Notes to Consolidated Financial Statements

MARUI GROUP CO., LTD. and Its Consolidated Subsidiaries
As of and for the fiscal years ended March 31, 2017 and 2018

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 2017 consolidated financial statements to conform to the classifications used in 2018.

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 ¥106 = $1, the approximate rate of exchange at March 31, 2018, 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 years ended March 31, 2017 and 2018, 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, 2017 and 2018, 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, principally 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 that 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 EPOS cards 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 cardholders 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.

(13) Provision for stock benefits
The provision for stock benefits is provided at the estimated amount for stock benefits to directors and employees at the fiscal year-end in accordance with the internal rule for stock delivery.

(14) 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.

(15) 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.

(16) 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. ACCOUNTING STANDARD ISSUED BUT NOT YET APPLIED
The following guidance was issued but not yet applied.

- “Implementation Guidance on Tax Effect Accounting” (the Accounting Standards Board of Japan (“ASBJ”) Guidance No. 28, February 16, 2018)
- “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, February 16, 2018)

(1) Overview
The above guidance was revised in regard to the treatments for taxable temporary differences for investments in subsidiaries within the context of non-consolidated financial statements, and to clarify the treatments in determining recoverability of deferred tax assets in a company which was categorized as “Type 1” according to the guidance.

(2) Scheduled date of application
The Company plans to apply the aforementioned guidance from the beginning of the fiscal year ending March 31, 2019.

(3) Effect of application
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of the aforementioned guidance on the consolidated financial statements.

Notes to Consolidated Financial Statements

The following standard and guidance were issued but not yet applied.

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview
The above standard and guidance provide comprehensive principles for revenue recognition. Under the standard and guidance, revenue is recognized by applying the following five steps:
Step 1: Identify contract(s) with customers.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligation in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

(2) Scheduled date of application
The Company plans to apply the aforementioned standard and guidance from the beginning of the fiscal year ending March 31, 2022.

(3) Effect of application
The Company and its consolidated domestic subsidiaries are currently in the process of determining the effects of these new standard and guidance on the consolidated financial statements.

4. CHANGE IN PRESENTATION
Consolidated Balance Sheets
From the fiscal year ended March 31, 2018, the account “Investments in unconsolidated subsidiaries and affiliates,” which was previously shown as a separate line item under “Investments and other assets,” was reclassified into “Investment securities” or “Other” for the clearer presentation of the consolidated balance sheets. The balance in the previous fiscal year has been reclassified to conform to the current year’s presentation. As a result, the amount of ¥872 million presented as “Investments in unconsolidated subsidiaries and affiliates” was reclassified and included in “Investment securities” and “Other” in the amounts of ¥740 million and ¥132 million, respectively.

Consolidated Statements of Cash Flows
The account “Impairment loss,” which was previously included in “Other, net” under “Cash flows from operating activities,” is shown separately for the fiscal year ended March 31, 2018. The balance in the previous fiscal year has been reclassified to conform to the current year’s presentation. As a result, the amount of ¥4,505 million presented as “Other, net” in the previous fiscal year’s consolidated statement of cash flows is reclassified as “Impairment loss” of ¥291 million and “Other, net” of ¥4,213 million.

Notes to Consolidated Financial Statements

5. ADDITIONAL INFORMATION

Stock Benefit Employee Stock Ownership Plan Trust

The Company has an incentive plan using the "Stock Benefit Employee Stock Ownership Plan Trust ("ESOP Trust")" to provide an incentive to the Group's employees holding senior management positions (hereinafter the "Senior Managers"), aiming to enhance their commitment to further improve the business performance and corporate value over the medium-to-long term.

(1) Overview of the plan

The Company sets up a trust with the Senior Managers who fulfill certain requirements as beneficiaries, by contributing funds to acquire the Company's stock. The trust acquires the Company's own stock from the stock market for the number of shares required for delivering to the Senior Managers based on the prescribed internal rule for stock delivery. Then, in accordance with the internal rule, the Company makes a delivery or payment of its shares and cash equivalents to the amount obtained by converting a part of the shares into cash based on the rank of each Senior Manager and degree of achievement of the performance target.

The Company applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (PITF No. 30, March 26, 2015) for the accounting treatment of the plan.

