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Open the Future with You
Orico

May 10, 2024

Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Under Japanese GAAP)

Company name: Orient Corporation
Listing: Tokyo Stock Exchange
Securities code: 8585
URL: https://www.orico.co.jp/
Representative: (Name) Tetsuo Iimori (Title) President and Representative Director
Inquiries: (Name) Tomomichi Fujita (Title) General Manager of Accounting Department
TEL: +81-3-5877-1111
Scheduled date of annual general meeting of shareholders: June 25, 2024
Scheduled date to commence dividend payments: June 26, 2024
Scheduled date to file annual securities report: June 25, 2024
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2024	229,054	0.6	16,118	(30.1)	16,118	(30.1)	12,571	(34.0)
March 31, 2023	227,693	(0.9)	23,070	(20.4)	23,070	(20.4)	19,035	(2.3)

Note: Comprehensive income For the fiscal year ended March 31, 2024 ¥18,127 million [(0.6)%]
For the fiscal year ended March 31, 2023 ¥18,242 million [20.8%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to operating revenue
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2024	73.30	73.29	5.4	0.6	7.0
March 31, 2023	110.92	110.92	8.6	0.9	10.1

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended March 31, 2024 ¥1,235 million
For the fiscal year ended March 31, 2023 ¥2,139 million

Notes: 1. The Company implemented a consolidation of shares of its common stock at a rate of one share for every ten shares on October 1, 2022. Basic earnings per share and diluted earnings per share show the amounts that take into account impact of the consolidation of shares.

2. As described in "Changes in Accounting Policies," effective from the current fiscal year, all guarantee transactions are no longer recorded on the consolidated balance sheet but are noted as contingent liabilities. This change was applied retrospectively, and the figures for the previous fiscal year are presented after retrospective application.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2024	3,147,643	245,683	7.6	1,388.79
March 31, 2023	2,413,949	229,775	9.4	1,324.44

Reference: Equity
As of March 31, 2024 ¥238,205 million
As of March 31, 2023 ¥227,165 million

Notes: 1. The Company implemented a consolidation of shares of its common stock at a rate of one share for every ten shares on October 1, 2022. Net assets per share shows the amount that takes into account impact of the consolidation of shares.

2. As described in "Changes in Accounting Policies," effective from the current fiscal year, all guarantee transactions are no longer recorded on the consolidated balance sheet but are noted as contingent liabilities. This change was applied retrospectively, and the figures for the previous fiscal year are presented after retrospective application.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2024	(43,465)	(44,483)	221,627	479,360
March 31, 2023	32,201	(20,332)	(80,676)	339,844

2. Cash dividends

	Annual dividends per share			Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	Second quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2023	0.00	40.00	40.00	6,874	36.1	3.1
Fiscal year ended March 31, 2024	0.00	40.00	40.00	6,874	54.7	2.9
Fiscal year ending March 31, 2025 (Forecast)	0.00	40.00	40.00		34.4	

3. Consolidated financial results forecasts for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	263,000	14.8	20,000	24.1	20,000	24.1	20,000	59.1	116.37

Note: For the number of common shares that serves as a basis for calculation of the basic earnings per share in consolidated financial results forecasts for the fiscal year ending March 31, 2025, the number of issued shares as of March 31, 2024 is used.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: Yes

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For details, please refer to "Basis of Preparation of Consolidated Financial Statements" on page 19 of the attached document.

(3) Number of issued shares (common stock)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2024	171,882,370 shares
As of March 31, 2023	171,882,370 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2024	362,740 shares
As of March 31, 2023	364,298 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2024	171,520,845 shares
Fiscal year ended March 31, 2023	171,608,330 shares

Notes: 1. The Company implemented a consolidation of shares of its common stock at a rate of one share for every ten shares on October 1, 2022. The total number of issued shares at the end of the period, number of treasury shares at the end of the period, and average number of shares outstanding during the period are calculated as though the consolidation of shares took effect at the beginning of the previous fiscal year.

2. The number of treasury shares at the end of the period includes the Company's shares held by the Board Benefit Trust (BBT) (341,660 shares for the fiscal year ended March 31, 2024 and 351,060 shares for the fiscal year ended March 31, 2023). The Company's shares held by BBT are included in the number of treasury shares to be deducted in the calculation of the average number of shares outstanding during the period.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

1. Forecasts of the financial results and other forward-looking statements included in this report are based on information available to the Company as of the release date of this report. Actual financial results may differ from these forecasts due to various factors in the future.
2. Supplementary material on the financial results will be posted on the Company's website on May 10, 2024.

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1. Overview of Operating Results, Etc.

(1) Overview of Operating Results for the Fiscal Year Under Review

(i) Overview of Financial Results

Effective from the fiscal year under review, the “Changes in accounting treatment for accounts receivable - installment sales - credit guarantee and accounts payable - credit guarantee” have been implemented, and comparisons and analysis with the previous fiscal year have been made using figures after retroactive application of these changes. Details are provided in “Notes (Changes in Accounting Policies)” on page 23 of the attached document.

During the fiscal year under review, the Japanese economy saw a normalization of economic and social activities due to the change in the classification of COVID-19 under the Infectious Diseases Control Act to Category 5 under the era of coexistence with COVID-19, the relaxation of behavioral restrictions, and a recovery in inbound demand. However, the economic outlook remains uncertain due to global high prices, unstable international conditions, the risk of a downturn in personal consumption due to stagnant real wages, and other factors.

Under these circumstances, we adopted the slogan of “Transformation Now! (to the financial service group in a new era that creates the value from the customer’s perspective)” for the fiscal year ended March 31, 2024, which is the second year of the Medium-Term Management Plan. We have thoroughly implemented an approach based on four business strategies: (1) Cultivate priority markets and explore new businesses fields, (2) Establishing market-oriented sales based on customer needs, (3) Creating new service by collaborating with advanced companies among different industries, (4) Delving into process innovation.

In addition, in light of the severe business environment, the Company has further strengthened its business portfolio management based on risk return and cost return and expedited a fundamental reform of its business structure in areas that require improvement, such as the installment credit business.

On the other hand, in Thailand, the Philippines, and Indonesia, where we operate, economic activity was significantly affected by sluggish domestic demand against the backdrop of the slowdown in the Chinese economy, and delinquent loans in our auto loans business increased. The resulting increase in bad debt-related expenses was the main reason for the downward revision of the results for the fiscal year ended March 31, 2024.

In September 2023, Orico Auto Leasing Co., Ltd. and Orico Business Leasing Co., Ltd. were made consolidated subsidiaries to expand the business base, and in March 2024, as part of a comprehensive business alliance with AEON Financial Service Co., Ltd., we made AEON Product Finance Co., Ltd. (now Orico Product Finance Co., Ltd.) a wholly owned subsidiary. We aim to increase our competitive advantage in the installment credit business and make it a highly profitable business.

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

Operating revenue increased ¥1.3 billion year on year to ¥229.0 billion due to increased revenues from the settlement and guarantee business, overseas business, etc., which are priority areas, despite falling revenue from the sale of real estate of the previous fiscal year.

For details by business segment, please refer to “(ii) Status of Major Businesses.”

Operating expenses increased ¥8.3 billion year on year to ¥212.9 billion.

Selling, general and administrative expenses increased ¥5.8 billion year on year to ¥196.3 billion, mainly due to an increase in bad debt-related expenses resulting from an increase in delinquent loans in the overseas business, despite the decrease in computing expenses in conjunction with the completion of depreciation for some core systems.

As a result of these factors, ordinary profit decreased ¥6.9 billion year on year to ¥16.1 billion. Profit attributable to owners of parent decreased ¥6.4 billion year on year to ¥12.5 billion.

(ii) Status of Major Businesses

Operating revenues increased 3.0% year on year to ¥217.5 billion, and the breakdown is as follows:

(Reference) Breakdown of operating revenues by business

(Billions of yen, rounded down to one decimal place)

Business	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024	Year-on-year changes (%)
Settlement and guarantee	19.8	22.0	11.1
Overseas	10.9	14.3	31.6
Credit cards and cash loans	70.4	71.3	1.2
[Of which: credit card shopping]	[52.3]	[53.5]	[2.3]
Installment credit	69.6	68.5	(1.5)
Bank loan guarantee	32.1	33.5	4.3
Other	8.3	7.8	(6.7)
Total	211.3	217.5	3.0

■Settlement and guarantee business

In the settlement and guarantee business, the transaction volume of rent settlement guarantees increased year on year due to expansion of the market in the form of an increase in the number of single-person households, and as a result of enhancing convenience by promoting electronic applications, and other efforts. Also, in accounts receivable settlement guarantees, transaction volume increased year on year due to growth in transaction volume of existing main member merchants as well as the impact of passing on the rise in costs, etc. to prices. To further strengthen our response to meet the rising demand for leasing amid the increasing shift from ownership to services, Orico Business Leasing Co., Ltd. was made a consolidated subsidiary from the fiscal year under review.

