Ltd. (ESOP Trust Account, No. 76325).

(2) Dividends applicable to the fiscal year ended March 31, 2019, which have an effective date during the fiscal year ended March 31, 2020

Resolution	Class of shares	Source of dividends	Total dividend amount	Dividend per share	Record date	Effective date
Ordinary General Meeting of Shareholders, June 27, 2019	Shares of common stock	Retained earnings	¥1,381 million	¥40.00	March 31, 2019	June 28, 2019

Note: The total dividend amount authorized by a resolution of the Ordinary General Meeting of Shareholders on June 27, 2019, included ¥7 million paid to The Master Trust Bank of Japan, Ltd. (ESOP Trust Account, No. 76325).

17. Cash Flows Information

(a) Reconciliation of Cash and Cash Equivalents in the Consolidated Statements of Cash Flows and the Consolidated Balance Sheets as of March 31, 2020 and 2019

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Cash and deposits	¥97,466	¥91,103	$894
Time deposits exceeding 3 months	(38)	(38)	(0)
Cash and cash equivalents	¥97,428	¥91,064	$893

(b) Summary of Increase in Assets and Liabilities through Company Split (Simplified Absorption-type Company Split)
Year ended March 31, 2020

The breakdown of assets and liabilities at the date of the company split to acquire the credit guarantee business from JCB Co., Ltd., together with the relationship between consideration through cash payment for the company split and payment (net) for the company split are as follows.

	(Millions of Yen)	(Millions of U.S. Dollars)
Current assets	¥ 98	$ 0
Noncurrent assets	—	—
Goodwill	1,000	9
Current liabilities	—	—
Noncurrent liabilities	—	—
Acquisition cost for company split	¥1,099	$10
Cash and cash equivalents	—	—
Difference: Payment (net) for acquisition of business	¥1,099	$10

Year ended March 31, 2019
Not applicable

(c) Summary of Assets and Liabilities of Companies that Newly Became Consolidated Subsidiaries through Acquisition of Shares
Year ended March 31, 2020

The breakdown of assets and liabilities at the date of inclusion in the scope of consolidation of MMPC Auto Financial Services Corporation ("MAFS"; name changed to JACCS FINANCE PHILIPPINES CORPORATION on July 10, 2019), which was newly included in the scope of consolidation through the acquisition of additional shares, together with the relationship between the acquisition cost of shares of MAFS and payment (net) for acquisition of MAFS are as follows.

	(Millions of Yen)	(Millions of U.S. Dollars)
Current assets	¥ 13,607	$ 124
Noncurrent assets	100	0
Goodwill	118	1
Current liabilities	(12,424)	(113)
Noncurrent liabilities	(575)	(5)
Non-controlling interest	(247)	(2)
Acquisition cost of shares of MAFS	578	5
Acquisition cost of shares of MAFS prior to acquisition of control	(275)	(2)
Loss on step acquisition	100	0
Cash and cash equivalents of MAFS	(335)	(3)
Difference: Payment (net) for acquisition of shares of subsidiary resulting in change in scope of consolidation	66	0

Year ended March 31, 2019
Not applicable

18. Financial Instruments

(a) Outline of Utilization of Financial Instruments

1. Management policies

The Company operates consumer credit services including installment sales finance, credit card, credit guarantee and financing. To do such business, the Company borrows money from financial institutions as indirect finance, and raises money by securitization of receivables, issuing bonds and commercial papers in consideration of market conditions and length of finance. Thereby, the Company holds financial assets and liabilities having interest rate fluctuation risks. To avoid its unfavorable effect, the Company applies asset liability management (ALM) using derivatives transactions as a measure. In addition, a consolidated subsidiary operates leasing business.

The Company uses derivative transactions to hedge against the risk of interest rate fluctuation and foreign exchange fluctuation, as part of its efforts to ensure stability in its earnings. The Company does not engage in speculative transactions.

2. Contents of financial instruments and their risks

Financial assets held by the Company, which are mainly installment receivables on domestic installment sales finance and credit card business, are exposed to the credit risks of the corresponding customers' default of payments.

Investment securities are equity stocks held for the purpose of maintaining and strengthening relationships with business partners and facilitating business. These assets are exposed to the credit risk of the issuer and the risk of market value fluctuations.

Loans payable, securitization of receivables, bonds payable and commercial papers are exposed to liquidity risk. There exists the possibility that the Company may have difficulty making payment on a due date, such as the Company may not be able to raise funds in the markets under certain circumstances. Loans payable with variable interest rates expose the Company to the risk of interest rate fluctuation. In addition, foreign currency denominated monetary claims and obligations that arise when the Company conducts transactions overseas are exposed to foreign exchange risk. The Company conducts derivative transactions related to interest rates for the purpose of hedging against the risk of fluctuation of interest rates on loans payable, and conducts derivative transactions related to currencies for the purpose of hedging against the risk of foreign exchange fluctuation.

With regard to the method of hedge accounting, hedging instruments, hedged items, hedging policy, and method of evaluating hedging effectiveness, please refer to Note 2 Summary of Significant Accounting Policies (r) Significant Hedging Activities.

3. Risk management system of financial instruments

(1) Control of credit risk

The Company establishes and operates credit control systems which include credit assessment, establishment of credit limit, credit information control, internal rating, setting of guarantee and mortgage and response to loans in trouble in conformity with the rules of credit control for each installment loan. These credit controls are carried out by each credit investigation section. In addition, conditions of credit control are reviewed by the Credit Screening and Operation Department, the Credit Management Department and the Audit Office.

(2) Control of market risk

a. Control of interest risk

The Company controls interest fluctuation risk by means of ALM. Regulations of ALM specify risk control measures and procedures and the ALM Committee—which comprises executive officers and general managers of related departments—considers the appropriateness, etc., of these measures and procedures on a quarterly basis in relation to the financial environment, asset management and fundraising, and the Board of Directors ascertains and reviews the operational status of ALM. The Finance Department analyzes daily interest rate sensitivity based on estimated interest rates and makes a report to the ALM Committee. Interest fluctuation risk is hedged by interest rate swaps as a part of ALM.

b. Control of foreign exchange risk

The Group manages foreign exchange fluctuation risk by raising debt denominated in foreign currency corresponding to operational assets and through the use of currency-related derivative transactions on an individual transaction basis.

c. Control of market fluctuation risk

As investment securities are equity stocks held for the purpose of maintaining and strengthening relationships with business partners and facilitating business, market environment and financial conditions of the issuing companies are monitored periodically. The Company carries out ongoing monitoring of prices of investment securities. By considering the circumstances comprehensively and reporting these to senior management, the Company aims to reduce the price fluctuation risk of its equity securities holdings.

d. Derivatives transactions

Each section of execution of derivatives transactions, assessment of hedge effectiveness and operation control is separated to enhance internal checks. Operations are carried out in conformity with regulations. The status of these derivative transactions is reported at each meeting of the ALM Committee.

e. Quantitative information relating to market risk

Financial instruments for trading purposes

The Company does not hold any financial instruments for trading purposes.

Financial instruments for other than trading purposes

The financial instruments most affected by the interest rate risk, which is a main risk variable are mainly "short-term loans payable," "long-term loans payable," "loans payable under securitization of receivables," "bonds payable," "commercial papers" and "derivatives." Derivative transactions used are mainly interest rate swaps, and the use of derivative transactions is restricted to hedging purposes only.

As for these financial instruments, the Company calculates amount of impact on financial expenses for the following six months, using a reasonable range of changes in the interest rate expected to occur. The Company uses the calculated amount of impact in a quantitative analysis for managing the risk of changes in the interest rate. In calculations of the amount of impact, the Company separates the financial instruments concerned into the fixed interest rate group and the floating interest rate group and further breaks down the balances into appropriate periods based on respective interest rate dates. The Company then calculates the amount of impact on profit and loss using the range of interest rate fluctuation applicable to each of the periods. The Company assumes the risk variables except for the interest rate are constant. That is, the Company does not consider correlation between interest rate and other risk variables.

As of March 31, 2020, the Company estimates that if the index interest rate increased by 10 basis point (0.1%), financial expenses would increase by ¥444 million (US$4 million) on a non-consolidated basis.

However, actual results may exceed the calculated amount of impact if a fluctuation occurs beyond the reasonably expected range of changes in the interest rate.

(3) Control of liquidity risk on funding

The Company timely controls funding operations of the entire group by ALM and manages liquidity risk by diversification of funding measures, acquisition of commitment lines from multiple financial institutions and adjustment of duration of funding in consideration of the market environment. With regard to management of liquidity risk stemming from fundraising, in accordance with the Company's rules relating to funding liquidity risk management, the Company collects and analyzes a wide range of information, assesses the impact on financing, and reports to the executive officer in charge of accounting and finance. An evaluation is carried out to determine the liquidity risk stage, and the results are reported to the ALM Committee. A contingency plan is prepared for each stage of risk, and the Company has developed a system capable of carrying out appropriate stage evaluation and plan execution.

4. Supplementary explanation to fair values of financial instruments

Fair values of financial instruments are based on market prices or rationally computed prices in case market prices are not available. As the computation of such prices is subject to certain presumptions, prices may change under different presumptions.

(b) Fair Values of Financial Instruments

The tables below show the amounts of financial instruments recorded in the consolidated balance sheets and their fair values as of March 31, 2020 and 2019, as well as their differences. Financial instruments of which fair values were hardly available are not presented herein (See Note 2).

