

ÆON CREDIT SERVICE CO., LTD.

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ÆON Credit Service Co., Ltd.
Annual Report 2002 Fiscal year ended February 20, 2002



“Customer-First”—based on this corporate philosophy, Aeon Credit Service Co., Ltd. has been providing added-value financial services according to the lifestyle needs of individual customers. In June 2001, Aeon Credit Service celebrated the 20th anniversary of its establishment, in 1981.

Looking back over the past twenty years, the Company pursued a path of positive business expansion, posting a record of rapid continuous growth that led to its shares going public on the OTC market in 1994. Listing on the Second Section of Tokyo Stock Exchange followed within two years, and it was approved for trading on the First Section of the bourse in August 1998.

There was other auspicious news to announce during fiscal year 2001, too. The Company further enhanced its cardholder penetration by focusing on recruitment to the Aeon Card. It opened a 1,000-operator Integrated Operation Center with the aim of increasing productivity and further improving customer service, and obtained ISO14001 certification for environmental management systems and ISO9001 certification for quality management systems. The Thai subsidiary's IPO on the Stock Exchange of Thailand was also a remarkable achievement during the year.

Profile

Consequently, the consolidated annual revenues and net income during Fiscal 2001 (the year ended February 20, 2002), achieved record highs of ¥84,297 million (an increase of 20.7% from the previous year) and ¥12,012 million (an increase of 17.3%) respectively.

In the Asian region as well as in Japan, we will continuously endeavor under the “Customer-First” philosophy to expand our business network so as to provide broader and more convenient services close to each customer's life.

Forward-Looking Statements

Statements contained in this report with respect to the Aeon Credit Service Group's plans, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of the Aeon Credit Service Group which are based on management's assumptions and beliefs in light of the information currently available to it. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Aeon Credit Service Group's actual results, performance or achievements to differ materially from the expectations expressed herein.

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Primary Financial Indicators

Aeon Credit Service Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen					Thousands of U.S. Dollars
	1998	1999	2000	2001	2002	2002
Revenues	¥ 44,670	¥ 54,639	¥ 61,554	¥ 69,863	¥ 84,297	\$ 629,082
Income before income taxes	8,275	11,123	14,031	18,082	21,490	160,372
Net income	4,182	5,697	7,635	10,238	12,012	89,641
Shareholders' equity	40,417	50,782	59,120	66,443	78,215	583,694
Total assets	230,100	255,986	284,747	328,050	393,253	2,934,724
	Yen					Thousands of U.S. Dollars
Per Share Data						
Shareholders' equity	¥ 890.91	¥ 1,067.61	¥ 1,242.92	¥ 1,396.87	¥ 1,644.36	\$ 12.27
Cash dividend	15.91	15.91	35.00	30.00	45.00	0.34
Net income	95.04	121.59	160.51	215.24	252.53	1.88
Shareholders' equity ratio	17.6%	19.8%	20.8%	20.3%	19.9%	
Return on assets	2.0%	2.3%	2.8%	3.3%	3.3%	
Return on equity	12.0%	12.5%	13.9%	16.3%	16.6%	

Notes: 1. All indicators are for the term ending in February of that year.
2. Revenues do not include consumption tax.
3. On April 8, 2000 and February 10, 2001, the parent company issued additional shares in connection with an eleven-for-ten stock split and a two-for-one stock split, respectively. All per common share amounts in the Financial Indicators have been adjusted to reflect these stock splits.



OPERATING RESULTS FOR FISCAL 2001 During the fiscal year ended February 2002, the credit card industry experienced a harsh operating environment characterized by slumping personal consumption owing to the prolonged recession and by further intensification of competition among card companies. In these circumstances, the Company marked the twentieth anniversary of its foundation in June of 2001. As a result of engaging in further business expansion and focusing efforts on expansion of the sales network, enhancement of customer service, and development of domestic and overseas consolidated subsidiaries, we posted consolidated revenues of ¥84,297 million (a 20.7% increase year on year) and net income of ¥12,012 million (a 17.3% increase) for the year. We were

able to absorb the increase in expenses due to application of new accounting standards for retirement benefits accounting and financial instruments accounting, achieve increases in both revenues and profits, and post the Company's highest ever earnings. ■ The Company has declared a final dividend of ¥30 per share. Together with the ¥20 interim dividend, this results in a full-year dividend of ¥50 per share, an increase of ¥10 compared to the prior fiscal year. The dividend ratio on a non-consolidated basis increased to 23.1%, from 21.1% in the previous year.

EXPANSION OF DOMESTIC OPERATIONS During Fiscal 2001 we increased card usage by adding joint programs with AEON companies to the many other benefits of the AEON Card, expanded the business network, and stepped up development of new co-branded cards. As a result, we achieved a net increase of one million cardholders and expanded the cardholder base to 9.8 million users. We also engaged in expansion of the affiliated merchant network and cash dispenser and ATM network, further enhancing customer convenience. ■ Following the opening of call centers and the credit center, we established a loan management center and completed a three-year project to build an Integrated Operation Center with capacity for 1,000 operators. These initiatives enabled us to put in place the infrastructure necessary to cope with expanded scale of operations and promote a lower-cost operating structure. ■ The Company is aggressively engaged in the e-commerce business, a market expected to rapidly expand in the years ahead. Further enhancements to the settlement functions in the AEON Regi e-settlement system have brought a satisfactory increase in trading volume.

EXPANSION OF OVERSEAS OPERATIONS Overseas, the Company continues to enjoy remarkable growth in Hong Kong, Thailand, Malaysia, and Taiwan. During Fiscal 2001 in particular, we were able to reinforce our Asian network through such means as an initial public offering of the shares of Thai subsidiary AEON Thana Sinsap (Thailand) Plc. on the

Stock Exchange of Thailand. Overseas revenues for Fiscal 2001 of ¥21,034 million increased to the point of contributing 25.0% of consolidated revenues. We will continue to take advantage of the unique expertise we have accumulated in overseas markets and, with a focus on Asia, further develop global business operations.

STRENGTHENING THE FINANCIAL POSITION AND BOLSTERING FUND RAISING CAPACITY In July of 2001, to secure stable funding at low interest the Company followed on the previous year's bond issue by floating a domestic issue of unsecured ordinary bonds in the amount of ¥15 billion (interest rate of 1.22%, redemption period of seven years). We also liquidated ¥43 billion in bonus payment claims, further increasing our use of direct financing. These measures resulted in a direct financing ratio of 32% on a non-consolidated basis and further diversified the Company's fund raising sources.

MANAGEMENT TARGETS FOR FISCAL 2002 (the year ending February 20, 2003)

The Company will steadily implement the following high-priority action plans for Fiscal 2002:

- >> Expansion of the business network and enhancement of customer convenience
- >> Development and promotion of new co-branded cards
- >> Increase in competitive advantage through IT use
- >> Reinforcement of the business structure
- >> Business expansion at domestic and overseas subsidiaries
- >> Involvement in social contribution and environmental protection activities

In this way, we will strive to enhance corporate value in order to meet the expectations of our shareholders.

森 美樹

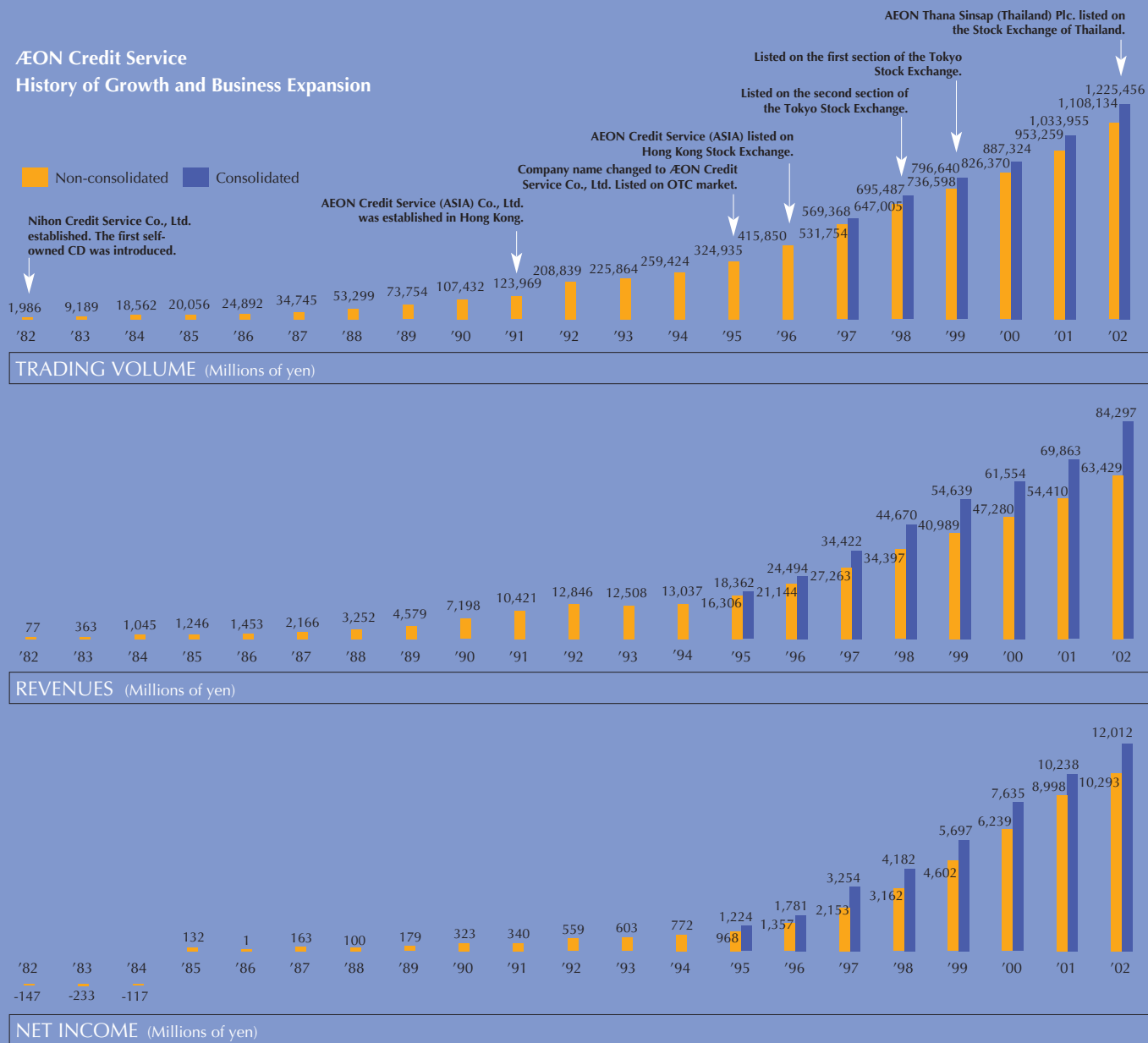
May, 2002

Yoshiki Mori, *President and C.E.O.*

Ever since ÆON Credit Service was founded, the Company has delivered continuously strong business growth, and in Fiscal 2001 (the year ending February 20, 2002), trading volume reached ¥1,225.5 billion. The Company's average growth rate of 17% over the past five years is among the highest in the industry. Over the past five years consolidated revenues have increased 2.4-fold and non-consolidated revenues 1.8-fold. For Fiscal 2001 we achieved consolidated revenues of ¥84.3 billion (unconsolidated revenues of ¥63.4 billion) and consolidated net income of ¥12.0 billion (unconsolidated net income of ¥10.2 billion).

Growth and Expansion of Our Operations

ÆON Credit Service History of Growth and Business Expansion



ÆON Credit Service is engaged in a broad range of business activities that complement the core credit card and loan business, including servicer, call center, insurance agency, and travel agency businesses.

FINANCIAL SERVICE

OVERSEAS

- Credit Card Business
- Hire Purchase

AEON Credit Service (Asia)

Consolidated subsidiary in Hong Kong
Capital: HK\$ 38 million, Share ownership: 51.9%

AEON Thana Sinsap (Thailand)

Consolidated subsidiary in Thailand
Capital: BT 250 million, Share ownership: 54.3%

ACS Capital

Consolidated subsidiary in Thailand
Capital: BT 60 million, Share ownership: 49.1%

ACS Credit Service (M)

Consolidated subsidiary in Malaysia.
Capital: RM 4 million, Share ownership: 41.0%

AEON Credit Service (Taiwan)

Consolidated subsidiary in Taiwan
Capital: NT\$ 20 million, Share ownership: 100.0%

DOMESTIC

- Financing
- Debt Collection Service

ACS Finance

Consolidated subsidiary
Capital: ¥90 million, Share ownership: 100.0%

ACS Credit Management

Consolidated subsidiary
Capital: ¥500 million, Share ownership: 100.0%

OTHER BUSINESSES

OVERSEAS

- Call Center

AEON Information Service (Shenzhen)

Consolidated subsidiary in China (Shenzhen)
Capital: Yuan 2 million, Share ownership: 76.0%

DOMESTIC

- Insurance Agency
- Travel Agency
- Other Service

NCS Kosan

Consolidated subsidiary
Capital: ¥10 million, Share ownership: 100.0%

Jusvel

Equity method affiliated company
Capital: ¥98 million, Share ownership: 30.6%

AEON Visty

Equity method affiliated company
Capital: ¥490 million, Share ownership: 28.6%

ÆON Credit Service

Mid-term Management Plan

Further expansion of the business network and enhancement of customer convenience

- Increased credit card usage by means of collaborative promotions with affiliated merchants and enhancement of cardholder benefits.
- Further expansion of the ÆON cash dispenser network combined with functional enhancements.
- Provision of comprehensive settlement services over the Internet and development of the e-commerce business.
- Development of mainstay applications for smart cards and issuance of next-generation multifunctional smart cards.