(2) The Company's shares held at the trust

The Company's shares held at the trust are carried at their book value at the trust (excluding incidental expenses) and accounted for as treasury stock under net assets. The book value of applicable treasury stock is ¥479 million ($4,518 thousand), and the number of shares is 340,800 shares as of March 31, 2017 and 2018.

Officer Remuneration Board Incentive Plan Trust

The Company also has an incentive plan using the "Officer Remuneration Board Incentive Plan Trust ("BIP Trust")" to provide an incentive to (i) Directors and Executive Officers (excluding External Directors and non-residents in Japan) of the Company and (ii) Directors of 11 subsidiaries of the Group (excluding External Directors and non-residents in Japan; collectively, with the Directors and Executive Officers of the Company, the "Executives").

(1) Overview of the plan

The Company sets up a trust with the Executives who fulfill certain requirements as beneficiaries, by contributing funds to acquire the Company's stock. The trust acquires the Company's own stock from the stock market for the number of shares required for delivering to the Executives based on the prescribed internal rule for stock delivery. Then, in accordance with the internal rule, the Company makes a delivery or payment of its shares and cash equivalents to the amount obtained by converting a part of the shares into cash based on the rank of each Executive and degree of achievement of the performance target. The Company applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (PITF No. 30, March 26, 2015) for the accounting treatment of the plan.

(2) The Company's shares held at the trust

The Company's shares held at the trust are carried at their book value at the trust (excluding incidental expenses) and accounted for as treasury stock under net assets. The book value of applicable treasury stock is ¥217 million ($2,047 thousand) and the number of shares is 161,500 shares as of March 31, 2017 and 2018.

6. ACCOUNTS RECEIVABLE–INSTALLMENT

The following balances for lump sums receivable and revolving receivable are securitized and are therefore excluded from the consolidated balance sheets as of March 31, 2017 and 2018:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Card shopping:			
Lump sums receivable	¥55,000	¥69,973	$660,122
Revolving receivable	9,290	2,776	26,188

7. LOAN COMMITMENTS

Certain consolidated subsidiaries that operate in the credit card business provide consumer loan services to customers.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Total loan limits	¥1,139,270	¥1,188,248	$11,209,886
Amount executed as loans	140,569	146,011	1,377,462
Unused balance	¥ 998,701	¥1,042,237	$ 9,832,424

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.

8. INVESTMENTS IN STOCKS OF UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

The balance of "Investment securities" includes the investments in stocks of unconsolidated subsidiaries and affiliates as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Stocks of unconsolidated subsidiaries and affiliates	¥740	¥840	$7,924

9. INVESTMENTS IN UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

The balance of "Other" includes the investments in stocks of unconsolidated subsidiaries and affiliates as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Investments in unconsolidated subsidiaries and affiliates	¥132	¥132	$1,245

10. 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, 2017 and 2018, are summarized below. Financial instruments for which the fair value is extremely difficult to determine are excluded from the following table (see Note 2 on page 118).

Millions of yen

	2017			2018		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
(1) Cash and deposits	¥ 36,257	¥ 36,257	¥ —	¥ 45,448	¥ 45,448	¥ —
(2) Notes and accounts receivable–trade	4,840	4,840	—	7,006	7,006	—
(3) Accounts receivable–installment	348,191			402,030		
Allowance for doubtful accounts*1	(6,236)			(8,024)		
	341,955	385,860	43,904	394,005	434,942	40,937
(4) Operating loans	140,569			146,011		
Allowance for doubtful accounts*2	(2,349)			(2,771)		
	138,219	157,324	19,105	143,239	162,550	19,310
(5) Investment securities:						
Available-for-sale securities	17,429	17,429	—	12,954	12,954	—
(6) Leasehold and other deposits	6,993	6,902	(90)	6,173	6,236	62
Assets, total	¥545,695	¥608,615	¥62,919	¥608,829	¥669,139	¥60,310
(1) Accounts payable–trade	¥ 15,850	¥ 15,850	¥ —	¥ 12,361	¥ 12,361	¥ —
(2) Short-term loans payable and current portion of long-term loans payable	50,827	50,827	—	75,331	75,331	—
(3) Current portion of bonds payable	20,000	20,000	—	10,000	10,000	—
(4) Commercial paper	5,000	5,000	—	—	—	—
(5) Income taxes payable	7,214	7,214	—	5,961	5,961	—
(6) Bonds payable	85,000	85,049	49	95,000	95,140	140
(7) Long-term loans payable	273,500	272,556	(943)	305,000	304,597	(402)
Liabilities, total	¥457,391	¥456,498	¥ (893)	¥503,654	¥503,392	¥ (261)