As a result, operating revenues in the settlement and guarantee business increased 11.1% year on year to ¥22.0 billion.

■Overseas business

In the overseas business, the transaction volume of the three overseas subsidiaries in total decreased year on year due mainly to a decrease in the transaction volume of the Thai subsidiary, but operating revenues increased due mainly to an increase in the balance of operating assets. On the other hand, measures to strengthen the management structure have not kept pace with the rapid business expansion, and bad debt-related expenses have increased as a result of a larger-than-expected increase in delinquent loans. We will work to strengthen the collection system and improve the quality of receivables by adopting stricter credit standards, and further strengthen our governance structure and risk management to quickly rebuild the business.

As a result, operating revenues in the overseas business increased 31.6% year on year to ¥14.3 billion.

■Credit cards and cash loans business

In the credit cards and cash loans business, transaction volume for credit card shopping increased year on year due to a recovery in demand for service consumption in areas such as restaurants and travel as well as capturing daily living-related consumption, among others. Loan balances decreased year on year due mainly to a decline in new transaction volume.

As a result, operating revenues in the credit card shopping increased 2.3% year on year to ¥53.5 billion, and operating revenues from cash loans decreased 1.8% year on year to ¥17.8 billion. Total operating revenues in the credit cards and cash loans business increased 1.2% year on year to ¥71.3 billion.

■Installment credit business

In the installment credit business, transaction volume for auto loans and credit card shopping decreased. Meanwhile, Orico Auto Leasing Co., Ltd. and Orico Product Finance Co., Ltd. were made consolidated subsidiaries to expand the business base. We aim to increase our competitive advantage in the installment credit business and make it a highly profitable business.

As a result, operating revenues in the installment credit business decreased 1.5% year on year to ¥68.5 billion.

■Bank loan guarantee business

In the bank loan guarantee business, we are committed to providing financial products and services according to local challenges, as a result, the balance of guarantees increased from March 31, 2022, marking a turnaround on the back of a growth in the transaction volume of loans on deeds. In the fiscal year under review, the volume of transactions continued to expand, and the balance of guarantees increased from the end of the previous year.

As a result, operating revenues in the bank loan guarantee business increased 4.3% year on year to ¥33.5 billion.

(iii) Outlook for the Next Fiscal Year

In the environment surrounding the Company, the Japanese economy saw a normalization of economic and social activities due to the change in the classification of COVID-19 under the Infectious Diseases Control Act to Category 5 under the era of coexistence with COVID-19, the relaxation of behavioral restrictions, and a recovery in inbound demand. Meanwhile, the emergence of geopolitical risks, such as Russia's prolonged invasion of Ukraine and escalating conflicts in the Middle East, is having a significant impact on the global economy. In particular, the U.S. and other countries have raised policy interest rates in response to soaring prices, and Japan has also raised its key interest rate for the first time in 17 years, marking a major milestone toward a return to a "world with interest rates."

Under these circumstances, although we have been aiming to achieve our ordinary profit of ¥40.0 billion or more for the final year of the Medium-Term Management Plan (fiscal year ending March 31, 2025), it has become extremely difficult to achieve the target due to an increase in financial expenses caused by rising market interest rates and a decrease in liquidation income. Based on the above, the ordinary profit plan for the fiscal year ending March 31, 2025 is ¥20.0 billion.

Meanwhile, as a growth strategy based on the green, digital, and open innovation approaches set forth in the Medium-Term Management Plan, we are steadily laying the groundwork for the next stage of growth, which includes forming a business alliance with AEON Financial Service Co., Ltd., making Orico Auto Leasing Co., Ltd. and Orico Business Leasing Co., Ltd. consolidated subsidiaries, and making Orico Product Finance Co., Ltd. a wholly owned subsidiary, as well as supporting SME DX with business cards and bill card payment services and providing new customer experiences through the renewal of e-Orico services and digital cards.

Going forward, we recognize the importance of further upgrading our business portfolio management based on risk-return and cost-return, as well as quickly rebuilding our overseas businesses, while building a solid earnings base to establish a sustainable growth trajectory in our existing domestic businesses. By promptly and steadily implementing these initiatives, we will achieve further improvement in corporate value.

In April 2024, the Company established "Purpose" as the meaning of our existence and mission, and "Value" as the guidelines and values on which we base our daily decisions, as our common group philosophy.

Almost 30 years have passed since the Company formulated our philosophy in April 1995. Compared to when the philosophy was formulated, changes in the social environment, including technological innovation and globalization, and diversification in values and lifestyles are taking place in modern times at a pace faster than expected. As the Company anticipates that diversification will continue to accelerate going forward, we believed that it was necessary to once again formulate the philosophy from a long-term perspective looking ahead to the future of the Company and have therefore formulated a new philosophy. Based on our philosophy, we also set forth “Orico’s Sustainability Goals,” which clarifies our basic approach to society and stakeholders.

[Purpose]

A Step Beyond That Dream

Open the Future with You

[Value]

Seeking correctness

Foster trust

Thinking of the future

Enjoy the challenge

[Orico’s Sustainability Goals]

We set our purpose, “A Step Beyond That Dream.” This reflects our desire that, as a partner to our customers and other stakeholders, we will be close to each individual’s present and future, engage with them sincerely, and sometimes lead with enthusiasm.

Our goal is to create a sustainable society where everyone can realize a fulfilling life. We hope to pass such a society on to future generations by solving various social issues through the power of innovation.

To this end, as a trusted partner, we will contribute to society through all our corporate activities and pursue both social and corporate value.

Against this backdrop, the consolidated financial forecast for the next fiscal year is as follows.

Operating revenue is expected to increase due to contributions to revenues from the three companies that became consolidated subsidiaries in the previous fiscal year, as well as growth in the settlement and guarantee business and overseas business, which are priority areas.

As for operating expenses, although bad debt-related expenses are expected to decrease in the overseas business due mainly to stricter credit policies and a stronger collection system, overall operating expenses are expected to increase due to an increase in general expenses resulting from the consolidation of the companies and an increase in financial expenses resulting from the impact of rising interest rates.

As a result of the above, the Group forecasts operating revenue of ¥263.0 billion (up ¥33.9 billion year on year), ordinary profit of ¥20.0 billion (up ¥3.8 billion), and profit attributable to owners of parent of ¥20.0 billion (up ¥7.4 billion).

(2) Summary of Financial Position for the Fiscal Year Under Review

As for the status of assets, total assets increased ¥733.6 billion from ¥2,413.9 billion at the end of the previous fiscal year to ¥3,147.6 billion. This was mainly due to increases in investments in leases, and cash and deposits from consolidation.

As for the status of liabilities, total liabilities increased ¥717.7 billion from ¥2,184.1 billion at the end of the previous fiscal year to ¥2,901.9 billion. This was mainly due to an increase in interest-bearing debt such as short-term borrowings.

As for net assets, total net assets increased ¥15.9 billion from ¥229.7 billion at the end of the previous fiscal year to ¥245.6 billion. This was mainly due to increases in remeasurements of defined benefit plans and retained earnings.

The status of cash flows and its factors are as follows:

Cash Flows from Operating Activities

Net cash used in operating activities for the fiscal year under review amounted to ¥43.4 billion, a increase of ¥75.6 billion from the previous fiscal year.

This was mainly due to an increase of the balance of trade receivables such as accounts receivable - installment and investments in leases.

Cash Flows from Investing Activities

Net cash used in investing activities for the fiscal year under review amounted to ¥44.4 billion, an increase of ¥24.1 billion from the previous fiscal year.

This was mainly due to the purchase of shares of subsidiaries as a result of making Orico Product Finance Co., Ltd. a wholly owned subsidiary, making strategic system investments that contribute to the Company's growth, and the acquisitions of intangible assets (software).

Cash Flows from Financing Activities

Net cash provided by financing activities for the fiscal year under review amounted to ¥221.6 billion, a increase of ¥302.3 billion from the previous fiscal year.

This was mainly due to the increase of procurement of capital from issuance of commercial papers and short-term borrowings.

As a result, cash and cash equivalents as of the end of the fiscal year under review were ¥479.3 billion, an increase of ¥139.5 billion compared with the end of the previous fiscal year.

(3) Basic Policy on Profit Distribution and Dividends for the Fiscal Year Under Review and the Next Fiscal Year

The Company has made it a basic policy of its capital policy to "achieve an optimal balance between financial soundness, shareholder returns, and capital efficiency," and regarding basic policy on returning profits to shareholders, the Company has decided to "distribute dividends based on stable and continuous shareholder returns, with a target consolidated dividend payout ratio of 30%."

