1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of MARUI GROUP CO., LTD. ("the Company") and its consolidated subsidiaries (collectively, "the Group") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations as well as in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2015 consolidated financial statements to conform to the classifications used in 2016.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates.

As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements in Japanese yen do not necessarily agree with the sums of the individual amounts.

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the presented Japanese yen amounts into U.S. dollar amounts at the rate of ¥112 = $1, the approximate rate of exchange at March 31, 2016, and were then rounded down to the nearest thousand. As a result, the totals shown in the accompanying consolidated financial statements in U.S. dollars do not necessarily agree with the sums of the individual amounts. This translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan. Such translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at that or any other rate.

2. SIGNIFICANT ACCOUNTING POLICIES

(1) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements as of and for the fiscal year ended March 31, 2016 and 2015, include the accounts of the Company and its nine significant subsidiaries.

Under the control or influence concept, those companies in which the Company, either directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Company has the ability to exercise significant influence are accounted for using the equity method. For the fiscal years ended March 31, 2015 and 2016, there was no subsidiary or affiliate accounted for using the equity method. Investments in the remaining unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting was applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation.

The fiscal year-end of all consolidated subsidiaries is March 31, the same as that of the Company.

(2) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the consolidated balance sheet dates. All revenues and expenses associated with foreign currencies are translated into Japanese yen at the exchange rates prevailing when such transactions were made. The resulting exchange gains or losses are credited or charged to income.

(3) Cash and cash equivalents

In preparing the consolidated statements of cash flows, the Group considers cash on hand, readily available deposits, and highly liquid short-term investments with maturities of three months or less when purchased that are exposed to an insignificant risk of changes in value to be cash and cash equivalents.

(4) Investment securities

Investment securities held by the Group are all classified as available-for-sale securities.

Available-for-sale securities with a determinable market value are stated at fair value based on the market value at the balance sheet date, and unrealized gains or losses, net of applicable income taxes, are reported as a separate component of net assets. Cost of securities sold is computed based on the moving-average method. Available-for-sale securities without a determinable market value are stated at cost determined by the moving-average method.

Investments in unconsolidated subsidiaries and affiliates are stated at cost determined by the moving-average method.

(5) Inventories

Inventories are measured at the lower of cost determined by the monthly weighted-average method or net selling value.

(6) Depreciation and amortization

Property and equipment (excluding leased assets) are depreciated by the straight-line method.

Intangible assets are amortized by the straight-line method. Capitalized computer software costs for internal use are amortized by the straight-line method over the estimated useful lives (within five years).

For finance leases which do not transfer ownership of the leased assets to the lessee, leased assets are depreciated by the straight-line method over the lease terms with no residual value.

(7) Allowance for doubtful accounts

The allowance for doubtful accounts is stated at the amount determined based on the historical experience of bad debt with respect to ordinary receivables ("general reserve"), plus an estimate of uncollectible amounts determined by reference to specific doubtful receivables of customers experiencing financial difficulties ("specific reserve").

(8) Provision for bonuses

The provision for bonuses is accrued at the fiscal year-end to which such bonuses are attributable.

(9) Provision for point card certificates

Credit points are awarded to customers when they make purchases using the Group's member card and, upon request, the Company will issue gift certificates or allow customers to use their accumulated credit points for their payment.

The provision for point card certificates is accrued to the estimated amount required based on the balance of credit points awarded to card members outstanding at the fiscal year-end.

(10) Provision for loss on redemption of gift certificates

The monetary value of gift certificates and other certificates that have not been redeemed for a set period of time after issuance is recognized as income. However, some gift certificates and other certificates can be redeemed after the recognition of income.

The provision for loss on redemption of gift certificates is provided at the estimated amount to be redeemed in the future based on historical experience.

(11) Provision for loss on interest repayment

The provision for loss on interest repayment is provided to the estimated amount of repayment claims on consumer loan interests at the fiscal year-end.

(12) Provision for loss on guarantees

The provision for loss on guarantees is provided at the estimated amount of loss arising from the Group's guarantee obligations of customers' liabilities in relation to loans to individuals from financial institutions with which the Group has guarantee service arrangements.

Notes to Consolidated Financial Statements

(13) Basis for revenue recognition
The charges for installment sales and interest income on consumer loans are recognized on an accrual basis based on the remaining loan balances.

(14) Hedge accounting
The Group utilizes interest rate swaps to mitigate the fluctuation risk of interests on loans payable.

The Group applies the special accounting treatment for interest rate swaps as all requirements for this treatment are fulfilled. The Group omits the evaluation of hedge effectiveness for interest rate swaps under the special accounting treatment.

(15) Consumption taxes
National and local consumption taxes are accounted for by the tax-excluded method. Non-deductible consumption tax and other taxes imposed on fixed assets are recorded as expenses as incurred.

3. CHANGES IN ACCOUNTING POLICIES
(a) Business combinations and others
Effective from the fiscal year ended March 31, 2016, the Group adopted the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), “Revised Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), and changed the presentation of net income and used the term “non-controlling interests” instead of “minority interests.” Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

(b) Revenue recognition
In the Retailing and Store Operation segment, certain sales are made under a sale or return arrangement with tenants. Under the arrangement, a good is purchased from a tenant when the good is sold to a customer and the Group does not bear substantial risk on inventory since the title of the good remains with the tenant until the good is sold to a customer.

The Group previously recognized revenue from such arrangement by recording both operating revenues and cost of sales. However, effective from the fiscal year ended March 31, 2016, the Group comprehensively applied JICPA Accounting Practice Committee Research Report No. 13, the “Research Report on Revenue Recognition in Japan (Interim Report)—considerations in light of IAS 18 ‘Revenue’” and changed its accounting treatment to recognize a profit, net of cost of sales, as revenue.