Strengthening of the co-branded card promotion structure

- Stepped-up cardholder recruitment by means of construction of dedicated systems for co-branded cards.
- Reinforcement of the business structure with the aim of expanding share in the greater Tokyo area.

Increase in competitive advantage through IT use

- Provision of standardized, high-quality response service by means of an Integrated Operation Center.
- Strengthening of the credit checking system by means of introducing an automated checking system and an unauthorized use detection system incorporating the latest technologies.

Strengthening of management systems

- Increase in the direct financing ratio to secure low-cost, stable fund procurement and locking in of long-term funding.
- Continuing implementation and improvement of the ISO 9001 Quality Management System. Acquisition of Privacy Mark certification for personal information management.
- Strengthening of the internal audit function and enhancement of risk management by means of rigorous compliance.
- Establishment of a training system and promotion system to cope with diversification of forms of employment.

Involvement in businesses ancillary to the credit card businesses

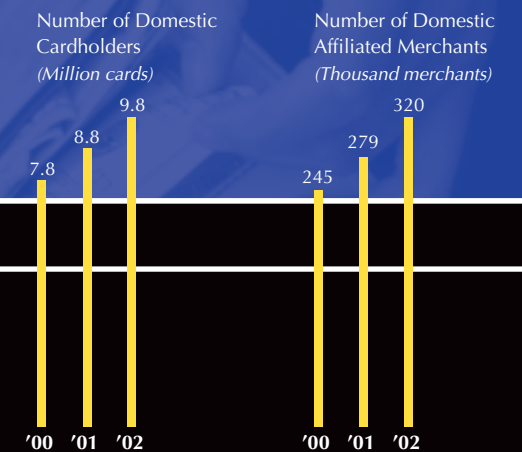
- Expansion of the insurance agency, servicer, and e-commerce businesses
- Expansion of the Asian network
- Expansion into new geographical areas while positioning Japan, Hong Kong, and Thailand at the core of the Asian Network.
- Early launch of the credit card business in Malaysia and Taiwan

Social contribution and environmental protection activities

- Promotion of volunteer activities and Internet support for social welfare facilities.
- Further development of the business support center, a facility employing the disabled.
- Continuation of environmental protection activities involving use of the ISO 14001 Environmental Management System.
- Further engagement in group activities such as the ÆON 1% Club and the ÆON Environmental Foundation.



Domestic Operations



Further expansion of the business network and enhancement of customer convenience

The Company has a long history in issuing credit cards for AEON Co., Ltd. and other AEON companies. In July 2000 the Company issued the AEON Card, a credit card that combine the various customer benefits of group companies to enhance customer convenience and makes it possible to provide high value-added services, including joint promotions that leverage the power of the group such as AEON Festival and the Lifestyle Support Coupon Sale. As a result of these initiatives, usage was 10% higher for shopping and 20% higher for cashing for AEON Cards than for the previous card types, a development that contributed to expansion in the Company's trading volume. ■ In the future, the Company will continue to strive for new cardholder acquisition in connection new store openings on the part of group companies and will promote brand formation by organizing AEON Card cardholders through joint promotions that bring to bear group synergy. ■ The Company engaged in various business network expansion initiatives. We opened new AEON World Desk offices for accepting applications for credit cards or loans and providing various cashing services, including seven locations in Tokyo, expanding the



The Company continues to develop various partnership cards and offer services that closely match customer lifestyles.

The AEON Card is highly popular with cardholders for its attractive services and convenience.



domestic network to 57 locations. ■ As an upshot of this office network expansion, we issued co-branded cards based on new concepts in collaboration: the I Love Daikanyama Card, a local contribution card—a type of credit card whereby a portion of the usage amount is contributed to help preserve the local environment; the HOOPS Card and Infogreen Card based on tie-ups with Website operators; and the E-NOTH Card, a regional credit card that consolidates the benefits of leading companies in the Tohoku Region. These initiatives brought a net increase of one million cardholders in Fiscal 2001, resulting in a domestic cardholder base of 9.8 million users at the fiscal yearend. ■ In addition, to enhance cardholder convenience we aggressively engaged in expansion of the affiliated merchant network. In Fiscal 2001 we acquired 40,000 new affiliated merchants, expanding the nationwide network to 320,000 locations. ■ We also expanded the cash dispenser network, collaborating with financial institutions from across Japan to construct a network of more than 120,000 cash dispensers in Fiscal 2001. We also devoted efforts to the expansion of our own cash dispenser network, focusing on retail outlets such as JUSCO stores, Toys-R-Us stores, and Ministop convenience stores; we newly installed or relocated 240 dispensers to bring our network to 1,401 machines as of June 20, 2002.

Strengthening the E-commerce Business

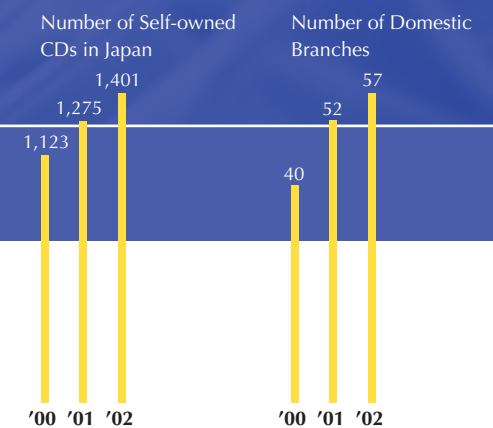
The Company has established the AEON Market website and is providing a full range of Internet-based cardholder services. These services include Shopping Market, a market where famous local products from across Japan are offered for sale, the Card & Loan Market service that makes possible next-day delivery of credit cards, Hoken Market for comparing price quotes for various types of insurance, and the AEON Card Net Branch service that makes it possible for cardholders to view their usage statements or amend personal information such as address or telephone number over the Internet. The number of credit card applications submitted over the Internet increases each year; about 13,000 cards were issued in Fiscal 2001 and we forecast that 22,000 new cards will be issued in Fiscal 2002. ■ With regard to the AEON Regi e-settlement system, in addition to credit card settlement, the Company has bolstered other settlement functions including bank funds transfer, debiting of parcel delivery charges, and cashing services at convenience stores. An Internet-based comprehensive settlement system that offers a high level of convenience, AEON Regi has been introduced on 213 websites including Yahoo! and BIDDERS.



AEON Credit Service world desk offers multiple services, including financing, travel assistance and entertainment.



AEON Credit Service is improving its services, such as 24-hour operation and sales of insurance policies at cash dispensers (CDs) in line with setting up a CD network.



Involvement with Smart Cards

In preparation for full-scale issuance of "smart cards" embedded with IC chips, in addition to the collaborative testing conducted to date, the Company has begun its own testing of multipurpose smart cards to incorporate functions such as concomitant proximity and contact use, credit extension, prepaid accounts, and personal identification.

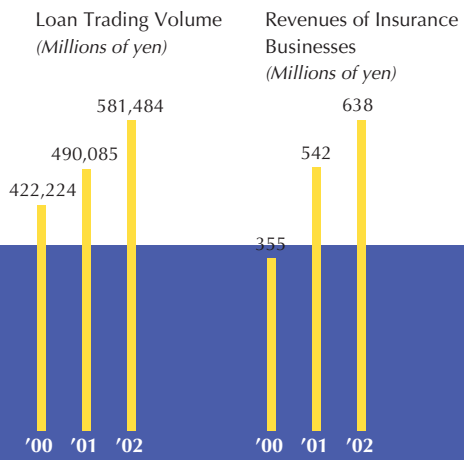
Low-cost Operating Structure Achieved by Means of Integrated Operation Center

The Company operates call centers to rapidly respond to inquiries from cardholders and apply the feedback received from customers to enhance our customer service. At our credit checking centers we are

endeavoring to increase the accuracy of credit checks, enhance work process efficiency, and reduce card issuance lead times by means of introducing an automatic scoring system, a predictive dialer, and other innovations. At our loan management center we process notices of money received and provide customer consultation. At integrated operation centers such as these we promote a low-cost operating structure. Moreover, have acquired ISO9001 Quality Management certification and established management systems to continuously provide customers with standardized, high-quality service. In this way, we will enhance work process efficiency, and increase customer satisfaction in preparation for expansion of business scale.



The Company offers various types of insurance products, including auto insurance.



Mobile telephone support services make it more convenient for customers to check their bank balances and apply for financing.



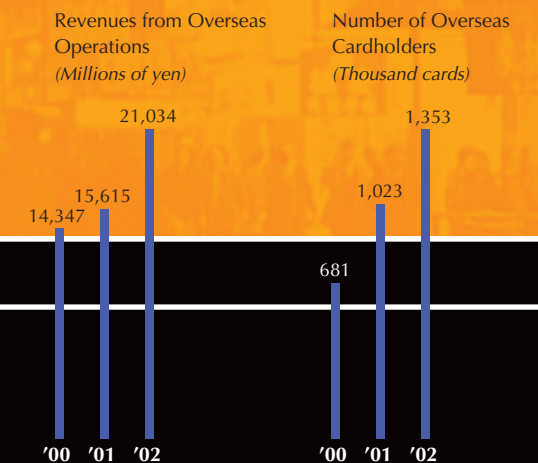
ÆON Credit Service launched the Electric Account Conversion Service, which is a first-of-its kind credit card debt payment service using ATM cards.

Growth of Domestic Subsidiaries and Diversified Business Activities

In addition to the credit card and loan business, the Company is engaged in various businesses including the insurance agency, servicer, and finance businesses. ■ Insurance subsidiary NCS Kosan Co., Ltd. has taken advantage of the Internet to expand its business, primarily centered on automobile liability insurance and other insurance products and extended warranty services for home appliances. During Fiscal 2001 this subsidiary obtained 66,000 policies. ■ ACS Credit Management Co., Ltd. is responsible for the servicer business. Using loan recovery expertise developed by ÆON Credit Service this subsidiary has expanded its business through outsourcing services, contracting as a specialty collection agent for small claims on behalf of cellular telephone operators and direct sales companies. ACS Credit Management also launched a public utility bill payment service relying on the convenience of credit cards.

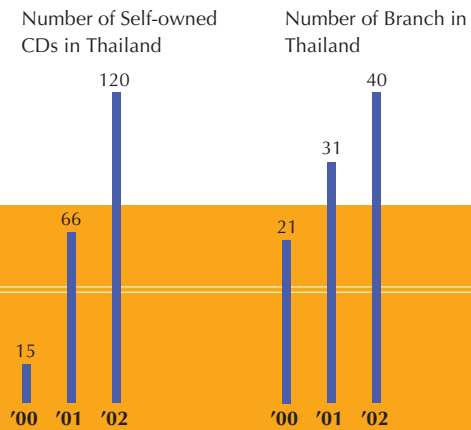


Overseas Operations



Second Exchange Listing for an Overseas Subsidiary

Building on our initial success in Hong Kong, AEON Credit Service has aggressively moved forward with business development in Thailand, Malaysia, and Taiwan. ■ Since its establishment in 1992, Thai subsidiary AEON Thana Sinsap (Thailand) Plc. has satisfactorily expanded its business and in December of 2001 listed its shares on the Stock Exchange of Thailand. The subsidiary opened nine new offices during the year, primarily in major second-tier cities such as Phuket and Chiang Rai, to expand its business network to 40 offices, 12 in Bangkok and 28 in other regions. This has provided the impetus for accelerat-



In 1990, the Company established AEON Credit Service (Asia) in Hong Kong. It contributes to consolidated profits.



AEON Credit Service is launching partnership cards overseas with companies closely identified with individual lifestyles.