Based on this shareholder return policy, the Company declared a year-end dividend of ¥40 per share for the fiscal year under review, as forecasted at the beginning of the fiscal year.

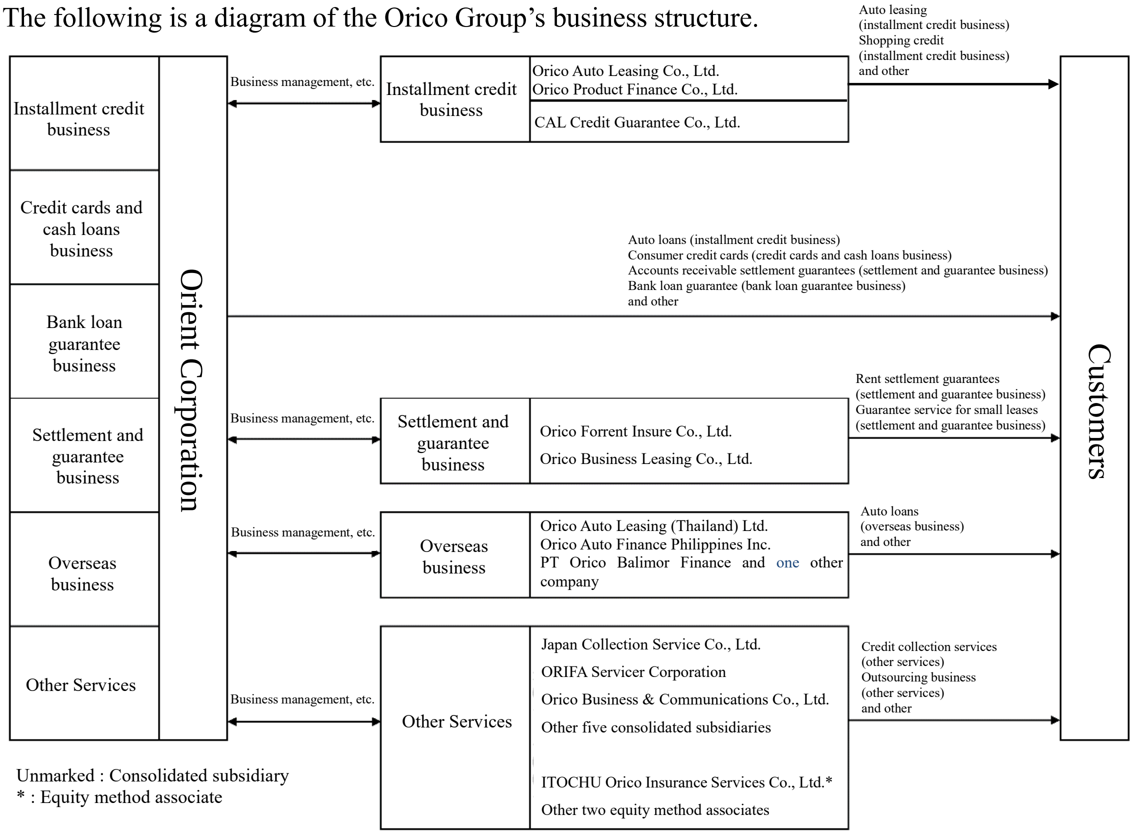
The Company plans to pay a year-end dividend of ¥40 per share for the next fiscal year.

2. Status of the Corporate Group

The Orico Group as a corporate group consists of the Company and its 20 affiliated companies (17 consolidated subsidiaries and three equity method associates).

The Orico Group's main businesses include the settlement and guarantee business, overseas business, credit cards and cash loans business, installment credit business, and bank loan guarantee business, and the Group also provides a wide range of other services to meet customer needs, including credit management and collection services.

The following is a diagram of the Orico Group's business structure.



3. Basic Approach to the Selection of Accounting Standards

Since most of the Group’s stakeholders are domestic shareholders, creditors and business partners, the Company has adopted Japanese GAAP for accounting standards.

It is the Company’s policy to appropriately respond to the application of International Financial Reporting Standards (IFRS) in light of domestic and international circumstances.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	219,845	479,360
Notes and accounts receivable - trade	302	333
Accounts receivable - installment	1,227,245	1,375,005
Beneficiary certificates retained for receivable securitization	588,763	709,470
Lease receivables and investments in leases	1,087	284,975
Short-term loans receivable	120,351	188
Other	91,967	126,227
Allowance for doubtful accounts	(121,090)	(133,860)
Total current assets	2,128,473	2,841,702
Non-current assets		
Property, plant and equipment		
Buildings and structures	55,204	53,573
Accumulated depreciation	(34,507)	(34,437)
Buildings and structures, net	20,697	19,135
Machinery, equipment and vehicles	189	285
Accumulated depreciation	(130)	(125)
Machinery, equipment and vehicles, net	58	159
Land	62,215	59,982
Leased assets	3,018	1,783
Accumulated depreciation	(2,030)	(994)
Leased assets, net	987	788
Construction in progress	823	1,064
Other	5,080	10,568
Accumulated depreciation	(3,406)	(5,669)
Other, net	1,673	4,898
Total property, plant and equipment	86,457	86,029
Intangible assets		
Goodwill	1,112	3,338
Other	96,679	90,445
Total intangible assets	97,791	93,784
Investments and other assets		
Investment securities	28,057	24,938
Long-term loans receivable	11,570	11,489
Long-term loans receivable from employees	11	10
Retirement benefit asset	12,433	21,223
Deferred tax assets	35,374	36,987
Other	13,101	30,806
Total investments and other assets	100,549	125,455
Total non-current assets	284,798	305,268
Deferred assets		
Bond issuance costs	676	672
Total deferred assets	676	672
Total assets	2,413,949	3,147,643

(Millions of yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	122,725	187,598
Short-term borrowings	126,165	509,609
Current portion of bonds payable	40,000	40,000
Current portion of long-term borrowings	371,625	389,926
Commercial papers	206,500	367,500
Lease liabilities	372	366
Income taxes payable	2,575	2,420
Deposits received	183,584	201,911
Provision for bonuses	4,053	4,317
Provision for bonuses for directors (and other officers)	122	129
Provision for point program	2,861	2,485
Provision for loss on guarantees	3,067	2,798
Deferred installment income	67,255	70,875
Other	22,340	32,468
Total current liabilities	1,153,249	1,812,406
Non-current liabilities		
Bonds payable	185,000	195,000
Long-term borrowings	808,218	856,164
Long-term debt for receivable securitization	11,570	11,489
Lease liabilities	748	602
Provision for retirement benefits for directors (and other officers)	32	24
Provision for share awards for directors (and other officers)	264	416
Provision for point program	3,444	3,390
Provision for loss on interest repayment	14,614	12,759
Retirement benefit liability	636	754
Other	6,394	8,951
Total non-current liabilities	1,030,924	1,089,553
Total liabilities	2,184,174	2,901,959
Net assets		
Shareholders’ equity		
Share capital	150,075	150,075
Capital surplus	932	932
Retained earnings	67,146	72,843
Treasury shares	(502)	(498)
Total shareholders’ equity	217,652	223,353
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,850	1,175
Deferred gains or losses on hedges	260	(179)
Foreign currency translation adjustment	700	1,110
Remeasurements of defined benefit plans	6,700	12,745
Total accumulated other comprehensive income	9,512	14,851
Share acquisition rights	8	8
Non-controlling interests	2,601	7,469
Total net assets	229,775	245,683
Total liabilities and net assets	2,413,949	3,147,643

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

(Consolidated Statement of Income)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Operating revenue		
Operating revenues	211,344	217,587
Financial revenue		
Interest and dividend income	462	214
Other financial revenue	2,295	1,465
Total financial revenue	2,758	1,679
Other operating revenue	13,591	9,787
Total operating revenue	227,693	229,054
Operating expenses		
Selling, general and administrative expenses	190,524	196,372
Financial expenses		
Interest expenses	9,583	13,294
Other financial expenses	947	942
Total financial expenses	10,530	14,236
Other operating expenses	3,567	2,326
Total operating expenses	204,623	212,935
Operating profit	23,070	16,118
Ordinary profit	23,070	16,118
Extraordinary income		
Gain on sale of investment securities	932	1,479
Gain on step acquisitions	–	3,045
Gain on return of assets from retirement benefits trust	–	141
Gain on liquidation of investment securities	–	107
Compensation for damages received	–	98
Total extraordinary income	932	4,871
Extraordinary losses		
Loss on sale of property, plant and equipment	16	4
Loss on retirement of property, plant and equipment	10	46
Loss on retirement of software	–	868
Impairment losses	–	1,179
Loss on valuation of investments in capital	–	511
Loss on valuation of investment securities	89	292
Loss on valuation of other investments	–	49
Total extraordinary losses	117	2,954
Profit before income taxes	23,885	18,036
Income taxes - current	3,968	3,719
Income taxes - deferred	704	1,764
Total income taxes	4,673	5,484
Profit	19,212	12,551
Profit (loss) attributable to non-controlling interests	177	(19)
Profit attributable to owners of parent	19,035	12,571