In response to changes in the consumer market environment, the Group has been moving away from its traditional retailing business and developing shopping centers of its own unique style, in accordance with the medium-term management plan. The change of revenue recognition described above will enable the Group to not only disclose the results of operations more appropriately and thus monitor the progress of implementation of the management plan, but to also use the amount of revenue as a more practical KPI.

Thus, the Group changed the account name from “Total operating revenues” to “Revenue” on the consolidated statements of income.

Regarding expenses arising from a tenant with a fixed term lease contract, the Group previously accounted for fixed expenses such as depreciation of retail space as cost of sales in correspondence with rent revenue. However, effective from the fiscal year ended March 31, 2016, the Group changed the treatment to account for the expenses arising from a tenant with a sales-based rent agreement as selling, general and administrative expenses. This is consistent with the treatment for expenses arising from the sales or return arrangement described above, which are accounted for as selling, general and administrative expenses. Thus, the results of operations will be more clearly stated.

The Group applied this accounting policy retroactively and restated the consolidated financial statements for the fiscal year ended March 31, 2015. As a result, revenue and cost of sales for the fiscal year ended March 31, 2015 decreased by ¥155,100 million ($1,384,821 thousand). There was no impact on gross profit, operating income, and income before income taxes. In addition, there was no accumulated impact on the beginning balance of net assets for the fiscal year ended March 31, 2015.

In addition, due to the change in presentation, an amount of ¥1,303 million ($11,633 thousand) included in cost of sales on the consolidated statements of income for the fiscal year ended March 31, 2015 was reclassified to selling, general and administrative expenses.

Impacts on segment information are stated in Note 23, “SEGMENT INFORMATION.”

(c) Accounting standard issued but not yet applied
The “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016)

(i) Overview

Following the framework in Auditing Committee Report No. 66, the “Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets,” which prescribes estimation of deferred tax assets according to the classification of the entity by one of five types, the following treatments were changed as necessary:

1. Treatment for an entity that does not meet any of the criteria in types 1 to 5;
2. Criteria for types 2 and 3;
3. Treatment for deductible temporary differences which an entity classified as type 2 is unable to schedule;
4. Treatment for the period which an entity classified as type 3 is able to reasonably estimate with respect to future taxable income before consideration of taxable or deductible temporary differences that exist at the end of the current fiscal year; and
5. Treatment when an entity classified as type 4 also meets the criteria for types 2 or 3.

(ii) Effective date

Effective from the beginning of the fiscal year ending March 31, 2017

(iii) Effects of application of the Guidance

The Company is currently evaluating the effects of application.

4. ACCOUNTS RECEIVABLE–INSTALLMENT
The following balances for lump sums receivable and revolving receivable were securitized and are therefore excluded from the consolidated balance sheets as of March 31, 2015 and 2016:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Card shopping:			
Lump sums receivable	¥53,000	¥55,000	$491,071
Revolving receivable	13,526	13,928	124,357

5. LOAN COMMITMENTS

Certain consolidated subsidiaries that operate in the Credit Card Services segment provide consumer loan services to customers.

The unused balance of loans contingent with the loan commitments was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Total loan limits	¥1,081,117	¥1,090,691	$9,738,312
Amount executed as loans	128,030	134,107	1,197,383
Unused balance	¥ 953,086	¥ 956,583	$8,540,919

Under the provisions of the loan service contract, the Group is able to decline a loan request or decrease a loan limit when a customer's financial condition or other circumstances change. Thus, the total unused balance will not necessarily be executed as loans.

6. FINANCIAL INSTRUMENTS

(1) Status of financial instruments

(a) Policy on financial instruments

The Group raises necessary funds for business operations through bank loans and corporate bond issuance. Temporary surplus funds are invested in highly safe short-term deposits. Derivative transactions are utilized to avoid the interest rate fluctuation risk on loans. The Group does not use derivative transactions for speculative purposes.

(b) Financial instruments, their risks, and the risk management system

Accounts receivable–installment and operating loans are exposed to the credit risk of customers. In accordance with the internal risk management rules, the Group mitigates such risk by monitoring and evaluating the credit status of each customer by means of third-party personal credit information agencies and the Group's own credit monitoring system.

Investment securities primarily consist of shares issued by business partners and are exposed to both credit risk and market risk. The Group mitigates such risks by regularly monitoring the share price and the financial condition of the issuers.

Leasehold and other deposits consist of security deposits to rent properties for stores.

Accounts payable–trade is settled in the short term.

Long-term loans payable with a floating interest rate is exposed to interest rate fluctuation risk. The Group utilizes interest rate swaps to avoid such risk by fixing the future interest rate.

(2) Estimated fair value of financial instruments

Carrying value, fair value, and the difference between them as of March 31, 2015 and 2016, are summarized below. Financial instruments for which the fair value is difficult to estimate are excluded from the following table (See Note 2 below).

	Millions of yen					
	2015			2016		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 31,240	¥ 31,240	¥ —	¥ 32,586	¥ 32,586	¥ —
(2) Notes and accounts receivable–trade	6,453	6,453	—	7,459	7,459	—
(3) Accounts receivable–installment	227,121			279,763		
Allowance for doubtful accounts *1	(5,198)			(5,246)		
	221,923	249,151	27,227	274,517	312,365	37,847
(4) Operating loans	128,030			134,107		
Allowance for doubtful accounts *2	(2,231)			(2,114)		
	125,798	142,766	16,968	131,993	152,737	20,744
(5) Investment securities:						
Available-for-sale securities	24,152	24,152	—	19,329	19,329	—
(6) Leasehold and other deposits	9,493	9,312	(180)	8,404	8,324	(80)
Assets, total	¥419,062	¥463,077	¥44,015	¥474,290	¥532,801	¥58,510
(1) Accounts payable–trade	¥ 27,002	¥ 27,002	¥ —	¥ 24,318	¥ 24,318	¥ —
(2) Short-term loans payable and current portion of long-term loans payable	56,839	56,839	—	48,324	48,324	—
(3) Current portion of bonds payable	17,000	17,000	—	30,000	30,000	—
(4) Commercial paper	10,000	10,000	—	10,000	10,000	—
(5) Income taxes payable	3,340	3,340	—	4,731	4,731	—
(6) Bonds payable	85,000	85,860	860	80,000	80,650	650
(7) Long-term loans payable	109,000	109,046	46	191,000	191,382	382
Liabilities, total	¥308,181	¥309,089	¥ 907	¥388,374	¥389,407	¥ 1,032
Derivative transactions	¥ —	¥ —	¥ —	¥ —	¥ —	¥ —

*1 The amount presents the total of general reserve and specific reserve for accounts receivable–installment.
*2 The amount presents the total of general reserve and specific reserve for operating loans.

