ÆON CREDIT SERVICE CO., LTD.

Annual Report 2004

For the Year Ended February 20, 2004

Planting Seeds of Growth

We are ÆON

The unchanging corporate mission of AEON Credit Service Co., Ltd., is to constantly benefit its cardholders through quality financial services. As a reflection of this, we have included “AEON”—the Latin word for eternity—in our corporate name. In Japan and the rest of Asia, our management philosophy is to “support cardholders’ lifestyles and enable each individual to maximize future opportunities through effective use of credit.” To this end, we provide carefully tailored financial services by paying special attention to cardholders’ needs. We also seek to earn cardholder trust by striving hard to raise standards of corporate behavior in the financial services industry, adhering to a strict code of corporate ethics and engaging in activities that conserve the environment and contribute to society.

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Forward-Looking Statements

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

In line with its management philosophy to support cardholders' lifestyles and enable each individual to maximize future opportunities through effective use of credit, ÆON Credit Service provides financial services that center on its credit card operations.

Topics

Steady Increases in Number of Cardholders

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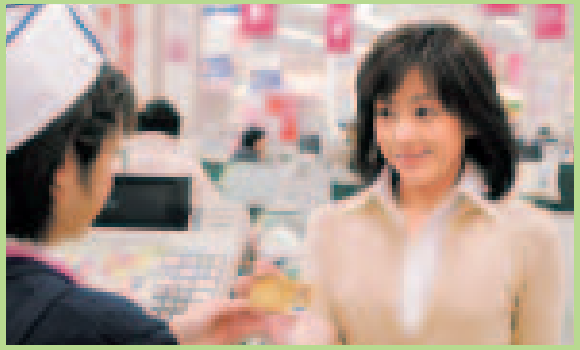
As of February 20, 2004—the end of the fiscal year under review—the total number of cardholders reached 12.1 million. This was mainly attributable to stronger efforts to attract new cardholders at new alliance partner and affiliated merchant stores and the launch of new co-branded cards.



Developing Unique Card Features

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In the fiscal year ended February 20, 2004, we began to issue ÆON Gold Card, the first gold card in Japan without an annual fee, for cardholders whose transactions total over one million yen per year. We also waived annual fees on all our cards, including ETC (electronic toll collection) cards and introduced a system called Tokimeki Day, where cardholders earn five times the usual number of points by making purchases on the 10th of each month.

Introduction of New Financial Services

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During the fiscal year under review, we commenced new financial services after establishing tie-ups with leading companies in a range of fields. These services include ÆON My Car Lease, an auto leasing service for individual customers; ÆON Reform Loan, a loan for home improvements; and ÆON Net Branch, an online advance ticket reservation service.

Expansion of Credit Card-related Businesses

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Our three domestic subsidiaries—an insurance agency, a servicer business and a small loans company—maximize synergies with the sales activities of their parent company. The subsidiaries have achieved solid growth, owing to their independent efforts to cultivate new markets.

Steady Growth in Overseas Operations

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Overseas operations are a distinguishing feature of ÆON Credit Service's business. Our six overseas subsidiaries—including our original subsidiary established in Hong Kong in 1987—are enjoying steady growth. In Thailand, where we operate a credit card business, our subsidiary became the country's first non-bank financial institution to receive authorization from Visa International Service Association to directly issue VISA cards. As of February 20, 2004, the company had issued cards to a total of 1.1 million cardholders—an achievement unequaled by any other credit card company in Thailand—thanks to its aggressive drive to increase card applications.

Thorough Measures to Protect Personal Information

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We attach the utmost importance to carefully guarding personal information. To date, we have received ISO 9001 quality accreditation (from the International Organization for Standardization) and are certified under the Privacy Mark System of the Japan Information Processing Development Corporation (JIPDC). During the fiscal year under review, we substantially revamped our personal information protection system. This involved setting up a data management center to manage all information from card applications and other operations in a highly secure environment. As a result of these efforts, we received ISMS (Information Security Management Systems) certification from Japan Quality Assurance Organization in July 2004.

Strengthening Our Financial Condition

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During the fiscal year under review, we securitized ¥10,000 million of new revolving-payment credit card loans and ¥43,450 million of single-payment credit card finance receivables. We also issued ¥10,000 million worth of seven-year unsecured straight bonds and procured long-term, low-interest financing. As a consequence, at fiscal year-end, the long-term, fixed-interest financing ratio climbed to 71.5%, and the direct financing ratio reached 41.2%.

Environmental Protection and Corporate Social Responsibility Activities

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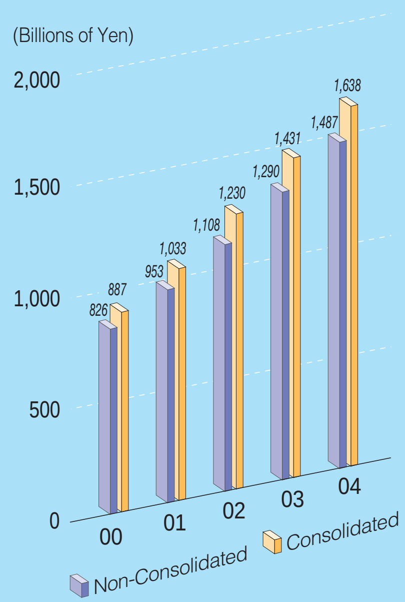
In July 2003, our three domestic subsidiaries received ISO 14001 environmental certification, following our accreditation two years prior. Having achieved the above, the ÆON Credit Service Group will continue to engage in various endeavors to fulfill its duties as a responsible corporate citizen.

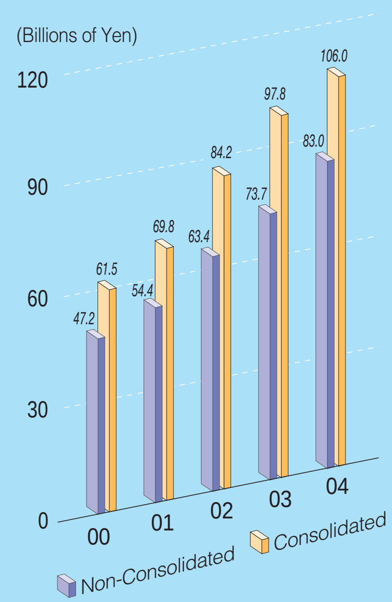
Since our foundation in 1981, our management philosophy has always been based on putting the customer first, and we have continually striven to provide carefully tailored financial services. This commitment has earned us the support of cardholders, alliance partners and affiliated merchants and allowed us to record our 10th consecutive increase in annual non-consolidated revenues and income during the fiscal year under review.