*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)

	2018		
	Carrying value	Fair value	Difference
(1) Cash and deposits	$ 428,754	$ 428,754	$ —
(2) Notes and accounts receivable–trade	66,094	66,094	—
(3) Accounts receivable–installment	3,792,735		
Allowance for doubtful accounts	(75,698)		
	3,717,028	4,103,226	386,198
(4) Operating loans	1,377,462		
Allowance for doubtful accounts	(26,141)		
	1,351,311	1,533,490	182,169
(5) Investment securities			
Available-for-sale securities	122,207	122,207	—
(6) Leasehold and other deposits	58,235	58,830	584
Assets, total	$5,743,669	$6,312,632	$568,962
(1) Accounts payable–trade	$ 116,613	$ 116,613	$ —
(2) Short-term loans payable and current portion of long-term loans payable	710,669	710,669	—
(3) Current portion of bonds payable	94,339	94,339	—
(4) Commercial paper	—	—	—
(5) Income taxes payable	56,235	56,235	—
(6) Bonds payable	896,226	897,547	1,320
(7) Long-term loans payable	2,877,358	2,873,556	(3,792)
Liabilities, total	$4,751,452	$4,748,981	$ (2,462)

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, 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 12, "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)
	2017	2018	2018
Unlisted stocks	¥ 1,421	¥ 1,788	$ 16,867
Contributions to investment limited partnerships	—	256	2,415
Part of security deposits	27,796	28,225	266,273

The items above are not included in (5) Investment securities or (6) Leasehold and other deposits in the table on page 125, as it is extremely difficult to determine the fair value since there were no market prices available and their future cash flows cannot be estimated.

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

Millions of yen

	2017			
	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	¥ 36,257	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	4,840	—	—	—
Accounts receivable–installment	186,538	107,079	29,073	25,500
Operating loans	66,131	74,243	138	56
Leasehold and other deposits	745	3,770	721	1,755
Total	¥294,512	¥185,094	¥29,932	¥27,312

Millions of yen

	2018			
	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	¥ 45,448	¥ —	¥ —	¥ —
Notes and accounts receivable–trade	7,006	—	—	—
Accounts receivable–installment	217,645	124,809	33,372	26,203
Operating loans	69,434	76,414	111	50
Leasehold and other deposits	799	3,244	436	1,693
Total	¥340,334	¥204,468	¥33,920	¥27,947

Thousands of U.S. dollars (Note 1)

	2018			
	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	$ 428,754	$ —	$ —	$ —
Notes and accounts receivable–trade	66,094	—	—	—
Accounts receivable–installment	2,053,254	1,177,443	314,830	247,198
Operating loans	655,037	720,886	1,047	471
Leasehold and other deposits	7,537	30,603	4,113	15,971
Total	$3,210,698	$1,928,943	$320,000	$263,650

See Note 14, "SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT," for the schedule of aggregate annual maturities of long-term loans payable and long-term debt.

11. INVESTMENT SECURITIES

(1) Information on available-for-sale securities as of March 31, 2017 and 2018, is as follows:

Millions of yen

	2017			2018		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Carrying value exceeding acquisition cost:						
Stocks	¥10,633	¥ 9,956	¥ 677	¥12,555	¥10,149	¥2,406
Subtotal	10,633	9,956	677	12,555	10,149	2,406
Carrying value not exceeding acquisition cost:						
Stocks	6,795	8,959	(2,164)	398	564	(165)
Subtotal	6,795	8,959	(2,164)	398	564	(165)
Total	¥17,429	¥18,915	¥(1,486)	¥12,954	¥10,713	¥2,241

	Thousands of U.S. dollars (Note 1)		
	2018		
	Carrying value	Acquisition cost	Difference
Carrying value exceeding acquisition cost:			
Stocks	$118,443	$ 95,745	$22,698
Subtotal	118,443	95,745	22,698
Carrying value not exceeding acquisition cost:			
Stocks	3,754	5,320	(1,556)
Subtotal	3,754	5,320	(1,556)
Total	$122,207	$101,066	$21,141

Unlisted stocks in the amount of ¥681 million and ¥948 million ($8,943 thousand) as of March 31, 2017 and 2018, respectively, and contributions to investment limited partnerships in the amount of ¥256 million ($2,415 thousand) as of March 31, 2018, are not included in the table above as it is extremely difficult to determine the fair value since their market price is not readily available and their future cash flows cannot be estimated.