	Thousands of U.S. dollars (Note 1)		
	2016		
	Carrying value	Fair value	Difference
(1) Cash and deposits	$ 290,946	$ 290,946	$ —
(2) Notes and accounts receivable–trade	66,598	66,598	—
(3) Accounts receivable–installment	2,497,883		
Allowance for doubtful accounts	(46,839)		
	2,451,044	2,788,973	337,919
(4) Operating loans	1,197,383		
Allowance for doubtful accounts	(18,875)		
	1,178,508	1,363,723	185,214
(5) Investment securities			
Available-for-sale securities	172,580	172,580	—
(6) Leasehold and other deposits	75,035	74,321	(714)
Assets, total	$4,234,732	$4,757,151	$522,410
(1) Accounts payable–trade	$ 217,125	$ 217,125	$ —
(2) Short-term loans payable and current portion of long-term loans payable	431,464	431,464	—
(3) Current portion of bonds payable	267,857	267,857	—
(4) Commercial paper	89,285	89,285	—
(5) Income taxes payable	42,241	42,241	—
(6) Bonds payable	714,285	720,089	5,803
(7) Long-term loans payable	1,705,357	1,708,767	3,410
Liabilities, total	$3,467,625	$3,476,848	$ 9,214
Derivative transactions	$ —	$ —	$ —

Note 1. Calculation method for fair value of financial instruments and information on securities and derivative transactions

Assets:

(1) Cash and deposits and (2) Notes and accounts receivable–trade

The fair value approximates their carrying value because of their short maturities.

(3) Accounts receivable–installment and (4) Operating loans

The fair value is determined as their present value by discounting, using the risk-free rate, their future cash flows adjusted for their credit risk identified in the credit control process. With regard to bad receivables and loans, allowance for doubtful accounts is estimated based on the present value of their estimated future cash flows. The fair value approximates the amount of carrying value less allowance for doubtful accounts. Thus, the amount of carrying value less allowance for doubtful accounts is used as fair value.

(5) Investment securities

The fair value is based on quotes on an exchange.

(6) Leasehold and other deposits

The fair value is determined as their present value by discounting future cash flows at the risk-free rate adjusted for credit risk premium. The amount includes the current portion of leasehold and other deposits.

Liabilities:

(1) Accounts payable–trade, (2) Short-term loans payable and current portion of long-term loans payable, (3) Current portion of bonds payable, (4) Commercial paper, and (5) Income taxes payable

The fair value approximates their carrying value because of their short maturities.

(6) Bonds payable

The fair value is based on the present value calculated by discounting the sum of principal and interests using an interest rate, for which credit risk and redemption periods are taken into account.

(7) Long-term loans payable

The carrying value of long-term loans payable with a floating interest rate approximates its fair value since the interest rate reflects the market rate in the short term. Thus, carrying value is used as its fair value. The fair value of long-term loans payable hedged by interest rate swaps under special accounting treatment is calculated by discounting the sum of principal and interests accounted for together with interest rate swaps using a reasonably estimated interest rate applied to similar borrowings. The fair value of long-term loans payable with fixed interest rates is calculated by discounting the sum of principal and interests using an interest rate that would be applied to similar new borrowings.

Derivative transactions

See Note 8, "DERIVATIVE TRANSACTIONS," for details.

Note 2. Financial instruments whose fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Unlisted stocks	¥ 877	¥ 921	$ 8,223
Part of security deposits	27,915	28,103	250,919

Unlisted stocks are not included in (5) Investment securities in the table above, as there were no market prices available and it is extremely difficult to determine the fair value. Similarly, part of security deposits is not included in (6) Leasehold and other deposits.

Note 3. Redemption schedule for monetary claims and securities with maturities

Millions of yen

	2015			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 31,240	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	6,453	—	—	—
Accounts receivable–installment	129,841	66,160	19,638	11,481
Operating loans	62,466	65,005	486	72
Leasehold and other deposits	1,515	3,654	2,843	1,480
Total	¥231,516	¥134,820	¥22,968	¥13,034

Millions of yen

	2016			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 32,586	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	7,459	—	—	—
Accounts receivable–installment	154,581	83,294	23,502	18,386
Operating loans	62,913	70,885	245	63
Leasehold and other deposits	1,352	2,986	2,218	1,846
Total	¥258,892	¥157,166	¥25,966	¥20,296

Thousands of U.S. dollars (Note 1)

	2016			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	$ 290,946	$ —	$ —	$ —
Notes and accounts receivable–trade	66,598	—	—	—
Accounts receivable–installment	1,380,187	743,696	209,839	164,160
Operating loans	561,723	632,901	2,187	562
Leasehold and other deposits	12,071	26,660	19,803	16,482
Total	$2,311,535	$1,403,267	$231,839	$181,214

See Note 10, "SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT," for the schedule of aggregate annual maturities of long-term loans payable and long-term debt.