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Profit	19,212	12,551
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	(677)
Deferred gains or losses on hedges	477	(427)
Foreign currency translation adjustment	378	622
Remeasurements of defined benefit plans, net of tax	(1,823)	6,055
Share of other comprehensive income of entities accounted for using equity method	(0)	1
Total other comprehensive income	(970)	5,575
Comprehensive income	18,242	18,127
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	17,937	17,910
Comprehensive income attributable to non-controlling interests	304	216

(3) Consolidated Statement of Changes in Net Assets

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	150,069	926	53,267	(353)	203,909
Changes during period					
Issuance of new shares - exercise of share acquisition rights	6	6			12
Dividends of surplus			(5,156)		(5,156)
Profit attributable to owners of parent			19,035		19,035
Purchase of treasury shares				(210)	(210)
Disposal of treasury shares		(0)		62	62
Transfer from retained earnings to capital surplus		0	(0)		–
Net changes in items other than shareholders' equity					
Total changes during period	6	6	13,879	(148)	13,743
Balance at end of period	150,075	932	67,146	(502)	217,652

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumu-lated other compre-hensive income			
Balance at beginning of period	1,854	(193)	430	8,519	10,610	20	2,296	216,837
Changes during period								
Issuance of new shares - exercise of share acquisition rights								12
Dividends of surplus								(5,156)
Profit attributable to owners of parent								19,035
Purchase of treasury shares								(210)
Disposal of treasury shares								62
Transfer from retained earnings to capital surplus								–
Net changes in items other than shareholders' equity	(3)	453	270	(1,818)	(1,097)	(12)	304	(805)
Total changes during period	(3)	453	270	(1,818)	(1,097)	(12)	304	12,937
Balance at end of period	1,850	260	700	6,700	9,512	8	2,601	229,775

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	150,075	932	67,146	(502)	217,652
Changes during period					
Issuance of new shares - exercise of share acquisition rights	–	–			–
Dividends of surplus			(6,874)		(6,874)
Profit attributable to owners of parent			12,571		12,571
Purchase of treasury shares				(8)	(8)
Disposal of treasury shares		(0)		12	12
Transfer from retained earnings to capital surplus		0	(0)		–
Net changes in items other than shareholders' equity					
Total changes during period	–	–	5,696	4	5,701
Balance at end of period	150,075	932	72,843	(498)	223,353

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	1,850	260	700	6,700	9,512	8	2,601	229,775
Changes during period								
Issuance of new shares - exercise of share acquisition rights								–
Dividends of surplus								(6,874)
Profit attributable to owners of parent								12,571
Purchase of treasury shares								(8)
Disposal of treasury shares								12
Transfer from retained earnings to capital surplus								–
Net changes in items other than shareholders' equity	(675)	(440)	410	6,044	5,338	–	4,868	10,207
Total changes during period	(675)	(440)	410	6,044	5,338	–	4,868	15,908
Balance at end of period	1,175	(179)	1,110	12,745	14,851	8	7,469	245,683

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2023	Fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	23,885	18,036
Depreciation	26,550	21,895
Impairment losses	–	1,179
Loss on sales and retirement of property, plant and equipment and intangible assets	37	918
Increase (decrease) in allowance for doubtful accounts	(5,764)	3,340
Increase (decrease) in provision for loss on guarantees	(168)	(325)
Increase (decrease) in provision for bonuses	164	(168)
Increase (decrease) in provision for bonuses for directors (and other officers)	43	3
Increase (decrease) in provision for share awards for directors (and other officers)	97	164
Increase (decrease) in retirement benefit liability	(716)	(141)
Increase (decrease) in provision for loss on interest repayment	(1,532)	(1,854)
Interest and dividend income	(462)	(214)
Interest expenses	9,583	13,294
Loss (gain) on contribution of securities to retirement benefit trust	–	(141)
Compensation for damages received	–	(98)
Loss (gain) on step acquisitions	–	(3,045)
Gain on liquidation of investment securities	–	(107)
Decrease (increase) in trade receivables	(14,410)	(98,403)
Decrease (increase) in inventories	2,764	(1,689)
Increase (decrease) in trade payables	(11,089)	57,419
Increase (decrease) in deferred installment income	3,840	(14,256)
Decrease (increase) in other assets	7,234	(16,338)
Increase (decrease) in other liabilities	4,760	(6,088)
Other, net	(402)	(540)
Subtotal	44,417	(27,163)
Interest and dividends received	1,299	1,023
Interest paid	(9,084)	(13,258)
Compensation for damages received	–	98
Return of assets from retirement benefits trust	–	165
Income taxes paid	(4,430)	(4,331)
Net cash provided by (used in) operating activities	32,201	(43,465)
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	(13,135)	(13,664)
Proceeds from sale of property, plant and equipment and intangible assets	17	166
Purchase of investment securities	(9,997)	(6,707)
Proceeds from sale of investment securities	1,461	1,910
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(23,875)
Long-term loan advances	–	(4,600)
Proceeds from collection of long-term loans receivable	3,901	4,845
Purchase of long-term prepaid expenses	(1,126)	(1,145)
Other, net	(1,453)	(1,411)
Net cash provided by (used in) investing activities	(20,332)	(44,483)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	28,438	141,094
Net increase (decrease) in commercial papers	(70,800)	76,000
Proceeds from long-term borrowings	445,004	406,142
Repayments of long-term borrowings	(453,359)	(403,971)
Proceeds from issuance of bonds	19,897	49,757
Redemption of bonds	(40,000)	(40,000)
Proceeds from long-term debt receivable securitization	–	4,600
Repayments of long-term debt receivable securitization	(4,031)	(4,681)
Repayments of finance lease liabilities	(443)	(437)
Purchase of treasury shares	(210)	(8)

Dividends paid	(5,171)	(6,868)
Other, net	0	0
Net cash provided by (used in) financing activities	(80,676)	221,627
Effect of exchange rate change on cash and cash equivalents	464	473
Net increase (decrease) in cash and cash equivalents	(68,342)	134,152
Cash and cash equivalents at beginning of period	408,187	339,844
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	5,364
Cash and cash equivalents at end of period	339,844	479,360

Notes

(Notes on Premise of Going Concern)

Not applicable.

(Basis of Preparation of Consolidated Financial Statements)

1. Scope of consolidation

    (1) Number of consolidated subsidiaries: 17

    Names of main consolidated subsidiaries:

    Orico Business & Communications Co., Ltd.
    Japan Collection Service Co., Ltd.
    ORIFA Servicer Corporation
    CAL Credit Guarantee Co., Ltd.
    Orico Auto Leasing Co., Ltd.
    Orico Business Leasing Co., Ltd.
    Orico Auto Leasing (Thailand) Ltd.
    Orico Forrent Insure Co., Ltd.
    Orico Auto Finance Philippines Inc.
    PT Orico Balimor Finance
    Orico Product Finance Co., Ltd.
    Six other companies

    Changes: (Newly included) Three companies

    Of the above, Orico Auto Leasing Co., Ltd. and Orico Business Leasing Co., Ltd., which were previously equity method associates, were included in the scope of consolidation from the fiscal year under review because the ratio of voting rights in these companies increased due to the acquisition of treasury shares.

    AEON Product Finance Co., Ltd. changed its name to Orico Product Finance Co., Ltd. on March 25, 2024 (acquired shares of AEON Product Finance Co., Ltd.) and the company has been included in the scope of consolidation as of the fiscal year under review.

    (2) Non-consolidated subsidiaries

    Not applicable.

2. Application of equity method

    (1) Non-consolidated subsidiaries accounted for using equity method

    Not applicable.

    (2) Number of associates accounted for using equity method: 3

    Names of main associates accounted for using equity method:

    ITOCHU Orico Insurance Services Co., Ltd.
    Two other companies

    Changes: (Excluded) Two companies

    Orico Auto Leasing Co., Ltd. and Orico Business Leasing Co., Ltd. were excluded from the scope of application of the equity method because the ratio of voting rights in these companies increased due to the acquisition of treasury shares.

    (3) All associates accounted for using equity method have the same fiscal year-end date as that for the consolidation.

3. Fiscal year of consolidated subsidiaries

   Two consolidated subsidiaries have a different fiscal year-end date (the end of December and the end of February), and adjustments necessary for consolidation have been made.