(2) Information on sale of available-for-sale securities for the fiscal years ended March 31, 2017 and 2018, is as follows:

	Millions of yen					
	2017			2018		
	Proceeds from sales	Gains	Losses	Proceeds from sales	Gains	Losses
Stocks	¥2,016	¥208	¥330	¥8,562	¥429	¥1,334
Total	¥2,016	¥208	¥330	¥8,562	¥429	¥1,334

	Thousands of U.S. dollars (Note 1)		
	2018		
	Proceeds from sales	Gains	Losses
Stocks	$80,773	$4,047	$12,584
Total	$80,773	$4,047	$12,584

(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, 2018, the disclosure of impairment loss on investment securities was omitted due to insignificance of the amount. For the fiscal year ended March 31, 2017, no impairment loss on investment securities was recognized.

12. DERIVATIVE TRANSACTIONS

For the fiscal years ended March 31, 2017 and 2018, 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)		
2017			2018			2018		
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
¥22,000	¥17,000	*	¥17,000	¥10,000	*	$160,377	$94,339	*

* 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.

13. LEASES

(As a Lessee)

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

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Within one year	¥ 3,861	¥ 3,728	$ 35,169
Over one year	21,275	17,818	168,094
Total	¥25,136	¥21,546	$203,264

(As a Lessor)

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Within one year	¥12,058	¥10,038	$ 94,698
Over one year	8,881	6,554	61,830
Total	¥20,939	¥16,592	$156,528

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

Short-term loans payable and current portion of long-term loans payable as of March 31, 2017 and 2018, consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Short-term loans payable	¥40,827	¥44,331	$418,216
Current portion of long-term loans payable	10,000	31,000	292,452
Total	¥50,827	¥75,331	$710,669

Annual weighted-average interest rates of short-term loans payable were 0.27% and 0.28% and those of current portion of long-term loans payable were 0.65% and 0.43% for the fiscal years ended March 31, 2017 and 2018, respectively.

Notes to Consolidated Financial Statements

Long-term debt as of March 31, 2017 and 2018, consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
0.27% long-term loans from banks and others due through 2028, excluding current portion	¥273,500	¥305,000	$2,877,358
20th series unsecured 0.79% corporate bond, due 2017	10,000	—	—
21st series unsecured 0.57% corporate bond, due 2017	10,000	—	—
22nd series unsecured 0.85% corporate bond, due 2019	5,000	5,000	47,169
24th series unsecured 0.582% corporate bond, due 2018	10,000	10,000	94,339
25th series unsecured 0.344% corporate bond, due 2019	10,000	10,000	94,339
26th series unsecured 0.562% corporate bond, due 2021	10,000	10,000	94,339
27th series unsecured 0.337% corporate bond, due 2020	15,000	15,000	141,509
28th series unsecured 0.543% corporate bond, due 2022	10,000	10,000	94,339
29th series unsecured 0.050% corporate bond, due 2019	15,000	15,000	141,509
30th series unsecured 0.130% corporate bond, due 2021	10,000	10,000	94,339
31st series unsecured 0.190% corporate bond, due 2022	—	10,000	94,339
32nd series unsecured 0.300% corporate bond, due 2024	—	10,000	94,339
Lease obligation	1,719	1,570	14,811
	380,219	411,570	3,882,735
Less: Current portion of corporate bond and lease obligation	20,149	10,149	95,745
Total	¥360,070	¥401,420	$3,786,981

The aggregate annual maturities of long-term debt subsequent to March 31, 2018, 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
2019	¥ 31,000	¥ 10,000	¥ 149	$ 292,452	$ 94,339	$ 1,405
2020	42,000	30,000	149	396,226	283,018	1,405
2021	51,000	15,000	149	481,132	141,509	1,405
2022	35,000	20,000	149	330,188	188,679	1,405
2023 and thereafter	177,000	30,000	971	1,669,811	283,018	9,160
Total	¥336,000	¥105,000	¥1,570	$3,169,811	$990,566	$14,811