7. INVESTMENT SECURITIES

(1) Information on available-for-sale securities as of March 31, 2015 and 2016, is as follows:

Millions of yen

	2015			2016		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Carrying value exceeding acquisition cost:						
Stocks	¥18,783	¥16,468	¥2,314	¥ 9,072	¥ 8,510	¥ 562
Subtotal	18,783	16,468	2,314	9,072	8,510	562
Carrying value not exceeding acquisition cost:						
Stocks	5,369	6,319	(950)	10,256	12,544	(2,287)
Subtotal	5,369	6,319	(950)	10,256	12,544	(2,287)
Total	¥24,152	¥22,787	¥1,364	¥19,329	¥21,054	¥(1,725)

Thousands of U.S. dollars (Note 1)

	2016		
	Carrying value	Acquisition cost	Difference
Carrying value exceeding acquisition cost:			
Stocks	$ 81,000	$ 75,982	$ 5,017
Subtotal	81,000	75,982	5,017
Carrying value not exceeding acquisition cost:			
Stocks	91,571	112,000	(20,419)
Subtotal	91,571	112,000	(20,419)
Total	$172,580	$187,982	$(15,401)

Unlisted stocks in the amount of ¥237 million and ¥281 million ($2,508 thousand) as of March 31, 2015, and 2016, respectively, are not included in the table above since their market price is not readily available and it is extremely difficult to determine their fair value.

(2) Information on sale of available-for-sale securities for the fiscal years ended March 31, 2015 and 2016 is as follows:

Millions of yen

	2015			2016		
	Proceeds from sales	Gains	Losses	Proceeds from sales	Gains	Losses
Stocks	¥22,684	¥12,094	¥—	¥3,340	¥972	¥0
Total	¥22,684	¥12,094	¥—	¥3,340	¥972	¥0

Thousands of U.S. dollars (Note 1)

	2016		
	Proceeds from sales	Gains	Losses
Stocks	$29,821	$8,678	$0
Total	$29,821	$8,678	$0

(3) When the fair value of investment securities declines by 30% to 50%, the Group recognizes an impairment loss after comprehensively evaluating the recoverability of the market price. For the fiscal year ended March 31, 2015, the Group recognized an impairment loss on available-for-sale securities but omitted its disclosure since the amount was immaterial. No significant impairment loss on investment securities was recognized for the fiscal year ended March 31, 2016.

8. DERIVATIVE TRANSACTIONS

For the fiscal years ended March 31, 2015 and 2016, the Group's derivative transactions were limited to interest rate swaps that qualified for hedge accounting and met the requirements for the special accounting treatment for interest rate swaps as described below. There were no derivative transactions for which hedge accounting was not applied.

Hedge accounting method: Special treatment for interest rate swaps
Type of derivative transactions: Interest rate swaps, receive floating / pay fixed
Hedged item: Long-term loans payable

Millions of yen						Thousands of U.S. dollars (Note 1)		
2015			2016			2016		
Contract amount			Contract amount			Contract amount		
Total	Due after one year	Fair value	Total	Due after one year	Fair value	Total	Due after one year	Fair value
¥17,000	¥17,000	*	¥27,000	¥22,000	*	$241,071	$196,428	*

* Interest rate swaps under the special accounting treatment are accounted for as an integral component of the long-term loans payable designated as hedged items. Thus, their fair value is included in that of long-term loans payable.

9. LEASES

(As a Lessee)

The Group capitalizes leased assets under finance leases that do not transfer ownership. These assets mainly consist of buildings and properties in connection with the Retailing and Store Operation segment and software.

The future minimum lease payments under non-cancellable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Within one year	¥ 3,960	¥ 4,782	$ 42,696
Over one year	18,469	25,136	224,428
Total	¥22,429	¥29,919	$267,133

(As a Lessor)

The future minimum lease receipts under non-cancellable operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Within one year	¥ 3,452	¥ 7,049	$ 62,937
Over one year	8,859	9,485	84,687
Total	¥12,311	¥16,534	$147,625

10. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable and current portion of long-term loans payable as of March 31, 2015 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Short-term loans payable	¥39,339	¥33,324	$297,535
Current portion of long-term loans payable	17,500	15,000	133,928
Total	¥56,839	¥48,324	$431,464

Annual weighted-average interest rates of short-term loans payable were 0.42% and 0.36% and those of current portion of long-term loans payable were 0.88% and 0.42% for the fiscal years ended March 31, 2015 and 2016, respectively.

Annual weighted-average interest rates of commercial paper, due within a year, were 0.10% and 0.001% for the fiscal years ended March 31, 2015 and 2016, respectively.

Long-term debt as of March 31, 2015 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
0.38% long-term loans from banks and others due through 2028, excluding current portion	¥109,000	¥191,000	$1,705,357
13th series unsecured 1.51% corporate bond, due 2017	10,000	10,000	89,285
16th series unsecured 1.01% corporate bond, due 2015	12,000	—	—
18th series unsecured 0.97% corporate bond, due 2017	10,000	10,000	89,285
19th series unsecured 0.58% corporate bond, due 2015	5,000	—	—
20th series unsecured 0.79% corporate bond, due 2017	10,000	10,000	89,285
21st series unsecured 0.57% corporate bond, due 2017	10,000	10,000	89,285
22nd series unsecured 0.85% corporate bond, due 2019	5,000	5,000	44,642
23rd series unsecured 0.342% corporate bond, due 2016	10,000	10,000	89,285
24th series unsecured 0.582% corporate bond, due 2018	10,000	10,000	89,285
25th series unsecured 0.344% corporate bond, due 2019	10,000	10,000	89,285
26th series unsecured 0.562% corporate bond, due 2021	10,000	10,000	89,285
27th series unsecured 0.337% corporate bond, due 2020	—	15,000	133,928
28th series unsecured 0.543% corporate bond, due 2022	—	10,000	89,285
Lease obligation	2,047	1,868	16,678
	213,047	302,868	2,704,178
Less: Current portion	17,178	30,149	269,187
Total	¥195,869	¥272,719	$2,434,991