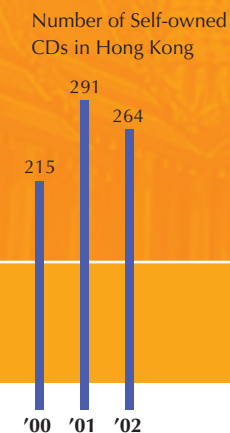
ed business expansion throughout the country. The subsidiary added 54 new cash dispensers to expand its network to 120 machines, enhancing the convenience of its cashing service. The subsidiary has also rapidly expanded the cardholder base from 300,000 to 500,000 cardholders at the fiscal yearend by means of issuing a co-branded card with leading department store The Mall and alliances with international card brands MasterCard and JCB. Future plans involve leveraging the social trust and recognition attained through the exchange listing to build a base of 1,000,000 cardholders, maintain 65 offices, and operate a cash dispenser network of 300 machines. AEON Thana Sinsap (Thailand) aims to become Thailand's leading credit card company in Fiscal 2004.

Operations in Hong Kong

AEON Credit Service (Asia) Co., Ltd. the Company's first overseas subsidiary, is primarily engaged in the credit card and loans business in Hong Kong. This subsidiary has satisfactorily expanded its business ever since its establishment, and in September of 1995 listed its shares on the Stock Exchange of Hong Kong. AEON Credit Service (Asia) has delivered excellent performance in the Hong Kong credit market and established a rock-solid business base in the market. ■ Despite a harsh business climate during Fiscal 2001, AEON Credit Service (Asia) aggressively engaged in recruitment of cardholders for the Jusco Card and newly issued AEON VISA card, acquiring 77,000 new cardholders and bringing the cardholder base to over 800,000 at the Fiscal 2001 yearend. The subsidiary also became the first non-bank



AEON Credit Service's expanding cash dispenser network in Hong Kong offers customers great convenience.



Shenzhen's call center has a 120-operator capacity and is leading the way to low-cost operation.



institution in Hong Kong to deploy its own cash dispensers, establishing a network of 264 company-operated cash dispensers and 2,300 dispensers in a collaborative network throughout Hong Kong. AEON Credit Service (Asia) also transferred a portion of its credit card business to AEON Information Service (Shenzhen) Co., Ltd. Aiming to realize lower-cost operations while at the same time developing new businesses, the subsidiary doubled the size of this call center compared to the previous year to 120 operators and expanded the scope of operations to include credit card payment receipt information and sale information services. ■ In the years to come AEON Credit Service (Asia) will engage in business expansion with a view to enter into new geographic regions and implement measures to further increase operating efficiency.

Business Activities in Other Asian Markets

In Malaysia, in 1997 the Company established ACS Credit Service (M) Sdn.Bhd. and entered the hire purchase business. In Fiscal 2001 the subsidiary established new offices in second-tier cities Ipoh and Malacca and expanded its affiliated merchant network to 2,600 stores, including an alliance with leading department store operator Macro. It has built a customer database with 90,000 entries and is steadily engaged in building a foundation on which to enter the credit card business. The subsidiary is also steadily establishing an office network throughout Malaysia, expanding from Kuala Lumpur into Penang, and East Malaysia (Borneo). ■ In 1999 the Company founded AEON Credit Service (Taiwan) Co., Ltd., a Taiwanese subsidiary established to primarily engage in the hire purchase business. During Fiscal 2001

The Company is centering on installment credit services in Malaysia as the foundation for a credit card service to follow.



The overseas subsidiary AEON Thana Sinsap (Thailand) has been making quantum leaps, including stock listing in Thailand in 2001.

this subsidiary expanded its affiliated merchant network to 1,100 stores and made great strides in laying a foundation for entry into the credit card business by means of aggressive marketing activities targeted at home appliance, furniture, sporting goods, and automotive dealers and leading mass merchandise outlets.

Further Expansion of the Asian Network

The Company's future plans for Asia involve positioning the listed companies in Japan, Hong Kong, and Thailand as the hub of an Asian network and researching the business potential for new geographic areas while further expanding our business in Malaysia and Taiwan. We will aim for an early launch of credit card businesses in these two markets and engage in measures to establish the AEON Card brand.



Social Contribution and Environmental Protection Activities

Independent Social Contribution Initiatives

To fulfill our mission to be a good corporate citizen, AEON Credit Service engages in company-wide initiatives to contribute to the betterment of society. In Fiscal 2001 we donated Braille materials and audio materials to the Japan Braille Library and issued the Japan Braille Library Card by which the Company makes monetary contributions to the library based on the number of cards issued and usage amount. ■ Our employees continued their annual voluntary activities and charity work at social welfare facilities and we began to publicize the activities of sixty social welfare facilities and promoted sales of products produced by volunteers on the AEON Market website. ■ In addition to these initiatives, we established a business support center operated by people with physical disabilities, creating a comfortable work environment that enables people to work in wheelchairs and includes IT-based administrative tasks.

Obtaining ISO14001 Environmental Management Certification

Over the years the Company has enthusiastically engaged in initiatives to help protect the natural environment. These include the issuance of various charity cards and support for forest conservation by means of donations through the Tokimeki Points campaign, as well as the issuance of cards made from PET-G, a non-PVC substrate that avoids dioxin pollution of the air, and the use of work uniforms using recycled fiber polyester material. In Fiscal 2001, in commemoration of the 20th anniversary of the Company's founding and to promote increased awareness of the environmental protection measures the Company has engaged in to date, we acquired ISO14001 Environmental Management System certification simultaneously at all of our offices. Utilizing the ISO14001 Environmental Management System, the Company will continue to engage in environmental protection activities.



ÆON Credit Service donate many books and tapes to the Japan Braille Library.



The ÆON-sponsored touring "ecology musical" Kamegamori no Shibaten (Spirits of Kame Forest) promotes nature awareness among child participants.



ÆON Credit Service acquired ISO 14001 and ISO 9001 for all our offices.

Activities As a Group Member of AEON

The ÆON 1% Club is a mechanism by which 1% of the pre-tax profits of ÆON companies is appropriated to a fund used for socially beneficial activities such as environmental conservation, international cultural and human exchange, and the promotion of local culture and communities. In Fiscal 2001, the Group co-sponsored the Land Mine Removal Campaign Fund in cooperation with the Japan Red Cross and the Fund to Support School Construction in Cambodia in cooperation with the Japan UNICEF Foundation. Through the ÆON Children's Eco Club, an ÆON Environmental Foundation program to support the activities of the Ministry of Environment, we also enthusiastically engaged in activities at the local level. These included village forest conservation activities to preserve natural surroundings remaining in areas throughout Japan and performances of Kame Ga Mori No Shibaten, a musical with an ecological theme that was performed all across Japan with the participation of local children. ■ We also engage in activities to deepen mutual understanding between young people of various countries and Japanese youths. For instance, we conduct the Teenage Ambassadors program to promote international exchange, inviting to Japan youths from countries around the world and providing opportunities for interaction with young people from all across Japan, trial enrollment in educational facilities, and contact with Japanese culture.

Financial Review

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries for the Years Ended February 20, 2002 and 2001

Results of Operations

	Millions of Yen			
	2002	2001	changes	changes (%)
Revenues				
Interest income	¥ 59,651	¥ 49,674	¥ 9,977	20.1%
Credit card fees	13,508	11,423	2,085	18.3
Hire purchase fees	4,765	3,178	1,587	49.9
Service fees	3,515	3,069	446	14.5
Other operating revenues	2,858	2,519	339	13.5
Total revenues	¥ 84,297	¥ 69,863	¥ 14,434	20.7%
Expenses				
Interest expense	¥ 6,685	¥ 6,399	¥ 286	4.5%
Provision for credit losses	12,451	8,810	3,641	41.3
Salaries and fringe benefits	11,544	9,995	1,549	15.5
Advertising and promotion	4,043	3,615	428	11.8
Travel and communication	5,479	4,671	808	17.3
Other operating expenses	20,265	16,647	3,618	21.7
Other—net	2,340	1,644	696	42.3
Total expenses	¥ 62,807	¥ 51,781	¥ 11,026	21.3%
Net income	¥ 12,012	¥ 10,238	¥ 1,774	17.3%

Financial Position

	Millions of Yen			
	2002	2001	changes	changes (%)
Cash and cash equivalents	¥ 13,811	¥ 10,174	¥ 3,637	35.7%
Finance receivables –net of allowance for possible credit losses	347,572	289,448	58,124	20.1
Investments	6,720	6,641	79	1.2
Property and equipment	7,521	5,438	2,083	38.3
Deferred income taxes	1,069	1,735	(666)	(38.4)
Other assets	16,560	14,614	1,946	13.3
Total Assets	¥ 393,253	¥ 328,050	¥ 65,203	19.9%

1. Summary

In the fiscal year ended February 20, 2002, the credit industry saw increased consolidation among bank-affiliated credit card companies and entry into the credit card business by consumer finance companies, manufacturers and large trading companies. These developments intensified competition in the marketplace. In these circumstances, ÆON Credit Service Co., Ltd. celebrated the 20th anniversary of its founding in June 2001.

During the year, the Company achieved numerous targets including expansion of the cardholder base, especially for the

ÆON Card, the opening of a 1,000 operator, integrated operation center for the purpose of increasing productivity and enhancing the quality of our customer response, the acquisition of ISO14401 Environmental Management System and ISO 9001 Quality Management System certification, and the listing of the shares of our Thai subsidiary on the stock exchange of Thailand. We also consolidated the co-branded credit cards we had issued to the various ÆON group companies into the ÆON Card, a move that enabled us to increase card usage by

combining the cardholder benefits of AEON companies, conducting the AEON Festival and the Lifestyle Support Coupon Sale joint promotions, and providing new benefits to cardholders.

As a result of these initiatives, 1.33 million new cardholders were added and net finance receivables increased 20.1% year on year to an all-time high of ¥347,572 million. At the same time, total assets also reached a record high of ¥393,253 million, an increase of 19.9%.

Operating revenue increased 20.7% over the previous year, supported by continued strong growth in the cardholder base and steady expansion of lending and card shopping activities. Operating expenses rose 21.3%, mainly because of an increase in credit loss-related costs and higher personnel costs due to the expansion of business operations.

As a result of these developments, net income increased 17.3% over the previous year to an all-time high of ¥12,012 million, marking continuation of the AEON's record of consistent growth in revenue and income. Net income per share was ¥252.53.

Revenues

	Millions of Yen			
	2002	2001	changes	changes (%)
Total volume				
Loan-credit card and other	¥ 581,484	¥ 490,085	¥ 91,399	18.6%
Credit card.	604,858	515,842	89,016	17.3
Hire purchase	39,114	28,028	11,086	39.6
Total trading volume	<u>¥ 1,225,456</u>	<u>¥ 1,033,955</u>	<u>¥ 191,501</u>	<u>18.5%</u>
Finance receivables				
Loan-credit card and other	¥ 246,756	¥ 206,207	¥ 40,549	19.7%
Credit card.	81,524	72,015	9,509	13.2
Hire purchase	23,962	15,000	8,962	59.7
Total finance receivables.	<u>¥ 352,242</u>	<u>¥ 293,222</u>	<u>¥ 59,020</u>	<u>20.1%</u>
Revenues				
Interest income	¥ 59,651	¥ 49,674	¥ 9,977	20.1%
Credit card fees	13,508	11,423	2,085	18.3
Hire purchase fees.	4,765	3,178	1,587	49.9
Service fees	3,515	3,069	446	14.5
Other operating revenues	2,858	2,519	339	13.5
Total revenues	<u>¥ 84,297</u>	<u>¥ 69,863</u>	<u>¥ 14,434</u>	<u>20.7%</u>

2. Operating Results

■ Revenues

Total trading volume increased by 18.5% year on year to ¥1,225,456 million, while finance receivables increased by 20.1% to ¥352,242 million. Consequently, revenues increased 20.7% to ¥84,297 million. Factors contributing to the increase in revenues for each revenue category are discussed below.

(1) Interest Income

Trading volume increased 18.6% year on year to ¥581,484 million, while the balance of loans to consumers increased 19.7% to ¥246,756 million. Contributing factors included the steady growth in the cardholder base and expansion of the cash dispenser network. Consequently, income from lending operations increased 20.1% to ¥59,651 million.

(2) Credit Card Fees

Enhanced customer convenience due to the consolidation of the credit cards issued to various Aeon group companies into the Aeon Card, issuance of new co-branded cards, and stepped up cardholder recruitment for existing cards resulted in a 17.3% year-on-year increase in trading volume to ¥604,858 million. Consequently, despite the liquidation of bonus payment claims worth ¥4.3 billion the balance of installment plan receivables increased 13.2% to ¥81,524 million, bringing a sharp increase in the balance of claims. Income rose 18.3% to ¥13,508 million.

(3) Hire Purchase Fees

Trading volume increased 39.6% year on year to ¥39,014 million, resulting in a 59.7% increase in installment plan receivables to ¥23,962 million. Factors contributing to this growth included initiatives on the part of consolidated subsidiaries in Thailand, Malaysia, and Taiwan to bolster their operations in second-tier cities and aggressive joint promotions conducted with affiliated merchants. Consequently, income rose dramatically to ¥4,765 million, a 49.9% increase.