15. DEFERRED TAX ACCOUNTING

Major components of deferred tax assets and deferred tax liabilities as of March 31, 2017 and 2018, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Deferred tax assets:			
Depreciation	¥ 5,741	¥ 5,597	$ 52,801
Impairment loss	5,073	5,384	50,792
Provision for loss on interest repayment	3,982	1,860	17,547
Provision for point card certificates	3,194	3,286	31,000
Net unrealized loss on non-current assets	1,353	1,191	11,235
Provision for bonuses	1,263	1,240	11,698
Net operating loss carried forward	315	523	4,933
Other	6,034	5,593	52,764
Subtotal	26,958	24,678	232,811
Valuation allowance	(6,969)	(5,630)	(53,113)
Total deferred tax assets	¥19,988	¥19,047	$179,688
Deferred tax liabilities:			
Reserve for special account for advanced depreciation of non-current assets	¥9,900	¥11,259	$106,216
Valuation difference on available-for-sale securities	23	61	575
Other	263	221	2,084
Total deferred tax liabilities	¥10,187	¥11,542	$108,886
Deferred tax assets, net	¥ 9,801	¥ 7,505	$ 70,801

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 are as follows:

	2017	2018
Statutory tax rate	30.9%	30.9%
Adjustments:		
Permanent differences such as entertainment expenses, etc.	0.3	0.2
Permanent differences such as dividends, etc.	(0.1)	(0.1)
Change in valuation allowance	(0.9)	(4.2)
Inhabitants' tax	0.5	0.5
Difference in tax rates of consolidated subsidiaries	3.6	3.3
Tax credit	(1.5)	0.0
Adjustments to deferred tax assets in connection with application of pro forma standard taxation*	—	3.5
Other	0.3	0.3
Effective tax rate	33.1%	34.4%

* A certain consolidated subsidiary became subject to pro forma standard taxation due to an increase in its capital amount. This is the effect of application of such taxation.

16. ASSET RETIREMENT OBLIGATIONS

(1) Asset retirement obligations recognized on 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, 2017 and 2018, consist of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Beginning balance	¥974	¥892	$8,415
Increase due to acquisition of property and equipment	7	—	—
Adjustments due to passage of time	4	4	37
Decrease due to fulfillment of obligation	(93)	—	—
Ending balance	¥892	¥897	$8,462

(2) Asset retirement obligations other than those recognized on 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.

17. 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, 2017 and 2018, was ¥10,929 million and ¥17,509 million ($165,179 thousand), respectively. For the fiscal years ended March 31, 2017 and 2018, the Group recognized ¥13,659 million and ¥1,121 million ($10,575 thousand) of gain on sale of property and equipment, primarily land. 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 are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Carrying value*1:			
Beginning balance	¥ 45,240	¥ 86,249	$ 813,669
Changes during the year*2	41,008	17,679	166,783
Ending balance	¥ 86,249	¥103,928	$ 980,452
Fair value*3	¥159,321	¥215,080	$2,029,056

*1 Carrying value represents the amount on the consolidated balance sheets that is carried at the acquisition cost less accumulated depreciation.
*2 Major items are the increases due to reclassification of holding purposes of properties in the amounts of ¥37,267 million and ¥18,530 million ($174,811 thousand) for the fiscal years ended March 31, 2017 and 2018, respectively.
*3 Fair value is based on the appraised value provided by third-party real estate appraisers.

18. SUBSCRIPTION RIGHTS TO SHARES

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

	2016
Date of resolution	June 25, 2015
Title and number of grantees	4 Directors and 12 Executive Officers of the Company
Type and number of shares to be issued upon exercise of stock options	Common stock 32,000 shares
Granted date	July 10, 2015
Vesting conditions	No provision
Eligible service period	No provision
Exercise period	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, 2018. The number of stock options is translated into the number of shares.

	Number of shares
	2016
Before vested:	
As of March 31, 2017	—
Granted	—
Forfeited	—
Vested	—
As of March 31, 2018	—
After vested:	
As of March 31, 2017	1,400
Vested	—
Exercised	1,400
Forfeited	—
As of March 31, 2018	—

	Yen	U.S. dollars (Note 1)
Exercise price	¥ 1	$0.009
Average exercise price	1,482	13.98
Fair value at granted date	1,589	14.99

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.