	Millions of Yen						Millions of U.S. Dollars		
	2020			2019			2020		
	Consolidated balance sheet amount	Fair value	Differences	Consolidated balance sheet amount	Fair value	Differences	Consolidated balance sheet amount	Fair value	Differences
Cash and deposits	¥ 97,466	¥ 97,466	¥ —	¥ 91,103	¥ 91,103	¥ —	$ 894	$ 894	$ —
Finance receivable-installment:*1	2,377,220			2,000,686			21,809		
Allowance for doubtful accounts	(24,904)			(20,446)			(228)		
Deferred income on finance receivables	(147,328)			(120,002)			(1,351)		
	2,204,986	2,271,940	66,953	1,860,237	1,925,066	64,828	20,229	20,843	614
Lease investment assets	131,636			122,795			1,207		
Allowance for doubtful accounts	(82)			(114)			(0)		
	131,554	131,796	242	122,681	123,345	664	1,206	1,209	2
Investment securities:									
Available-for-sale securities	12,786	12,786	—	15,312	15,312	—	117	117	—
Total assets	¥2,446,794	¥2,513,990	¥ 67,195	¥2,089,335	¥2,154,827	¥ 65,492	$22,447	$23,064	$616
Short-term loans payable	¥ 320,451	¥ 320,451	¥ —	¥ 295,796	¥ 295,796	¥ —	$ 2,939	$ 2,939	$ —
Commercial papers	422,000	422,000	—	416,000	416,000	—	3,871	3,871	—
Bonds payable*2	232,318	231,972	(345)	177,097	177,896	799	2,131	2,128	(3)
Long-term loans payable*3	857,215	863,195	5,980	759,413	765,115	5,701	7,864	7,919	54
Loans payable*4 under securitization of receivables	298,563	298,718	155	139,494	139,376	(117)	2,739	2,740	1
Total liabilities	¥2,130,548	¥2,136,338	¥5,789	¥1,787,802	¥1,794,185	¥6,382	$19,546	$19,599	$ 53
Derivatives transactions*5									
Hedge accounting not applied	¥ (380)	¥ (380)	¥ —	¥ 585	¥ 585	¥ —	$ (3)	$ (3)	$ —
Hedge accounting applied	(891)	(891)	—	242	242	—	(8)	(8)	—
Total derivatives transactions	¥ (1,271)	¥ (1,271)	¥ —	¥ 827	¥ 827	¥ —	$ (11)	$ (11)	$ —
Other:									
Credit guarantee contracts		¥ 155,382			¥ 163,550			$ 1,425	

*1 As described in Changes in Accounting Policies (Change in Accounting Treatment relating to Allowance for Doubtful Accounts), from the fiscal year ended March 31, 2020, the Company has changed the method of recognizing allowance for doubtful accounts on certain receivables. Consequently, this change has been applied retroactively to figures presented for the fiscal year ended March 31, 2019.

*2 Current portion of bonds payable is included in bonds payable.

*3 Current portion of long-term loans payable is included in long-term loans payable.

*4 Current portion of long-term loans payable under securitization of receivables is included in loans payable under securitization of receivables.
*5 Figures presented are net receivable or payable resulting from derivatives transactions. If the total is a payable amount, the figure is shown in ( ).

Note 1: Measurement of fair value of financial instruments and matters on securities and derivatives transactions
Assets:
(1) Cash and deposits
The book values are used as the fair values since all the deposits are short-term and the fair values approximate their book values.
(2) Finance receivable-installment
Fair values of finance receivable-installment are computed by discounting probable collection amounts of principals and interest by secure interest rates corresponding to the remaining period.
(3) Lease investment assets
Calculation of fair value of lease investment assets is based on present value of the estimated future cash flows of each contract, discounted at the interest rate that is expected for a new similar transaction.
(4) Investment securities
Fair market values readily available are used as the fair values of available-for-sale securities.

Liabilities:
(1) Short-term loans payable
These instruments are settled in a short time and fair value is closely equal to book value. The fair value is, therefore, stated at book value.
(2) Commercial papers
These instruments are settled in a short time and fair value is closely equal to book value. The fair value is, therefore, stated at book value.
(3) Bonds payable
The fair value of bonds issued by the Company with available fair market value is estimated based on market prices. The fair value of bonds with no available fair market value is estimated as the present value of total principal and interest, discounted at a rate that takes into account the residual period of the bonds and the credit risk.
(4) Long-term loans payable
Book values of long-term loans payable with variable interest rate are deemed fair values as the prices reflect market timely and credit conditions of the Company have not changed significantly after time of borrowing. Fair values of long-term loans payable with fixed interest are computed by discounting probable payment amounts of principals and interest that are grouped by repayment period, at expected interest rate of similar borrowing.
(5) Loans payable under securitization of receivables
The fair value of loans payable under securitization of receivables is estimated as the present value of total principal and interest that are grouped by repayment period, discounted at a rate assumed to be the interest rate applicable to similar loans payable.

Derivatives transactions: see Note 20 “Derivatives”

Other:
(Credit guarantee contracts)
Fair values of credit guarantee contracts are measured by discounting collectible amounts of guarantee commissions, less uncollectible loss amounts caused by subrogation that are estimated by considering possibility of guarantee fulfillment and mortgage value, at the secure interest rate corresponding to length of remaining periods.

Note 2: Financial instruments of which fair market values are hardly available are as follows.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Description	Book value	Book value	Book value
Unlisted shares	¥929	¥1,172	$8

Fair values of the above shares without market prices are not presented herein as calculation of their fair values are hardly available.

Note 3: Maturity of monetary assets after the balance sheet date

March 31, 2020

	Millions of Yen					
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	¥ 97,466	¥ —	¥ —	¥ —	¥ —	¥ —
Finance receivable-installment	669,597	429,908	343,304	241,023	177,458	515,927
Lease investment assets	41,948	35,411	27,704	19,821	15,004	15,079
Total	¥809,012	¥465,319	¥371,009	¥260,845	¥192,463	¥531,007

Note: For lease investment assets, future lease payments to be received under the lease contracts are presented.

March 31, 2019

	Millions of Yen					
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	¥ 91,103	¥ —	¥ —	¥ —	¥ —	¥ —
Finance receivable-installment	585,854	349,998	283,864	198,069	145,066	437,833
Lease investment assets	35,205	28,295	22,956	15,538	10,943	10,063
Total	¥712,162	¥378,293	¥306,821	¥213,608	¥156,009	¥447,897

March 31, 2020

	Millions of U.S. Dollars					
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Cash and deposits	$ 894	$ —	$ —	$ —	$ —	$ —
Finance receivable – installment	6,143	3,944	3,149	2,211	1,628	4,733
Lease investment assets	384	324	254	181	137	138
Total	$7,422	$4,268	$3,403	$2,393	$1,765	$4,871

Note 4: Repayment schedule of bonds payable, long-term loans payable, loans payable under securitization of receivables and other interest-bearing liabilities after the balance sheet date

March 31, 2020

	Millions of Yen					
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans payable	¥320,451	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	422,000	—	—	—	—	—
Bonds payable	30,000	20,000	47,110	50,068	45,139	40,000
Long-term loans payable	110,293	162,880	170,938	140,407	170,631	102,062
Loans payable under securitization of receivables	104,278	71,318	43,582	26,852	15,562	36,968
Total	¥987,023	¥254,198	¥261,632	¥217,328	¥231,333	¥179,031

March 31, 2019

	Millions of Yen					
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans payable	¥295,796	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial papers	416,000	—	—	—	—	—
Bonds payable	12,308	30,000	20,000	20,000	49,789	45,000
Long-term loans payable	171,462	100,603	148,972	108,901	129,586	99,888
Loans payable under securitization of receivables	52,613	38,022	23,655	14,119	6,451	4,632
Total	¥948,180	¥168,625	¥192,627	¥143,020	¥185,827	¥149,520

March 31, 2020

	Millions of U.S. Dollars					
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
Short-term loans payable	$2,939	$ —	$ —	$ —	$ —	$ —
Commercial papers	3,871	—	—	—	—	—
Bonds payable	275	183	432	459	414	366
Long-term loans payable	1,011	1,494	1,568	1,288	1,565	936
Loans payable under securitization of receivables	956	654	399	246	142	339
Total	$9,055	$2,332	$2,400	$1,993	$2,122	$1,642

19. Securities

(a) Available-for-Sale Securities

	Millions of Yen						Millions of U.S. Dollars		
	2020			2019			2020		
Category	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)	Consolidated balance sheet amount	Acquisition cost	Unrealized gains (losses)
Balance sheet amount exceeding acquisition cost:									
Equity shares	¥8,431	¥1,953	¥6,478	¥14,012	¥5,989	¥8,023	$77	$17	$59
Balance sheet amount not exceeding acquisition cost:									
Equity shares	4,355	5,078	(723)	1,299	1,617	(317)	39	46	(6)
	¥12,786	¥7,031	¥5,755	¥15,312	¥7,607	¥7,705	$117	$64	$52

Notes: 1. "Acquisition cost" refers to the book value after impairment.

2. With regard to impairment, in the case where fair value at end of period has fallen 50% or more compared with the acquisition cost, impairment losses are recognized for all such items. In the case where fair value has fallen 30%–50% compared with the acquisition cost, impairment losses are recognized to the extent recognized as necessary after considering such factors as recoverability in fair value. In the fiscal year ended March 31, 2019, no impairment loss occurred. In the fiscal year ended March 31, 2020, ¥268 million of impairment loss was recognized.

(b) Available-for-Sale Securities Sold

	Millions of Yen						Millions of U.S. Dollars		
	2020			2019			2020		
Category	Securities sold	Total gain on sales	Total loss on sales	Securities sold	Total gain on sales	Total loss on sales	Securities sold	Total gain on sales	Total loss on sales
Equity shares	¥640	¥357	¥32	¥353	¥14	¥24	$5	$3	$0

20. Derivatives

(a) Hedge Accounting Not Applied

Contractual values and fair value of derivatives transactions as of March 31, 2020 and 2019, not applying hedge accounting, are shown below. Contractual values of derivatives transactions do not, by themselves, represent the market risks on these derivatives transactions.

March 31, 2020

	Millions of Yen				
	Type of derivatives transactions	Contractual value		Fair value	Valuation gains (losses)
		Total	Over 1 year		
Transactions other than market transactions	Currency option	¥35,537	¥21,191	¥(292)	¥(895)
	Forward exchange contracts Sell: VND Buy: USD	6,527	—	(47)	(47)
	Forward exchange contracts Sell: VND Buy: Yen	1,179	—	(41)	(41)
Total		¥43,244	¥21,191	¥(380)	¥(984)

March 31, 2019

	Millions of Yen				
	Type of derivatives transactions	Contractual value		Fair value	Valuation gains (losses)
		Total	Over 1 year		
Transactions other than market transactions	Currency option	¥37,571	¥21,285	¥600	¥651
	Forward exchange contracts Sell: IDR Buy: USD	884	—	(9)	(9)
	Forward exchange contracts Sell: USD Buy: Yen	1,013	—	(6)	(6)
Total		¥39,469	¥21,285	¥585	¥636

March 31, 2020

	Millions of U.S. Dollars				
	Type of derivatives transactions	Contractual value		Fair value	Valuation gains (losses)
		Total	Over 1 year		
Transactions other than market transactions	Currency option	$326	$194	$(2)	$(8)
	Forward exchange contracts Sell: VND Buy: USD	59	—	(0)	(0)
	Forward exchange contracts Sell: VND Buy: Yen	10	—	(0)	(0)
Total		$396	$194	$(3)	$(9)

Note: Fair value is based on the price provided by the counter party financial institutions.