Operating Expenses

	Millions of Yen			
	2002	2001	changes	changes (%)
Expenses				
Interest expense	¥ 6,685	¥ 6,399	¥ 286	4.5%
Provision for credit losses	12,451	8,810	3,641	41.3
Salaries and fringe benefits	11,544	9,995	1,549	15.5
Advertising and promotion	4,043	3,615	428	11.8
Travel and communication	5,479	4,671	808	17.3
Other operating expenses	20,265	16,647	3,618	21.7
Other-net	2,340	1,644	696	42.3
Total expenses	¥ 62,807	¥ 51,781	¥ 11,026	21.3%

■ Operating Expenses

Operating expenses increased 21.3% to ¥62,807 million. The main factors behind the increase were as follows.

(1) Interest Expenses

Interest rates in Japan remained low. The Company lowered the cost of funds through direct financing by means of issuing commercial paper, a low-interest means of obtaining funds, launching the second domestic unsecured straight bond issue in the amount of ¥1.5 billion, and liquidating credit card claims worth ¥4.3 billion. Furthermore, consolidated subsidiaries in Hong Kong, Thailand, Malaysia, and Taiwan worked to improve

their financial efficiency, leading to a reduction in interest paid on funds raised. Though interest-bearing liabilities increased 23.3% year on year, interest expenses for Fiscal 2002 increased only 4.5% to ¥6,685 million.

(2) Provision for Credit Losses

In Fiscal 2002 the Company provided ¥12,451 million for credit losses, consisting of ¥10,825 million in direct write-offs and ¥1,626 in transfers to the credit loss reserve. The balance of the credit loss reserve at the fiscal year end was ¥9,096 million, equivalent to 2.6% of the balance of loans to customers.

3. Cash flows

Net cash flows from operating activities increased 25.3% year on year to ¥11,209 million. Although trading volume for the credit card and hire purchase operations increased 24.9%, provision for possible credit loss on finance receivables increased 41.3% to ¥12,451 million.

As for investment-related cash flows, an 18.6% volume increase for lending operations gave rise in a 19.7% increase in the balance of outstanding loans to customers. This resulted in ¥48,673 million in net cash used in investing activities.

Long-term funds procured by financing activities amounted to ¥41,286 million. The net amount raised by means of low-

interest commercial paper was ¥4,000 million. Another ¥15.0 billion was raised through the second domestic unsecured straight bond issue. These funds were used mainly to retire short-term debt. The use of these financing mechanisms enabled the Company to fix interest rates on the funds procured to protect itself against future interest rate increases. Net cash provided by financing activities amounted to ¥40,696 million.

As a result of these developments, net cash at the fiscal year end amounted to ¥13,811 million, ¥3,637 million higher than the previous year.

4. Operating Income by Location and Segment

	Millions of Yen			
	2002	2001	changes	changes (%)
Total assets				
Japan	¥ 301,705	¥ 263,254	¥ 38,451	14.6%
Hong Kong	56,266	47,125	9,141	19.4
Other areas	35,282	17,671	17,611	99.7
Total assets	¥ 393,253	¥ 328,050	¥ 65,203	19.9
Revenues				
Japan	¥ 63,263	¥ 54,248	¥ 9,015	16.6%
Hong Kong	13,973	11,780	2,193	18.6
Other areas	7,061	3,835	3,226	84.1
Total revenues	¥ 84,297	¥ 69,863	¥ 14,434	20.7%

In Japan, cardholder recruitment developed favorably and we were able to secure an increase of 1.0 million cardholders, one of the largest increases in the industry. The increase brought the number of active cardholders to 9.8 million and led to record levels of card cashing and card shopping volumes for the year. Each of the three consolidated subsidiaries in Japan, companies involved in the insurance agency business, servicer activities, and small-amount lending, posted satisfactory growth in trading volume. As a result, operating revenues increased 16.6% year on year to ¥63,263 million.

In Hong Kong, we actively strove to recruit new cardholders and bolstered cardholder recruitment for the AEON American Express Card issued in partnership with American Express. These efforts resulted in an increase of 80,000 cardholders, one of the

largest increases in the industry, and swelled the cardholder base to 800,000. This brought steady increases in card cashing and card shopping volume as well as an 18.6% increase year on year in operating income.

In Thailand, opening new branches, expanding the cash dispenser network, and the issuance of co-branded credit cards, including a tie-up with a major Thai department store, brought a surge in the number of cardholders from 300,000 to 550,000 that led to a sharp increase in trading volume.

In Malaysia, in addition to expanding the network of affiliated merchants to 2,600 outlets by strengthening regional marketing activities and a tie-up with a major department store, we succeeded in building a customer database of 90,000 entries and greatly expanded hire purchase volume.

In Taiwan, as a result of aggressive marketing activities targeted at home appliance stores, automotive products stores and leading mass merchandise outlets, we achieved expansion of the affiliated merchant network to 1,100 outlets, making progress in laying the foundation for entry into the credit card business

We transferred the telemarketing activities of the Hong Kong subsidiary to a subsidiary in Shenzhen that operates a call

center business. At the same time, we expanded facilities at this call center and improved customer services in preparation for outside contracting.

As a result of these developments, operating income in Thailand, Malaysia, Taiwan, China (Shenzhen), and other markets rose dramatically to ¥7,061 million, an 84.1% year-on-year increase.

5. Funding and Liquidity

In Japan, the Company strove to diversify its sources of funds during Fiscal 2002. We liquidated ¥4.3 billion in bonus payment claims, floated a domestic issue of ordinary bonds in the amount of ¥15.0 billion, and continued to issue commercial paper, a low-interest source of funds. With regard to indirect

financing, in addition to dispersing our sources of financing we will aggressively secure long-term fixed-interest funds to take advantage of Japan's low-interest financial environment and secure a stable supply of low-cost funds.

6. Shareholders' Equity

Shareholders' equity rose 17.7% to ¥78,215 million. This resulted primarily from a year-on-year increase of 29.8% in other surpluses to ¥42,984 million. The shareholders' equity ratio decreased 0.4 percentage points to 19.9%. This was primarily

attributable to an increase in the balance of loans to customers in connection with increased trading volume. Net income per share was ¥252.53, while net assets per share were ¥1,644.36.

Shareholders' equity ratio, Return on assets, Return on equity:

	2002	2001
Shareholders' equity ratio (1)	19.9%	20.3%
Return on assets (2)	3.3%	3.3%
Return on equity (3)	16.6%	16.3%
Net income (millions of yen)	¥ 12,012	¥ 10,238
Shareholders' equity (millions of yen)	¥ 78,215	¥ 66,443
Total assets (millions of yen)	¥ 393,253	¥ 328,050
Per share amount (yen):		
Net income	¥ 252.53	¥ 215.24
Cash dividend	¥ 45.00	¥ 30.00
Net assets	¥ 1,644.36	¥ 1,396.87

- Notes: (1) The shareholders' equity ratio equals shareholders' equity at fiscal year-end divided by total assets at fiscal year-end.
 (2) Return on assets equals net income for the fiscal year divided by the average level of total assets during the fiscal year.
 (3) Return on equity equals net income for the fiscal year divided by the average level of shareholders' equity during the fiscal year.

7. Risk Management

■ Derivatives

The Company and some of its overseas consolidated subsidiaries use interest rate swaps (payments at fixed interest rates and receipts at variable rates) and interest caps (buyer basis) to protect themselves against future increases in interest costs resulting from rises in market interest rates that affect debt subject to variable interest payments.

The main risk factors relating to derivatives are market risk, interest risk and credit risk. In the area of market risk, the Company has some exposure to the risk of interest rate fluctuation. However, it uses derivatives to hedge against increases in variable interest rates on its debt, and the transactions have the effect of reducing financing costs when interest rates are rising. Credit risk is the risk that the other party to a transaction will fail to fulfill the contract obligations. The Company trades only with financial institutions that have excellent credit ratings, and also manages risk by dispersing transactions among multiple parties. Accordingly, the risk of non-performance is negligible.

Moreover, the Company has its own internal rules governing derivative contracts including maximum amounts, transaction periods, timing, and other factors. The departments that supervise derivative transactions are independent from the departments that engage in those transactions. Details of transactions are reported at regular intervals to executive management, including the directors in charge and the management council.

■ Exchange Risk Management

The Company uses currency contracts to hedge the risk of currency fluctuations affecting dividend income denominated in foreign currencies. Some overseas subsidiaries obtain loans from financial institutions in currencies other than their local currencies. However, all such transactions are covered by currency swaps. These are transactions that enable the subsidiaries to purchase foreign currency at a price that will be fixed on the repayment date. All currency risk on the foreign currency debt of overseas subsidiaries is therefore hedged against currency risk. Currency swap costs are managed as part of the total cost of finance. The cost of currency swaps is included in the borrowing rate negotiated with financial institutions when new loans are raised.

As with interest rate swaps, currency swaps are subject to internal rules that govern maximum amounts, transaction periods, timing and other factors. Supervision is provided by departments that operate independently from the departments that carry out the actual transactions. Transaction information is reported at regular intervals to executive management, including the relevant directors and the management council.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

AEON Credit Service Co., Ltd. and Consolidated Subsidiaries for the Years Ended February 20, 2002 and 2001

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
ASSETS			
Cash and cash equivalents	¥ 13,811	¥ 10,174	\$ 103,067
Finance receivables—net of allowance for possible credit losses (Note 2)	347,572	289,448	2,593,821
Investments (Note 3)	6,720	6,641	50,149
Property and equipment (Note 4)	7,521	5,438	56,127
Deferred income taxes (Note 7)	1,069	1,735	7,978
Other assets	16,560	14,614	123,582
TOTAL	¥ 393,253	¥ 328,050	\$ 2,934,724
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Debt (Note 5)	¥ 261,843	¥ 212,356	\$ 1,954,052
Accounts payable	30,441	29,756	227,172
Accrued income taxes (Note 7)	5,045	6,198	37,649
Accrued liabilities	7,332	6,142	54,717
Deferred income taxes (Note 7)	121	191	903
Total liabilities	304,782	254,643	2,274,493
Minority interests	10,256	6,964	76,537
Commitments (Note 15)			
Shareholders' equity (Notes 10, 11 and 12)			
Common stock, authorized, 80,000,000 shares; issued and outstanding, 2002 and 2001—47,565,760 shares	15,467	15,467	115,425
Additional paid-in capital	17,637	17,104	131,620
Retained earnings	42,984	33,113	320,776
Accumulated other comprehensive income	2,127	759	15,873
Total shareholders' equity	78,215	66,443	583,694
TOTAL	¥ 393,253	¥ 328,050	\$ 2,934,724

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries for the Years Ended February 20, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
Revenues				
Interest income	¥ 59,651	¥ 49,674	¥ 43,713	\$ 445,157
Credit card fees	13,508	11,423	10,001	100,806
Hire purchase fees	4,765	3,178	2,158	35,560
Service fees	3,515	3,069	2,525	26,231
Other operating revenues (Note 13)	2,858	2,519	3,157	21,328
Total revenues	84,297	69,863	61,554	629,082
Expenses				
Interest expense	6,685	6,399	5,663	49,888
Provision for credit losses (Note 2)	12,451	8,810	8,367	92,918
Salaries and fringe benefits	11,544	9,995	8,692	86,149
Advertising and promotion	4,043	3,615	3,535	30,172
Travel and communication	5,479	4,671	4,260	40,888
Other operating expenses (Note 14)	20,265	16,647	15,589	151,231
Other-net (Notes 6 and 16)	2,340	1,644	1,417	17,464
Total expenses	62,807	51,781	47,523	468,710
Income before income taxes	21,490	18,082	14,031	160,372
Income taxes (Note 7):				
Current	8,660	9,515	6,410	64,627
Deferred	513	(1,671)	(14)	3,828
Total income taxes	9,173	7,844	6,396	68,455
Income before cumulative effect of change in accounting principle	12,317	10,238	7,635	91,917
Cumulative effect of change in accounting principle				
(Notes 1 and 6)	(305)	—	—	(2,276)
Net income	12,012	10,238	7,635	89,641
Other comprehensive income (loss), net of tax (Note 12):				
Net change in net unrealized gains (losses) on available-for-sale securities	89	(1,745)	1,927	664
Net change in unrealized gains on interest rate swap	13	—	—	97
Foreign currency translation adjustments	1,266	257	(424)	9,448
Other comprehensive income (loss)	1,368	(1,488)	1,503	10,209
Comprehensive income	¥ 13,380	¥ 8,750	¥ 9,138	\$ 99,850

Amounts per share (Note 17):

	Yen			U.S. Dollars
Income before cumulative effect of change in accounting principle				
Basic	¥ 258.95	¥ 215.24	¥ 160.51	\$ 1.93
Diluted	258.95	215.24	160.51	1.93
Net income				
Basic	252.53	215.24	160.51	1.88
Diluted	252.53	215.24	160.51	1.88
Cash dividends declared	45.00	30.00	35.00	0.34