Notes to Consolidated Financial Statements

19. 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, 2017 and 2018:

2017					
Resolution	Class of share	Total amount of dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 29, 2016	Common stock	¥2,666	¥11	March 31, 2016	June 30, 2016
Board of Directors' meeting held on November 4, 2016	Common stock	3,719	16	September 30, 2016	December 5, 2016

Note: The amount of dividends resolved at the Board of Directors' meeting held on November 4, 2016, includes ¥8 million of dividends for the BIP Trust and ESOP Trust.

2018							
Resolution	Class of share	Total amount of dividends		Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)	(Yen)	(U.S. dollars) (Note 1)		
Ordinary General Meeting of Shareholders held on June 26, 2017	Common stock	¥3,900	$36,792	¥17	$0.16	March 31, 2017	June 27, 2017
Board of Directors' meeting held on November 9, 2017	Common stock	4,052	38,226	18	0.16	September 30, 2017	December 4, 2017

Note 1: The amount of dividends resolved at the Ordinary General Meeting of Shareholders held on June 26, 2017, includes ¥8 million ($75 thousand) of dividends for the BIP Trust and ESOP Trust.
Note 2: The amount of dividends resolved at the Board of Directors' meeting held on November 9, 2017, includes ¥9 million ($84 thousand) of dividends for the BIP Trust and ESOP Trust.

Dividends with a record date during the fiscal year ended March 31, 2018, but with an effective date subsequent to the fiscal year ended March 31, 2018, are as follows:

Resolution	Class of share	Total amount of dividends		Source	Dividends per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars) (Note 1)		(Yen)	(U.S. dollars) (Note 1)		
Ordinary General Meeting of Shareholders held on June 25, 2018	Common stock	¥4,417	$41,669	Retained earnings	¥20	$0.18	March 31, 2018	June 26, 2018

Note: The amount of dividends resolved at the Ordinary General Meeting of Shareholders held on June 25, 2018, includes ¥10 million ($94 thousand) of dividends for the BIP Trust and ESOP Trust.

The following table summarizes the number of shares of common stock, issued and outstanding, and treasury stock:

		Number of shares
	2017	2018
Common stock, issued and outstanding:		
At the beginning of the year	278,660,417	233,660,417
Decrease due to retirement of treasury stock	(45,000,000)	—
At the end of the year	233,660,417	233,660,417
Treasury stock:		
At the beginning of the year	36,270,334	4,704,750
Increase due to purchase of treasury stock in the stock market	12,966,300	8,564,700
Increase due to acquisition of stock through BIP Trust and ESOP Trust	502,300	—
Increase due to purchase of odd lot shares	1,178	1,473
Decrease due to retirement of treasury stock	(45,000,000)	—
Decrease due to exercise of stock options	(35,300)	(1,400)
Decrease due to sale of stock to odd lot shareholders	(62)	(17)
At the end of the year	4,704,750	13,269,506

20. 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, 2017 and 2018, the amounts of the Group's guarantee obligations were ¥25,428 million and ¥24,616 million ($232,226 thousand), respectively.

21. COST OF SALES

For the fiscal years ended March 31, 2017 and 2018, cost of sales included the revaluation loss on inventories in the amounts of ¥48 million and ¥24 million ($226 thousand), respectively.

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the fiscal years ended March 31, 2017 and 2018, are as follows:

		Millions of yen	Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Advertisement	¥ 12,425	¥ 12,168	$ 114,792
Provision for point card certificates	9,181	11,445	107,971
Provision for allowance for doubtful accounts	9,610	12,344	116,452
Salaries and allowances	32,023	31,386	296,094
Provision for bonuses	3,441	3,604	34,000
Rent	16,308	15,888	149,886
Depreciation and amortization	8,960	8,899	83,952
Other	42,760	43,425	409,669
	¥134,711	¥139,162	$1,312,849

Notes to Consolidated Financial Statements

23. LOSS ON RETIREMENT OF PROPERTY AND EQUIPMENT AND LOSS ON CLOSING OF STORES

Loss on retirement of property and equipment for the fiscal years ended March 31, 2017 and 2018, consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Buildings and structures	¥ 988	¥ 535	$ 5,047
Furniture and fixtures	1,930	1,108	10,452
	¥2,918	¥1,643	$15,500

For the fiscal years ended March 31, 2017 and 2018, the Group recognized ¥1,310 million and ¥604 million ($5,698 thousand) of loss on closing of stores, which primarily consisted of restoration costs involved in the closing of stores.