The aggregate annual maturities of long-term debt subsequent to March 31, 2016, are as follows:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
Year ending March 31	Long-term loans payable	Bonds payable	Lease obligation	Long-term loans payable	Bonds payable	Lease obligation
2017	¥ 15,000	¥ 30,000	¥ 149	$ 133,928	$267,857	$ 1,330
2018	10,000	20,000	149	89,285	178,571	1,330
2019	31,000	10,000	149	276,785	89,285	1,330
2020	32,000	15,000	149	285,714	133,928	1,330
2021 and thereafter	118,000	35,000	1,272	1,053,571	312,500	11,357
Total	¥206,000	¥110,000	¥1,868	$1,839,285	$982,142	$16,678

11. DEFERRED TAX ACCOUNTING

Major components of deferred tax assets and deferred tax liabilities as of March 31, 2015 and 2016, were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Deferred tax assets:			
Depreciation	¥ 6,339	¥ 6,016	$ 53,714
Impairment loss	5,586	5,232	46,714
Provision for loss on interest repayment	4,478	2,114	18,875
Provision for point card certificates	1,624	2,291	20,455
Net operating loss carried forward	1,494	1,105	9,866
Net unrealized loss on non-current assets	1,372	1,357	12,116
Provision for bonuses	1,324	1,293	11,544
Other	6,055	4,990	44,553
Subtotal	28,275	24,403	217,883
Valuation allowance	(7,684)	(7,192)	(64,214)
Total deferred tax assets	¥20,590	¥17,210	$153,660
Deferred tax liabilities:			
Reserve for special account for advanced depreciation of non-current assets	¥ 8,737	¥ 8,523	$ 76,098
Valuation difference on available-for-sale securities	380	4	35
Other	197	350	3,125
Total deferred tax liabilities	¥ 9,315	¥ 8,877	$ 79,258
Deferred tax assets, net	¥11,275	¥ 8,332	$ 74,392

(Change in presentation)
As of March 31, 2016, the amount of allowance for doubtful account, which was previously shown as one of major components of deferred tax assets, became immaterial and was included in other. Accordingly, the allowance for doubtful accounts of ¥1,423 million as of March 31, 2015 was reclassified to other to conform to the classification used in 2016.

Income taxes consist of corporation, inhabitants' and enterprise taxes. Reconciliations between the statutory tax rate and the effective tax rate reflected in the consolidated statements of income were as follows:

	2015	2016
Statutory tax rate	35.6%	33.1%
Adjustments:		
Permanent differences such as entertainment expenses, etc.	0.4	0.3
Permanent differences such as dividends	(0.3)	(0.1)
Change in valuation allowance	(4.7)	(0.8)
Inhabitants' tax	0.6	0.6
Adjustments due to changes in tax rate	1.9	0.4
Other	(0.4)	0.4
Effective tax rate	33.1%	33.9%

On March 29, 2016, amendments to the Japanese tax regulations were enacted in the Diet session. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2016 to March 31, 2018 and on or after April 1, 2018 were changed from 33.1% to 30.9% and 30.6%, respectively, as of March 31, 2016.

As a result of this change, deferred tax assets (after deducting deferred tax liabilities) decreased by ¥110 million ($982 thousand), valuation difference on available-for-sale securities decreased by ¥6 million ($53 thousand) and income taxes–deferred increased by ¥104 million ($928 thousand) as of March 31, 2016.

12. ASSET RETIREMENT OBLIGATIONS

(1) Asset retirement obligations recognized in the consolidated balance sheets

The Group's asset retirement obligations mainly include the cost of restoring the store sites to their original condition under the real estate lease contracts of stores. The Group calculated its asset retirement obligations by assuming the lease period as the expected period of use and applying discount rates of 0.00% to 1.38%.

Asset retirement obligations as of March 31, 2015 and 2016, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Beginning balance	¥549	¥635	$5,669
Increase due to acquisition of property and equipment	—	348	3,107
Increase due to change in estimate *1	87	80	714
Adjustments due to passage of time	2	2	17
Decrease due to fulfillment of obligation	(13)	(93)	(830)
Other increase (decrease)	9	—	—
Ending balance	¥635	¥974	$8,696

*1 The reasonable estimate of obligation became available for stores to be closed.

(2) Asset retirement obligations other than those recognized in the consolidated balance sheets

While the Group estimates asset retirement obligations based on the real estate lease contracts of stores, it is not possible to reasonably estimate the cost of restoring the store sites to their original condition under the general lease contracts since the period of use is not clearly determined. Therefore, the Group does not recognize the asset retirement obligations for stores other than those that are planning to be closed.

13. INVESTMENT AND RENTAL PROPERTY

Certain consolidated subsidiaries hold commercial properties, including land, for rental in the Tokyo metropolitan area and other areas. The net rental income in connection with these properties for the fiscal years ended March 31, 2015 and 2016, was ¥3,824 million and ¥5,320 million ($47,500 thousand), respectively. The rental income was included in revenue and the associated rental expenses were included in cost of sales and selling, general and administrative expenses. The carrying value and the fair value of such assets were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Carrying value *1:			
Beginning balance	¥32,285	¥32,367	$288,991
Changes during the year	81	12,873	114,937
Ending balance	¥32,367	¥45,240	$403,928
Fair value *2	¥66,959	¥95,079	$848,919

*1 Carrying value represents the amount on the consolidated balance sheets which is carried at the acquisition costs less the accumulated depreciation.
*2 Fair value is based on the appraised value provided by third-party real estate appraisers.

14. CONTINGENT LIABILITIES

The Group has commitments to guarantee customers' liabilities in relation to personal loans to individuals from financial institutions with which the Group has guarantee service arrangements.

As of March 31, 2015 and 2016, the amounts of the Group's guarantee obligations were ¥19,327 million and ¥23,018 million ($205,517 thousand), respectively.

15. NET ASSETS

Under the Companies Act of Japan ("the Act"), the entire amount paid for new shares is required to be designated as capital stock. However, a company may, by resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus. The legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

The Act provides that an amount equal to at least 10% of the amount to be disbursed as distributions of capital surplus (other than additional paid-in capital) and retained earnings (other than legal earnings reserve) be transferred to additional paid-in capital and the legal earnings reserve, respectively, until the total of additional paid-in capital and the legal earnings reserve equals 25% of the capital stock account.