Financial Highlights (Years Ended February 20)

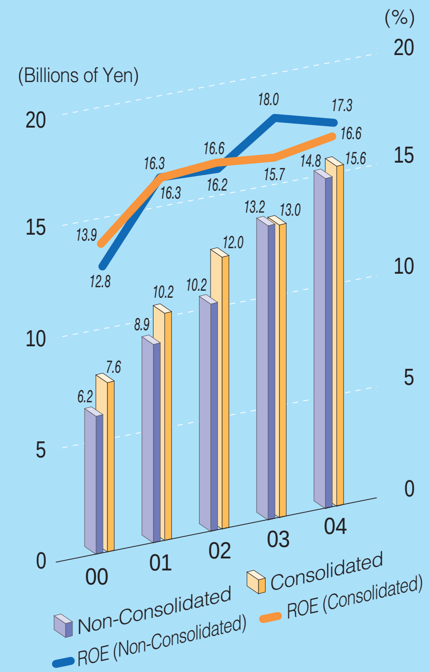
Trading Volume



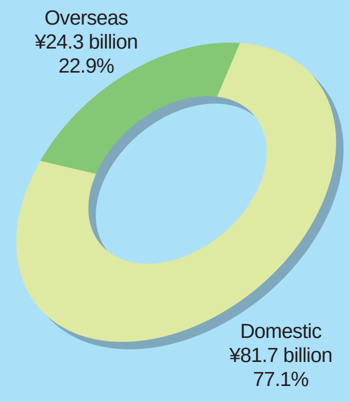
Revenues



Net Income and Return on Equity (ROE)

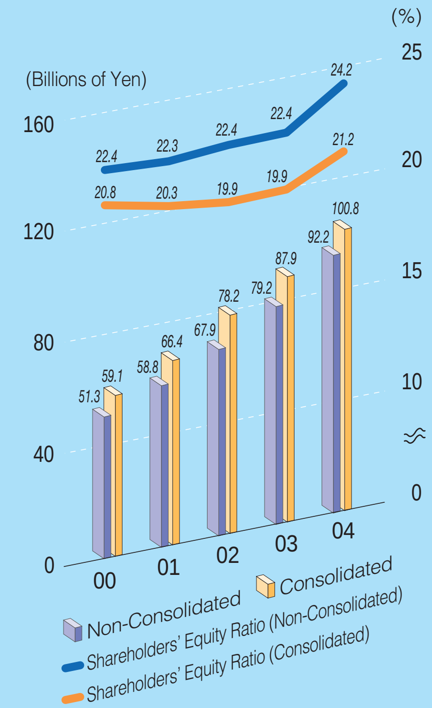


Overseas Revenue

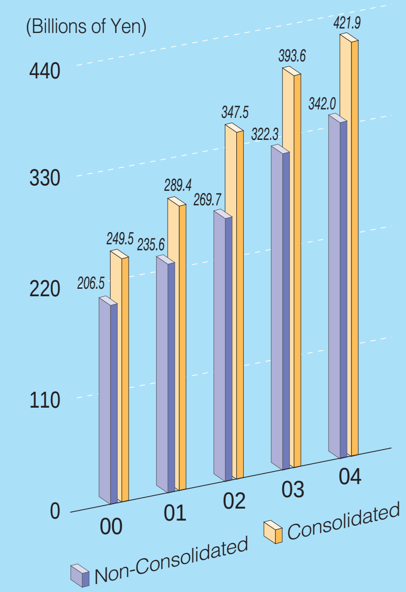


(Year ended February 20, 2004)

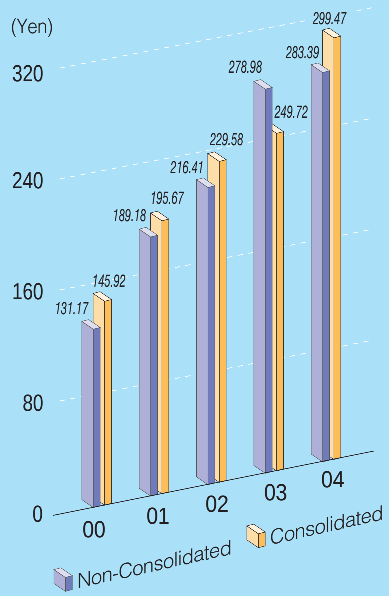
Shareholders' Equity—Net, Shareholders' Equity Ratio (Non-Consolidated/Consolidated)



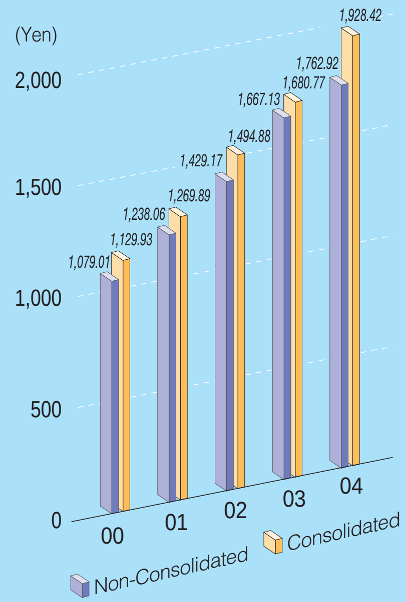
Finance Receivables—Net (Non-Consolidated/Consolidated)



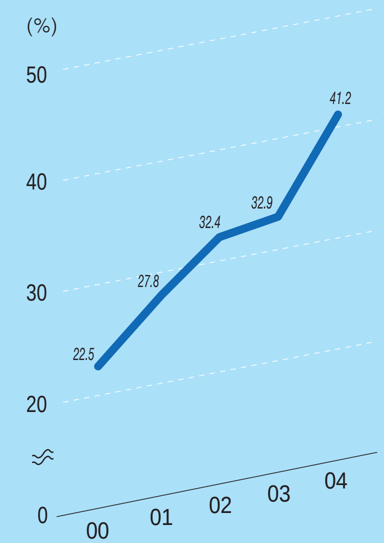
Net Income per Share



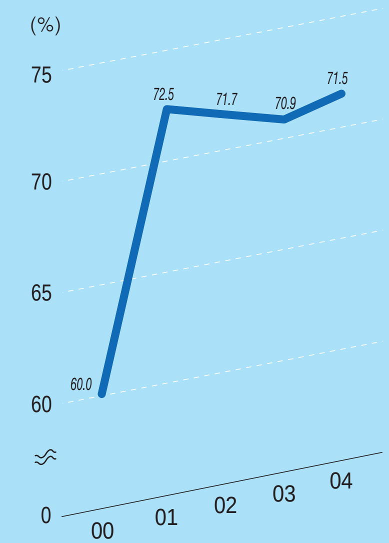
Net Assets per Share



Direct Financing Ratio (Non-Consolidated)



Long-Term, Fixed-Interest Financing Ratio (Non-Consolidated)



A Message from the President

Summary of Business Performance

In the fiscal year ended February 20, 2004, ÆON Credit Service took decisive steps to expand its operations. To this end, we aggressively implemented joint campaigns with alliance partners and affiliated merchants. At the same time, we strove to improve card-use rate by stepping up efforts to cultivate affiliated merchants that register cardholder details and allow settlement of mobile phone, utility and other monthly bills by credit card. In addition, we issued new co-branded cards.

Our three domestic subsidiaries—an insurance agency, a servicer business and a small loans company—sought to maximize synergies with the sales activities of their parent company, while independently cultivating new markets.

Overseas, our Thai subsidiary became Thailand's first non-bank financial institution to receive authorization from Visa International Service Association to directly issue VISA cards. Our Hong Kong and Taiwan subsidiaries achieved considerable success by launching new co-branded cards.

Owing to the above efforts, in the fiscal year under review, revenues and income continued to improve, leading to our best ever results. On a consolidated basis, total trading volume increased 14.5%, compared with the previous fiscal year, to ¥1,638,610 million. Revenues grew 8.3%, to ¥106,022 million. Net income amounted to ¥15,669 million, gaining 19.9% on the previous fiscal year.

Our non-consolidated results also continued to improve steadily. Total trading volume totaled ¥1,487,899 million, up 15.3%. Net income grew 12.1%, to ¥14,870 million. These results ensured our 10th consecutive rise in annual revenues and income since becoming a listed company in 1994.

Key Strategies

Japan's credit card industry faces an increasingly harsh operating environment as the reorganization of Japan's financial industry—focused around major banks—shifts into full swing, leading to fewer companies controlling the market. Nevertheless, we expect further growth in our industry, owing to greater credit card use as electronic transactions become the norm in new business areas.

In this environment, we will focus on the next stage of our development and continue our unceasing efforts to meet any challenge. To ensure further growth, we have defined our key medium-term strategies as: revamping our main operations; reorganizing our business structure; and expanding our Asian network.