(b) Hedge Accounting Applied

Contractual values and fair value of derivatives transactions as of March 31, 2020 and 2019, accounted for by hedge accounting, are shown below, by each accounting method for hedging activity. Contractual values of derivatives transactions do not, by themselves, represent the market risks on these derivatives transactions.

March 31, 2020

Millions of Yen

Accounting method for hedging activities	Type of derivatives transactions	Hedged items	Contractual value		Fair value
			Total	Over 1 year	
Deferral method	Interest rate swap Payment fixed / Receipt variable	Long-term loans payable	¥18,292	¥10,322	¥(214)
	Cross currency interest rate swap	Long-term loans payable	15,738	9,784	(676)
Total			¥34,031	¥20,106	¥(891)

March 31, 2019

Millions of Yen

Accounting method for hedging activities	Type of derivatives transactions	Hedged items	Contractual value		Fair value
			Total	Over 1 year	
Deferral method	Interest rate swap Payment fixed / Receipt variable	Long-term loans payable	¥25,656	¥14,494	¥ (2)
	Cross currency interest rate swap	Long-term loans payable	7,562	4,619	245
Total			¥33,218	¥19,114	¥242

March 31, 2020 Millions of U.S. Dollars

Accounting method for hedging activities	Type of derivatives transactions	Hedged items	Contractual value		Fair value
			Total	Over 1 year	
Deferral method	Interest rate swap Payment fixed / Receipt variable	Long-term loans payable	$167	$94	$(1)
	Cross currency interest rate swap	Long-term loans payable	144	89	(6)
Total			$312	$184	$(8)

Note: Fair value is based on the price provided by the counter party financial institutions.

21. Retirement Benefits

(a) Overview of the Retirement Benefit Plans Adopted

To provide for employee retirement benefits, the Company and its consolidated subsidiaries operate funded defined-benefit plans and a defined contribution plan. Under the defined benefit corporate pension plans (all funded plan), a lump sum or pension are paid in accordance with the employee's salary and the length of service.

(b) Defined Benefit Plans

1. Movement in retirement benefit obligations

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance at beginning of fiscal years	¥24,526	¥24,325	$225
Current service cost	1,270	1,289	11
Interest cost	118	108	1
Actuarial loss (gain)	6	(176)	0
Benefits paid	(1,141)	(980)	(10)
Change in scope of consolidation	7	—	0
Other	18	(39)	0
Balance at end of fiscal years	¥24,807	¥24,526	$227

2. Movement in plan assets

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Balance at beginning of fiscal years	¥29,402	¥28,937	$269
Expected return on plan assets	612	593	5
Actuarial gain (loss)	(1,247)	(173)	(11)
Contributions paid by the employer	1,174	1,059	10
Benefits paid	(1,141)	(980)	(10)
Other	13	(33)	0
Balance at end of fiscal years	¥28,812	¥29,402	$264

3. Reconciliation from retirement benefit obligations and net defined benefit liability (asset)

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Funded retirement benefit obligations	¥ 24,795	¥ 24,526	$ 227
Plan assets	(28,812)	(29,402)	(264)
	(4,017)	(4,875)	(36)
Unfunded retirement benefit obligations	11	—	0
Net defined benefit liability (asset) at end of fiscal years	(4,005)	(4,875)	(36)
Liabilities for retirement benefits	57	87	0
Assets for retirement benefits	(4,062)	(4,963)	(37)
Net defined benefit liability (asset) at end of fiscal years	¥ (4,005)	¥ (4,875)	$ (36)

4. Retirement benefit costs

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Current service cost	¥1,270	¥1,289	$11
Interest cost	118	108	1
Expected return on plan assets	(612)	(593)	(5)
Net actuarial loss (gain) amortization	251	106	2
Past service costs amortization	—	—	—
Other	123	125	1
Total retirement benefit costs	¥1,151	¥1,036	$10

5. Remeasurements of defined benefit plans

The breakdown of items included in remeasurements of defined benefit plans (before tax) for the years ended March 31, 2020 and 2019 is as follows.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Past service costs	¥ —	¥ —	$—
Actuarial loss	1,002	(109)	9
Total amount for the period	¥1,002	¥(109)	$ 9

6. Accumulated adjustments (remeasurements) of defined benefit plans

The breakdown of items included in accumulated adjustments (remeasurements) of defined benefit plans (before tax) as of March 31, 2020 and 2019 is as follows.

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Past service costs that are yet to be recognized	¥ —	¥ —	$—
Actuarial loss that are yet to be recognized	1,707	705	15
Total balance at end of fiscal years	¥1,707	¥705	$15

7. Plan assets

(1) Plan assets comprise:

	2020	2019
Bonds	35%	40%
Equity securities	23%	20%
General account	38%	37%
Cash and deposits	4%	3%
Total	100%	100%

(2) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

8. Actuarial assumptions

The principal actuarial assumptions (presented as weighted averages)

	2020	2019
Discount rate	0.3%–7.6%	0.3%–6.3%
Long-term expected rate of return	2.0%–7.0%	2.0%–6.0%
Assumed rate of increase in salaries	2.3%–7.0%	2.3%–6.0%

(c) Defined Contribution Plan

The required contribution amount for the Company and its consolidated subsidiaries to the defined contribution plan are ¥479 million (US$4 million) and ¥479 million for the years ended March 31, 2020 and 2019, respectively.

22. Stock Options

Stock option expense in the amount of ¥15 million was recognized as "selling, general and administrative expenses" on the consolidated statements of income for the year ended March 31, 2019. There was no stock option expense for the year ended March 31, 2020.

(a) Stock Option Program–Content, Scale and Fluctuations

1. Stock option program–content

Date of resolution	August 4, 2017	August 5, 2016	August 5, 2015	August 5, 2014	August 2, 2013	August 3, 2012
Grantees	8 directors of JACCS (excluding outside director)	8 directors of JACCS (excluding outside director)	7 directors of JACCS (excluding outside director)	7 directors of JACCS (excluding outside director)	7 directors of JACCS (excluding outside director)	7 directors of JACCS (excluding outside director)
	11 senior executive officers of JACCS	11 senior executive officers of JACCS	10 senior executive officers of JACCS	10 senior executive officers of JACCS	9 senior executive officers of JACCS	11 senior executive officers of JACCS
Type of stock	Common stock	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares granted*1	33,600	36,600	32,600	36,200	19,200	64,400
Date of grant	August 21, 2017	August 22, 2016	August 20, 2015	August 20, 2014	August 19, 2013	August 20, 2012
Vesting conditions for rights	*2	*2	*2	*2	*2	*2
Qualifying period of service	from June 29, 2017 to June 28, 2018	from June 29, 2016 to June 29, 2017	from June 26, 2015 to June 29, 2016	from June 26, 2014 to June 26, 2015	from June 27, 2013 to June 26, 2014	from June 28, 2012 to June 27, 2013
Exercisable period	from August 22, 2017 to August 21, 2047	from August 23, 2016 to August 22, 2046	from August 21, 2015 to August 20, 2045	from August 21, 2014 to August 20, 2044	from August 20, 2013 to August 19, 2043	from August 21, 2012 to August 20, 2042

Notes: 1. Figures shown have been converted to number of shares. The number of shares presented has been converted to the number of shares reflecting the effect of the reverse stock split (consolidation of shares) executed by the Company on October 1, 2017 (at a ratio of 1-for-5 shares of common stock).
2. Holders of subscription rights to shares may exercise subscription rights to shares on or after the day following the loss of their position in the Company. Specifically, this refers to the position of either director (excluding outside director), Audit & Supervisory Board member, or senior executive officer.

2. Stock option program–scale and fluctuations

With regard to the number of stock options, the figures presented below have been converted to number of shares. Table below only includes stock options outstanding during the fiscal year under review.

(1) Number of stock options

Date of resolution	August 4, 2017	August 5, 2016	August 5, 2015	August 5, 2014	August 2, 2013	August 3, 2012
Before vesting						
Outstanding as of March 31, 2019	—	—	—	—	—	—
Granted	—	—	—	—	—	—
Expired	—	—	—	—	—	—
Vested	—	—	—	—	—	—
Outstanding as of March 31, 2020	—	—	—	—	—	—
After vesting						
Outstanding as of March 31, 2019	33,600	36,600	31,800	31,400	15,800	29,800
Vested	—	—	—	—	—	—
Rights exercised	—	—	—	—	4,400	5,400
Expired	—	—	—	—	—	—
Outstanding as of March 31, 2020	33,600	36,600	31,800	31,400	11,400	24,400

(2) Price information

	Yen						U.S. Dollars					
Date of resolution	August 4, 2017	August 5, 2016	August 5, 2015	August 5, 2014	August 2, 2013	August 3, 2012	August 4, 2017	August 5, 2016	August 5, 2015	August 5, 2014	August 2, 2013	August 3, 2012
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	$0.009	$0.009	$0.009	$0.009	$0.009	$0.009
Average share price on exercising options	—	—	—	—	1,921	2,175	—	—	—	—	17	19
Fair valuation on grant date	1,885	1,165	1,690	1,995	1,780	850	17	10	15	18	16	7

Note: The share price and fair value presented have been converted to the share price and fair value reflecting the effect of the reverse stock split (consolidation of shares) executed by the Company on October 1, 2017 (at a ratio of 1-for-5 shares of common stock).

(b) Method of Estimating the Number of Vested Stock Options

Since it is fundamentally difficult to reasonably estimate the number of options that will expire in the future, the Company uses a method that only reflects actual numbers expired.