Such distributions can be made at any time by resolution of the shareholders' meeting, or by resolution of the Board of Directors if certain conditions are met.

Under the Act, additional paid-in capital and the legal earnings reserve may not be distributed as dividends; the Act allows all additional paid-in capital and all legal earnings reserve to be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The maximum amount that the Company can distribute as dividends is calculated based on the unconsolidated financial statements of the Company in accordance with Japanese laws and regulations.

The following tables summarize the dividends paid for the fiscal years ended March 31, 2015 and 2016:

2015					
Resolution	Class of share	Total amount of dividend (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Annual general meeting of shareholders held on June 26, 2014	Common stock	¥2,463	¥9	March 31, 2014	June 27, 2014
Board of Directors' meeting held on November 6, 2014	Common stock	2,464	9	September 30, 2014	December 4, 2014

2016							
Resolution	Class of share	Total amount of dividend (Millions of yen)	Total amount of dividend (Thousands of U.S. dollars) (Note 1)	Dividend per share (Yen)	Dividend per share (U.S. dollars) (Note 1)	Record date	Effective date
Annual general meeting of shareholders held on June 25, 2015	Common stock	¥2,630	$23,482	¥10	$0.08	March 31, 2015	June 26, 2015
Board of Directors' meeting held on November 6, 2015	Common stock	2,761	24,651	11	0.09	September 30, 2015	December 4, 2015

Dividends with a record date during the fiscal year ended March 31, 2016, but with an effective date subsequent to the fiscal year ended March 31, 2016, were as follows:

Resolution	Class of share	Total amount of dividend (Millions of yen)	Total amount of dividend (Thousands of U.S. dollars) (Note 1)	Source	Dividend per share (Yen)	Dividend per share (U.S. dollars) (Note 1)	Record date	Effective date
Annual general meeting of shareholders held on June 29, 2016	Common stock	¥2,666	$23,803	Retained earnings	¥11	$0.09	March 31, 2016	June 30, 2016

16. COST OF SALES

For the fiscal years ended March 31, 2015 and 2016, cost of sales included the revaluation loss on inventories in the amounts of ¥43 million and ¥94 million ($839 thousand), respectively.

17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Advertisement	¥ 14,781	¥ 13,941	$ 124,473
Provision for point card certificates	4,590	6,586	58,803
Provision for allowance for doubtful accounts	7,748	7,289	65,080
Salaries and allowances	33,165	32,770	292,589
Provision for bonuses	3,533	3,513	31,366
Rent	15,775	15,782	140,910
Depreciation and amortization	9,165	8,614	76,910
Other	42,647	41,920	374,285
	¥131,406	¥130,419	$1,164,455

18. LOSS ON RETIREMENT OF PROPERTY AND EQUIPMENT

Loss on retirement of property and equipment for the fiscal years ended March 31, 2015 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Buildings and structures	¥ 515	¥ 546	$ 4,875
Furniture and fixtures	582	1,374	12,267
	¥1,097	¥1,920	$17,142

19. IMPAIRMENT LOSS

For the fiscal year ended March 31, 2016, the amount of impairment loss was immaterial and the disclosure was omitted. An impairment loss recognized for the fiscal year ended March 31, 2015 was included in *other, net* under non-operating income (expenses) on the consolidated statements of income and *other, net* under cash flows from operating activities on the consolidated statement of cash flows. The details are as follows:

Use	Location	Type of assets	Millions of yen
Stores, etc.	Kyoto Marui	Buildings and structures	¥1,787
	Kyoto City, Kyoto	Other	71
		Total	¥1,859

The Group has grouped its fixed assets by either store or rental property, which are the minimum cash-generating units. The carrying value of each asset group is written down to its respective recoverable amount and in doing so is recognized as an impairment loss.

The Group estimated the recoverable amount of each asset group based on value in use or fair value less costs to sell. If a store reports continuous operating losses, the Group evaluates that the value in use of the store is zero since positive cash flows cannot be expected in the future. If a store is planned to be closed, the Group evaluates that the fair value less costs to sell is zero.

20. COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Valuation difference on available-for-sale securities:			
Amounts incurred for the year	¥ 5,473	¥(2,117)	$(18,901)
Reclassification adjustments	(12,094)	(972)	(8,678)
Before tax effect adjustment	(6,621)	(3,089)	(27,580)
Tax effect	1,827	491	4,383
Valuation difference on available-for-sale securities	(4,794)	(2,598)	(23,196)
Total other comprehensive income	¥ (4,794)	¥(2,598)	$(23,196)

21. CASH FLOW STATEMENTS

Reconciliations of cash and cash equivalents in the consolidated statements of cash flows to accounts and amounts in the accompanying consolidated balance sheets as of March 31, 2015 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2016	2016
Cash and deposits	¥31,240	¥32,586	$290,946
Time deposits with maturity in excess of three months	(11)	(11)	(98)
Cash and cash equivalents	¥31,229	¥32,575	$290,848

22. SUBSCRIPTION RIGHTS TO SHARES

For the fiscal years ended March 31, 2015 and 2016, the amounts of costs incurred for subscription rights to shares ("stock options") were ¥36 million and ¥50 million ($446 thousand), respectively, and were included in selling, general and administrative expenses.

The outline of stock options of the Company is as follows:

	2013	2014	2015	2016
Date of resolution	June 27, 2012	June 26, 2013	June 26, 2014	June 25, 2015
Title and number of grantee	7 Directors and 5 Executive Officers of the Company	7 Directors and 5 Executive Officers of the Company	8 Directors and 5 Executive Officers of the Company	4 Directors and 12 Executive Officers of the Company
Type and number of shares to be issued upon exercise of stock options	Common stock 52,000 shares	Common stock 38,400 shares	Common stock 43,500 shares	Common stock 32,000 shares
Granted date	August 3, 2012	July 11, 2013	July 11, 2014	July 10, 2015
Vesting conditions	No provision	No provision	No provision	No provision
Eligible service period	No provision	No provision	No provision	No provision
Exercise period	From April 1, 2013 to March 31, 2023	From April 1, 2014 to March 31, 2024	From April 1, 2015 to March 31, 2025	From April 1, 2016 to March 31, 2026

The following table describes the scale and changes in stock options that existed during the fiscal year ended March 31, 2016. The number of stock options is translated into the number of shares.