Revamping our main operations entails bolstering our competitive strengths by attracting more cardholders through the development of new card application channels. At the same time, we will strive to further boost card-use rate by creating attractive and original new card features.

To reorganize our business structure, we aim to maximize our accumulated credit card business expertise and secure new competitive advantages. We will work to reinforce fee-based businesses, including loan guarantees, leasing and factoring, while expanding our operations in servicer, insurance agency and other card processing businesses. In addition, we plan to advance into such new fields as electronic commerce and system solutions.

Expanding our Asian network—a distinguishing feature of our Group that gives us a competitive edge—requires broadening the scope of our operations in the region. We view financial services for individual consumers as a fast developing field in Asian countries, owing to high rates of economic growth. By maximizing our accumulated know-how, we plan to continue expanding market share in countries where we currently operate and develop new businesses in other countries.

We will persist in our efforts to remain the company of choice for cardholders, alliance partners and affiliated merchants. To achieve this, we will adhere to our management philosophy of always putting the customer first, supporting cardholders' lifestyles and enabling each individual to maximize future opportunities through effective use of credit.

森 美樹

Yoshiki Mori
President and CEO

Having positioned its credit card business at the core of its operations, ÆON Credit Service strives hard to provide carefully tailored services to cardholders, alliance partners and affiliated merchants.

Domestic Operations

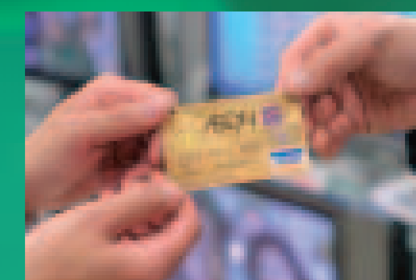
Key Strategies

In our credit card business—positioned at the core of our domestic operations—we made concerted efforts to increase cardholders during the fiscal year ended February 20, 2004. To this end, we promoted ÆON Card and cooperated with major companies to issue several kinds of co-branded cards, including ÆON Card, Toys "R" Us Card and SATY VIVRE Card. As a result, the number of cardholders at the end of the fiscal year totaled 12.1 million. We collaborated with various alliance partners and affiliated merchants to provide cardholders attractive special benefits. In addition, we stepped up measures to cultivate affiliated merchants that register cardholder details and allow settlement of mobile phone, utility and other monthly bills by credit card. As a result, credit card shopping rose 23.3%, to ¥895,868 million, and the number of active cardholders—cardholders who used their cards at least once during the 12 months prior to February 20, 2004—reached 6.4 million, one of the highest levels in the Japanese credit card industry.

To provide greater card convenience, we made strenuous efforts to expand participating merchant, cash dispenser (CD) and automated teller machine (ATM) networks. As a consequence, we have tie-ups with approximately 405,000 affiliated merchants and a network that includes more than 131,000 CDs and ATMs, mainly at alliance partner stores.

Developing Unique Card Features

In December 2003, we began issuing ÆON Gold Card—the first gold card in Japan without annual fees—targeting ÆON Card cardholders whose transactions total over one million yen per year. As of July 2004, we were Japan's only credit card company to waive annual fees on all its cards, including ETC cards.



Our Tokimeki Point Campaign awards cardholders points—one for every ¥1,000 of card transactions—which can be exchanged for attractive gifts, used for cash rebates or donated to support environmental protection and other activities that benefit society. To enhance this feature, we introduced a system called Tokimeki Day where cardholders earn five times the usual number of points by making purchases on the 10th of each month. By developing unique, innovative systems such as Tokimeki Day, and constantly improving our services, we aim to attract even more cardholders.

Integrated Online Payment System

We have created ÆON Regi, an integrated online payment system that enables various methods of payment for users of ÆON Market, our online shopping web site, and other customers. By helping alliance partners and affiliated merchants operate their web sites more efficiently, ÆON Regi enhances marketing capabilities to ensure increased sales. We will continue to expand sales of ÆON Regi, which contributes to the growth and development of e-commerce.

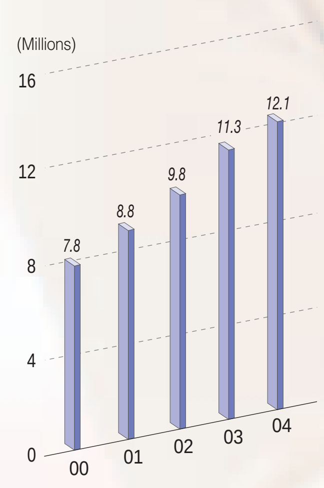
Introduction of New Financial Services

During the fiscal year under review, we commenced new financial services after establishing tie-ups with leading companies in a range of fields. These services include ÆON My Car Lease, an auto leasing service for individual customers; ÆON Reform Loan, a loan for home improvements; and ÆON Net Branch, an online advance ticket reservation service.

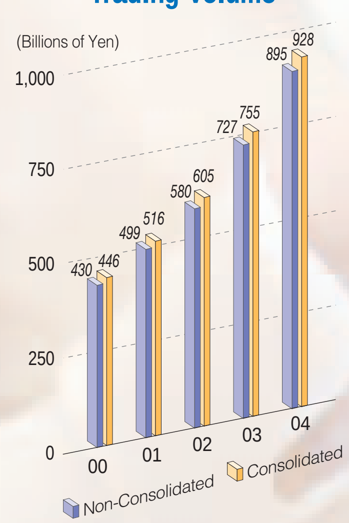
Expansion of Credit Card-related Businesses

In the area of credit card-related businesses, our three domestic subsidiaries are developing insurance agency, servicer and small loans businesses. NCS Kosan Co., Ltd., our insurance agency subsidiary, established ÆON Hoken Market, a web site that allows potential buyers to order estimates from 18 automobile insurers—the most comprehensive quotation comparison of its kind in Japan.

Number of Cardholders



Credit Card Shopping Trading Volume



Our overseas network affords us a competitive advantage that other Japanese credit card companies lack. We continue to earn strong support from cardholders and other customers as we expand our credit operations in Hong Kong, Thailand, Malaysia, Taiwan and Shenzhen, China.

Overseas Operations

In 1987, ÆON Credit Service became Japan's first retailer-owned credit card company to open a branch in Hong Kong. Since then, we have aggressively expanded our business in Asia by capitalizing on financial services expertise accumulated in Japan. Having established subsidiaries in Hong Kong, Thailand, Malaysia, Taiwan and Shenzhen, China, and listed our Hong Kong and Thai subsidiaries on their respective stock exchanges, we are working to broaden and improve our Asian network.

Hong Kong

The business environment in Hong Kong, the location of our first overseas operation, has become increasingly severe, reflecting economic stagnation that has continued for the past few years. In this environment, subsidiary AEON Credit Service (Asia) Co., Ltd., endeavored to rebuild its operating base during the fiscal year under review, in anticipation of a genuine economic recovery in Hong Kong. The subsidiary made strenuous efforts to implement joint campaigns with affiliated merchants, issue new co-branded cards and enhance its lineup of loan services.

Thailand

Thai subsidiary AEON Thana Sinsap (Thailand) Plc. became Thailand's first non-bank financial institution to receive authorization from Visa International Service Association to directly issue VISA cards. As of February 20, 2004, the subsidiary had issued cards to a total of 1.1 million people—an achievement that surpassed every other credit card company in Thailand—owing to an intense drive to increase cardholders. In addition, the company strove to reinforce its network of affiliated major Thai mass-merchandising stores. Having opened operational centers in Bangkok and Hat Yai, the subsidiary persists in its efforts to build a low-cost sales system.