23. Income Taxes

The Company is subject to a number of income taxes, which, in aggregate, indicate a statutory tax rates in Japan of approximately 30.6% for the years ended March 31, 2020 and 2019, respectively.

(a) Deferred Tax Assets

Significant components of deferred tax assets and liabilities as of March 31, 2020 and 2019 are as follows:

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Deferred tax assets:			
Operating loss carryforwards (Note)	¥ 1,092	¥ 1,021	$ 10
Allowance for bonuses	837	883	7
Allowance for credit card point program	997	1,053	9
Allowance for doubtful accounts	3,867	3,072	35
Allowance for loss on guarantees	216	152	1
Allowance for loss on interest repayment	193	267	1
Investment securities	345	265	3
Depreciation	653	665	5
Other	1,156	1,172	10
Less amounts offset against deferred tax liabilities	(3,102)	(3,932)	(28)
Subtotal	6,257	4,623	57
Valuation allowance for tax loss carryforwards (Note)	(835)	(1,021)	(7)
Valuation allowance for other deferred tax assets	(659)	(522)	(6)
Total valuation allowance	(1,494)	(1,543)	(13)
Total deferred tax assets	¥ 4,763	¥ 3,079	$ 43
Deferred tax liabilities:			
Assets for retirement benefits	¥(1,243)	¥(1,518)	$(11)
Valuation difference on available-for-sale securities	(1,856)	(2,410)	(17)
Other	(2)	(3)	(0)
Less amounts offset against deferred tax assets	3,102	3,932	28
Total deferred tax liabilities	¥ —	¥ —	$ —

Note: As described in Changes in Accounting Policies (Change in Accounting Treatment related to Finance Receivable-Installment Sales-Credit Guarantee and Finance Payable-Credit Guarantee), from the fiscal year ended March 31, 2020, the Company changed its accounting method to one under which guarantee obligations that do not involve loan collection service are not recognized on the consolidated balance sheets but are instead disclosed as contingent liabilities and allowance for doubtful accounts previously provided on such guarantee obligations are recognized as allowance for loss on guarantees. This change has been applied retrospectively, and the amounts presented for the fiscal year ended March 31, 2019 are those with the retrospective application.

Note: Tax loss carryforwards and deferred tax assets recognized thereon presented by their respective expiration dates are as follow:

As of March 31, 2020

	Millions of yen						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Loss carryforwards	¥ 110	¥ 131	¥100	¥ 76	¥269	¥403	¥1,092
Valuation allowance	(110)	(118)	(10)	(76)	(115)	(403)	(835)
Deferred tax assets	¥ —	¥ 13	¥ 89	¥ —	¥ 154	¥ —	¥ 257

Note: The amount of tax loss carryforwards is calculated by multiplying statutory tax rate.

As of March 31, 2019

	Millions of yen						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Loss carryforwards	¥175	¥110	¥118	¥25	¥99	¥492	¥1,021
Valuation allowance	(175)	(110)	(118)	(25)	(99)	(492)	(1,021)
Deferred tax assets	¥ —	¥ —	¥ —	¥—	¥—	¥ —	¥ —

Note: The amount of tax loss carryforwards is calculated by multiplying statutory tax rate.

As of March 31, 2020

	Millions of U.S. Dollars						
	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Loss carryforwards	$ 1	$ 1	$ 0	$ 0	$ 2	$ 3	$10
Valuation allowance	(1)	(1)	(0)	(0)	(1)	(3)	(7)
Deferred tax assets	$—	$ 0	$ 0	$—	$ 1	$—	$ 2

Note: The amount of tax loss carryforwards is calculated by multiplying statutory tax rate.

(b) Effective Tax Rates

A reconciliation of the statutory tax rates to the effective tax rates for the years ended March 31, 2020 and 2019 are as follows:

	2020	2019
Statutory tax rate	30.6%	30.6%
Reconciliation:		
Expenses not deductible for tax purposes	1.6%	1.1%
Nontaxable dividend income	(2.1)	(3.1)
Consolidation eliminations for dividends received	1.9	2.8
Inhabitants' taxes per capita	0.6	0.7
Increase/decrease in valuation allowance	0.8	1.5
Difference in tax rate between subsidiaries and parent company	(0.4)	(0.2)
Income taxes for prior periods	1.0	(0.6)
Amortization of goodwill	0.5	0.5
Other	(0.1)	0.4
Effective tax rate	34.4%	33.7%

24. Segment Information

(a) Segment Information

1. Overview of Reportable Segments

The Company's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Group conducts its main business activities in the consumer credit industry. In Japan, the Group conducts its business through the Company and four consolidated subsidiaries. Overseas, the Group conducts its business in the ASEAN region (Vietnam, Indonesia, Cambodia and the Philippines) through a local subsidiary or affiliate in each country.

The Group's business is comprised of geographic segments and the Company has two reportable segments, the domestic segment and the overseas segment.

2. Method for Calculating Amounts for Operating Revenues, Income and Loss, Assets, Liabilities and Other Items for Each Reportable Segment

The accounting method for reported business segments is largely the same as the method presented in Note 1, "Basis of Presenting the Consolidated Financial Statements" and Note 2, "Summary of Significant Accounting Policies."

Income presented for reportable segments is operating income adjusted for equity in earnings of affiliated companies.

As described in "Changes in Accounting Policies (Change in Accounting Treatment related to Finance Receivable-Installment Sales-Credit Guarantee and Finance Payable-Credit Guarantee)," from the fiscal year ended March 31, 2020, the Company changed its accounting method to one under which guarantee obligations that do not involve loan collection service are not recognized on the consolidated balance sheets but are instead disclosed as contingent liabilities. Owing to the impact of this change, assets in the domestic segment as of March 31, 2019, decreased by ¥1,064,117 million.

3. Information about Operating Revenues, Income and Loss, Assets, Liabilities and Other Items for Each Reportable Segment

Year Ended March 31, 2020

	Millions of Yen				
	Reportable segment		Total	Adjustment amount (Note 1)	Amount presented in the consolidated financial statements (Note 2)
	Domestic	Overseas			
Operating revenue					
Operating revenue from non-affiliated third parties	¥ 139,513	¥ 18,841	¥ 158,354	¥ —	¥ 158,354
Inter-segment operating revenue and transfers	69	—	69	186	256
Total	¥ 139,582	¥ 18,841	¥ 158,423	¥ 186	¥ 158,610
Segment income					
Operating income	¥ 16,086	¥ 573	¥ 16,660	¥ (154)	¥ 16,506
Equity in earnings (losses) of affiliated companies	—	(16)	(16)	—	(16)
Total	¥ 16,086	¥ 557	¥ 16,644	¥ (154)	¥ 16,489
Segment assets	¥4,110,903	¥138,029	¥4,248,932	¥(17,341)	¥4,231,590
Other items					
Depreciation and amortization	8,884	242	9,126	—	9,126
Amortization of goodwill	100	—	100	249	349
Interest received	82	79	161	(69)	92
Interest on loans payable and bonds payable	6,266	5,296	11,563	(57)	11,505
Interest on commercial papers	254	—	254	—	254
Non-operating income					
Gain on sales on non-current assets	6	0	7	—	7
Gain on sales of investment securities	357	—	357	—	357
Non-operating loss					
Loss on retirement of noncurrent assets	88	0	89	—	89
Loss on sales of investment securities	32	—	32	—	32
Loss on valuation of investment securities	268	—	268	—	268
Loss on step acquisition	—	—	—	100	100
Impairment loss	167	—	167	—	167
Investment in equity-method affiliated companies	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	15,359	1,099	16,459	—	16,459

Notes: 1. Adjustment amounts are as follows.
(a) The operating revenue adjustment amount of ¥186 million comprises adjustments to eliminate differences in accounting treatment between the parent company and subsidiaries amounting to ¥256 million, and elimination of inter-segment transactions amounting to ¥(69) million.
(b) The segment income adjustment amount of ¥(154) million comprises such items as adjustments to eliminate differences in accounting treatment between the parent company and subsidiaries amounting to ¥94 million, and amortization of goodwill amounting to ¥(249) million.
(c) The segment asset adjustment amount of ¥(17,341) million comprises such items as elimination of inter-segment transactions amounting to ¥(16,876) million, other assets not allocated to each reportable segment amounting to ¥651 million, and adjustment to assets for retirement benefits amounting to ¥(1,116) million.
2. Segment income is operating income presented in the consolidated statements of income adjusted for equity in earnings (losses) of affiliated companies.

Year Ended March 31, 2019

	Millions of Yen				
	Reportable segment		Total	Adjustment amount (Note 1)	Amount presented in the consolidated financial statements (Note 2)
	Domestic	Overseas			
Operating revenue					
Operating revenue from non-affiliated third parties	¥ 130,236	¥ 15,600	¥ 145,836	¥ —	¥ 145,836
Inter-segment operating revenue and transfers	13	—	13	(13)	—
Total	¥ 130,249	¥ 15,600	¥ 145,849	¥ (13)	¥ 145,836
Segment income					
Operating income	¥ 14,062	¥ 1,587	¥ 15,649	¥ (1,278)	¥ 14,370
Equity in earnings (losses) of affiliated companies	—	(42)	(42)	—	(42)
Total	¥ 14,062	¥ 1,545	¥ 15,607	¥ (1,278)	¥ 14,328
Segment assets	¥3,653,778	¥109,482	¥3,763,261	¥(14,093)	¥3,749,167
Other items					
Depreciation and amortization	9,484	256	9,741	—	9,741
Amortization of goodwill	—	—	—	239	239
Interest received	33	11	44	(13)	31
Interest on loans payable and bonds payable	5,595	3,584	9,179	(3)	9,175
Interest on commercial papers	236	—	236	—	236
Non-operating income					
Gain on sales of investment securities	14	—	14	—	14
Non-operating loss					
Loss on retirement of noncurrent assets	468	3	471	—	471
Loss on sales of investment securities	24	—	24	—	24
Loss on valuation of investment securities	1	—	1	—	1
Loss on step acquisition	—	—	—	—	—
Impairment loss	183	—	183	—	183
Investment in equity-method affiliated companies	372	—	372	(131)	240
Increase in property, plant and equipment and intangible assets	12,885	245	13,130	—	13,130

Notes: 1. Adjustment amounts are as follows.