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

AEON Credit Service Co., Ltd. and Consolidated Subsidiaries for the Years Ended February 20, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
Common stock:				
Balance, beginning of year	¥ 15,467	¥ 15,467	¥ 15,467	\$ 115,425
Balance, end of year	¥ 15,467	¥ 15,467	¥ 15,467	\$ 115,425
Additional paid-in capital:				
Balance, beginning of year	¥ 17,104	¥ 17,104	¥ 17,104	\$ 127,642
Gain on sales of previously unissued stock by subsidiary	533	—	—	3,978
Balance, end of year	¥ 17,637	¥ 17,104	¥ 17,104	\$ 131,620
Retained earnings:				
Balance, beginning of year	¥ 33,113	¥ 24,302	¥ 17,467	\$ 247,112
Net income	12,012	10,238	7,635	89,641
Total	45,125	34,540	25,102	336,753
Deduct:				
Cash dividends	2,141	1,427	800	15,977
Balance, end of year	¥ 42,984	¥ 33,113	¥ 24,302	\$ 320,776
Accumulated other comprehensive income:				
Net unrealized gains on available-for-sale securities (net of applicable income taxes):				
Balance, beginning of year	¥ 664	¥ 2,409	¥ 482	\$ 4,955
Net change during the year, net of reclassification adjustment . .	89	(1,745)	1,927	664
Balance, end of year	¥ 753	¥ 664	¥ 2,409	\$ 5,619
Net unrealized gains on interest rate swap (net of applicable income taxes):				
Balance, beginning of year	¥ —	¥ —	¥ —	\$ —
Net change during the year, net of reclassification adjustment . .	13	—	—	97
Balance, end of year	¥ 13	¥ —	¥ —	\$ 97
Foreign currency translation adjustments:				
Balance, beginning of year	¥ 95	¥ (162)	¥ 262	\$ 709
Aggregate translation adjustments during the year	1,266	257	(424)	9,448
Balance, end of year	¥ 1,361	¥ 95	¥ (162)	\$ 10,157
Balance, end of year	¥ 2,127	¥ 759	¥ 2,247	\$ 15,873

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries for the Years Ended February 20, 2002, 2001 and 2000

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
Cash flows from operating activities:				
Income before cumulative effect of change in accounting principle	¥ 12,317	¥ 10,238	¥ 7,635	\$ 91,917
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for possible credit losses on finance receivables	12,451	8,810	8,367	92,918
Depreciation and amortization	3,121	2,321	1,884	23,291
Minority interest in earnings	1,603	1,533	1,333	11,963
Deferred income taxes	513	(1,671)	(14)	3,828
Loss (gain) on investment	323	36	(65)	2,410
Changes in operating assets and liabilities:				
Credit card and hire purchase receivables	(16,689)	(13,360)	(5,831)	(124,545)
Accrued interest receivables	(812)	(584)	(466)	(6,060)
Accounts payable	447	1,710	386	3,336
Accrued liabilities	894	(1,346)	70	6,672
Accrued income taxes	(1,202)	2,629	14	(8,970)
Other—net	(1,757)	(1,370)	(2,208)	(13,110)
Net cash provided by operating activities	11,209	8,946	11,105	83,650
Cash flows from investing activities:				
Credit card and other loan originated	(343,057)	(278,550)	(237,594)	(2,560,127)
Credit card and other loan repaid	299,242	245,167	211,775	2,233,149
Proceeds from sales of available-for-sale securities	46	—	11	343
Net increase in other investments	(8)	(237)	(1,605)	(60)
Capital expenditures	(5,096)	(4,522)	(2,501)	(38,030)
Proceeds from sales of properties	200	—	—	1,493
Net cash used in investing activities	(48,673)	(38,142)	(29,914)	(363,232)
Cash flows from financing activities:				
Net (decrease) increase in short-term debt	8,516	(9,734)	(14,164)	63,552
Net increase in commercial paper	4,000	1,000	4,000	29,851
Net proceeds from issuance of bond	14,911	9,934	—	111,276
Proceeds from long-term debt	41,286	57,480	45,559	308,104
Repayment of long-term debt	(26,937)	(26,735)	(14,754)	(201,022)
Proceeds from issuance of common stock by subsidiary	1,517	—	—	11,321
Dividends paid to the parent company's shareholders	(2,141)	(1,427)	(800)	(15,977)
Dividends paid to minority shareholders	(456)	(317)	(297)	(3,403)
Net cash provided by financing activities	40,696	30,201	19,544	303,702
Effect of exchange rate changes on cash and cash equivalents	405	(147)	(292)	3,022
Net increase in cash and cash equivalents	3,637	858	443	27,142
Cash and cash equivalents, beginning of year	10,174	9,316	8,873	75,925
Cash and cash equivalents, end of year	¥ 13,811	¥ 10,174	¥ 9,316	\$ 103,067
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest	¥ 6,041	¥ 5,978	¥ 5,466	\$ 45,082
Income taxes	9,926	6,885	6,552	74,075

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries

1. Basis of Financial Statements and Summary of Significant Accounting Policies

DESCRIPTION OF BUSINESS

ÆON Credit Service Co., Ltd. (the “parent company”) and its consolidated subsidiaries (together, the “Companies”) provide credit card and other consumer financing services in Japan and four other countries. Revenues of the parent company and a Hong Kong subsidiary are derived primarily from consumer financing activities. The major operations of subsidiaries in other countries consist primarily of hire purchases. There are 10 million active cardholders, over 320,000 merchants and a network of more than 120,000 cash dispensers in Japan. Also, there are 1 million active cardholders in other countries, mainly in Hong Kong and Thailand. The Companies belong to ÆON, a group which consists of 147 companies, including supermarkets, specialty and convenience stores, as well as credit card and other consumer financing services. The majority of the parent company’s shares are owned, directly and indirectly, by ÆON Co., Ltd. (renamed from JUSCO Co., Ltd. on August 21, 2001).

BASIS OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the parent company is incorporated and principally operates. Translation of Japanese yen into U.S. dollar amounts as of and for the year ended February 20, 2002, is included solely for the convenience of readers outside Japan and has been made at the rate of ¥134=U.S.\$1, the approximate rate of exchange at February 20, 2002. The translation should not be construed as a representation that the yen amounts could be converted into U.S. dollars at the above or any other rate.

The accompanying consolidated financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America. In certain respects, effect has been given in the consolidated financial statements to adjustments that have not been entered in the Companies’ general books of account, which are maintained principally in accordance with accounting practices prevailing in the countries of incorporation. Major adjustments include those relating to (1) valuation of equity securities, (2) recognition of commissions from member stores and (3) recognition of gain arising from sale by a subsidiary of its own stock.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of the parent company and all of its majority-owned domestic and foreign subsidiaries. Investments in associated companies are accounted for by the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation. The excess of cost of the Companies’ investments in subsidiaries and an associated company over their equity in the net assets at the dates of acquisition is generally amortized over a period of five years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

Revenue Recognition

Interest income from finance receivables (loans) is recognized principally using the interest (actuarial) method.

Fee income from customers, member stores and contracted credit card companies is recorded on an accrual basis as services are rendered.

Finance Receivables

Finance receivables that the Companies have the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-off or specific valuation allowance.

Allowance for Possible Credit Losses

The allowance for possible credit losses is increased by charges to income and decreased by charge-offs (net of receivables). At the parent company level, the allowance for possible credit losses is provided at 100% of all receivables three months contractually past due, plus the amount calculated using a certain ratio which is determined based on the statistical analysis of historical credit losses. This reflects the parent company’s periodic evaluation of the adequacy of the allowance based on their past loss experience, known and

inherent risks in the portfolio, the estimated value of any underlying collateral and current economic conditions. Finance receivables of the parent company are charged off when the respective cash has not been collected during the past six months. All consolidated subsidiaries adopt similar policies for provisions for the allowance for possible credit losses and charge-offs of receivables.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and short-term investments with original maturities of three months or less.

Investment in Securities

Investments in marketable debt and equity securities are classified as: (1) trading securities, which are accounted for at fair value with unrealized gains and losses included in earnings; (2) available-for-sale securities, which are accounted for at fair value with unrealized gains and losses excluded from earnings and reported, net of tax, in a separate component of shareholders' equity; or (3) held-to-maturity securities, which are accounted for at amortized cost. The Companies hold only available-for-sale securities. Non-marketable equity securities are carried at cost.

For all securities, unrealized losses resulting from declines in market value that are other than temporary are recognized in earnings.

The costs of securities sold is determined based on the moving average-cost method.

Depreciation and Amortization of Property,

Equipment and Other Assets

Depreciation of property and equipment is computed under the straight-line method at rates based on the estimated useful lives of the assets. Other fixed assets are amortized on a straight-line basis principally over a period of five years.

Income Taxes

Deferred tax assets or liabilities are computed based on the difference between the financial statement and income tax basis of assets and liabilities using the currently enacted tax rate. Deferred income tax expenses or benefits are based on the change in the assets and liabilities from period to period, subject to an ongoing assessment of realization. No income taxes have been provided on undistributed earnings of consolidated subsidiaries and associated companies which the parent company considers to be permanently invested in foreign investees or are not subject to tax should they be distributed from domestic investees to the parent company.

Financial Instruments

The Companies enter into interest rate swap/cap agreements as a means of managing their interest exposure. Interest

differentials on the agreements are accrued as interest rates change over the contract period.

The Companies also enter into currency swap contracts in managing their foreign exchange risk.

Gain Arising from Sale by a Subsidiary of its Own Stock

The parent company accounts for gains arising from sale by a subsidiary of its previously unissued stock to minority shareholders as a capital transaction in the consolidated financial statements.

Earnings per Share

Basic net income per share has been computed by dividing net income available to holders of common stock by the weighted-average number of shares of common stock outstanding during the year. Diluted net income per share reflects the dilutive effect of all potentially dilutive common shares outstanding during the period. There were no potentially dilutive common shares outstanding for the years ended February 20, 2002, 2001 and 2000.

On April 8, 1999 and February 10, 2000, the parent company issued additional shares in connection with eleven-for-ten and two-for-one stock splits, respectively. All per common share amounts in the financial indicators have been adjusted to reflect these stock splits.

Accounting Changes

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," in June 1998. SFAS No. 133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," an amendment of SFAS No. 133. Based on the revised effective date, the Companies adopted SFAS No. 133, as amended by SFAS No. 138, on February 21, 2001. See Note 6. regarding the impact of adoption.

In September 2000, the FASB issued SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement, which replaces SFAS No. 125, revises the standards for accounting for securitizations and other transfers of financial assets and collateral, and requires certain disclosures, but it carries over most of the provisions of SFAS No. 125 without reconsideration. SFAS No. 140 was effective for transfers and servicing of

financial assets and extinguishments of liabilities occurring after March 31, 2001. It was effective for recognition and reclassifications of collateral and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. The adoption of SFAS No. 140 did not have a material impact on the Company's consolidated financial statements.

New Accounting Standards

In July 2001, the FASB issued SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." These statements replace Accounting Principles Board ("APB") Opinion No. 16, "Business Combinations," and APB Opinion No. 17, "Intangible Assets," respectively. Under SFAS No. 141 all business combinations initiated after June 30, 2001, are accounted for using only the purchase method. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 141 and SFAS No. 142 will not have a material impact on the Company's consolidated financial statements.

In August 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which requires an entity to

record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the related long-lived asset. The liability is adjusted to its present value each period and the asset is depreciated over its useful life. A gain or loss may be incurred upon settlement of the liability. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The The adoption of SFAS No. 143 will not have a material impact on the Company's consolidated financial statements.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement replaces SFAS No. 121, "Accounting for the Impairment of Long-Lives Assets and for Long-Lived Assets to be Disposed of," and provisions of APB Opinion No. 30, "Reporting the Results of Operations—Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions" for the disposal of segments of a business. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The adoption of SFAS No. 144 will not have a material impact on the Company's consolidated financial statements.