Malaysia

AEON Credit Service (M) Sdn. Bhd., our subsidiary in Malaysia, has built an affiliated merchant network linking 3,500 stores and other points of sale, including Carrefour and other major mass-merchandising stores. The subsidiary is also concentrating on the motorcycle hire purchase business, where there is particularly strong demand for credit. At the same time, the company is making every effort to bring about the launch of its own credit card business—as our Hong Kong, Thai and Taiwanese subsidiaries have done.

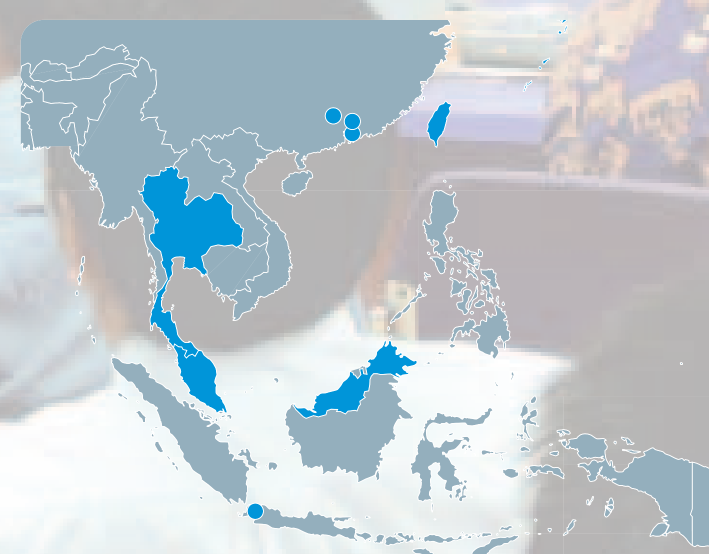
Taiwan

In January 2003, AEON Credit Card (Taiwan) Co., Ltd., our Taiwanese subsidiary, became the first Japanese-affiliated company to issue credit cards in Taiwan. By June 2004, it had already issued 10 co-branded cards.

Shenzhen, China

AEON Information Service (Shenzhen) Co., Ltd., our subsidiary in Shenzhen, China, provides call center, credit management and credit check services to companies that outsource such functions. The subsidiary handles credit management operations for AEON Credit Service (Asia) and non-bank financial institutions in Hong Kong and hire purchase credit checks for local retailers. In preparation for a total deregulation of the credit industry, the company is building up its financial services expertise in China.

As a result of these efforts, our overseas operations now account for approximately 23% of consolidated operating revenue. Furthermore, having positioned our credit card business at the core of our operations, we will do our utmost to promote expansion into Indonesia, Guangzhou in China and other areas by capitalizing on our unique expertise accumulated in Asia.



Overseas Network

Hong Kong
AEON CREDIT SERVICE (ASIA) CO., LTD.

Thailand
AEON THANA SINSAP (THAILAND) PLC.

Malaysia
AEON CREDIT SERVICE (M) SDN. BHD.

Taiwan
AEON CREDIT SERVICE (TAIWAN) CO., LTD.
AEON CREDIT CARD (TAIWAN) CO., LTD.

Shenzhen, China
AEON INFORMATION SERVICE (SHENZHEN) CO., LTD.

China (Guangzhou)
Guangzhou Representative Office

Indonesia
Indonesia Representative Office

As a financial services company, we are fully aware of our responsibility to carefully protect as well as appropriately manage and use our cardholders' personal information. We will therefore step up efforts to keep such information secure.

Corporate Governance

Corporate Governance

ÆON Credit Service aims to ensure quick responses to changes in the business environment. To this end, we carefully examine and rigorously debate pressing management issues at Board of Directors' meetings, policy review and management committees before making decisions. Statutory auditors attend Board of Directors' and other important meetings and implement various measures to enhance corporate governance in cooperation with our Internal Audit Office.

We also seek to better monitor our domestic and overseas subsidiaries. Our Board of Directors requires all domestic and overseas subsidiaries to produce monthly reports on their operations. In addition, our Group Company Management Division will take the lead in holding regular meetings to discuss issues related to our subsidiaries.

Compliance

ÆON Credit Service continually strives to improve compliance, and has accordingly assigned Board members compliance-related roles. We have established the Internal Audit Office to conduct internal inspections as well as the Quality Control Office to promote strict compliance with operational regulations based on ISO 9001 quality standards. We also set up the Customer Service Development Office that utilizes customer feedback to improve our business as well as the Legal Advice Office that deals with legal inquiries. More recently, we created a Personal Information Protection Office to reinforce systems that maintain the security of confidential information.

We are ensuring highly ethical conduct by promoting strict compliance. This has involved creating our Code of Conduct and Compliance Handbook—both of which have been distributed to all employees—and continuously educating staff about compliance-related matters. The Code of Conduct outlines appropriate approaches and attitudes in day-to-day operations and the Compliance Handbook stipulates relevant codes, laws and industry regulations that must be followed.

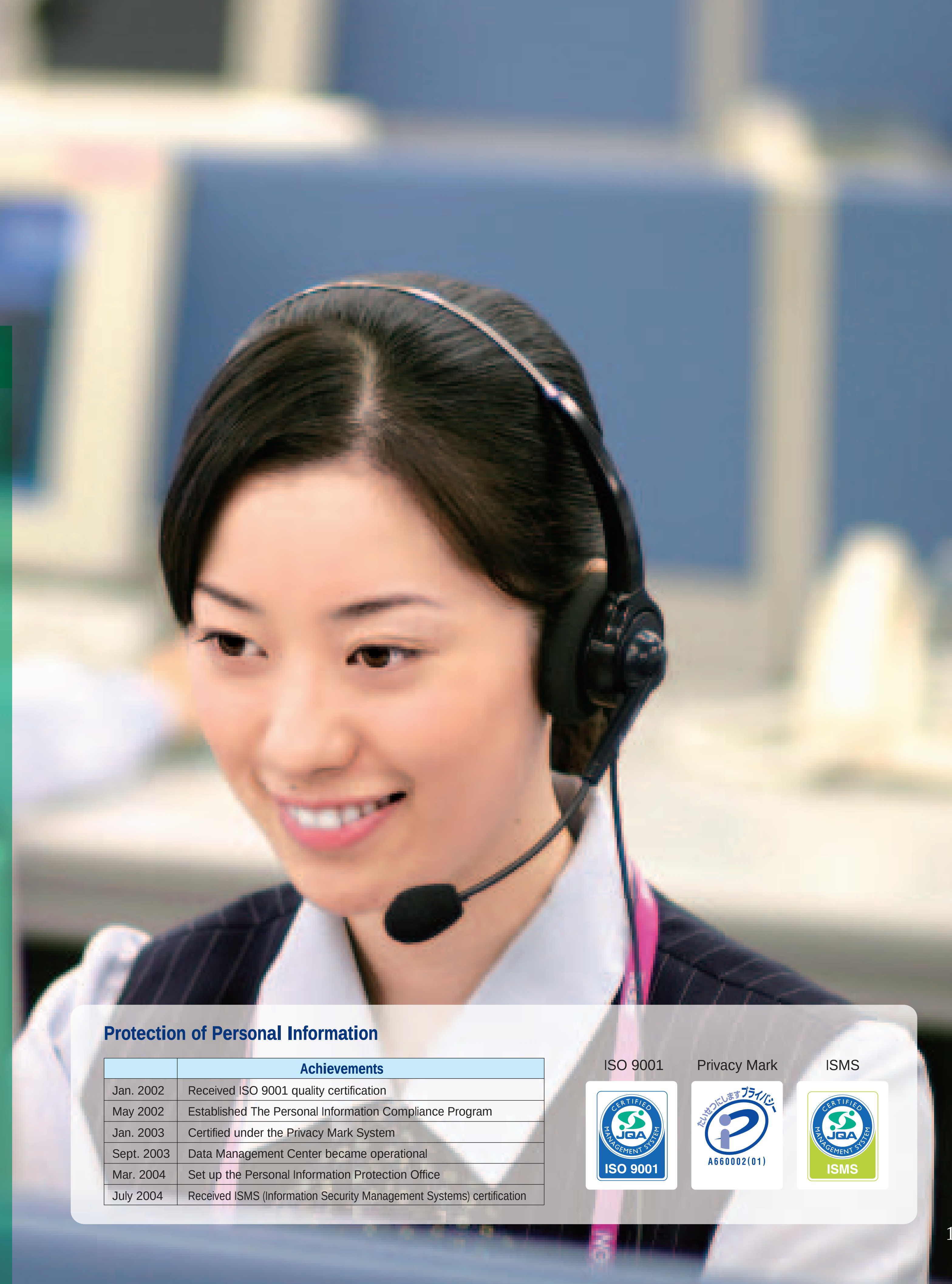
Protection of Personal Information

ÆON Credit Service is fully aware of its heavy responsibility to carefully protect and appropriately use personal information. As evidence of this, we became officially certified under the Privacy Mark System in January 2003. In addition, we have bolstered system security, setting tight controls on access to personal information and the retrieval of various data.