(a) The operating revenue adjustment amount of ¥(13) million is elimination of inter-segment transactions amounting to ¥(13) million.

(b) The segment income adjustment amount of ¥(1,278) million comprises such items as adjustments to eliminate differences in accounting treatment between the parent company and subsidiaries amounting to ¥(1,035) million, and amortization of goodwill amounting to ¥(239) million.

(c) The segment asset adjustment amount of ¥(14,093) million comprises such items as elimination of inter-segment transactions amounting to ¥(14,384) million, other assets not allocated to each reportable segment amounting to ¥763 million, and adjustment to assets for retirement benefits amounting to ¥(456) million.

2. Segment income is operating income presented in the consolidated statements of income adjusted for equity in earnings (losses) of affiliated companies.

Year Ended March 31, 2020

Millions of U.S. Dollars

	Reportable segment		Total	Adjustment amount (Note 1)	Amount presented in the consolidated financial statements (Note 2)
	Domestic	Overseas			
Operating revenue					
Operating revenue from non-affiliated third parties	$ 1,279	$ 172	$ 1,452	$ —	$ 1,452
Inter-segment operating revenue and transfers	0	—	0	1	2
Total	$ 1,280	$ 172	$ 1,453	$ 1	$ 1,455
Segment income					
Operating income	$ 147	$ 5	$ 152	$ (1)	$ 151
Equity in earnings (losses) of affiliated companies	—	(0)	(0)	—	(0)
Total	$ 147	$ 5	$ 152	$ (1)	$ 151
Segment assets	$37,714	$1,266	$38,981	$(159)	$38,821
Other items					
Depreciation and amortization	81	2	83	—	83
Amortization of goodwill	0	—	0	2	3
Interest received	0	0	1	(0)	0
Interest on loans payable and bonds payable	57	48	106	(0)	105
Interest on commercial papers	2	—	2	—	2
Non-operating income					
Gain on sales on non-current assets	0	0	0	—	0
Gain on sales of investment securities	3	—	3	—	3
Non-operating loss					
Loss on retirement of noncurrent assets	0	0	0	—	0
Loss on sales of investment securities	0	—	0	—	0
Loss on valuation of investment securities	2	—	2	—	2
Loss on step acquisition	—	—	—	0	0
Impairment loss	1	—	1	—	1
Investment in equity-method affiliated companies	—	—	—	—	—
Increase in property, plant and equipment and intangible assets	140	10	151	—	151

Notes: 1. Adjustment amounts are as follows.
(a) The operating revenue adjustment amount of $1 million comprises adjustments to eliminate differences in accounting treatment between the parent company and subsidiaries amounting to $2 million, and elimination of inter-segment transactions amounting to $(0) million.
(b) The segment income adjustment amount of $(1) million comprises such items as adjustments to eliminate differences in accounting treatment between the parent company and subsidiaries amounting to $0 million, and amortization of goodwill amounting to $(2) million.
(c) The segment asset adjustment amount of $(159) million comprises such items as elimination of inter-segment transactions amounting to $(154) million, other assets not allocated to each reportable segment amounting to $5 million, and adjustment to assets for retirement benefits amounting to $(10) million.
2. Segment income is operating income presented in the consolidated statements of income adjusted for equity in earnings (losses) of affiliated companies.

(b) Related Information

1. Information by Product or Service

Year ended March 31, 2020

Millions of Yen

	Credit card business	Installment sales finance business	Credit guarantee	Financing	Other Operations	Total
Operating revenue to third parties	¥34,367	¥53,972	¥40,850	¥11,281	¥17,882	¥158,354

Year ended March 31, 2019

Millions of Yen

	Credit card business	Installment sales finance business	Credit guarantee	Financing	Other Operations	Total
Operating revenue to third parties	¥33,337	¥43,939	¥40,767	¥10,467	¥17,324	¥145,836

Year ended March 31, 2020

Millions of U.S. Dollars

	Credit card business	Installment sales finance business	Credit guarantee	Financing	Other Operations	Total
Operating revenue to third parties	$315	$495	$374	$103	$164	$1,452

2. Information by Geographical Area

(1) Operating revenue by geographical area

Same information is provided in the segment information table shown above.

(2) Property, plant and equipment by geographical area

This information has been omitted because the amount of property, plant and equipment located in Japan accounted for more than 90% of the consolidated total as of March 31, 2020 and 2019.

3. Information about Major Customers

No single customer accounted for 10% or more of operating revenue in the consolidated statements of income for the years ended March 31, 2020 and 2019.

(c) Information Relating to Impairment Loss on Noncurrent Assets by Reportable Segment

Year Ended March 31, 2020

This information is omitted since it is presented within segment information.

Year Ended March 31, 2019

This information is omitted since it is presented within segment information.

(d) Information Relating to Amount of Amortization of Goodwill and Balance of Unamortized Goodwill by Reportable Segment

Year Ended March 31, 2020

Millions of Yen

	Domestic	Overseas	Corporate / eliminations	Total
Amortization amount during period	¥100	¥—	¥249	¥ 349
Balance at end of period	¥900	¥—	¥651	¥1,551

Year Ended March 31, 2019

Millions of Yen

	Domestic	Overseas	Corporate / eliminations	Total
Amortization amount during period	¥—	¥—	¥239	¥239
Balance at end of period	¥—	¥—	¥763	¥763

Year Ended March 31, 2020

Millions of U.S. Dollars

	Domestic	Overseas	Corporate / eliminations	Total
Amortization amount during period	$0	$—	$2	$ 3
Balance at end of period	$8	$—	$5	$14

(e) Information Relating to Amount of Amortization of Negative Goodwill and Balance of Unamortized Negative Goodwill by Reportable Segment

Year Ended March 31, 2020

Not applicable

Year Ended March 31, 2019

Not applicable

25. Related Party Transactions

Transactions with a major shareholder of the Company are as follows:

Year ended March 31, 2020

Name of company	Transactions	Transaction amount Millions of Yen (Millions of U.S. Dollars)	Accounts	Balance at end of fiscal year Millions of Yen (Millions of U.S. Dollars)
MUFG Bank, Ltd.	Short-term and long-term borrowing via loans	¥1,202,478 ($11,031)	Short-term loans payable	¥100,163 ($918)
			Current portion of long-term loans payable	8,384 (76)
			Long-term loans payable	254,838 (2,337)
	Borrowing via commercial paper	140,000 (1,284)	Commercial papers	70,000 (642)
	Payment of interest	2,873 (26)	Prepaid expenses	11 (0)
			Accrued expenses	130 (1)
	Loan guarantees (net)	7,086 (65)	See note 5.	63,949 (586)
	Receipt of guarantee fee	498 (4)	—	—

Notes: 1. Transaction terms and method of determining transaction terms
Interest rates on borrowings from The MUFG Bank, Ltd. are determined based on market rates. Borrowings from The MUFG Bank, Ltd. are determined by resolutions of the Board of Directors and the Company's rules in the same manner as fundraising carried out from other banks.
Loan guarantee fee rates are determined based on the terms generally applied to other transactions.
2. Only material transactions are presented.
3. MUFG Bank, Ltd. directly holds 20.32% of voting rights of the Company as of March 31, 2020.
4. With regard to loan guarantees (net), the amount presented in the transaction amount column represents net change in the amount of guarantee obligations as of March 31, 2020 and that as of March 31, 2019.
5. As described in "Changes in Accounting Policies (Change in Accounting Treatment related to Finance Receivable-Installment Sales-Credit Guarantee and Finance Payable-Credit Guarantee)," from the fiscal year ended March 31, 2020, guarantee obligations that do not involve loan collection service are not recognized on the consolidated balance sheets but instead disclosed as contingent liabilities in the footnote. However, the balance of such guarantee obligations is presented in the "Balance at end of fiscal year" column of the above table.

Year ended March 31, 2019

Name of company	Transactions	Transaction amount Millions of Yen	Accounts	Balance at end of fiscal year Millions of Yen
MUFG Bank, Ltd.	Short-term and long-term borrowing via loans	¥1,206,651	Short-term loans payable	¥92,009
			Current portion of long-term loans payable	21,300
			Long-term loans payable	208,858
	Borrowing via commercial paper	140,000	Commercial papers	70,000
	Payment of interest	2,528	Prepaid expenses	12
			Accrued expenses	95
	Loan guarantees (net)	6,099	See note 5.	56,863
	Receipt of guarantee fee	451	—	—

Notes: 1. Transaction terms and method of determining transaction terms
Interest rates on borrowings from The MUFG Bank, Ltd. are determined based on market rates. Borrowings from The MUFG Bank, Ltd. are determined by resolutions of the Board of Directors and the Company's rules in the same manner as fundraising carried out from other banks.
Loan guarantee fee rates are determined based on the terms generally applied to other transactions.
2. Only material transactions are presented.
3. MUFG Bank, Ltd. directly holds 20.34% of voting rights of the Company as of March 31, 2019.
4. With regard to loan guarantees (net), the amount presented in the transaction amount column represents net change in the amount of guarantee obligations as of March 31, 2019 and that as of March 31, 2018.
5. As described in "Changes in Accounting Policies (Change in Accounting Treatment related to Finance Receivable-Installment Sales-Credit Guarantee and Finance Payable-Credit Guarantee)," from the fiscal year ended March 31, 2020, guarantee obligations that do not involve loan collection service are not recognized on the consolidated balance sheets but instead disclosed as contingent liabilities in the footnote, and this change has been applied retrospectively. However, the balance of such guarantee obligations is presented in the "Balance at end of fiscal year" column of the above table.