2. Finance Receivables

Finance receivables, principally from consumers, as of February 20, 2002 and 2001, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	2002
Credit card	¥ 81,524	¥ 72,015	\$ 608,388
Hire purchase	23,962	15,000	178,821
Credit card and hire purchase total	105,486	87,015	787,209
Loan-credit card, interest primarily at 24.0%–36.0%	226,159	190,244	1,687,753
Loan-other			
Unsecured, interest primarily at 7.2%–36.0%	18,593	13,412	138,754
Secured, interest primarily at 3.4%–7.7%	1,414	1,833	10,552
Loan to the AEON group's employees	590	718	4,403
Credit card and other loan total	246,756	206,207	1,841,462
Finance receivable total	352,242	293,222	2,628,671
Accrued interest	4,426	3,404	33,030
Total	356,668	296,626	2,661,701
Allowance for possible credit losses	(9,096)	(7,178)	(67,880)
Net finance receivables	¥ 347,572	¥ 289,448	\$2,593,821

On February 20, 2002, contractual maturities of loans receivable excluding accrued interest were as follows:

Years ending February 20	Millions of Yen		Thousands of U.S.Dollars	
	Loan-Credit Card	Loan-Other	Loan-Credit Card	Loan-Other
2003	¥ 143,144	¥ 14,783	\$ 1,068,238	\$ 110,321
2004	78,552	4,036	586,209	30,120
2005	4,463	1,496	33,306	11,164
2006	0	215	0	1,604
2007	0	65	0	485
Thereafter	0	2	0	15

A substantial portion of the loan portfolio represents loans made under revolving line of credit arrangements. Under such arrangements, borrowers may repay loans or make additional borrowings at anytime within the line of credit amounts, as long as minimum periodic debt payments are regularly made up until the specified repayment date. The above tabulation, therefore, is not to be regarded as a forecast of future cash collection. During the years ended February 20, 2002 and 2001, the ratios of loans repaid to average loan receivable balances were 54.5% and 53.7%, respectively.

During the year ended February 20, 2002 and 2001, the parent company sold credit card receivables of ¥9,279 million (US\$69,246 thousand) and ¥5,150 million, respectively, to a special purpose company. Losses on such sales were not significant.

The changes in the allowance for possible credit losses for the years ended February 20, 2002, 2001 and 2000 are shown below:

	Millions of Yen			Thousands of U.S.Dollars
	2002	2001	2000	2002
Balance, beginning of year	¥ 7,178	¥ 6,127	¥ 5,273	\$ 53,566
Provision for possible credit losses	12,451	8,810	8,367	92,918
Charge-offs:				
Charge-offs	(11,740)	(8,571)	(7,810)	(87,612)
Recoveries	915	756	405	6,829
Net charge-offs	(10,825)	(7,815)	(7,405)	(80,783)
Foreign currency translation adjustments	292	56	(108)	2,179
Balance, end of year	¥ 9,096	¥ 7,178	¥ 6,127	\$ 67,880

3. Investments

MARKETABLE EQUITY SECURITIES

The Companies' investments in marketable equity securities have been classified as available-for-sale and are reported at

their fair value. Such marketable equity securities at February 20, 2002 and 2001 are as follows:

Marketable Equity Securities	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Cost	¥ 2,422	¥ 2,618	\$ 18,075
Gross unrealized gains	1,857	1,758	13,858
Gross unrealized losses	167	193	1,246
Fair value	4,112	4,183	30,687

Proceeds from sales of available-for-sale securities and gross realized gains and losses resulting from these sales for the years

ended February 20, 2002, 2001 and 2000 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
Proceeds from sales	¥ 46	—	¥ 11	\$ 343
Gross realized gains	1	—	4	7
Gross realized losses	7	—	—	52

OTHER

Other securities at February 20, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Non-marketable equity securities	¥ 250	¥ 343	\$ 1,865
Investment accounted for under the equity method	0	67	0
Time deposits with original maturities in excess of three months	2,358	2,048	17,597
Total	¥ 2,608	¥ 2,458	\$ 19,462

4. Property and Equipment

Property and equipment at February 20, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Leasehold improvements	¥ 1,134	¥ 760	\$ 8,463
Equipment	14,747	11,463	110,052
Vehicles	354	328	2,642
Total	16,235	12,551	121,157
Accumulated depreciation	(8,714)	(7,113)	(65,030)
Property and equipment-net	¥ 7,521	¥ 5,438	\$ 56,127

Depreciation of property and equipment during the years ended February 20, 2002, 2001 and 2000 totaled ¥2,290

million (US\$17,090 thousand), ¥1,760 million and ¥1,618 million, respectively.

5. Short-Term Debt and Long-Term Debt

A. Short-term debt at February 20, 2002 and 2001 consisted of the following:

	Millions of Yen						Thousands of U.S. Dollars
	2002			2001			2002
	Weighted average interest rate			Weighted average interest rate			
Japan	Overseas	Japan		Overseas			
Bank loans	¥ 30,447	0.80%	3.75%	¥ 19,293	1.24%	5.22%	\$ 227,216
Commercial paper	29,000	0.15%		25,000	0.32%		216,418
Total	¥ 59,447			¥ 44,293			\$ 443,634

The Companies maintain line-of-credit arrangements with several banks to support overdrafts. Under the arrangements in effect at February 20, 2002, the Companies had available lines

of credit of ¥30,821 million (US\$230,007 thousand) in the aggregate. Generally, lines of credit, are reviewed annually.

B. Long-term debt at February 20, 2002 and 2001 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Debt under securitized finance receivables—Secured.	¥ 8,956	¥ 7,706	\$ 66,836
Loans from banks and insurance companies—Unsecured.	168,440	150,357	1,257,015
Japanese yen bonds—Unsecured	25,000	10,000	186,567
Less current portion	24,362	20,625	181,806
Total.	¥ 178,034	¥ 147,438	\$ 1,328,612

C. At February 20, 2002 and 2001, interest rates on long-term debt were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
0.1%–1.0%.	¥ 11,000	¥ 700	\$ 82,090
1.1%–2.0%.	120,700	100,600	900,746
2.1%–3.0%.	29,653	31,936	221,291
3.1%–4.0%.	12,425	11,500	92,724
4.1%–5.0%.	0	1,000	0
5.1%–6.0%.	1,507	744	11,246
6.1%–7.0%.	5,683	1,752	42,410
7.1%–8.0%.	10,319	3,612	77,008
8.1%–9.0%.	10,083	11,532	75,246
9.1%–	1,026	4,687	7,657
Total.	¥ 202,396	¥ 168,063	\$ 1,510,418

D. The annual maturities of long-term debt outstanding at February 20, 2002 were as follows:

Year ending February 20	Millions of Yen	Thousands of U.S. Dollars
2003.	¥ 24,362	\$ 181,806
2004.	62,522	466,582
2005.	26,359	196,709
2006.	39,053	291,440
2007.	32,700	244,030
Thereafter	17,400	129,851
Total.	¥ 202,396	\$ 1,510,418

At February 20, 2002, assets pledged as collateral for short-term debt of ¥2,222 million (US\$16,582 thousand) and long-term debt of ¥8,956 million (US\$66,386 thousand) of the Companies were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Time deposits	¥ 1,717	\$ 12,814
Finance receivables	15,002	111,955
Total.	¥ 16,719	\$ 124,769

The Companies also pledged time deposits of ¥640 million (US\$4,776 thousand) to banks to secure the general banking facilities and the sharing of the ATM network, at February 20, 2002.

6. Derivative Financial Instruments and Risk Management

As part of its ongoing asset and liability management activities, the Companies enter into derivative financial instruments to reduce financial market risks. These instruments are used to hedge the interest rate and foreign exchange rate exposures of underlying obligations. The Companies do not enter into derivative financial instruments for trading or speculative purposes.

INTEREST RATE RISK MANAGEMENT

The Companies enter into swap contracts to exchange floating

Notional amounts for derivatives at February 20, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Interest rate swap contracts	¥ 9,545	¥ 4,017	\$ 71,231
Interest cap contracts	12,575	55,946	93,843

While the contracts or notional amounts provide one measure of the volume of these transactions, they do not represent the amounts of the Companies' exposure to credit risk. The amounts potentially subject to credit risk (arising from the possible inability of counterparties to meet the terms of their contracts) are generally limited to the amounts, if any, by which the counterparties' obligations exceed the obligations of the

interest rate exposures for a fixed interest rate. The floating rates on swaps are principally based on Japanese yen LIBOR and are reset on a semiannual basis. The interest rate swap contracts mature at various dates through 2006.

The Companies also enter into interest rate cap contracts to limit the impact of increased interest rates on floating rate debt.

In addition, a foreign subsidiary enters into foreign currency swap contracts to manage foreign currency exposure of certain debts.

Companies. The Companies control credit risk through credit approvals, limits and monitoring procedures.

FOREIGN CURRENCY RISK MANAGEMENT

The Companies enter into currency swap contracts in managing their foreign exchange risk as of February 20, 2002 and 2001, as indicated in the following table:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Currency swap contracts	¥ 5,672	¥ 1,380	\$ 42,328

The Companies use such contracts to hedge the risk of change in foreign currency exchange rates associated with certain borrowing denominated in foreign currencies.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Effective February 21, 2001, the Companies adopted SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138. The adoption of SFAS No. 133 resulted in the Company recording a transition adjustment loss of ¥305 million (US\$2,276 thousand), net of related income tax of ¥185 million (US\$1,381 thousand), in net income. The adoption of the statement resulted in the Company recognizing ¥490 (US\$3,657 thousand) of derivative instrument liabilities. Derivative liabilities are included in "Accrued liabilities" on the consolidated balance sheets.

At February 20, 2002, the Companies had interest rate swaps in a net loss position of ¥245 million (US\$1,828 thousand) designated as cash flow hedges of underlying forecasted interest

payments. The effective portion of the mark-to-market effects of the cash flow hedge instrument is recorded in accumulated other comprehensive income ("AOCI") until the underlying interest payment affects income. The net loss from interest rate hedges included in AOCI at February 20, 2002 was ¥13 million (US\$97 thousand), after tax. Any ineffectiveness related to cash flow hedges is recognized as a net gain or loss in expenses—Other. For the year ended February 20, 2002, a net loss of ¥217 million (US\$1,619 thousand), was recognized representing the ineffectiveness of cash flow hedges.

The Company also uses other derivative instruments that are not designated as hedging instruments, the impact of which was not material to the consolidated financial statements.

7. Income Taxes

Income taxes in Japan applicable to the parent company, imposed by the national, prefectural and municipal governments, in the aggregate, resulted in a normal effective statutory rate of approximately 41.8% for the years ended February 20, 2002 and 2001, and 47.5% for the year ended February 20, 2000. Foreign subsidiaries are subject to income taxes of the countries in which they operate.

	2002	2001	2000
Combined statutory income tax rate	41.8%	41.8%	47.5%
Expenses not deductible for income tax purposes	0.3	0.8	0.3
Lower income tax rates applicable to income in certain foreign countries	(4.4)	(5.3)	(7.3)
Minority interest	3.1	3.5	4.5
Effect of taxation on dividend	1.0	0.7	1.0
Effect of reduction in tax rate	—	—	(0.9)
Other—net	0.9	1.9	0.5
Effective income tax rate	42.7%	43.4%	45.6%

A reconciliation of the combined statutory tax rate for the years ended February 20, 2002, 2001 and 2000 to the effective rates of income taxes reflected in the accompanying statements of consolidated income is as follows:

Total income taxes recognized for the years ended February 20, 2002, 2001 and 2000 are as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
Provision for income taxes	¥ 9,173	¥ 7,844	¥ 6,396	\$ 68,455
Shareholders' equity—charged (credited):				
Net unrealized gains on available-for-sale securities	(96)	(1,066)	1,246	(716)
Net unrealized gains on interest rate swap	(11)	—	—	(82)
Total income taxes	¥ 9,066	¥ 6,778	¥ 7,642	\$ 67,657

Significant components of deferred tax assets and liabilities at February 20, 2002 and 2001 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2002	2001	2002
Assets:			
Allowance for possible credit losses	¥ 737	¥ 1,196	\$ 5,500
Enterprise tax	438	529	3,269
Accrued pension and severance liabilities	65	73	485
Other accruals	248	218	1,851
Accrual and other	501	680	3,739
Gross deferred tax assets.	1,989	2,696	14,844
Liabilities:			
Investment securities.	717	711	5,351
Property	227	208	1,694
Other	97	233	724
Gross deferred tax liabilities.	1,041	1,152	7,769
Net deferred tax assets	¥ 948	¥ 1,544	\$ 7,075

Income taxes are not provided on undistributed earnings of foreign subsidiaries where the Companies consider that such earnings are reinvested or would not, under the present Japanese tax laws, be subject to additional taxation should they be distributed to the parent company. At February 20, 2002, undistributed earnings of foreign subsidiaries amounted to approximately ¥6,259 million (US\$46,709 thousand). Determination of the amount of tax on undistributed earnings is

not practical because of the complexity associated with its hypothetical calculation including foreign withholding taxes and foreign tax credits.

Taxes on undistributed earnings of domestic subsidiaries and affiliated companies have not been provided, as any dividends to be received are not expected to be subject to tax. Equity in such undistributed earnings amounted to approximately ¥643 million (US\$4,799 thousand) at February 20, 2002.

8. Employee's Benefit Plans

The parent company participates in the contributory defined pension plan (the "Contributory plan") covering employees of AEO Co., Ltd. and certain domestic subsidiaries, which provides lifetime annuity payments commencing at age 60, based on eligible compensation and/or points at the time of severance, years of service and other factors. Prior to March 21, 2001, the Contributory plan covered employees with ten years and more service. On March 21, 2001, such plan was amended to cover substantially all employees.