To protect personal information in every aspect of our operations, we are implementing organizational and technical measures, educating staff and taking steps to keep information

physically secure. As part of this drive, we are reviewing contracts with our outsourcers and have set up the Data Management Center to manage important documents, including those containing personal information, in a highly secure environment.

In recognition of our efforts, we received ISMS (Information Security Management Systems) certification from Japan Quality Assurance Organization in July 2004. We will continue to enhance our protection of personal information by introducing a system that constantly monitors the use of personal information by employees authorized to access such information.



Protection of Personal Information

	Achievements
Jan. 2002	Received ISO 9001 quality certification
May 2002	Established The Personal Information Compliance Program
Jan. 2003	Certified under the Privacy Mark System
Sept. 2003	Data Management Center became operational
Mar. 2004	Set up the Personal Information Protection Office
July 2004	Received ISMS (Information Security Management Systems) certification

ISO 9001 Privacy Mark ISMS

Environmental Protection and Corporate Social Responsibility

ÆON Credit Service strives to fulfill its duty as a responsible corporate citizen by involving the entire Group in a wide range of activities, from volunteer activities at the local level to global environmental protection programs.

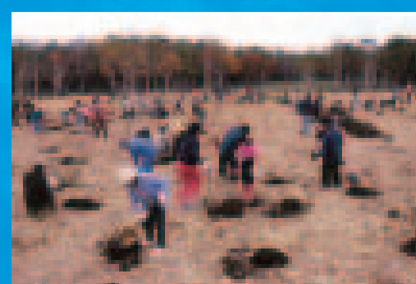
Environmental Protection

Our environmental efforts to date include the issuing of affinity credit cards, which provide a charitable donation component on each card transaction, and our Tokimeki Point system that contributes funds for forest conservation. We issue credit cards made of glycol-modified polyethylene terephthalate (PETG)—a non-polyvinyl chloride (non-PVC) resin—and use glassine paper for the envelope windows for our invoices, both of which do not emit dioxins or other hazardous chemicals even when incinerated. As part of our recycling efforts aimed at reducing our overall environmental impact, we use staff uniforms made from polyester fiber reclaimed from recycled polyethylene terephthalate (PET) bottles.

To sustain these efforts and raise awareness in the area of environmental protection, as the Company approached its 20th anniversary in 2001, the ÆON Credit Service head office and all its domestic offices gained ISO 14001 certification. This was followed in July 2003 by our three domestic subsidiaries. In the future too, we will continue to actively promote environmental initiatives across the entire ÆON Credit Group.

Corporate Social Responsibility

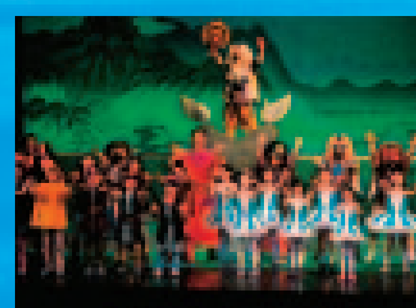
Our activities in the area of corporate social responsibility (CSR) include volunteer work at facilities for the disabled, such as general cleaning before seasonal events, helping with bazaar stalls and arranging Christmas parties. We make regular donations of Braille books and audio books to the Japan Braille Library through our Tokimeki Point



program. We also run an ongoing program of donations to help cover medical expenses in developing countries through the collection of foreign coins, used postage stamps and prepaid cards.

As a member of the ÆON Group, we are actively involved in a range of environmental initiatives and education programs through the ÆON 1% Club, the ÆON Environment Foundation and other organizations. These include sponsorship of a nationwide tour of the ecology-themed musical production *Tengu no Kakurezato*—including participation by children from each area in which the show is performed—and an ecology tour to Germany for primary and

junior high school students to learn about that country's environmentally conscious way of life. We also participated in the Teenage Ambassador Project organized by the ÆON 1% Club, through which 20 young Thais were invited to Japan to foster international friendship. Other campaigns in which we took part included a forest regeneration project on Shiretoko Peninsula in Hokkaido, a project to restore the natural habitat of the Japanese crested ibis—an internationally protected species—and a forest regeneration project in Gifu Prefecture for an area destroyed by forest fires.



Since its founding, the ÆON Credit Service Group has actively promoted programs that focus on protecting the environment and contributing to the community, which bring together the Group and its cardholders. We are fully committed to continuing these activities in the future.

Six-Year Summary

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries
Years Ended February 20, 2004, 2003, 2002, 2001, 2000 and 1999

	Millions of Yen						Thousands of U.S. Dollars (Note 1)
	2004	2003	2002	2001	2000	1999	2004
For the Year:							
Revenues	¥106,022	¥97,895	¥84,297	¥69,863	¥61,554	¥54,639	$972,679
Expenses	76,725	73,399	61,204	51,781	47,523	43,516	703,899
Income before income taxes, minority interests and cumulative effect of change in accounting principle	29,297	24,496	23,093	18,082	14,031	11,123	268,780
Net income	15,669	13,066	12,012	10,238	7,635	5,697	143,752
	Yen						U.S. Dollars (Note 1)
Per Share Data:							
Net assets	¥1,928.42	¥1,680.77	¥1,494.88	¥1,269.89	¥1,129.93	¥985.27	$17.70
Cash dividends	55.00	50.00	40.90	27.27	31.81	14.46	0.50
Net income	299.47	249.72	229.58	195.67	145.92	110.53	2.75
	Millions of Yen						Thousands of U.S. Dollars (Note 1)
At Year-End:							
Finance receivables—net	¥421,906	¥393,643	¥347,572	¥289,448	¥249,452	¥255,986	$3,870,697
Property and equipment	5,454	7,731	7,521	5,438	4,387	3,617	50,037
Total assets	475,242	441,933	393,253	328,050	284,747	255,986	4,360,018
Debt	295,726	291,736	261,843	212,356	179,163	161,458	2,713,083
Total liabilities	364,317	344,484	304,782	254,643	219,764	200,592	3,342,358
Shareholders' equity—net	100,899	87,941	78,215	66,443	59,120	50,782	925,679
	Percentage						
Ratios:							
Shareholders' equity ratio	21.2%	19.9%	19.9%	20.3%	20.8%	19.8%	
Return on assets (ROA)	3.4	3.1	3.3	3.3	2.8	2.3	
Return on equity (ROE)	16.6	15.7	16.6	16.3	13.9	12.5	

Notes: 1. Revenues do not include consumption tax.
2. On April 8, 1999 and February 10, 2000, the parent company issued additional shares in connection with an 11-for-10 stock split and a 2-for-1 stock split, respectively. All per common share amounts have been adjusted to reflect these stock splits.
3. On April 10, 2003, the parent company issued additional shares in connection with an 11-for-10 stock split.