24. IMPAIRMENT LOSS

The impairment loss recognized for the fiscal year ended March 31, 2017, is as follows:

Use	Location	Type of assets	Millions of yen
Stores	Kawasaki store	Buildings and structures	¥278
	Kawasaki, Kanagawa, etc.	Other	12
		Total	¥291

The impairment loss recognized for the fiscal year ended March 31, 2018, is as follows:

Use	Location	Type of assets	Millions of yen	Thousands of U.S. dollars (Note 1)
Stores	Mito store	Land	¥ 738	$ 6,962
	Mito, Ibaraki, etc.	Other	446	4,207
		Total	¥1,184	$11,169

The Group has grouped its fixed assets by either store or rental property, which is the minimum cash-generating unit. 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 or disposed of, the Group evaluates that the fair value less costs to sell is zero.

25. PROVISION FOR LOSS ON INTEREST REPAYMENT

For the fiscal year ended March 31, 2017, the Company re-examined the amount of provision based on the situation in which repayment claims continue although the actual repayments decreased compared with the previous fiscal year, and recorded the necessary amount at the fiscal year-end.

26. COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Valuation difference on available-for-sale securities:			
Amounts incurred for the year	¥116	¥ 2,847	$ 26,858
Reclassification adjustments	122	904	8,528
Before tax effect adjustment	238	3,751	35,386
Tax effect	343	(1,154)	(10,886)
Valuation difference on available-for-sale securities	581	2,597	24,500
Deferred gains or losses on hedges:			
Amounts incurred for the year	—	(2)	(18)
Tax effect	—	0	0
Deferred gains or losses on hedges	—	(1)	(9)
Total other comprehensive income	¥581	¥ 2,596	$ 24,490

27. 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, 2017 and 2018, are as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2018	2018
Cash and deposits	¥36,257	¥45,448	$428,754
Time deposits with maturity in excess of three months	(11)	(11)	(103)
Cash and cash equivalents	¥36,245	¥45,437	$428,650

28. 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 two reportable segments identified by products and services: “Retailing” and “FinTech.”

The Retailing segment engages in management of commercial property rental, retailing operations of clothes and accessories, store design, advertising, apparel distribution maintenance, and management of buildings and other facilities. The FinTech segment engages in the credit card services, the consumer loans, and the rent payment guarantee businesses; IT systems; 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

2017	Reportable segment: Retailing	Reportable segment: FinTech	Reportable segment: Total	Adjustment *1	Consolidated *2
Revenue:					
Outside customers	¥142,113	¥ 94,909	¥237,022	¥ —	¥237,022
Intersegment	5,975	2,192	8,168	(8,168)	—
Total	¥148,089	¥ 97,101	¥245,190	¥ (8,168)	¥237,022
Segment income	¥ 7,759	¥ 27,111	¥ 34,870	¥ (3,616)	¥ 31,253
Segment assets	¥297,606	¥536,050	¥833,656	¥(27,081)	¥806,575
Other items:					
Depreciation and amortization	¥ 8,422	¥ 1,759	¥ 10,182	¥ (61)	¥ 10,121
Increase in property and equipment and intangible assets	14,376	2,040	16,416	(719)	15,696

*1 Adjustment to segment income consists of intersegment elimination of ¥2,037 million and corporate expenses of ¥(5,654) million that are not allocated to each reportable segment. Adjustment to segment assets mainly consists of intersegment elimination of ¥(362,554) million and corporate assets of ¥335,571 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 in the consolidated statements of income.

Millions of yen

2018	Reportable segment: Retailing	Reportable segment: FinTech	Reportable segment: Total	Adjustment *1	Consolidated *2
Revenue:					
Outside customers	¥132,241	¥106,758	¥238,999	¥ —	¥238,999
Intersegment	5,839	2,187	8,026	(8,026)	—
Total	¥138,081	¥108,945	¥247,026	¥ (8,026)	¥238,999
Segment income	¥ 8,826	¥ 30,310	¥ 39,137	¥ (3,894)	¥ 35,243
Segment assets	¥297,199	¥595,844	¥893,044	¥(25,893)	¥867,150
Other items:					
Depreciation and amortization	¥ 8,484	¥ 1,819	¥ 10,303	¥ (29)	¥ 10,274
Increase in property and equipment and intangible assets	9,030	1,874	10,905	(654)	10,250