Number of shares

	2013	2014	2015	2016
Before vested:				
As of March 31, 2015	—	—	—	—
Granted	—	—	—	32,000
Forfeited	—	—	—	—
Vested	—	—	—	32,000
As of March 31, 2016	—	—	—	—
After vested:				
As of March 31, 2015	2,600	2,000	43,500	—
Vested	—	—	—	32,000
Exercised	—	2,000	41,400	—
Forfeited	—	—	—	—
As of March 31, 2016	2,600	—	2,100	32,000

	2013 Yen	2013 U.S. dollars (Note 1)	2014 Yen	2014 U.S. dollars (Note 1)	2015 Yen	2015 U.S. dollars (Note 1)	2016 Yen	2016 U.S. dollars (Note 1)
Exercise price	¥ 1	$0.008	¥ 1	$0.008	¥ 1	$0.008	¥ 1	$0.008
Average exercise price	—	—	1,546	13.80	1,434	12.80	—	—
Fair value at granted date	485	4.33	1,007	8.99	844	7.53	1,589	14.18

The Black-Scholes option-pricing model is applied to estimate the fair value of stock options granted for the fiscal year ended March 31, 2016, based on the following assumptions.

Expected volatility *1	32.943%
Expected holding period *2	5.7 years
Expected dividend *3	¥19 ($0.16) per share
Risk-free rate *4	0.125%

*1 It is estimated based on the share price over the period corresponding to the expected holding period.
*2 It is estimated based on the assumption that stock options are exercised at the middle of the exercise period.
*3 It is based on the dividends for the fiscal year ended March 31, 2015.
*4 It is the average yield on government bonds for the period that corresponds to the remaining life of the stock option.

Since it is difficult to reasonably estimate the number of stock options that will expire in the future, the number of stock options that were forfeited is shown as the number of vested options.

23. SEGMENT INFORMATION

(1) Overview of reportable segments

The Group defines its reportable segments as a component of the Group for which separate financial information is available and whose operating results are regularly evaluated by the Board of Directors to make decisions about how resources are to be allocated among the Group and assess their performance.

The Group consists of the following three reportable segments identified by products and services: "Retailing and Store Operation," "Credit Card Services," and "Retailing-Related Services."

The Retailing and Store Operation segment engages in retailing operations of clothes and accessories and management of commercial property rental. The Credit Card Services segment engages in the credit card services, the consumer loans, and the rent payment guarantee businesses. The Retailing-Related Services segment engages in businesses such as store design, advertising, apparel distribution, IT systems, maintenance and management of buildings and other facilities, and real estate rental.

(2) Basis of measurement for the amounts of segment revenue, segment income or loss, segment assets, and other items

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "SIGNIFICANT ACCOUNTING POLICIES."

Segment income is measured on the basis of operating income. Intersegment sales and transfers are accounted for based on the prevailing market price.

Millions of yen

2015	Reportable segment: Retailing and Store Operation	Reportable segment: Credit Card Services	Reportable segment: Retailing-Related Services	Total	Adjustment *1	Consolidated *2
Revenue:						
Outside customers	¥147,593	¥ 68,436	¥33,816	¥249,847	¥ —	¥249,847
Intersegment	4,918	2,186	22,332	29,437	(29,437)	—
Total	¥152,511	¥ 70,623	¥56,149	¥279,284	¥(29,437)	¥249,847
Segment income	¥ 8,074	¥ 20,126	¥ 3,333	¥ 31,535	¥ (3,492)	¥ 28,042
Segment assets	¥239,592	¥385,466	¥64,944	¥690,003	¥(14,376)	¥675,627
Other items:						
Depreciation and amortization	¥ 6,976	¥ 1,223	¥ 1,869	¥ 10,070	¥ 226	¥ 10,296
Increase in property and equipment and intangible assets	6,280	1,710	2,208	10,198	(412)	9,786

*1 Adjustment to segment income consists of intersegment elimination of ¥1,602 million and corporate expenses of ¥(5,095) million that are not allocated to each reportable segment. Adjustment to segment assets mainly consists of intersegment elimination of ¥(224,929) million and corporate assets of ¥213,560 million, which mainly present the Company's loans in connection with the Group's cash management system.
*2 Segment income is reconciled to operating income on the consolidated statements of income.

Millions of yen

2016	Reportable segment: Retailing and Store Operation	Reportable segment: Credit Card Services	Reportable segment: Retailing-Related Services	Total	Adjustment *1	Consolidated *2
Revenue:						
Outside customers	¥134,263	¥ 74,323	¥37,279	¥245,867	¥ —	¥245,867
Intersegment	4,543	2,123	21,362	28,029	(28,029)	—
Total	¥138,807	¥ 76,446	¥58,642	¥273,896	¥(28,029)	¥245,867
Segment income	¥ 7,856	¥ 22,186	¥ 3,674	¥ 33,717	¥ (4,101)	¥ 29,615
Segment assets	¥246,622	¥441,748	¥66,261	¥754,633	¥(24,507)	¥730,126
Other items:						
Depreciation and amortization	¥ 6,500	¥ 1,301	¥ 1,881	¥ 9,683	¥ (12)	¥ 9,670
Increase in property and equipment and intangible assets	9,700	1,374	2,048	13,124	(684)	12,439

Thousands of U.S. dollars (Note 1)