Financial Review

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries
Years Ended February 20, 2004 and 2003

Results of Operations

	Millions of Yen			
	2004	2003	Amount change	Percentage change
Revenues				
Interest income	¥ 73,173	¥66,832	¥6,341	9.5%
Credit card fees	19,268	15,841	3,427	21.6
Hire purchase fees	6,423	6,631	(208)	(3.1)
Service fees	3,129	3,526	(397)	(11.3)
Other operating revenues	4,029	5,065	(1,036)	(20.5)
Total revenues	¥106,022	¥97,895	¥8,127	8.3%
Expenses				
Interest expense	¥ 6,178	¥ 6,894	¥ (716)	(10.4)%
Provision for credit losses	22,417	19,483	2,934	15.1
Salaries and fringe benefits	12,809	12,837	(28)	(0.2)
Advertising and promotion	4,698	4,220	478	11.3
Travel and communication	6,681	6,482	199	3.1
Other operating expenses	23,564	22,920	644	2.8
Other—net	378	563	(185)	(32.9)
Total expenses	¥ 76,725	¥73,399	¥3,326	4.5%
Net income	¥ 15,669	¥13,066	¥2,603	19.9%

Financial Position

	Millions of Yen			
	2004	2003	Amount change	Percentage change
Cash and cash equivalents	¥ 15,915	¥ 14,877	¥ 1,038	7.0%
Finance receivables—net	421,906	393,643	28,263	7.2
Investments	8,171	7,200	971	13.5
Property and equipment	5,454	7,731	(2,277)	(29.5)
Deferred income taxes	3,837	2,526	1,311	51.9
Other assets	19,959	15,956	4,003	25.1
Total assets	¥475,242	¥441,933	¥33,309	7.5%

SUMMARY

In the fiscal year ended February 20, 2004, the credit card industry continued to face extremely harsh conditions, owing to a variety of factors. These included the gathering momentum of realignment moves in the credit card industry, intensifying competition due to the market entry of participants from other industries and the rising level of investment required to further improve cardholder services.

In this environment, ÆON Credit Service strove to boost card-use rates through carefully targeted marketing; placed greater emphasis on finding new ways to develop co-branded cards; and capitalized on business alliances to provide new financial services. At the same time, the Company made concerted efforts to nurture its insurance agency, servicer and other credit card-related businesses. In its Asian operations, the Company sought to expand market share in each country by capitalizing on its accumulated expertise.

As a result, there were 1.5 million new cardholder signups during the fiscal year. Finance receivables—net rose to a Company record high of ¥421,906 million, a gain of 7.2% compared with the previous fiscal year-end. Total assets stood at an all-time high of ¥475,242 million, up 7.5% on the previous fiscal year. Total revenues were boosted by successful efforts to attract new cardholders and climbed 8.3%, to ¥106,022 million, reflecting higher interest income and credit card fees.

Total expenses increased 4.5%, to ¥76,725 million, owing to a larger provision for credit losses and costs arising from measures to improve joint campaigns with affiliated merchants and cardholder services.

Reflecting the above, the Company posted record net income of ¥15,669 million, up 19.9% compared with the previous fiscal year. This result preserved the Company's unbroken run of continuous revenue and income growth since listing on the Tokyo Stock Exchange in 1994. Net income per share was ¥299.47.

	Millions of Yen			
	2004	2003	Amount change	Percentage change
Trading volume				
Loans—credit card and other	¥ 658,710	¥ 621,139	¥ 37,571	6.0%
Credit card	928,364	755,242	173,122	22.9
Hire purchase	45,579	50,203	(4,624)	(9.2)
Other	5,957	4,519	1,438	31.8
Total trading volume	¥1,638,610	¥1,431,103	¥207,507	14.5%
Finance receivables				
Loans—credit card and other	¥ 313,349	¥ 266,313	¥ 47,036	17.7%
Credit card	97,971	108,101	(10,130)	(9.4)
Hire purchase	19,833	27,044	(7,211)	(26.7)
Total finance receivables	¥ 431,153	¥ 401,458	¥ 29,695	7.4%
Revenues				
Interest income	¥ 73,173	¥ 66,832	¥ 6,341	9.5%
Credit card fees	19,268	15,841	3,427	21.6
Hire purchase fees	6,423	6,631	(208)	(3.1)
Service fees	3,129	3,526	(397)	(11.3)
Other operating revenues	4,029	5,065	(1,036)	(20.5)
Total revenues	¥ 106,022	¥ 97,895	¥ 8,127	8.3%

OPERATING RESULTS

Revenues

Total trading volume rose 14.5%, to ¥1,638,610 million. Total finance receivables amounted to ¥431,153, up 7.4%. Consequently, total revenues improved 8.3%, to ¥106,022 million.

Interest Income

The total volume of loans—credit card and other transactions reached ¥658,710 million, up 6.0%, and loans—credit card and other finance receivables advanced 17.7%, to ¥313,349 million. Contributing factors included the steady growth of the cardholder base and the expansion of the cash dispenser (CD) network. As a result, interest income revenues came to ¥73,173 million, up 9.5%.

Credit Card Fees

In the fiscal year under review, ÆON Credit Service aggressively promoted joint campaigns with affiliated merchants including the One-Day Passport and ÆON Card 10 Million Cardholder campaigns. At the same time, the Company strove to more effectively cultivate affiliated merchants that register cardholder details and allow settlement of mobile phone, utility and other monthly bills by credit card. As a result, the total volume of credit card transactions jumped 22.9%, to ¥928,364 million. Credit card finance receivables fell 9.4%, to ¥97,971 million, owing to the securitization of ¥43,450 million of single-payment credit card finance receivables. Nevertheless, revenues from credit card fees amounted to ¥19,268, up 21.6%.

Hire Purchase Fees

The total volume of hire purchase transactions slipped 9.2%, to ¥45,579 million, as some hire purchase customers of the Thai, Malaysian and Taiwanese consolidated subsidiaries switched to cardholder services. This factor outweighed concentrated efforts to reinforce sales activities in regional cities and implement joint promotions with affiliated merchants. Hire purchase finance receivables dropped 26.7%, to ¥19,833 million, reflecting the securitization of ¥5,500 million of hire purchase finance receivables in Thailand. As a result, revenues from hire purchase fees decreased 3.1%, to ¥6,423 million.

Expenses

	Millions of Yen			
	2004	2003	Amount change	Percentage change
Interest expense	¥ 6,178	¥ 6,894	¥ (716)	(10.4)%
Provision for credit losses	22,417	19,483	2,934	15.1
Salaries and fringe benefits	12,809	12,837	(28)	(0.2)
Advertising and promotion	4,698	4,220	478	11.3
Travel and communication	6,681	6,482	199	3.1
Other operating expenses	23,564	22,920	644	2.8
Other—net	378	563	(185)	(32.9)
Total expenses	¥76,725	¥73,399	¥3,326	4.5%

Total expenses amounted to ¥76,725 million, up 4.5% on the previous fiscal year.

Interest Expense

In the fiscal year under review, the Company benefited from lower financing costs, compared with the previous fiscal year. This was mainly attributable to Japan's consistently low interest rates and the Company's use of direct financing. The latter entailed issuing commercial paper—a low-interest method of securing funds; conducting the fourth domestic issue of seven-year unsecured straight bonds worth ¥10,000 million; and securitizing ¥43,450 million of single-payment credit card finance receivables and ¥10,000 million of credit card loans.

In addition, the Hong Kong, Thai, Malaysian and Taiwanese consolidated subsidiaries reduced interest costs by securitizing receivables and using funds more efficiently.