   Other consolidated subsidiaries have the same fiscal year-end date as that for the consolidation.

4. Accounting policies

   (1) Valuation basis and methods for significant assets

   1) Securities
      - Available-for-sale securities
        Securities other than securities without market values:
        Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving average method)
        Securities without market values: Stated at cost determined by the moving average method

   2) Derivatives Hedge accounting is applied to all derivative transactions.

   (2) Depreciation and amortization methods for significant depreciable assets

   1) Property, plant and equipment (excluding leased assets)
      - Buildings and structures: Straight-line method
        (Note that certain facilities attached to buildings and structures acquired on or before March 31, 2016 are depreciated using the declining-balance method.)
      - Property, plant and equipment other than buildings and structures: Declining-balance method

   2) Intangible assets
      - Software: Straight-line method (period of internal use by the Company: 5 to 15 years)

   3) Leased assets
      - Finance leases that do not transfer ownership: Straight-line method

   (3) Accounting for deferred assets

   Bond issuance costs is amortized by the straight-line method over the maturity period.

   (4) Accounting policy for significant provisions

   1) Allowance for doubtful accounts

      To prepare for loss from bad debts on accounts receivable - installment and other accounts, the Company records an allowance for doubtful accounts at the amount expected to be uncollectable taking into account the collectability, using expected loss ratios based on a statistical technique in the light of historical bad debts for normal receivables and receivables that require special management (receivables that are three months or more overdue), and on an individual basis for specific receivables.

   2) Provision for bonuses

      To prepare for payment of bonuses to employees, the amount expected to be paid is recorded.

   3) Provision for bonuses for directors (and other officers)

      To prepare for of bonuses to directors (excluding outside directors) and executive officers (collectively, the “Directors, etc.”), the Company records the amount expected to be paid.

   4) Provision for point program

      To prepare for expenses arising from the use of points granted to credit cardholders and credit card customers, the Company records the amount estimated to be used in the future at the end of the current fiscal year.

5) Provision for loss on guarantees

To prepare for loss related to debt guarantee, etc., the Company records provision for loss on guarantees at the expected loss amount, using expected loss ratios based on a statistical technique in the light of historical loss experience.

6) Provision for retirement benefits for directors (and other officers)

To prepare for payment of retirement benefits to directors and corporate auditors in consolidated subsidiaries, the amount expected to be required to pay, in accordance with the rules, if all eligible directors and corporate auditors retired at the end of the current fiscal year, is recorded.

7) Provision for share awards for directors (and other officers)

To prepare for share-based payment to Directors, etc., the Company records the expected amount of obligations at the end of the current fiscal year.

8) Provision for loss on interest repayment

To prepare for claims for repayment of interest in excess of the maximum interest rate under the Interest Rate Restriction Act, the Company records the estimated amount of claims for repayment at the end of the current fiscal year, taking into consideration the actual repayments in the past and the recent status of repayments.

(5) Accounting methods for retirement benefits

1) Method of attributing expected retirement benefits to periods

In determining retirement benefit obligations, the benefit formula basis is used for the method of attributing expected retirement benefits to periods up to the end of the current fiscal year.

2) Accounting treatment for actuarial gains and losses and past service costs

Past service costs of the Company are recognized in profit or loss by the straight-line method over a certain period (13 years), which is within the average remaining years of service of the employees. Actuarial gains and losses are recognized in profit or loss by the straight-line method over certain periods (13 years for the Company and five years for a consolidated subsidiary), which are within the average remaining years of service of the employees, commencing from the following fiscal year.

(6) Accounting policy for revenue

The Group’s main businesses include the settlement and guarantee business, overseas business, credit cards and cash loans business, installment credit business, and bank loan guarantee business, and we recognize revenues from membership fees received from users such as those of auto loans and card shopping through the sum-of-the-months digits method and the declining-balance method. In addition, the Group recognizes revenues from lease transactions in accordance with the lease accounting standard.

In addition, revenue for merchant fees and credit card annual membership fees is recognized at the amount expected to be received in exchange for the service, since the performance obligations are deemed to have been fulfilled when control of the service is transferred to the customer, based on accounting standards for revenue recognition.

Major revenues are recorded by the following method.

1) Membership fees

Business revenues are recorded using the following methods when the monthly installments become due in principle.

Settlement and guarantee	Sum-of-the-months' digits method and declining-balance method
Overseas	Declining-balance method
Credit cards and cash loans	Sum-of-the-months' digits method and declining-balance method
Installment credit	Sum-of-the-months' digits method and declining-balance method
Bank loan guarantee	Declining-balance method

Note: The following is a summary of the revenue recording methods.

Sum-of-the-months' digits method:	The total amount of commissions is divided proportionately by the sum of the months' digits, which is recorded as revenue when the monthly installment becomes due.
Declining-balance method:	Commission is calculated by multiplying the principal balance by a flat percentage, which is recorded as revenue when the monthly installment becomes due.

2) Merchant fees

The amount is recorded at the time of fulfillment of the contract for replacement payment with the member merchants.

3) Credit card annual membership fees

The amount is recorded as revenue over the period the service is provided pursuant to Credit card membership agreement.

4) Income related to finance lease transactions

The amount is recorded as revenue by allocating the amount equivalent to interest income to each period.

(7) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Asset and liability items of foreign consolidated subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average rate of exchange in effect during the year. Differences arising from the translation are presented as foreign currency translation adjustments and non-controlling interests under net assets section.

(8) Method of significant hedge accounting

1) Method of hedge accounting

Deferred hedge accounting is adopted.

The special treatment is applied to the interest rate swaps that meet certain criteria.

2) Hedging instruments and hedged items

Hedging instruments:	Derivative transactions (Interest rate swap transactions and interest option transactions, currency swap transactions)
Hedged items:	Fluctuations in interest rates on borrowings and currency exchange (Factors that cause cash flows to fluctuate due to changes in market interest rates, etc. and foreign exchange rates)

3) Hedging policy

Each hedge transaction is conducted in order to avoid interest rate and exchange rate fluctuation risks in future.

4) Method of assessing hedge effectiveness

The Company assesses the effectiveness of its hedging activities by seeking the correlation of the fluctuation ranges of the benchmark interest rate and exchange rate between the hedging instruments and the related hedged items.

5) Risk management system

The Company established internal rules for derivative transactions which were determined by the President and Director or Board of Directors and defined the policies for initiatives concerning these transactions, standards of treatment, management method and reporting structure.

The execution of derivative transactions is to be approved by the President and Director or the Board of Directors, and the execution and management will be mutually checked.

(9) Amortization method and amortization period of goodwill

Goodwill is amortized by the straight-line method over 20 years or less.

(10) Scope of funds in the consolidated statement of cash flows

Funds consist of cash on hand, deposits that can be withdrawn on demand and short-term investments with maturities of three months or less at the time of acquisition that are readily convertible into cash and are exposed to only an insignificant risk of fluctuations in value.

(Changes in Accounting Policies)

(Application of Accounting for and Disclosure of the issuance and holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.)

The Company has applied the “Accounting for and Disclosure of the issuance and holding of Electronically Recorded Transferable Rights That Must Be Indicated on Securities, etc.” (ASBJ Practical Solution No. 43, August 26, 2022) from the fiscal year ended March 31, 2024.

This change has no impact on the consolidated financial statements.

(Changes in accounting treatment for accounts receivable - installment sales - credit guarantee and accounts payable - credit guarantee)

The Company’s credit guarantee transactions consist of “guarantees of obligation only” and “guarantees for collection of receivables” in addition to obligation guarantees. Of these, in accordance with industry practices, the balance of “guarantees for collection of receivables” was presented as “Accounts receivable - installment sales - credit guarantee” and “Accounts payable - credit guarantee” on the consolidated balance sheet. However, as a result of reexamination of consolidation of a group accounting policy by taking the opportunity to make Orico Product Finance Co., Ltd. (former AEON Product Finance Co., Ltd.) a consolidated subsidiary in the fourth quarter ended March 31, 2024, “guarantees for collection of receivables” are no longer recorded on the consolidated balance sheet but are noted as contingent liabilities from the fiscal year ended March 31, 2024.

The reason for this change is because, under the circumstances that the Group has been making progress in its overseas business and new business initiatives to make a progressive departure from the conventional credit sales model and that our stakeholders have been diversifying, we have determined that we can provide more useful information about our financial position to various users of financial statements in Japan and overseas by facilitating comparison of financial statements with those of other companies by changing to the method where the transactions are no longer recorded on the consolidated balance sheet but are noted as contingent liabilities.