Transactions with a subsidiary of the Company's major shareholder are as follows:

Year ended March 31, 2020

Name of company	Transactions	Transaction amount Millions of Yen (Millions of U.S. Dollars)	Accounts	Balance at end of fiscal year Millions of Yen (Millions of U.S. Dollars)
Mitsubishi UFJ Trust and Banking Corporation	Borrowing via commercial paper	¥27,000 ($247)	Commercial papers	¥13,000 ($119)
	Payment of interest	7 (0)	Prepaid expenses	1 (0)
	Loan guarantees (net)	(6,413) (-58)	See note 5.	131,326 (1,204)
	Receipt of guarantee fee	3,290 (30)	—	—

Notes: 1. Transaction terms and method of determining transaction terms
Interest rates on borrowings from Mitsubishi UFJ Trust and Banking Corporation are determined based on market rates. Borrowings from Mitsubishi UFJ Trust and Banking Corporation are determined by resolutions of the Board of Directors and the Company's rules in the same manner as fundraising carried out from other banks.
Loan guarantee fee rates are determined based on the terms generally applied to other transactions.
2. Only material transactions are presented.
3. Mitsubishi UFJ Trust and Banking Corporation directly holds 1.63% of voting rights of the Company as of March 31, 2020.
4. With regard to loan guarantees (net), the amount presented in the transaction amount column represents net change in the amount of guarantee obligations as of March 31, 2020 and that as of March 31, 2019.
5. As described in "Changes in Accounting Policies (Change in Accounting Treatment related to Finance Receivable-Installment Sales-Credit Guarantee and Finance Payable-Credit Guarantee)," from the fiscal year ended March 31, 2020, guarantee obligations that do not involve loan collection service are not recognized on the consolidated balance sheets but instead disclosed as contingent liabilities in the footnote. However, ¥12,012 million of such guarantee obligations and ¥119,314 million of guarantee obligations recognized as finance payable-credit guarantee are both included in the "Balance at end of fiscal year" column of the above table.

Year ended March 31, 2019

Name of company	Transactions	Transaction amount (Millions of Yen)	Accounts	Balance at end of fiscal year (Millions of Yen)
Mitsubishi UFJ Trust and Banking Corporation	Borrowing via commercial paper	¥26,000	Commercial papers	¥13,000
	Payment of interest	7	Prepaid expenses	1
	Loan guarantees (net)	3,554	See note 5.	137,740
	Receipt of guarantee fee	4,065	—	—

Notes: 1. Transaction terms and method of determining transaction terms
Interest rates on borrowings from Mitsubishi UFJ Trust and Banking Corporation are determined based on market rates. Borrowings from Mitsubishi UFJ Trust and Banking Corporation are determined by resolutions of the Board of Directors and the Company's rules in the same manner as fundraising carried out from other banks.
Loan guarantee fee rates are determined based on the terms generally applied to other transactions.
2. Only material transactions are presented.
3. Mitsubishi UFJ Trust and Banking Corporation directly holds 1.63% of voting rights of the Company as of March 31, 2019.
4. With regard to loan guarantees (net), the amount presented in the transaction amount column represents net change in the amount of guarantee obligations as of March 31, 2019 and that as of March 31, 2018.
5. As described in "Changes in Accounting Policies (Change in Accounting Treatment related to Finance Receivable-Installment Sales-Credit Guarantee and Finance Payable-Credit Guarantee)," from the fiscal year ended March 31, 2020, guarantee obligations that do not involve loan collection service are not recognized on the consolidated balance sheets but instead disclosed as contingent liabilities in the footnote, and this change has been applied retrospectively. However, ¥12,264 million of such guarantee obligations and ¥125,476 million of guarantee obligations recognized as finance payable-credit guarantee are both included in the "Balance at end of fiscal year" column of the above table.

26. Investment and Rental Properties

Disclosure has been omitted since this is considered immaterial.

27. Per Share Information

	Yen		U.S. Dollars
	2020	2019	2020
Net assets per share	¥4,543.94	¥4,388.98	$41.68
Net income per share—Basic	311.65	260.13	2.85
Net income per share—Diluted	310.13	258.79	2.84

The basis for calculating net income per share and net assets per share for the years ended March 31, 2020 and 2019 are as follows:

Net income per share

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Net income attributable to owners of the parent	¥10,732	¥ 8,955	$98
Net income applicable to common shares	10,732	8,955	98
Average number of common shares during period (thousands of shares)	34,438	34,426	—
Increase in number of common shares: (thousands of shares)	169	178	—
(of which subscription rights to shares: (thousands of shares))	(169)	(178)	—

Net assets per share

	Millions of Yen		Millions of U.S. Dollars
	2020	2019	2020
Total net assets	¥162,889	¥156,738	$1,494
Amounts deducted from total net assets:	6,085	5,903	55
(of which subscription right to shares)	(263)	(275)	(2)
(of which non-controlling interest)	(5,822)	(5,627)	(53)
Net assets applicable to common shares	156,804	150,835	1,438
Number of common shares at the end of the fiscal year used in calculation of net assets per share (thousands of shares)	34,508	34,366	—

28. Business Combination

(a) Business Combination through Acquisition of Shares

On July 3, 2019, the Company acquired additional shares of MMPC Auto Financial Services Corporation (“MAFS”)—an equity-method affiliate of the Company domiciled in the Republic of the Philippines—making MAFS a consolidated subsidiary of the Company.

1. Overview of the Business Combination
   (1) Name and business description of the company acquired
      Name of the company acquired: MMPC Auto Financial Services Corporation
      Business description: Automobile sales finance
   (2) Main reasons for the business combination
      Under its three-year medium-term business plan, “RAISE 2020”—which commenced in the fiscal year ended March 31, 2019—one of the Company’s core policies is to “accelerate growth in overseas business”.
      In May 2016, the Company acquired a 20% equity stake in MAFS and has been developing its sales finance business in the Philippines. However, with a view to future expansion of the business, the Company acquired an additional 45% of the issued shares of MAFS from joint venture partners BDO Leasing and Finance, Inc. and Mitsubishi Motors Philippines Corporation. The Company intends to work toward strengthening MAFS’ business and enhancing the Company’s consolidated performance.
   (3) Date of business combination
      July 3, 2019
   (4) Legal form of business combination
      Acquisition of shares for cash
   (5) Name of company subsequent to business combination
      JACCS FINANCE PHILIPPINES CORPORATION
   (6) Voting rights acquired
      Ratio of voting rights held immediately prior to business combination: 20.0%
      Ratio of additional voting rights acquired on date of business combination: 45.0
      Ratio of voting rights subsequent to business combination: 65.0
   (7) Principal basis for determining the acquiring company
      The Company’s cash payment as consideration for the absorption-type split with cash consideration was the principal basis on which it became the acquiring company.

2. Period of the Business Performance of the Acquired Business Included in the Consolidated Financial Statements
   The fiscal year end date of the acquired company is December 31, a three-month difference from the fiscal year end date for the consolidated financial statements. Since the Company has adopted July 1, 2019 as the deemed business combination date, the consolidated financial statements include the business performance of the acquired company from July 1, 2019, to December 31, 2019.

3. Acquisition Cost of the Acquired Business and Breakdown by Payment Forms

	(Millions of Yen)	(Millions of U.S. Dollars)
Acquisition cost of common stock held by the Company immediately prior to the date of business combination:	¥175	$1
Cash paid to acquire additional shares of common stock:	402	3
Acquisition cost:	¥578	$5

4. Difference between Acquisition Cost for the Acquired Company and Total Acquisition Cost for Each Transaction Leading to Acquisition
   Loss on step acquisition: ¥100 million (US$0 million)

5. Amount of Recognized Goodwill, Reason for Recognizing Goodwill, and Method and Period of Amortization of Goodwill
   (1) Amount of recognized goodwill: ¥118 million (US$1 million)
   (2) Reason for recognizing goodwill
      The acquisition cost exceeded the amount equivalent to the equity interest in net assets at fair value at the time of the business combination. Consequently, the difference is recognized as goodwill.
   (3) Method and period of amortization of goodwill
      Straight-line method over a period of 5 years

6. Description and Amount of Major Acquisition Related Expenses
   Advisory fees and commissions, etc.: ¥8 million (US$0 million)

7. Summary of Assets Acquired and Liabilities Assumed on the Date of Business Combination

	(Millions of Yen)	(Millions of U.S. Dollars)
Current assets	¥13,607	$124
Noncurrent assets	100	0
Total assets	¥13,708	$125
Current liabilities	12,424	113
Noncurrent liabilities	575	5
Total liabilities	¥13,000	$119

8. Estimated Effect on the Consolidated Statements of Income if the Business Combination Had Been Completed at the Beginning of the Fiscal Year and the Estimation Method Used
Since the effect on the consolidated statement of income for the fiscal year ended March 31, 2020 is immaterial, disclosure of this item is omitted.

(b) Business Acquisition through Company Split (Simplified Absorption-type Company Split)

Based on an absorption-type company split agreement executed on April 15, 2019, the Company acquired the credit guarantee business of JCB Co., Ltd. (hereinafter, "JCB"), on September 24, 2019, through a company split (simplified absorption-type company split) (hereinafter, "the company split").

1. Overview of the Business Combination
   (1) Name of counterpart company and description of the acquired business
   Name of counterpart company: JCB Co., Ltd.
   Business description: Credit guarantee business
   (2) Main reasons for the business combination
   Under its three-year medium-term business plan, "RAISE 2020," one of the Company's core policies is to "pursue sustainable growth in domestic businesses." Guarantee services for personal loans extended by financial institutions—the target business acquired through the company split—is one of the main product categories handled by the Company's financing business. The company split is aimed at further strengthening the Company's guarantee services for personal loans extended by financial institutions, and is expected to contribute to future expansion of the Group's earnings base. Following the company split coming into force, the Company will strive to further develop its financing business based on the relationships built by JCB with financial institutions in credit guarantee business.
   (3) Date of business combination
   September 24, 2019
   (4) Legal form of business combination
   An absorption-type company split for cash consideration in which JCB is the splitting company and the Company is the successor company
   (5) Name of company subsequent to business combination
   There is no change.
   (6) Principal basis for determining the acquiring company
   The Company's cash payment as consideration for the absorption-type split was the principal basis on which it became the acquiring company.