Reflecting the above, interest expense shrank 10.4%, to ¥6,178 million, despite debt edging up 1.4%, to ¥295,726 million.

Provision for Credit Losses
In the fiscal year under review, provision for credit losses totaled ¥22,417 million, comprising ¥19,830 million in direct write-offs and ¥2,587 million in transfers to allowance for possible credit losses. As a result, allowance for possible credit losses was ¥14,467 million at fiscal year-end, equivalent to 3.4% of finance receivables—net.

CASH FLOWS

Net cash provided by operating activities amounted to ¥64,257 million. Significant items included provision for possible credit losses on finance receivables, which increased 7.8%, to ¥20,997 million, and net income of ¥15,669 million, mainly due to a 22.9% rise in the total volume of credit card transactions.

Net cash used in investing activities totaled ¥66,880 million, owing primarily to credit card and other loans originated of ¥445,013 million.

Net cash provided by financing activities amounted to ¥3,933 million. This was mainly attributable to the promotion of efficient management of funds and direct financing through the securitization of receivables. Significant items were net proceeds from issuance of bond of ¥67,503 million, which included the fourth domestic issue of unsecured straight bonds worth ¥10,000 million. The Company used these funds to repay short-term debt and commercial paper as part of its shift toward fixed-interest financing to protect against potential interest rate hikes.

As a result, cash and cash equivalents, end of year, totaled ¥15,915 million, ¥1,038 million higher than the previous fiscal year.

TOTAL ASSETS BY GEOGRAPHIC AREA AND REVENUES IN JAPAN

	Millions of Yen			
	2004	2003	Amount change	Percentage change
Total assets				
Japan	¥387,964	¥352,285	¥35,679	10.1%
Hong Kong	41,328	44,966	(3,638)	(8.1)
Other areas	45,950	44,682	1,268	2.8
Total assets	¥475,242	¥441,933	¥33,309	7.5%
Revenues				
Japan	¥ 81,727	¥ 71,770	¥ 9,957	13.9%

In Japan, the Company made solid progress attracting new cardholders—1.5 million during the fiscal year under review. This achievement underscored the Company's position as one of the strongest organizations in the industry. The total number of cardholders with active accounts reached 12.1 million by the end of the fiscal year. Consequently, the Company achieved record volumes of credit card and credit card loan transactions.

All three domestic subsidiaries—an insurance agency, a servicer business and a small loans company—steadily increased their trading volume. As a reflection of this, total revenues in Japan rose 13.9%, to ¥81,727 million.

Hong Kong subsidiary AEON Credit Service (Asia) implemented ÆON Festival, a joint campaign with AEON Stores (Hong Kong) Co., Limited, and introduced six new co-branded cards. The subsidiary also sought to enhance its lineup of loan services. To this end, it launched special purpose loans, including home improvement loans—offered through a tie-up with major developers—as well as educational, health and other housing-related loans. Nevertheless, total revenues from Hong Kong declined 15.8%, to ¥12,360 million, owing to the harsh economic climate.

Thai subsidiary AEON Thana Sinsap (Thailand) became Thailand's first non-bank financial institution to receive authorization from Visa International Service Association to directly issue VISA cards. This achievement and other concerted efforts to attract new cardholders raised the total number of cardholders by 330,000, to 1.1 million, as of February 20, 2004. The subsidiary concentrated on the motorcycle hire purchase business, where there is a strong demand for credit. At the same time, it reinforced its network of affiliated major Thai mass-merchandising stores by establishing an alliance with the French mass-merchandiser Carrefour.

In Malaysia, subsidiary AEON Credit Service (M) expanded its affiliated merchant network to encompass 3,500 stores and other points of sale, including Tesco PLC, a major food retailer. While doing so, the subsidiary also maintained its focus on the motorcycle hire purchase business.

In January 2003, AEON Credit Card (Taiwan) began full-scale credit card operations in Taiwan. As of February 20, 2004, it had issued four co-branded cards through tie-ups with Taiwan AEON Stores Co., Ltd. (previously known as Taiwan JUSCO Co., Ltd.), Caltima Corp.—a large Taiwanese chain of gasoline stations—and other companies. In its hire purchase business, AEON Credit Card (Taiwan) added 500 stores and other points of sale to its affiliated merchant network, which grew to include 2,100 stores by the end of the fiscal year. The subsidiary also strove hard to implement joint campaigns with affiliated merchants, thereby ensuring a return to profitability within one fiscal year.

AEON Information Service (Shenzhen) enhanced its call center operations and debt recovery outsourcing services offered to non-bank financial institutions in Hong Kong. At the same time, the subsidiary promoted credit checks centering on consumer electronics purchases and prepared to expand its business in mainland China.

Owing to these efforts, revenues from Other areas, including Thailand, Malaysia, Taiwan and Shenzhen, China, rose 4.3%, to ¥11,935 million.

FUNDING AND LIQUIDITY

In Japan, the Company securitized ¥43,450 million of single-payment credit card finance receivables and ¥10,000 million of cash advance loans. In addition, it conducted a domestic issue of seven-year unsecured straight bonds worth ¥10,000 million and continued issuing commercial paper—a low-interest method of securing funds—in its drive to vary methods of financing.

The Company also sought to diversify sources of indirect financing and secure stable, low-interest funding by actively seeking long-term fixed-interest financing in light of the consistently low interest rates in Japan.

SHAREHOLDERS' EQUITY

Shareholders' equity—net, climbed 14.7%, to ¥100,899 million. Significant items in this total included retained earnings of ¥66,367 million, up 24.2% from the previous fiscal year. The shareholders' equity ratio edged up 1.3 percentage points, to 21.2%. Net income per share was ¥299.47, while net assets per share were ¥1,928.42.

	2004	2003
Shareholders' equity ratio, Return on assets (ROA), Return on equity (ROE):		
Shareholders' equity ratio (1)	21.2%	19.9%
ROA (2)	3.4%	3.1%
ROE (3)	16.6%	15.7%
Net income (millions of yen)	¥ 15,669	¥ 13,066
Shareholders' equity—net (millions of yen)	¥100,899	¥ 87,941
Total assets (millions of yen)	¥475,242	¥441,933
Per share amount (yen):		
Net income	¥ 299.47	¥ 249.72
Cash dividends	¥ 55.00	¥ 50.00
Net assets	¥1,928.42	¥1,680.77

Notes: (1) The shareholders' equity ratio equals shareholders' equity—net, 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—net, during the fiscal year.

RISK MANAGEMENT

Derivatives

Some of the Company's 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 future rises in market interest rates that affect debt subject to variable interest payments.

The main risk factors relating to derivatives are market risk and credit risk. In the area of market risk, the Company has some exposure to the risk of interest rate fluctuations. It uses interest rate swaps and interest caps, however, to hedge against increases in variable interest on this debt, and these transactions reduce financing costs when interest rates rise. Credit risk is the risk that the other party to a transaction will fail to fulfill the contractual 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 supervising derivative transactions are independent from the departments engaging in the transactions. Details of the transactions are reported at regular intervals to executive management, including the relevant Board members and management committee.

Foreign Currency

The Company uses currency contracts to hedge the risk of exchange rate fluctuations affecting dividend income denominated in foreign currencies. Some overseas subsidiaries obtain loans from financial institutions in currencies other than their local currencies. All such transactions, however, are covered by currency swaps. These are transactions that enable the subsidiaries to purchase foreign currency for which they agree to pay a specified amount on a predetermined date. All currency risk on the foreign currency debt of overseas subsidiaries is therefore hedged against exchange rate risk. Currency swap costs are managed as part of the total cost of financing. 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 operating independently from departments carrying out the transactions. Transaction information is reported at regular intervals to executive management, including the relevant Board members and management committee.