The change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous fiscal year have been prepared on a retrospective basis. As a result, total assets and total liabilities for the previous fiscal year decreased by ¥1,257,772 million, respectively, compared with those before retrospective application, and the corresponding allowance for doubtful accounts of ¥1,693 million was transferred to provision for loss on guarantees and the corresponding provision of allowance for doubtful accounts of ¥(97) million was transferred to provision for loss on guarantees.

There is no effect from this change on the per share information for the previous fiscal year and no cumulative effect on the net assets at the beginning of the previous fiscal year.

(Accounting Policies and Procedures Adopted in Cases Where the Relevant Provisions Set Forth in Accounting Standards and Other Regulations Are Not Clear)

The following are the major items that the Group has accounted for in accordance with accounting principles and procedures that are regarded as industry practices.

・ Presentation method of the consolidated statement of income

The breakdown of operating revenues is presented as “Operating revenues” and “Financial revenues,” which are the revenues of our main businesses. In addition, the breakdown of operating expenses is presented as “Selling, general and administrative expenses” and “Financial expenses.”

・ Method of recording operating revenue

As described in "4. Accounting policies (6) Accounting policy for revenue," in principle, the Company recognizes revenue by business segment on a due date basis.

(Changes in Presentation)

1. Notes to Consolidated Balance Sheet

“Lease receivables and investments in leases,” which was included in “Other” under “Current assets” in the previous fiscal year, has been presented separately from the fiscal year ended March 31, 2024, since the significance of the monetary amount has increased. To reflect this change in presentation, the consolidated balance sheet for the previous fiscal year have been reclassified.

As a result, ¥93,054 million presented as “Other” under “Current assets” has been reclassified as ¥1,087 million of “Lease receivables and investments in leases” and ¥91,967 million of “Other” in the consolidated balance sheet for the previous fiscal year.

2. Notes to Consolidated Statement of Income

Operating revenue that was previously presented as “Consumer finance revenue” and “Other operating revenue” which is mainly income from subsidiaries, in the consolidated statement of income is now presented only as “Operating revenues” commencing from the fiscal year ended March 31, 2024.

As we aim to make a progressive departure from the conventional credit sales model, by enhancing consolidated management, the proportion of subsidiary revenue in the consolidated financial statement has increased, and also the subsidiary revenue which should be included in “Consumer finance revenue” increased as well. Furthermore, from the perspective of comparability with other companies in the same industry, we determined that changing the presentation to “Operating revenues” commencing from the fiscal year ended March 31, 2024 contributes to more useful information disclosure for users of financial statements.

The amount of “Operating revenues” for the fiscal year ended March 31, 2023 is as presented in the consolidated statement of income.

3. Changes of note method of operating revenues

Operating revenue was previously presented as “Consumer finance revenue” and “Other operating revenue” in the consolidated statement of income, but due to the change to present them as “Operating revenues,” “Breakdown of consumer finance revenue,” which was noted in the “Notes to Consolidated Statement of Income,” has been changed to “Breakdown of operating revenues” commencing from the fiscal year ended March 31, 2024.

To reflect this change in presentation, “Other” of ¥1,807 million in Consumer finance revenue and “Other operating revenue” of ¥6,562 million in Operating revenues, which were presented in the “Notes to Consolidated Statement of Income” for the previous fiscal year, have been reclassified as “Other” of ¥8,370 million in Operating revenues.

(Notes to Consolidated Balance Sheet)

1. “Beneficiary certificates retained for receivable securitization” represents the beneficial interests in trust and other receivables held in association with securitization of accounts receivable - installment.

2. “Long-term debt for receivable securitization” is debt resulting from securitization of accounts receivable - installment.

3. Contingent liabilities

Guarantee obligations

(Unit: Millions of yen)

	(Previous fiscal year)	(Current fiscal year)
Guarantee of loans, etc. to customers by affiliated financial institutions	2,440,184	2,180,575

Note: As described in “Changes in Accounting Policies,” effective from the current fiscal year, “guarantees for collection of receivables” are no longer recorded on the consolidated balance sheet but are noted as contingent liabilities. This change was applied retrospectively, and the figures for the previous fiscal year are presented after retrospective application.

(Notes to Consolidated Statement of Income)

1. Breakdown of operating revenues

(Unit: Millions of yen)

	(Previous fiscal year)	(Current fiscal year)
Settlement and guarantee	19,813	22,003
Overseas	10,907	14,355
Credit cards and cash loans	70,486	71,344
Installment credit	69,625	68,556
Bank loan guarantee	32,141	33,514
Other	8,370	7,812

* Revenues from each business include the following revenues from the securitization of accounts receivable - installment.

(Unit: Millions of yen)

	(Previous fiscal year)	(Current fiscal year)
Credit cards and cash loans	27,582	27,342
Installment credit	44,056	44,086
Other	98	224
Total	71,737	71,653

2. Breakdown of selling, general and administrative expenses

(Unit: Millions of yen)

	(Previous fiscal year)	(Current fiscal year)
Provision of allowance for doubtful accounts	39,326	48,881
Employees' salaries and allowances	29,037	29,473
Retirement benefit expenses	(212)	592
Provision for bonuses	4,052	3,886
Provision for bonuses for directors (and other officers)	122	125
Provision for share awards for directors (and other officers)	112	168
Provision for point program	4,294	3,199
Provision for loss on guarantees	(168)	220
Provision for loss on interest repayment	7,248	5,811
Office expenses related to computing figures	43,845	41,323

Note: As described in "Changes in Accounting Policies," effective from the current fiscal year, "guarantees for collection of receivables" are no longer recorded on the consolidated balance sheet but are noted as contingent liabilities, and the corresponding allowance for doubtful accounts is recorded as provision for loss on guarantees. Figures for provision of allowance for doubtful accounts and provision for loss on guarantees for the previous fiscal year are presented after retrospective application.

3. Impairment losses

In the current fiscal year, the Company has grouped the idle assets individually and recognized impairment losses on the following idle assets.

(Location)	(Use)	(Type)
Osaka and other (total 3 assets)	Idle assets	Buildings and land

In the current consolidated fiscal year, for the company owned apartments which were not expected to be used in the future and determined as idle assets, the Company reduced the book value to its recoverable amount, and posted the reduced amount as impairment loss (¥1,179 million) under extraordinary losses.

The impairment loss consists of ¥361 million for buildings and ¥818 million for land.

The recoverable amount of the group is the net selling price, which is calculated by deducting the estimated cost of disposal from the market value.

(Notes to Consolidated Statement of Changes in Net Assets)

Fiscal year ended March 31, 2023

1. Classes and total numbers of issued shares and classes and numbers of treasury shares

(Thousands of shares)

	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Issued shares				
Common stock (Notes 2 and 3)	1,718,747	76	1,546,941	171,882
Total	1,718,747	76	1,546,941	171,882
Treasury shares				
Common stock (Notes 4, 5, and 6)	2,303	176	2,115	364
Total	2,303	176	2,115	364

Notes: 1. The Company implemented a consolidation of shares of its common stock at a rate of one share for every ten shares on October 1, 2022.

2. The total number of issued shares of common stock increased by 76 thousand since shares of common stock were delivered upon exercise of share acquisition rights (share options).

3. The total number of issued shares decreased by 1,546,941 thousand due to the consolidation of shares.

4. The number of treasury shares increased by 176 thousand shares due to the acquisition of the Company's shares by the Company's Board Benefit Trust (BBT) (164 thousand shares after the consolidation of shares) and the purchase of shares less than one unit (0 shares before and 10 thousand shares after the consolidation).
5. The number of treasury shares decreased by 2,115 thousand due to a consolidation of shares (1,698 thousand shares), the grant of the Company's shares (417 thousand shares before the consolidation) by the Company's Board Benefit Trust (BBT) and the additional purchase of shares less than one unit (0 thousand shares after the consolidation).
6. The number of treasury shares at the end of the fiscal year includes the Company's shares owned by the Company's Board Benefit Trust (BBT) (351 thousand shares).

2. Share acquisition rights

Company	Description of share acquisition rights	Class of stock underlying share acquisition rights	Number of shares underlying share acquisition rights				Balance at the end of the fiscal year (millions of yen)
			Beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	End of the fiscal year	
Filing company (parent company)	Share acquisition rights as share options	–	–	–	–	–	8

3. Dividends

(1) Dividends paid

Resolution	Class of stock	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 24, 2022	Common stock	Retained earnings	5,156	3.00	March 31, 2022	June 27, 2022

Notes: 1. Total dividends by the resolution at the annual general meeting of shareholders held on June 24, 2022 include dividends on the Company's shares held by the Company's Board Benefit Trust (BBT) of ¥6 million.
2. The Company implemented a consolidation of shares of its common stock at a rate of one share for every ten shares on October 1, 2022. The dividend per share shows the amount before the consolidation of shares.