2. Period of the Business Performance of the Acquired Business Included in the Consolidated Financial Statements
From September 24, 2019 to March 31, 2020

3. Acquisition Cost of the Acquired Business and Breakdown by Payment Forms

	(Millions of Yen)	(Millions of U.S. Dollars)
Consideration for acquisition: cash	¥1,099	$10
Acquisition cost:	¥1,099	$10

4. Amount of Recognized Goodwill, Reason for Recognizing Goodwill, and Method and Period of Amortization of Goodwill
   (1) Amount of recognized goodwill: ¥1,000 million (US$9 million)
   (2) Reason for recognizing goodwill
   The goodwill arose from the expected future excess earnings capabilities through future development of the business.
   (3) Method and period of amortization of goodwill
   Straight-line method over a period of 5 years

5. Description and Amount of Major Acquisition Related Expenses
Advisory fees and commissions, etc.: ¥51 million (US$0 million)

6. Summary of Assets Acquired and Liabilities Assumed on the Date of Business Combination

	(Millions of Yen)	(Millions of U.S. Dollars)
Current assets	¥98	$0
Noncurrent assets	—	—
Total assets	¥98	$0
Current liabilities	—	—
Noncurrent liabilities	—	—
Total liabilities	—	—

Note: Although the amount of succeeded guarantee obligations relating to the credit guarantee business as of the date of business combination was ¥37,817 million (US$346 million), as described in Changes in Accounting Policies (Change in Accounting Treatment related to Finance Receivable-Installment Sales-Credit Guarantee and Finance Payable-Credit Guarantee), the succeeded guarantee obligations are not recognized on the consolidated balance sheet because they are guarantee obligations for which loan guarantee services only are provided.

7. Estimated Effect on the Consolidated Statements of Income if the Business Combination Had Been Completed at the Beginning of the Fiscal Year and the Estimation Method Used

Since the effect on the consolidated statement of income for the fiscal year ended March 31, 2020 is immaterial, disclosure of this item is omitted.

INDEPENDENT AUDITOR'S REPORT

<u>Independent Auditor's Report</u>

To the Board of Directors of JACCS Co., Ltd.:

Opinion

We have audited the accompanying consolidated financial statements of JACCS Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2020 and 2019, the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2020 and 2019, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As described in Note 4 to the consolidated financial statements, the Group has changed its accounting treatment of guarantee obligations that do not involve loan collection services since this fiscal year. As a result, guarantee obligations that do not involve loan collection services are not recognized on the consolidated balance sheets but are disclosed as contingent liabilities in a note to the consolidated financial statements.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Corporate auditors and the board of corporate auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, and disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties including the design, implementation and maintenance of the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2020 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

/S/ Satoshi Hataoka
Designated Engagement Partner
Certified Public Accountant

/S/ Seiki Miyata
Designated Engagement Partner
Certified Public Accountant

KPMG AZSA LLC
Tokyo Office, Japan
June 26, 2020

Notes to the Reader of Independent Auditor's Report:
This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

This page is intentionally left blank.

ORGANIZATION

(As of July 1, 2020)

- General Meeting of Shareholders
  - Audit & Supervisory Board
- Board of Directors
- Chairman and CEO
- President and COO — Audit Office
  - Management Committee
  - Business Strategy Department
    - Business Supervisory Office
    - Shopping Credit Promotion Department
      - First Shopping Credit Promotion Section
      - Second Shopping Credit Promotion Section
    - Shopping Credit Planning Department
      - Shopping Credit Planning Section
    - Auto Loans Promotion Department
      - First Auto Loans Promotion Section
      - Second Auto Loans Promotion Section
    - Auto Loans Planning Department
      - Auto Loans Planning Section
    - Credit Card Promotion Department
      - First Credit Card Promotion Section
      - Second Credit Card Promotion Section
    - Credit Card Planning Department
      - First Credit Card Planning Section
      - Second Credit Card Planning Section
      - Credit Card Center
    - Acquiring Business Department
      - Acquiring Promotion Section
      - Acquiring Planning Section
      - Acquiring Operations Section
    - Payments Promotion Department
      - First Payments Promotion Section
      - Second Payments Promotion Section
    - Payments Planning Department
      - Payments Planning Section
    - Web Solutions Department
      - First Web Solutions Section
      - Second Web Solutions Section
    - Customer Service Department
      - Customer Service Section
      - Tokyo Customer Center
      - Osaka Customer Center
    - Housing Loan Guarantee Business Department
      - Housing Loan Guarantee Planning and Promotion Section
      - Housing Loan Guarantee Management Operations Section
      - Housing Loan Guarantee Center
      - Housing Loan Guarantee Management Center
    - Guarantee Business Department
      - Planning and Promotion Section
      - Management Operations Section
      - Guarantee Branch
  - Credit Screening and Operation Department
    - Credit Screening Planning Section
    - Operation Training Section
    - Operation Supervisory Section
    - Tokyo Credit Screening Center
    - Osaka Credit Screening Center
    - Tokyo Auto Loans Credit Screening Center
    - Osaka Credit Center
    - Credit Offices
    - Finance Operations Center
    - VFJ Support Center
    - Mercedes-Benz JACCS Loan Center
    - DAIHATSU Credit Center
    - Harley-Davidson Credit Center
  - Credit Management Department
    - Credit Planning Section
    - Claims Management Section
    - Contact Center
    - Tokyo Collection Center
    - Osaka Collection Center
    - Tokyo Claims Management Center
    - Legal Center
  - International Business Department
    - International Business Promotion Section
    - International Business Planning Section
  - Corporate Planning Department
    - Corporate Planning Section
    - Corporate Management Section
    - Public Relations Section
    - Group Business Planning Section
      - MUFG Alliance Promotion Group
  - General Affairs Department
    - General Affairs Section
    - General Affairs Document Section
  - Personnel Department
    - Personnel Section
    - Human Resources Development Section
    - Health Management Promotion Office
  - Accounting Department
    - Accounting Section
    - Group Accounting Section
    - Accounting Operations Center
  - Finance Department
    - Finance Section
    - Account Settlement Center
  - Systems Planning Department
    - Planning Supervisory Section
    - Systems Promotion Section
    - Group Systems Management Section
  - Systems Development Department
    - First Development Section
    - Second Development Section
    - Third Development Section
    - Common Development Section
  - Systems Management Department
    - First Platform Management Section
    - Second Platform Management Section
    - Systems Operation Section
  - Compliance Supervisory Department
    - Compliance Supervisory Section
    - Information Management Section
    - Internal Control Section
    - Legal Section
    - Financial Transactions Investigation Office
    - Customer Support Office

HISTORY

(As of July 1, 2020)

June 1954
Depart Sinyohanbai Co., Ltd., established in Hakodate, Hokkaido, with paid-in capital of ¥3.3 million. Began monthly installment credit service for use at department stores based on the issuance of installment-shopping coupons to members who have joined through their workplace

Founders
Masajiro Ibe
Tatsuya Watanabe
Kaname Yamane

Brochures

July 1959
To coincide with the 5th anniversary of establishment, the Company's name was changed to Kitanihon Sinyohanbai Co., Ltd.

Dec. 1959
Began a credit guarantee service for financial institutions, the first service of its type in Japan

Mar. 1969
In collaboration with large manufacturers, began providing a full-fledged shopping credit service

June 1972
Began housing loan operations

July 1972
Established the Tokyo Office (currently the Tokyo Branch) as the Company's first presence in the Kanto region

Apr. 1973
Shares listed on the Sapporo Securities Exchange

Sapporo Securities Exchange

Aug. 1975
Head office functions transferred to Tokyo

Tokyo head office

Apr. 1976
Company name was changed to JACCS Co., Ltd.
(An abbreviation for Japan Consumer Credit Service)

Sept. 1978
Listed on the First Section of the Tokyo Stock Exchange

Apr. 1989
Began issuing internationally accepted credit cards, JACCS Mastercard and JACCS Visa Card

JACCS' internationally accepted credit cards

Jan. 1991
Began issuing JACCS JCB Card

Nov. 1994
Head office transferred to the Company's new main building, Ebisu Neonato, in Shibuya-ku, Tokyo

Head office, Ebisu Neonato

May 2001
Began operating a state-of-the-art core computer system, called "JANET," the first such online system in the industry to run 24-hours-a-day, 365-days-a-year

JANET

Mar. 2008
JACCS became an equity-method affiliate of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) (now MUFG Bank, Ltd.), through a third-party allocation of new shares

Apr. 2008
Took over the shopping credit business of Mitsubishi UFJ NICOS Co., Ltd.

June 2010
Established consolidated subsidiary JACCS International Vietnam Finance Co., Ltd. (JIVF), in Vietnam

Dec. 2012
Acquired a 40% equity stake in Indonesian company PT Sasana Artha Finance (SAF)

May 2014
Indonesian equity-method affiliate SAF merged with partner company PT Mitra Pinasthika Mustika Finance (MPMF). The surviving entity, MPMF (now JMFI), became an equity-method affiliate of JACCS.

June 2014
Celebrated the 60th anniversary of JACCS' establishment. To coincide with this milestone, the Company launched a new corporate logo in April 2014.

May 2016
MMPC Auto Financial Services Corporation (MAFS) (now JFP) established as a joint venture in the Philippines

Apr. 2017
Commenced acquiring operations for Mastercard and Visa merchants

May 2017
Acquired additional shares in Indonesian equity-method affiliate MPMF (now JMFI), making the company a consolidated subsidiary of JACCS

Mar. 2018
JACCS FINANCE (CAMBODIA) PLC. (JFC), which was established in August 2017, launched its operations.

A member store in Cambodia

July 2019
Made MAFS (now JFP) a consolidated subsidiary of JACCS

CORPORATE DIRECTORY

(As of July 1, 2020)

Name: JACCS CO., LTD.