	2016					
	Reportable segment					
	Retailing and Store Operation	Credit Card Services	Retailing-Related Services	Total	Adjustment *1	Consolidated *2
Revenue:						
Outside customers	$1,198,776	$ 663,598	$332,848	$2,195,241	$ —	$2,195,241
Intersegment	40,562	18,955	190,732	250,258	(250,258)	—
Total	$1,239,348	$ 682,553	$523,589	$2,445,500	$(250,258)	$2,195,241
Segment income	$ 70,142	$ 198,089	$ 32,803	$ 301,044	$ (36,616)	$ 264,419
Segment assets	$2,201,982	$3,944,178	$591,616	$6,737,794	$(218,812)	$6,518,982
Other items:						
Depreciation and amortization	$ 58,035	$ 11,616	$ 16,794	$ 86,455	$ (107)	$ 86,339
Increase in property and equipment and intangible assets	86,607	12,267	18,285	117,178	(6,107)	111,062

*1 Adjustment to segment income consists of intersegment elimination of ¥1,571 million ($14,026 thousand) and corporate expenses of ¥(5,673) million ($(50,651) thousand) that are not allocated to each reportable segment. Adjustment to segment assets mainly consists of intersegment elimination of ¥(290,641) million ($(2,595,008) thousand) and corporate assets of ¥269,384 million ($2,405,214 thousand), which mainly present the Company's loans in connection with the Group's cash management system.

*2 Segment income is reconciled to operating income on the consolidated statements of income.

Change in reportable segments

As stated in Note 3, "CHANGES IN ACCOUNTING POLICIES," effective from the fiscal year ended March 31, 2016, the Group retroactively adopted to change the revenue recognition of sales under a sale or return arrangement. The account name was changed from "Total operating revenues" to "Revenue" on the consolidated statements of income. From this change, revenue from outside customers in Retailing and Store Operation decreased by ¥155,100 million ($1,384,821 thousand), compared with those recognized under the previous application. There was no impact on segment income.

Disclosures on related information with regard to the concentration of products and services, location, and major customers have been omitted since there was no relevant information to be disclosed.

For the fiscal years ended March 31, 2015 and 2016, an impairment loss of ¥1,859 million and ¥107 million ($955 thousand), respectively, was reported by the Retailing and Store Operation segment.

24. RELATED PARTY INFORMATION

Related party information where directors and their close relatives substantially own a majority of the voting rights is as follows:

2015									
Name of the company	Location	Capital (Millions of yen)	Business	Voting rights	Relationship	Transaction	Amount (Millions of yen)	Account name	Balance (Millions of yen)
Nakano Co., Ltd.	Shinjuku, Tokyo	¥10	Real estate rental	Direct 0.9%	Property rental Concurrent position as director	Property rental	¥42	Leasehold and other deposits	¥ 41
								Other current liabilities	1
Seiwa Kogyo Co., Ltd.	Shinjuku, Tokyo	10	Real estate rental	Direct 0.5%	Property rental Concurrent position as director	Property rental-stores	44	Leasehold and other deposits	191

The monetary amounts above do not include consumption taxes. Terms and conditions for rental agreements are determined similarly to those of third-party transactions.

2016									
Name of the company	Location	Capital (Millions of yen)	Business	Voting rights	Relationship	Transaction	Amount (Millions of yen)	Account name	Balance (Millions of yen)
Nakano Co., Ltd.	Shinjuku, Tokyo	¥10 ($89 thousand) (Note 1)	Real estate rental	Direct 0.9%	Property rental Concurrent position as director	Property rental	¥42 ($375 thousand) (Note 1)	Leasehold and other deposits	¥41 ($366 thousand) (Note 1)
								Other current liabilities	1 ($8 thousand) (Note 1)
Seiwa Kogyo Co., Ltd.	Shinjuku, Tokyo	10 ($89 thousand) (Note 1)	Real estate rental	Direct 0.7%	Property rental Concurrent position as director	Property rental-stores	42 ($375 thousand) (Note 1)	Leasehold and other deposits	191 ($1,705 thousand) (Note 1)

The monetary amounts above do not include consumption taxes. Terms and conditions for rental agreements are determined similarly to those of third-party transactions.

25. PER SHARE INFORMATION

Net income per share, both basic and diluted, for the fiscal years ended March 31, 2015 and 2016 is as follows:

	Yen		U.S. dollars (Note 1)
	2015	2016	2016
Net income per share	¥58.87	¥70.68	$0.63
Diluted net income per share	58.86	70.67	0.63

	Thousands of shares	
	2015	2016
Weighted-average number of outstanding shares	272,430	251,434
Diluted shares:		
Assumed exercise of stock options	48	27

Net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of outstanding shares.

26. SUBSEQUENT EVENT

At the Board of Directors' meeting held on May 12, 2016, the Company resolved to acquire treasury stock in accordance with Article 156 of the Companies Act as applied with relevant changes in interpretation pursuant to the provisions of Article 165, paragraph (3).

Reason for acquisition

Based on the medium-term business plan to be achieved by the fiscal year ending March 2021, the Group aims to achieve profitable growth by innovating group business and integrating operations in light of potential changes in the business environment. As its financial strategy, the Group will effectively utilize basic operating cash flows that will be generated in the next five years in order to optimize capital structure for the business; thus, the Group will enhance investment growth and shareholder return. The Group will improve its corporate value by achieving the following targets: an ROE of 10%, an ROIC of 4%, and an EPS of ¥130 as early as possible.

Based on these Group strategies, following the acquisition of treasury stock in the total amount of ¥15,000 million ($133,928 thousand) in the fiscal year ended March 31, 2015 and ¥35,000 million ($312,500 thousand) in the fiscal year ended March 31, 2016, the Company resolved to acquire treasury stock as follows:

(i) Class of shares	Common stock
(ii) Maximum number of shares to acquire	10 million shares (4.13% of total outstanding shares)
(iii) Maximum amount for acquisition	¥15,000 million ($133,928 thousand)
(iv) Acquisition period	From May 13, 2016 to September 30, 2016