Thousands of U.S. dollars (Note 1)

2018	Reportable segment: Retailing	Reportable segment: FinTech	Reportable segment: Total	Adjustment *1	Consolidated *2
Revenue:					
Outside customers	$1,247,556	$1,007,150	$2,254,707	$ —	$2,254,707
Intersegment	55,084	20,632	75,716	(75,716)	—
Total	$1,302,650	$1,027,783	$2,330,433	$ (75,716)	$2,254,707
Segment income	$ 83,264	$ 285,943	$ 369,216	$ (36,735)	$ 332,481
Segment assets	$2,803,764	$5,621,169	$8,424,943	$(244,273)	$8,180,660
Other items:					
Depreciation and amortization	$ 80,037	$ 17,160	$ 97,198	$ (273)	$ 96,924
Increase in property and equipment and intangible assets	85,188	17,679	102,877	(6,169)	96,698

*1 Adjustment to segment income consists of intersegment elimination of ¥2,534 million ($23,905 thousand) and corporate expenses of ¥(6,428) million ($(60,641) thousand) that are not allocated to each reportable segment. Adjustment to segment assets mainly consists of intersegment elimination of ¥(416,031) million ($(3,924,820) thousand) and corporate assets of ¥390,674 million ($3,685,603 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 in the consolidated statements of 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, 2017 and 2018, an impairment loss of ¥291 million and ¥1,184 million ($11,169 thousand), respectively, was reported by the Retailing segment.

29. RELATED PARTY INFORMATION

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

2017

Name of 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 1.0%	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 0.7%	Property rental Concurrent position as director	Property rental stores	32	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.

2018

Name of 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 ($94 thousand) (Note 1)	Real estate rental	Direct 1.0%	Property rental Concurrent position as director	Property rental	¥45 ($424 thousand) (Note 1)	Leasehold and other deposits	¥41 ($386 thousand) (Note 1)
								Other current liabilities	1 ($9 thousand) (Note 1)
Seiwa Kogyo Co., Ltd.	Shinjuku, Tokyo	10 ($94 thousand) (Note 1)	Real estate rental	Direct 0.8%	Property rental Concurrent position as director	Property rental	32 ($301 thousand) (Note 1)	Leasehold and other deposits	191 ($1,801 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.

30. PER SHARE INFORMATION

Net income per share, both basic and diluted, for the fiscal years ended March 31, 2017 and 2018, is as follows:

	Yen		U.S. dollars (Note 1)
	2017	2018	2018
Net income per share	¥80.24	¥93.18	$0.87
Diluted net income per share	80.24	93.18	0.87

	Thousands of shares	
	2017	2018
Weighted-average number of outstanding shares	233,346	224,381
Diluted shares:		
Assumed exercise of stock options	8	0

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.

For the computation of net income per share and diluted net income per share, the number of shares held by BIP Trust and ESOP Trust is deducted from the weighted-average number of outstanding shares (293 thousand shares and 502 thousand shares for the fiscal years ended March 31, 2017 and 2018, respectively).

31. SUBSEQUENT EVENT

At the Board of Directors' meeting held on May 10, 2018, 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), and also resolved to retire treasury stock in accordance with Article 178 of the Act.

Reason for acquisition and retirement

Based on the medium-term management plan to be achieved by the fiscal year ending March 31, 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. As part of the plan, the Company will execute acquisition and retirement of treasury stock to improve its corporate value by achieving the following targets: an ROE of 10%, an ROIC of 4%, and an EPS of ¥130.

Based on these Group strategies, the Company resolved to acquire and retire treasury stock as follows:

(Acquisition of treasury stock)

(i) Class of shares	Common stock
(ii) Maximum number of shares to acquire	4 million shares (1.81% of total outstanding shares)
(iii) Maximum amount for acquisition	¥7,000 million ($66,037 thousand)
(iv) Acquisition period	From May 11, 2018 to March 31, 2019

(Retirement of treasury stock)

(i) Class of shares	Common stock
(ii) Number of shares to be retired	10 million shares (4.28% of total outstanding shares)
(iii) Number of total outstanding shares after retirement	223,660,417 shares
(iv) Date of retirement	May 31, 2018