(2) Dividends with the record date in the fiscal year and the effective date in the following fiscal year

Resolution	Class of stock	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 27, 2023	Common stock	Retained earnings	6,874	40.00	March 31, 2023	June 28, 2023

Note: Total dividends by the resolution at the annual general meeting of shareholders held on June 27, 2023 include dividends on the Company's shares held by the Company's Board Benefit Trust (BBT) of ¥14 million.

Fiscal year ended March 31, 2024

1. Classes and total numbers of issued shares and classes and numbers of treasury shares

(Thousands of shares)

	Number of shares at the beginning of the fiscal year	Number of shares increased in the fiscal year	Number of shares decreased in the fiscal year	Number of shares at the end of the fiscal year
Issued shares				
Common stock	171,882	–	–	171,882
Total	171,882	–	–	171,882
Treasury shares				
Common stock (Notes 1 and 2)	364	8	9	362
Total	364	8	9	362

Notes: 1. The number of treasury shares increased by 8 thousand due to the purchase of shares less than one unit and decreased by 9 thousand due to benefit of Company's shares through the Company's Board Benefit Trust (BBT) (9 thousand shares) and the additional purchase of shares less than one unit(0 thousand share).
2. The number of treasury shares at the end of the fiscal year includes the Company's shares owned by the Company's Board Benefit Trust (BBT) (341 thousand shares).

2. Share acquisition rights

Company	Description of share acquisition rights	Class of stock underlying share acquisition rights	Number of shares underlying share acquisition rights				Balance at the end of the fiscal year (millions of yen)
			Beginning of the fiscal year	Increase in the fiscal year	Decrease in the fiscal year	End of the fiscal year	
Filing company (parent company)	Share acquisition rights as share options	–	–	–	–	–	8

3. Dividends

(1) Dividends paid

Resolution	Class of stock	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 27, 2023	Common stock	Retained earnings	6,874	40.00	March 31, 2023	June 28, 2023

Note: Total dividends by the resolution at the annual general meeting of shareholders held on June 27, 2023 include dividends on the Company's shares held by the Company's Board Benefit Trust (BBT) of ¥14 million.

(2) Dividends with the record date in the fiscal year and the effective date in the following fiscal year

Resolution (planned)	Class of stock	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Annual general meeting of shareholders on June 25, 2024	Common stock	Retained earnings	6,874	40.00	March 31, 2024	June 26, 2024

Note: Total dividends by the resolution at the annual general meeting of shareholders held on June 25, 2024 include dividends on the Company's shares held by the Company's Board Benefit Trust (BBT) of ¥13 million.

(Notes to Consolidated Statement of Cash Flows)

Reconciliations between cash and cash equivalents at the end of the period and amounts of the accounts recorded in the consolidated balance sheet

(Unit: Millions of yen)

	(Previous fiscal year)	(Current fiscal year)
Cash and deposits	219,845	479,360
Short-term loans receivable	119,999	–
Cash and cash equivalents	339,844	479,360

(Business Combinations)

(Acquisition of treasury shares by the equity method associates)

At the Board of Director's meeting held on July 28, 2023, we decided to sign a Memorandum of Understanding with Tokyo Century Corporation (hereinafter, "TC"), to make Orico Auto Leasing Co., Ltd. (hereinafter, "OAL") and Orico Business Leasing Co., Ltd. (hereinafter, "OBL"), which are subsidiaries of TC, subsidiaries of the Company. The Company concluded an agreement regarding acquisition of treasury shares on August 25, 2023, and OAL and OBL became consolidated subsidiaries of the Company as of September 29, 2023, transitioning from equity method associates of the Company.

1. Overview of the business combination

(1) Name and business of the acquired company

(i)	Name of the acquired company	Orico Auto Leasing Co., Ltd.
	Business of the acquired company	Auto leasing
(ii)	Name of the acquired company	Orico Business Leasing Co., Ltd.
	Business of the acquired company	General leasing

(2) Main reason of the business combination

The Company and TC established OAL and OBL in 2008 and 2015 respectively, as a joint venture to meet the demand of lease in the retail market. The Company was responsible for sales, examination and guarantee, and TC provided the know-how of lease business. By utilizing our expertise, the business of OAL and OBL grew steadily from the beginning.

We put "Sustainability," which aim to realize both social and corporate value in a long-term perspective, at the center of management. In the Medium-Term Management Plan, which started from fiscal year 2023, we aim to make a progressive departure from the conventional credit sales model, and be a financial group in a new era that creates the value from the customer's perspective.

As shift from ownership to services is expected to accelerate, leasing business is an important area that needs to be strengthened, in order to realize the establishment of market-in sales which we promote in the Medium-Term Management Plan. Furthermore, from the decarbonization perspective, EV and charging facility market is expected to expand. That will increase the demand for lease, and the lease business will be more important.

In light of these circumstances, the needs of the Company and TC, which is to further strengthen the lease business to meet new customer needs, were met, and reached to the agreement.

Going forward, by taking the initiative we will further strengthen the collaboration with the Company and other group companies, and provide high value service and solutions without being bound to the existing business.

(3) Date of the business combination

September 29, 2023 (Deemed acquisition date: September 30, 2023)

(4) Legal form of the business combination

Acquisition of treasury shares by an equity method associate

(5) Company name after the business combination

There will be no change to the company names.

(6) Percentage of voting rights acquired

(i)	OAL	Percentage of voting rights held before the business combination	50%
		Percentage of voting rights after the acquisition	66%
(ii)	OBL	Percentage of voting rights held before the business combination	50%
		Percentage of voting rights after the acquisition	80%

(7) Main reason for determining the acquiring company

The Company will be the acquiring company by holding the majority of the voting rights of the acquired company.

2. Period of results of the acquired company included in the consolidated financial statements

From October 1, 2023 to March 31, 2024

Since OAL and OBL were equity method associates of the Company, the portion of their results attributable to the Company for the period from April 1, 2023 to September 30, 2023, was recorded as share of profit (loss) of entities accounted for using equity method.

3. Acquisition cost of the acquired company and breakdown by type of consideration

(i) OAL

Market value of shares held immediately before the date of business combination on the date of business combination	¥10,062 million
Acquisition cost	¥10,062 million

(ii) OBL

Market value of shares held immediately before the date of business combination on the date of business combination	¥1,559 million
Acquisition cost	¥1,559 million

4. Breakdown and amount of major acquisition-related expenses

Due diligence costs ¥8 million

5. Difference between the acquisition cost of the acquired company and the total acquisition cost for each transaction that led to the acquisition

(i)	OAL	¥2,766 million
(ii)	OBL	¥278 million

6. Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

(1) Amount of goodwill incurred

(i)	OAL	¥1,422 million
(ii)	OBL	¥809 million

(2) Reason for incurrence

Goodwill arose because the acquisition costs of acquired companies exceeded the business combination date fair value of their net assets.

(3) Amortization method and amortization period

Straight-line amortization over 7 years.

7. Amounts of assets received and liabilities assumed on the date of business combination and their breakdown

(i) OAL

Current assets	¥237,466 million
Non-current assets	¥20,915 million
Total assets	¥258,381 million
Current liabilities	¥218,645 million
Non-current liabilities	¥26,632 million
Total liabilities	¥245,277 million

(ii) OBL

Current assets	¥77,778 million
Non-current assets	¥235 million
Total assets	¥78,014 million
Current liabilities	¥77,076 million
Total liabilities	¥77,076 million

8. Estimated amount and calculation method of the effect of the business combination on the consolidated statement of income for the fiscal year under review as if the business combination had been completed at the beginning of the fiscal year

The information is omitted as it is insignificant.

(Business combination through acquisition)

The Company has been advancing to a more concrete stage in its plans for a business alliance (hereinafter, the “Business Alliance”) with AEON Financial Service Co., Ltd. (hereinafter, “AEON Financial Service”). As part of the Business Alliance, the Company resolved at the Board of Director’s meeting held on January 11, 2024 to acquire all shares of AEON Product Finance Co., Ltd. (hereinafter, the “Subject Company”), which is a wholly owned subsidiary of AEON Financial Service, making the Subject Company a wholly owned subsidiary (hereinafter, the “Share Acquisition”).

1. Overview of the business combination

(1) Name and business of the acquired company

Name of the acquired company	AEON Product Finance Co., Ltd.
Business of the acquired company	Credit guarantee, credit service, guarantee services, debt purchase, collection and payment agency

(2) Main reason of the business combination

Based on the Medium-Term Management Plan, which ends in the fiscal year ending March 31, 2025, we are focusing our efforts on various strategies for sustainable growth.

Under these circumstances, in our plans for the Business Alliance with AEON Financial Service, we have considered a wide range of areas, including installment credit business, credit cards business for members, business-to-business settlement guarantee business, loan and finance business, overseas business, real estate-related business, and sustainability initiatives, with the aim of providing new value to customers and stakeholders of both companies through collaboration involving affiliated companies of both companies.