The Contributory plan consists of a basic part, which has been specified by the Japanese government's welfare pension regulations, and an additional part established by AEO Co., Ltd. and certain domestic subsidiaries including the parent company. Annual contributions are made by AEO Co., Ltd. and certain domestic subsidiaries, and employees in accordance with the contribution formula stipulated by the government for the basic part and an amount determined on the basis of an accepted actuarial method for the additional part.

In March 2001, the AEO group companies amended the group retirement benefit scheme, which comprised the Contributory plan covering employees with ten years and more service and an unfunded termination benefit plan covering employees terminating their employment with less than ten years. The change consisted principally of amendments to certain retirement benefit calculation factors, settlement of a portion of the defined pension plan, and replacement of the unfunded termination benefit plan with a new additional benefit portion in the Contributory plan.

The projected benefit obligation and fair value of plan assets of the Contributory plan at December 31, 2001, 2000 and 1999 are ¥203,118 million (US\$1,515,806 thousand) and ¥107,613 million (US\$803,082 thousand), ¥208,295 million and ¥110,677 million and ¥226,078 million and ¥116,322 million, respectively.

The number of the parent company's employees that participate in the plan consists of approximately 2.1% of total employees in the plan. Total annual contribution by the parent

company to this plan for the years ended February 20, 2002, 2001 and 2000 was approximately ¥172 million (US\$1,284 thousand), ¥85 million and ¥72 million, respectively. Such contributions are charged to income when paid.

Prior to March 21, 2001, the parent company had an unfunded termination benefit plan. The liability for employees' severance payments was recorded at the amount which would be required if all eligible employees had voluntarily terminated their employment with the parent company at the balance sheet

date. In connection with the amendment of the group retirement benefit scheme on March 21, 2001, the parent company recognized a gain of ¥75 million (US\$559 thousand) from restoration of liabilities for employees' severance payments at March 21, 2001. The parent company also paid ¥75 million (US\$559 thousand) to employees for the settlement of a portion of the defined pension plan.

A reserve for directors' retirement payment is accrued in accordance with the parent company's internal rules.

9. Fair Value of Financial Instruments

SFAS No.107, "Disclosures about Fair Value of Financial Instruments," requires the Companies to report the fair value of certain financial instruments. A summary of the carrying

amounts and estimated fair values of financial instruments at February 20, 2002 and 2001 is as follows:

	Millions of Yen				Thousands of U.S.Dollars	
	2002		2001		2002	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:						
Cash and cash equivalents	¥ 13,811	¥ 13,811	¥ 10,174	¥ 10,174	\$ 103,067	\$ 103,067
Investments (excluding investments accounted for under equity method).	6,720	6,720	6,574	6,574	50,149	50,149
Liabilities:						
Short-term debt	59,447	59,447	44,293	44,293	443,634	443,634
Long-term debt	202,396	205,509	168,063	172,332	1,510,418	1,533,649
Derivative financial instruments—unrealized gains (losses)						
Interest rate swap contracts	(245)	(245)	—	(110)	(1,828)	(1,828)
Interest cap contracts	0	0	—	(449)	0	0
Foreign currency swap contracts	17	17	—	13	127	127

The following methods and assumptions were used to estimate the fair values of financial instruments:

Cash and cash equivalents are carried at amounts which approximate fair value.

The fair values of marketable investment securities are based on quoted market prices. The fair value information for each security is set forth in Note 3. Other investment includes non-marketable equity securities of which fair values are not practicably estimated. Other investment also includes time deposits with original maturities in excess of three months, and its fair values approximates its carrying amounts due to the relatively short maturity of this instrument.

Short-term debt is carried at amounts which approximate fair

values. For long-term fixed-rate debt, the estimated fair values were calculated by discounting future cash flows using the borrowing interest rates currently available to the Companies and its subsidiaries for debt with similar terms and remaining average maturities.

The fair values of interest rate swap and cap contracts and foreign currency swap contracts are the estimated amount that the Companies would receive or pay to terminate the contracts at the reporting date.

It is not practicable to estimate the fair values of the finance receivables-net due to large groups of smaller-balance receivables and the difficulty in estimating the future cash flows under revolving lines of credit.

10. Common Stock and Additional Paid-in Capital

The changes in the number of issued shares of common stock during the years ended February 20, 2002, 2001 and 2000 were as follows:

	Number of Shares		
	2002	2001	2000
Balance at beginning of year	47,565,760	47,565,760	21,620,800
Eleven-for-ten common stock split	—	—	2,162,080
Two-for-one common stock split	—	—	23,782,880
Balance at end of year	47,565,760	47,565,760	47,565,760

The Commercial Code of Japan (the "Code") permitted Japanese companies, upon approval by the Board of Directors, to issue new common shares to existing shareholders without consideration in the form of a "stock split." Such issuance of shares generally does not give rise to changes within the

shareholders' accounts. Prior to October 1, 2001, the amount calculated by dividing the total amount of the common stock account by the number of outstanding shares after the stock split could not be less than ¥50. The Code, amended effective October 1, 2001, eliminated this restriction.

11. Retained Earnings and Dividends

Retained earnings consist of the legal reserve and unappropriated retained earnings.

The Commercial Code of Japan (the "Code") provided that an amount equal to at least 10% of appropriations paid in cash be appropriated as a legal reserve until such reserve equals 25% of common stock. The Code, amended effective on October 1, 2001, provides that an amount equal to at least 10% of appropriations paid in cash be appropriated as a legal reserve until the aggregate amount of additional paid-in capital and the legal reserve equals 25% of common stock. The amount of total additional paid-in capital and legal reserve which exceeds 25% of common stock can be transferred to retained earnings by resolution of the shareholders, which may be available for

dividends. In addition, the Code permits the transfer a portion of the legal reserve to the common stock account by resolution of the Board of Directors. At February 20, 2002, the legal reserve recorded on the parent company's books of account was ¥3,687 million (US\$27,515 thousand).

Under the Code, the amount legally available for dividends is based upon retained earnings as recorded in the books of account of the parent company. Certain adjustments, as described in Note 1, are reflected in the accompanying financial statements. At February 20, 2002, the amount available for dividends was ¥30,790 million (US\$229,776 thousand).

12. Other Comprehensive Income (Loss)

The changes in the components of other comprehensive income (loss) for the years ended February 20, 2002, 2001 and 2000 are reported (net of income taxes) as follows:

	Millions of Yen		
	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
2002:			
Net unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during period.	¥ 120	¥ (78)	¥ 42
Reclassification adjustment for losses included in net income	81	(34)	47
Net unrealized gains on available-for-sale securities.	201	(112)	89
Net unrealized gains on interest rate swap:			
Unrealized holding gains arising during period.	24	(11)	13
Foreign currency translation adjustments	1,266	—	1,266
Other comprehensive income.	¥ 1,491	¥ (123)	¥ 1,368

	Thousands of U.S. Dollars		
	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
2002:			
Net unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during period.	\$ 896	\$ (582)	\$ 314
Reclassification adjustment for losses included in net income.	604	(254)	350
Net unrealized gains on available-for-sale securities.	1,500	(836)	664
Net unrealized gains on interest rate swap:			
Unrealized holding gains arising during period.	179	(82)	97
Foreign currency translation adjustments	9,448	—	9,448
Other comprehensive income.	\$ 11,127	\$ (918)	\$ 10,209

	Millions of Yen		
	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
2001:			
Net unrealized losses on available-for-sale securities:			
Unrealized holding losses arising during period	¥ (2,649)	¥ 926	¥ (1,723)
Reclassification adjustment for gains included in net income	(38)	16	(22)
Net unrealized losses on available-for-sale securities	(2,687)	942	(1,745)
Foreign currency translation adjustments	257	—	257
Other comprehensive income.	¥ (2,430)	¥ 942	¥ (1,488)

	Millions of Yen		
	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
2000:			
Net unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during period.	¥ 3,165	¥ (1,242)	¥ 1,923
Reclassification adjustment for losses included in net income.	8	(4)	4
Net unrealized gains on available-for-sale securities.	3,173	(1,246)	1,927
Foreign currency translation adjustments	(424)	—	(424)
Other comprehensive income.	¥ 2,749	¥ (1,246)	¥ 1,503

13. Other Operating Revenue

Other operating revenue includes commission income from insurance and fee income from subscription and other operations.

14. Lease

The Companies' lease office space and certain other assets under operating leases. Total rental expenses under such leases for the years ended February 20, 2002, 2001 and 2000 were ¥2,657 million (US\$19,828 thousand), ¥2,322 million and ¥1,959 million, respectively.

At February 20, 2002, the future minimum lease payments under non-cancelable leases are as follows:

Year Ending February 20	Millions of Yen	Thousands of U.S. Dollars
2003	¥ 1,486	\$ 11,089
2004	274	2,045
2005	26	194
2006	2	15
Total	¥ 1,788	\$ 13,343

15. Commitments

Commitments outstanding at February 20, 2002, for purchases of property and equipment approximated ¥596 million (US\$4,448 thousand).

16. Other Expense—Net

Other expense—net consisted of the following:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
Minority interests in income of consolidated subsidiaries	¥ 1,603	¥ 1,533	¥ 1,333	\$ 11,963
Other	737	111	84	5,501
Total	¥ 2,340	¥ 1,644	¥ 1,417	\$ 17,464

17. Per Share Amounts

A reconciliation of the numerators and denominators of the basic and diluted net income per share computations was as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2002	2001	2000	2002
Income before cumulative effect of change in accounting principle	¥ 12,317	10,238	7,635	\$ 91,917
Cumulative effect of change in accounting principle	(305)	—	—	(2,276)
Net income	12,012	10,238	7,635	89,641
Effect of dilutive securities	—	—	—	—
Adjusted net income	¥ 12,012	¥ 10,238	¥ 7,635	\$ 89,641

	Number of shares (Thousands)		
	2002	2001	2000
Average common shares outstanding	47,566	47,566	47,566
Dilutive effect	—	—	—
Diluted common shares outstanding	47,566	47,566	47,566

Cash dividends per common share presented in the consolidated statements of income are the amounts of dividends declared and paid during the year.

18. Related Party Transactions

Significant related party transactions and balances as of and for the years ended February 20, 2002, 2001 and 2000 are summarized as follows:

Revenues and Expenses:

	Millions of Yen			Thousands of U.S.Dollars
	2002	2001	2000	2002
Revenues				
ÆON Co., Ltd.	¥ 5,047	¥ 4,657	¥ 4,463	\$ 37,664
Kyushu JUSCO Co., Ltd.	204	180	166	1,522
Jaya JUSCO Stores Bhd.	—	148	—	—
Maxvalu Nishinohon Co., Ltd.	141	100	—	1,052
JUSCO Stores (Hong Kong) Co., Ltd.	323	212	226	2,410
Rental Expense				
ÆON Co., Ltd.	339	352	337	2,530
Other Expenses				
ÆON Co., Ltd.	26	40	48	194

Assets and Liabilities:

	Millions of Yen		Thousands of U.S.Dollars
	2002	2001	2002
Lease Deposit			
ÆON Co., Ltd.	¥ 378	¥ 372	\$ 2,821
Debt (Short-Term)			
Jusvel Co., Ltd.	—	100	—
Kyushu JUSCO Co., Ltd.	—	137	—
Ministop Co., Ltd.	2,000	—	14,925
Debt (Long-Term)			
Ministop Co., Ltd.	5,000	5,000	37,313
Accounts Payable			
ÆON Co., Ltd.	17,800	18,234	132,836
Kyushu JUSCO Co., Ltd.	1,012	944	7,552
Ryukyu JUSCO Co., Ltd.	370	360	2,761
ÆON Mall Co., Ltd.	—	262	—
JUSCO Stores (Hong Kong) Co., Ltd.	715	635	5,336
Maxvalu Nishinohon Co., Ltd.	593	462	4,425
Mega Petro Co., Ltd.	112	106	836
Jusvel Co., Ltd.	—	136	—
Maxvalu Hokkaido Co., Ltd.	—	143	—
Maxvalu Chubu Co., Ltd.	144	—	1,075
Maxvalu Tohoku Co., Ltd.	127	—	948
Mega Sports Co., Ltd.	122	—	910
Other Payable			
ÆON Co., Ltd.	119	152	888

19. Segment Information

The Companies operate predominantly in a single industry commonly classified as financial companies. The Companies' financial activities consist principally of consumer credit finance services which include the issuance of credit cards, vehicle financing, hire purchase financing and personal loan financing in Japan, Hong Kong and Southeast Asia.