URL: https://www.jaccs.co.jp/en/corporate/

Founded: June 29, 1954

Paid-in Capital:
¥16,138 million (US$145 million)

Registered Head Office:
2-5, Wakamatsu-cho, Hakodate,
Hokkaido 040-0063, Japan

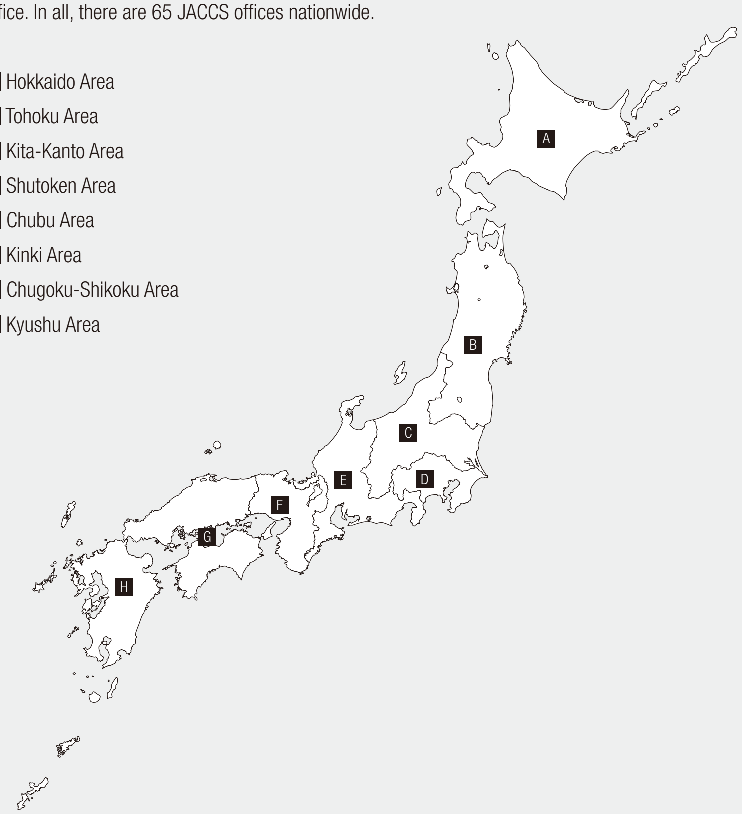
Principal Executive Office:
Ebisu Neonato Bldg.,
1-18, Ebisu 4-chome, Shibuya-ku,
Tokyo 150-8932, Japan
Phone: (03) 5448-1311

Number of Employees: (As of March 31, 2020)
2,692 (Parent)
6,188 (Consolidated)

The JACCS Services Network

JACCS divides Japan into 8 sales areas, each overseen by a branch office. In all, there are 65 JACCS offices nationwide.

A Hokkaido Area
B Tohoku Area
C Kita-Kanto Area
D Shutoken Area
E Chubu Area
F Kinki Area
G Chugoku-Shikoku Area
H Kyushu Area

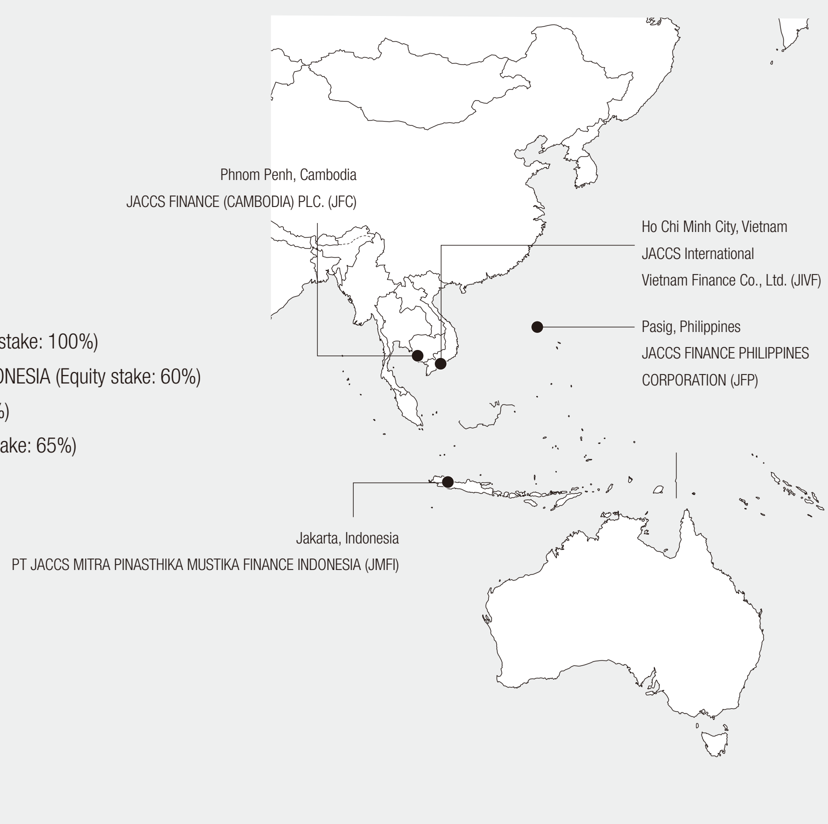


Associated Companies:

Domestic:
JACCS Total Service Co., Ltd.
JACCS Lease Co., Ltd.
JACCS Loan-Collection Service Co., Ltd.
JACCS Payment Solutions Co., Ltd.

Overseas:

Consolidated Subsidiaries
JACCS International Vietnam Finance Co., Ltd. (Equity stake: 100%)
PT JACCS MITRA PINASTHIKA MUSTIKA FINANCE INDONESIA (Equity stake: 60%)
JACCS FINANCE (CAMBODIA) PLC. (Equity stake: 100%)
JACCS FINANCE PHILIPPINES CORPORATION (Equity stake: 65%)



INVESTOR INFORMATION

(As of March 31, 2020)

Number Of Shareholders:
6,438

Shares Outstanding:
35,079,161

Share Unit:
100 shares*

Stock Listing:
Tokyo Stock Exchange (First Section)

Securities Identification Code:
8584

Transfer Agent:
Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

* On October 1, 2017, the Company executed a reverse stock split (consolidation of shares) at a ratio of 1-for-5 shares of common stock, and changed the number of shares per share unit from 1,000 shares to 100 shares.

Principal Shareholders:

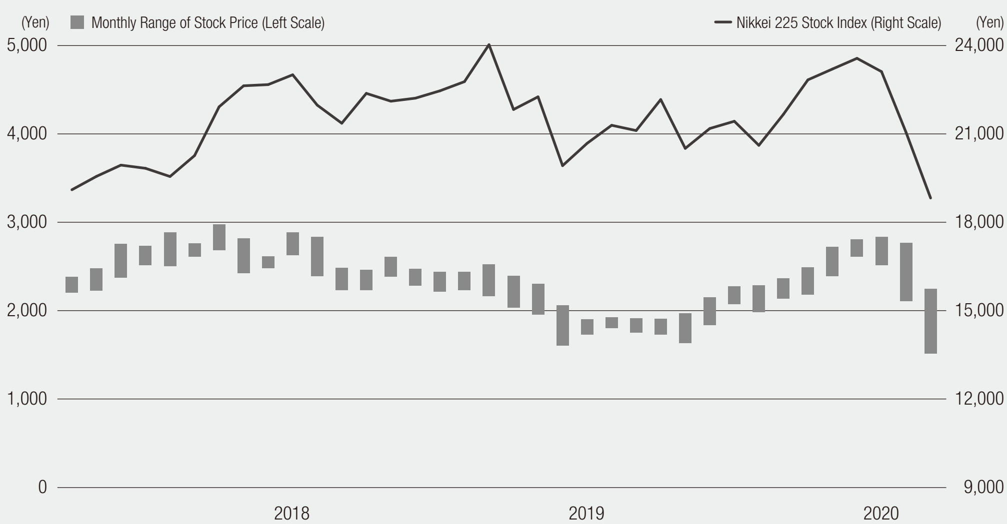
Name of Shareholders	Number of Shares Held (Thousands)	Percentage of Ownership*
MUFG Bank, Ltd.	7,015	20.29%
Japan Trustee Services Bank, Ltd. (Trust Account)	2,661	7.69
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,419	4.10
The Dai-ichi Mutual Life Insurance Company, Limited	1,359	3.93
Shareholding Association of JACCS	1,357	3.92
Meiji Yasuda Life Insurance Company	1,275	3.69
Japan Trustee Services Bank, Ltd. (Trust Account 9)	919	2.66
JACCS Co., Ltd. Employee Stock Ownership Association	881	2.54
Nippon Life Insurance Company	588	1.70
Mitsubishi UFJ Trust and Banking Corporation	564	1.63

* The percentage of ownership is calculated excluding the number of treasury stock (508,486 shares).

Common Stock Price Range*: (Tokyo Stock Exchange)

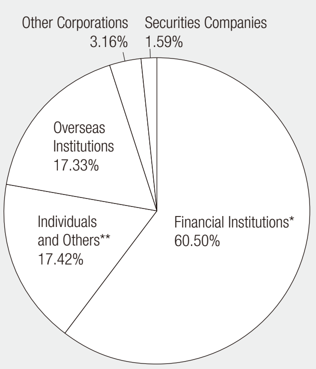
(Years ended March 31)

	2018		2019		2020	
	High	Low	High	Low	High	Low
First quarter	¥2,775	¥2,225	¥2,633	¥2,258	¥2,177	¥1,658
Second quarter	2,905	2,525	2,544	2,185	2,388	2,009
Third quarter	2,997	2,446	2,418	1,629	2,827	2,204
Fourth quarter	2,905	2,254	1,948	1,753	2,858	1,535



* On October 1, 2017, the Company executed a reverse stock split (consolidation of shares) at a ratio of 1-for-5 shares of common stock, and changed the number of shares per share unit from 1,000 shares to 100 shares. To facilitate comparison of share prices prior and subsequent to the reverse stock split, prices presented for periods prior to October 2017 have been multiplied by a factor of five.

Stock Held by Investor Type



* The Financial Institutions category includes shares held under trust accounts. This includes investment trusts and pension fund trusts.

** The Individuals and Others category includes 508,486 shares (1.45%) of treasury stock.

Cash Dividends*:

(Years ended March 31)

	2018	2019	2019
Yearly	¥80.00	¥80.00	¥95.00
Interim	40.00	40.00	45.00

* On October 1, 2017, the Company executed a reverse stock split (consolidation of shares) at a ratio of 1-for-5 shares of common stock, and changed the number of shares per share unit from 1,000 shares to 100 shares. To facilitate comparison of cash dividends prior and subsequent to the reverse stock split, cash dividends presented for periods prior to October 2017 have been multiplied by a factor of five.

Seed the Future.

JACCS

Registered Head Office:
2-5, Wakamatsu-cho, Hakodate,
Hokkaido 040-0063, Japan

Principal Executive Office:
Ebisu Neonato Bldg., 1-18, Ebisu 4-chome,
Shibuya-ku, Tokyo 150-8932, Japan

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C086357

Printed in Japan