As part of this transaction, we have agreed to acquire all shares of the Subject Company from AEON Financial Service and to enter into a share transfer agreement.

The Subject Company was established in 1959 and has been engaged in the installment credit business for many years, mainly auto loans, and it has a strong network of member merchants and a broad product lineup. By making the Subject Company a wholly owned subsidiary, the Company will further strengthen the business base of its installment credit business, which is already one of the best in the industry, to increase its competitive advantage in this business. Additionally, the Company will further strengthen the earnings base of the entire Group by pursuing synergies with other businesses.

Going forward, the Company will continue to advance plans for the Business Alliance with AEON Financial Service by considering areas other than the installment credit business. By doing so, the Company will further enhance its corporate value by creating new value from the customer's perspective and by continuing to contribute to society.

(3) Date of the business combination

March 25, 2024 (Deemed acquisition date: February 29, 2024)

(4) Legal form of the business combination

Acquisition of shares

(5) Company name after the business combination

Orico Product Finance Co., Ltd.

(6) Percentage of voting rights acquired

100%

(7) Main reason for determining the acquiring company

The Company acquires shares for cash-based consideration.

2. Period of results of the acquired company included in the consolidated financial statements

   Since only the balance sheet is consolidated for the fiscal year ended March 31, 2024, the results of the acquired company are not included in the consolidated financial statements.

3. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for the acquisition	Cash	¥5,000 million
Acquisition cost		¥5,000 million

   As a result of adjusting the amount of surplus dividend to AEON Financial Service and other items based on the price adjustment clause stipulated in the share transfer agreement, the consideration for the acquisition was ¥5,000 million instead of the original ¥25,000 million.

4. Breakdown and amount of major acquisition-related expenses

   Fees and commissions for advisory services ¥375 million

5. Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

   (1) Amount of goodwill incurred

   ¥401 million

   The amount of goodwill is tentatively calculated as the allocation of the acquisition cost was not completed as of the end of the current fiscal year.

   (2) Reason for incurrence

   Goodwill arose because the acquisition costs of acquired companies exceeded the business combination date fair value of their net assets.

   (3) Amortization method and amortization period

   The goodwill will be amortized on a straight-line basis over a period of time for which the investments' effect lasts. The Company is currently in the process of determining the amortization period.

6. Amounts of assets received and liabilities assumed on the date of business combination and their breakdown

Current assets	¥293,334 million
Non-current assets	¥5,871 million
Total assets	¥299,206 million
Current liabilities	¥294,513 million
Non-current liabilities	¥94 million
Total liabilities	¥294,607 million

7. Allocation of acquisition cost

   As of the end of the fiscal year under review, the identification of identifiable assets and liabilities and the calculation of market value as of the date of the business combination were not yet completed, and the allocation of acquisition costs was not yet completed; therefore, provisional accounting procedures were applied based on reasonable information available at that time.

8. Estimated amount and calculation method of the effect of the business combination on the consolidated statement of income for the fiscal year under review as if the business combination had been completed at the beginning of the fiscal year

Operating revenue	¥15,929 million
Operating profit	¥1,014 million
Ordinary profit	¥1,014 million
Profit before income taxes	¥991 million
Profit attributable to owners of parent	¥703 million

(Method of calculation of estimated amount)

The difference between the operating revenue and profit and loss information calculated as if the business combination had been completed at the beginning of the fiscal year, and the operating revenue and profit and loss information in the consolidated statement of income of the acquiring company is the estimated amount of the effect.

The amortization period of goodwill is still under consideration and the allocation of the acquisition cost is not yet completed. Therefore, the impact of the amortization of goodwill and the valuation difference is not reflected.

A certification of audit has not been received for this note.

(Segment Information, Etc.)

1. Overview of reportable segments

The reportable segments of the Company are components for which separate financial information is available and whose operating results are regularly reviewed by the Board of Directors to assess their business performance and make decisions about resources allocation.

The Company consists of the five reportable segments of "settlement and guarantee," "overseas," "credit cards and cash loans," "installment credit," and "bank loan guarantee."

The brief overview of the businesses is as follows:

(1) Settlement and guarantee:	Rent settlement guarantee and accounts receivable, guarantee service for small leases, and collection agent service
(2) Overseas:	Auto loans
(3) Credit cards and cash loans:	Credit card shopping, cash advances, and consumer loans service
(4) Installment credit:	Auto loans, auto leasing and shopping credit
(5) Bank loan guarantee:	Guarantee service for personal loans provided by affiliated financial institutions

2. Calculation method for the amounts of sales, profit, assets, liabilities and other items for each reportable segment

Accounting methods for reported business segments are the same as those described in "Basis of Preparation of Consolidated Financial Statements." Inter-segment sales or transfers are based on the prevailing market prices.

3. Information on the amounts of sales, profit, assets, liabilities and other items for each reportable segment and disaggregation of revenue

(Unit: Millions of yen)

	Reportable segments						Other (Note 1)	Total
	Settlement and guarantee	Overseas	Credit cards and cash loans	Installment credit	Bank loan guarantee	Total		
Operating revenue								
Revenues from contracts with customers	4,842	–	40,616	4,734	58	50,251	2,582	52,833
Other revenues	17,160	14,355	30,727	63,822	33,456	159,523	5,240	164,753
Operating revenue from external customers	22,003	14,355	71,344	68,556	33,514	209,774	7,812	217,587
Inter-segment sales or transfers	0	–	0	1	–	2	4,423	4,425
Total	22,003	14,355	71,344	68,558	33,514	209,776	12,236	222,013
Segment profit	10,234	(6,272)	59,354	49,349	19,858	132,525	2,465	134,991
Segment assets (Note 2)	138,447	167,744	595,544	4,233,483	1,216,902	6,352,121	79,154	6,431,275

Notes: 1. "Other" represents business segments that are not included in the reportable segments and includes a servicer business.

2. Segment assets include the balance of receivables that have been securitized and guarantee obligations that are not recorded in the consolidated balance sheet.

4. Difference between the total amount of reportable segments and the amount recorded in the consolidated financial statements, and the main details of such difference

(Matters concerning difference adjustment)

(Unit: Millions of yen)

Operating revenue	Amount
Total reportable segments	209,776
Other business segments	12,236
Corporate revenues	11,466
Inter-segment eliminations	(4,425)
Operating revenue on the consolidated financial statements	229,054

(Unit: Millions of yen)

Profit	Amount
Total reportable segments	132,525
Other business segments	2,465
Corporate expenses (Note)	(115,131)
Other	(3,741)
Operating profit on the consolidated financial statements	16,118

Note: Corporate expenses represent mainly selling, general and administrative expenses excluding provision of allowance for doubtful accounts and provision for loss on guarantees.

(Unit: Millions of yen)

Assets	Amount
Total reportable segments	6,352,121
Other business segments	79,154
Corporate assets	1,278,237
Securitized accounts receivable - installment	(2,180,575)
Guarantee obligations not recorded in the consolidated balance sheet	(2,538,692)
Other	(2,845)
Total assets on the consolidated financial statements	3,147,643

(Per Share Information)

Net assets per share	¥1,388.79
Basic earnings per share	¥73.30
Diluted earnings per share	¥73.29

Notes: 1. Net assets per share is calculated based on the following formula:

$$\text{Net assets per share} = \frac{\text{Total amount of net assets - Share acquisition rights - Non-controlling interests}}{\text{Number of shares of common stock issued and outstanding at the end of the period - Number of treasury shares of common stock at the end of the period}}$$

2. The bases for calculating basic earnings per share and diluted earnings per share are as follows:

Basic earnings per share

Profit attributable to owners of parent	¥12,571 million
Profit attributable to owners of parent related to common stock	¥12,571 million
Average number of outstanding shares of common stock during the period	171,520 thousand shares

Diluted earnings per share

Profit adjustment attributable to owners of parent	–
Increase in shares of common stock	5 thousand shares
(Of which: share acquisition rights)	5 thousand shares

Summary of dilutive shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects

Not applicable.

3. The number of the Company’s shares owned by Custody Bank of Japan, Ltd. in the Company’s Board Benefit Trust (BBT) was included in the number of treasury shares that was deducted from the total number of outstanding shares at the end of the current fiscal year for calculating net assets per share. The number of such treasury shares deducted was 341 thousand shares at the end of the current fiscal year.

For calculating basic earnings per share and diluted earnings per share, the number of such shares was included in the number of treasury shares that was deducted in calculating the average number of shares during the period. The average number of such treasury shares deducted was 344 thousand shares during the current fiscal year.

(Significant Subsequent Events)

Not applicable.