Revenues by each financial activity are disclosed in the consolidated statements of income. Revenues, long-lived assets and total assets by geographic areas as of and for the years ended February 20, 2002, 2001 and 2000 are summarized as follows:

2002:	Millions of Yen			
	Japan	Hong Kong	Other Areas	Total
Revenues	¥ 63,263	¥ 13,973	¥ 7,061	¥ 84,297
Long-lived assets	8,897	1,626	1,869	12,392
Total assets	301,705	56,266	35,282	393,253

2002:	Thousands of U.S. Dollars			
	Japan	Hong Kong	Other Areas	Total
Revenues	\$ 472,112	\$ 104,276	\$ 52,694	\$ 629,082
Long-lived assets	66,396	12,134	13,948	92,478
Total assets	2,251,530	419,896	263,298	2,934,724

2001:	Millions of Yen			
	Japan	Hong Kong	Other Areas	Total
Revenues	¥ 54,248	¥ 11,780	¥ 3,835	¥ 69,863
Long-lived assets	8,125	1,235	759	10,119
Total assets	263,254	47,125	17,671	328,050

2000:	Millions of Yen			
	Japan	Hong Kong	Other Areas	Total
Revenues	¥ 47,207	¥ 12,029	¥ 2,318	¥ 61,554
Long-lived assets	6,048	1,214	335	7,597
Total assets	231,620	44,138	8,989	284,747

20. Subsequent Events

On May 15, 2002, the shareholders authorized payment of a cash dividend of ¥30 (23¢) per share (totaling ¥1,426 million - US\$10,642 thousand) to holders of record at February 20, 2002.

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**Deloitte
Touche
Tohatsu**

INDEPENDENT AUDITORS' REPORT

To Shareholders and Board of Directors of
ÆON Credit Service Co., Ltd.:

We have audited the accompanying consolidated balance sheets of ÆON Credit Service Co., Ltd. and subsidiaries as of February 20, 2002 and 2001, and the related consolidated statements of income and comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended February 20, 2002 (all expressed in Japanese yen). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ÆON Credit Service Co., Ltd. and subsidiaries at February 20, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended February 20, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 6 to the consolidated financial statements, effective February 21, 2001, ÆON Credit Service Co., Ltd. changed its method of accounting for derivative financial instruments to conform to Statement of Financial Accounting Standards No. 133.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.



May 15, 2002

Board of Directors, Corporate Data

Board of Directors

(as of May 15, 2002)

Chairman

Kazuro Asano

President

Yoshiki Mori*

Managing Directors

Hiroyuki Asai

Kazuhide Kamitani

Directors

Masamichi Kamiyama

Kazuhiko Kawata

Kouichi Takayama

Yasuhiko Kondo

Tatsuya Saito

Takashi Kiyonaga

Corporate Auditor

Ken Kasai

Auditors

Masaru Yokoi

Yoichi Kimura

Minoru Saito

*Representative Directors

Corporate Data

Company Name

ÆON Credit Service Co., Ltd.

Corporate Headquarters

1-1 Kanda Nishiki-cho, Chiyoda-ku, Tokyo

Corporate Main Office

Kanda Mitoshiro-cho 1, Chiyoda-ku, Tokyo

Telephone: (03) 5281-2030

URL: <http://www.aeonmarket.com>

Established

June 20, 1981

Capital

¥15,467 million (as of February 20, 2002)

Shares Outstanding

47,566 thousand shares (as of February 20, 2002)

Closing Date

February 20, every year

Number of Employees

618 (as of February 20, 2002)

Turnover

¥1,225 billion (for the fiscal year 2001, ended February 20, 2002)

Business Activities

1. Credit card operations
2. Finance operations
3. Card processing service

Domestic Subsidiaries

NCS Kosan Co., Ltd.

ACS Credit Management Co., Ltd.

ACS Finance Co., Ltd.

Overseas Subsidiaries

AEON Credit Service (Asia) Co., Ltd.

AEON Thana Sinsap (Thailand) Plc.

ACS Credit Service (M) Sdn. Bhd.

AEON Credit Service (Taiwan) Co., Ltd.

AEON Information Service (Shenzhen) Co., Ltd.

ACS Capital Corporation Ltd.

Domestic Network

Sapporo Branch

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Kita Sanjo Nishi, Chuo-ku, Sapporo, Hokkaido
060-0003, Japan
Tel. 011-222-8811

Asahikawa Office

Takahata Shoji Bldg. 1F, 8-1293-2 Sanjo-dori,
Asahikawa, Hokkaido 070-0033, Japan
Tel. 0166-29-6811

Kushiro Office

Kearny Place, 13-2-5 Kita-odori, Kushiro,
Hokkaido 085-0015, Japan
Tel. 0154-32-2211

Sendai Branch

Sendai Aoba-dori Bldg. 1F, 3-3-5 Ichiban-cho,
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Niigata Branch

Tachibana Bldg. 1F, 2-2-18 Higashi-odori,
Niigata, Niigata 950-0088, Japan
Tel. 025-243-1194

Akita Branch

Kearny Place Akita 1F,
3-4-1 O-machi, Akita, Akita 010-8765, Japan
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Aomori Kyoeikasai Bldg. 4F, 1-25-3 Chuo,
Aomori, Aomori 030-0822, Japan
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Yamagata Office

Kearny Place Yamagata 5F, 2-2-31 Kasumi-cho,
Yamagata, Yamagata 990-0039, Japan
Tel. 023-626-8455

Iwate Office

Iriyamakita Bldg. 2F, 1-3-27 Odori, Kitakami,
Iwate 024-0061, Japan
Tel. 0197-61-3255

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Yokohama Branch

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10. San Francisco

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Tel. 415-440-1834

11. Honolulu

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Tel. 808-923-4345

12. Guam

Suite 201, New Photo Town Plaza 353 Chalan San-Antonio, RD Tamuning Guam 96911
Tel. 671-646-4623

Overseas Subsidiaries

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Tel. 852-2239-9888

AEON Thana Sinsap (Thailand) PLC.

1-2Floor, Serm-mit Tower, 159 Asoke Road (Sukhumvit21), Klongtoey, Nua Wattana, Bangkok 10110 Thailand
Tel. 662-665-0123

ACS Credit Service (M) Sdn.Bhd.

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AEON Credit Service (Taiwan) Co., Ltd.

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AEON Information Service (Shenzhen) Co., Ltd.

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Tel. 755-359-3631

ACS CAPITAL CORPORATION Ltd.

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13. Saipan

Garapan Saipan M.P.96950 CNMI c/o Hafadai Beach Hotel PDI Tour Desk
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14. Vancouver

1030 West Georgia Street, Suite 1910 Vancouver, B.C. V6E 2Y3 Canada
Tel. 604-682-1469

15. Toronto

1550 Enterprise Road, Suite 210, Mississauga, Ontario L4W 4P4 Canada
Tel. 905-670-7301

16. Amsterdam

Rivierstaete Bldg. 6th Floor, Amsteldijk 166, 1079 L H, Amsterdam Holland
Tel. 020-661-0763

17. Paris

10 Rue du Mont-Thabor, 75001 Paris, France
Tel. 01-4261-0157

18. London

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Tel. 020-7287-2799

19. Frankfurt

Carl-Theodor-Rheiffenstein-Platz 6, 60313 Frankfurt Main, Germany
Tel. 069-1381-0563

20. Madrid

Plaza de Espana, 18 Torre de Madrid, Planta-13 Oficina-10, 28008 Madrid, Spain
Tel. 91-542-7719

21. Rome

Via Romagna 26, 00187 Rome, Italy
Tel. 06-482-2076

22. Wien

Opernring 1, Stiege E, 1 Stock, 1010, Wien Austria
Tel. 01-581-8148

23. Sydney

Level 30, Chifley Tower, 2 Chifley Square, Sydney, N.S.W. 2000 Australia
Tel. 02-9221-7024

24. Gold Coast

Level 1 The Galleria 3221, Gold Coast Highway Surfers, Paradise, QLD 4217 Australia
Tel. 07-5531-6456

25. Cairns

Ground Floor, 35-41 Wharf Street Cairns, QLD 4870 Australia
Tel. 07-4031-1511

26. Melbourne

Level 6, 230 Collins Street, Melbourne, Victoria 3000 Australia
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27. Auckland

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28. Singapore

391A Orchard Road. #09-01 Ngee Ann City Tower A, Singapore 238873
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31. Taipei

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Tel. 02-8773-9376

32. Bangkok

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Tel. 02-238-2130-2134

33. Hong Kong

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34. Kuala Lumpur

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Tel. 03-2162-7708

Major Group Companies

GENERAL MERCHANDISE STORES (GMS)

*ÆON Co., Ltd.
*Jaya JUSCO Stores Bhd.
*JUSCO Stores (Hong Kong) Co., Ltd.
*Kyushu JUSCO Co., Ltd.
Ryukyu JUSCO Co., Ltd.
Siam JUSCO Co., Ltd.
Guangdong JUSCO Teem Stores Co., Ltd.
Qingdao Dongtai JUSCO Co., Ltd.

SUPERMARKETS

*Maxvalu Hokkaido Co., Ltd.
*Maxvalu Tohoku Co., Ltd.
*Maxvalu Chubu Co., Ltd.
*Maxvalu Nishinohon Co., Ltd.
Maxvalu Tokai Co., Ltd.
Maxvalu Kyushu Co., Ltd.
Nishikyushu Well Mart Co., Ltd.

HOME CENTERS

*Home Wide Corp.
Homac Corp.

CONVENIENCE STORES

*Ministop Co., Ltd.

DEPARTMENT STORES

Bon Belta Isejin Co., Ltd.
Bon Belta Co., Ltd.
Tachibana Department Store Co., Ltd.

SPECIALTY STORES

*The Talbots, Inc.
*Blue Grass Co., Ltd.
*Cox Co., Ltd.
*Yamaya Corp.
Talbots Japan Co., Ltd.
Laura Ashley Japan Co., Ltd.
ÆON Forest Co., Ltd.
Mega Sports Co., Ltd.
Claire's Nippon Co., Ltd.
Liz Japan Co., Ltd.
NuStep Co., Ltd.
Sun-sun Land Co., Ltd.
Abilities JUSCO Co., Ltd.
Book Bahn Co., Ltd.
Pet City Co., Ltd.
Kojima Co., Ltd.
Mega Petro Co., Ltd.

DRUGSTORES

*Tsuruha Co., Ltd.
*Kraft Inc.
*Sugi Pharmacy Co., Ltd.

*Hac-kimisawa Co., Ltd.
*Greencross-coa Co., Ltd.
*Drug Terashima Co., Ltd.
Medical Ikko Co., Ltd.
Drug Eleven Co., Ltd.
Takiya Co., Ltd.
Wellpark Co., Ltd.

SC DEVELOPMENT OPERATIONS

*Diamond City Co., Ltd.
*ÆON Mall Co., Ltd.
Diamond Family Co., Ltd.
LOC Development Co., Ltd.

FINANCIAL SERVICES

*ÆON Credit Service Co., Ltd.
*ÆON Credit Service (Asia) Co., Ltd.
*ÆON Thana Sinsap (Thailand) Plc.
ACS Credit Service (M) Sdn. Bhd.
ÆON Credit Service (Taiwan) Co., Ltd.

SERVICES

*JUS-Photo Co., Ltd.
*ÆON Fantasy Co., Ltd.
Jusvel Co., Ltd.
Reform Studio Co., Ltd.
Zwei Co., Ltd.
ÆON Techno Service Co., Ltd.
ÆON Cinemas Co., Ltd.
Quality Control Center Co., Ltd.

FOOD SERVICES

Gourmet D'Or Co., Ltd.
Jack Co., Ltd.

FOOD PROCESSING, DISTRIBUTION, AND OTHER OPERATIONS

Certo Co., Ltd.
Food Supply JUSCO Co., Ltd.
AIC INC.
Yurin Co., Ltd.
Osaka Delica Co., Ltd.
Tasmania Feedlot Pty. Ltd.

E-COMMERCE BUSINESS

ÆON Visty Co., Ltd.

**Listed companies*

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- ÆON 1% Club
 - ÆON Environment Foundation
 - Cultural Foundation of Okada

Shareholder Information (as of February 20, 2002)

Head Office

Kanda Mitoshiro-cho 1, Chiyoda-ku, Tokyo 101-8445, Japan

Tel: 81-3-5281-2030

Fax: 81-3-5281-2020

Homepage: <http://www.aeonmarket.com>

<http://www.aeon.co.jp>

Capital Stock

¥15,466,500,000 (47,565,760 shares)

Shareholders' Meeting

May 15, 2002

Stock Exchange Listing

Tokyo Stock Exchange (Securities code: 8570)

Transfer Agent

Mizuho Trust & Banking Co., Ltd.

5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan

Independent Auditors

Deloitte Touche Tohmatsu

MS Shibaura Bldg., 13-23, Shibaura 4-chome, Minato-ku,

Tokyo 108-8530, Japan