Consolidated Balance Sheets

ÆON Credit Service Co., Ltd. and Subsidiaries
February 20, 2004 and 2003

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
ASSETS			
Cash and cash equivalents (Note 5)	¥ 15,915	¥ 14,877	$ 146,009
Finance receivables—net (Notes 2 and 5)	421,906	393,643	3,870,697
Investments (Note 3)	8,171	7,200	74,963
Property and equipment (Note 4)	5,454	7,731	50,037
Deferred income taxes (Note 7)	3,837	2,526	35,202
Other assets (Note 15)	19,959	15,956	183,110
TOTAL	¥475,242	¥441,933	$4,360,018
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Debt (Notes 5 and 15)	¥295,726	¥291,736	$2,713,083
Accounts payable (Note 15)	48,529	37,134	445,220
Accrued income taxes (Note 7)	8,082	6,611	74,147
Accrued liabilities (Note 15)	10,871	8,271	99,734
Deferred income taxes (Note 7)	1,109	732	10,174
Total liabilities	364,317	344,484	3,342,358
Minority interests	10,026	9,508	91,981
Commitments (Note 13)			
Shareholders' equity (Notes 10 and 11):			
Common stock, authorized, 80,000,000 shares; issued, 2004 and 2003—52,322,336 and 47,565,760 shares, respectively	15,467	15,467	141,899
Additional paid-in capital	17,637	17,637	161,807
Retained earnings	66,367	53,433	608,872
Accumulated other comprehensive income	1,483	1,420	13,606
Total	100,954	87,957	926,184
Less treasury stock, at cost—13,844 and 2,600 common shares in 2004 and 2003, respectively	(55)	(16)	(505)
Shareholders' equity—net	100,899	87,941	925,679
TOTAL	¥475,242	¥441,933	$4,360,018

See notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

ÆON Credit Service Co., Ltd. and Subsidiaries
Years Ended February 20, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Revenues (Note 15)				
Interest income	¥ 73,173	¥66,832	¥59,651	$671,312
Credit card fees	19,268	15,841	13,508	176,771
Hire purchase fees	6,423	6,631	4,765	58,927
Service fees	3,129	3,526	3,515	28,706
Other operating revenues	4,029	5,065	2,858	36,963
Total revenues	106,022	97,895	84,297	972,679
Expenses				
Interest expense	6,178	6,894	6,685	56,679
Provision for credit losses (Notes 1 and 2)	22,417	19,483	12,451	205,660
Salaries and fringe benefits (Note 8)	12,809	12,837	11,544	117,514
Advertising and promotion	4,698	4,220	4,043	43,101
Travel and communication	6,681	6,482	5,479	61,294
Other operating expenses (Note 15)	23,564	22,920	20,265	216,183
Other—net (Note 6)	378	563	737	3,468
Total expenses	76,725	73,399	61,204	703,899
Income before income taxes, minority interests and cumulative effect of change in accounting principle	29,297	24,496	23,093	268,780
Income taxes (Note 7)				
Current	13,349	11,415	8,660	122,468
Deferred	(1,596)	(1,295)	513	(14,642)
Total income taxes	11,753	10,120	9,173	107,826
Income before minority interests and cumulative effect of change in accounting principle	17,544	14,376	13,920	160,954
Minority interest in losses of consolidated subsidiaries	1,875	1,310	1,603	17,202
Income before cumulative effect of change in accounting principle	15,669	13,066	12,317	143,752
Cumulative effect of change in accounting principle (Notes 1 and 6)	—	—	(305)	—
Net income	15,669	13,066	12,012	143,752
Other comprehensive income (loss), net of tax (Note 11):				
Net change in net unrealized gains on available-for-sale securities	976	727	89	8,954
Net change in unrealized gains (losses) on derivative instruments	6	(229)	13	55
Foreign currency translation adjustments	(919)	(1,205)	1,266	(8,431)
Other comprehensive income (loss)	63	(707)	1,368	578
Comprehensive income	¥ 15,732	¥12,359	¥13,380	$144,330

Amounts per share (Note 14):	Yen			U.S. Dollars
Income before cumulative effect of change in accounting principle				
Basic and diluted	¥299.47	¥249.72	¥235.41	$2.75
Net income				
Basic and diluted	299.47	249.72	229.58	2.75
Cash dividends	55.00	50.00	40.90	0.50

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

ÆON Credit Service Co., Ltd. and Subsidiaries
Years Ended February 20, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Common stock:				
Balance, beginning of year				
Shares outstanding:				
2004, 2003 and 2002—47,565,760 shares	¥15,467	¥15,467	¥15,467	$141,899
Balance, end of year				
Shares outstanding:				
2004—52,322,336 shares; 2003 and 2002—47,565,760 shares	¥15,467	¥15,467	¥15,467	$141,899
Additional paid-in capital:				
Balance, beginning of year	¥17,637	¥17,637	¥17,104	$161,807
Gain on sales of previously unissued stock by subsidiary	—	—	533	—
Balance, end of year	¥17,637	¥17,637	¥17,637	$161,807
Retained earnings:				
Balance, beginning of year	¥53,433	¥42,984	¥33,113	$490,211
Net income	15,669	13,066	12,012	143,752
Total	69,102	56,050	45,125	633,963
Deduct:				
Cash dividends	2,735	2,617	2,141	25,091
Balance, end of year	¥66,367	¥53,433	¥42,984	$608,872
Accumulated other comprehensive income:				
Net unrealized gains on available-for-sale securities (net of applicable income taxes):				
Balance, beginning of year	¥ 1,480	¥ 753	¥ 664	$ 13,578
Net change during the year, net of reclassification adjustment	976	727	89	8,954
Balance, end of year	2,456	1,480	753	22,532
Net unrealized (losses) gains on derivative instruments (net of applicable income taxes):				
Balance, beginning of year	(216)	13	—	(1,982)
Net change during the year, net of reclassification adjustment	6	(229)	13	55
Balance, end of year	(210)	(216)	13	(1,927)
Foreign currency translation adjustments:				
Balance, beginning of year	156	1,361	95	1,431
Aggregate translation adjustments during the year	(919)	(1,205)	1,266	(8,430)
Balance, end of year	(763)	156	1,361	(6,999)
Balance, end of year	¥ 1,483	¥ 1,420	¥ 2,127	$ 13,606
Treasury stock, at cost:				
Balance, beginning of year	¥ (16)	—	—	$ (147)
Purchase of treasury stock	(39)	¥ (16)	—	(358)
Balance, end of year	¥ (55)	¥ (16)	—	$ (505)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ÆON Credit Service Co., Ltd. and Subsidiaries
Years Ended February 20, 2004, 2003 and 2002

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Cash flows from operating activities:				
Net income	¥ 15,669	¥ 13,066	¥ 12,012	$ 143,752
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Cumulative effect of change in accounting principle	—	—	305	—
Provision for possible credit losses on finance receivables	20,997	19,483	12,451	192,633
Depreciation and amortization	3,403	3,680	3,121	31,220
Minority interest in earnings	1,875	1,310	1,603	17,202
Deferred income taxes	(1,596)	(1,295)	513	(14,642)
Loss (gain) on investment	68	(176)	323	624
Changes in operating assets and liabilities:				
Credit card and hire purchase receivables	12,762	(54,506)	(16,689)	117,083
Accrued interest receivables	(918)	(149)	(812)	(8,422)
Accounts payable	11,479	6,885	447	105,312
Accrued liabilities	2,474	554	894	22,697
Accrued income taxes	1,496	1,603	(1,202)	13,725
Other—net	(3,452)	240	(1,757)	(31,670)
Net cash provided by (used in) operating activities	64,257	(9,305)	11,209	589,514
Cash flows from investing activities:				
Credit card and other loans originated	(445,013)	(393,668)	(343,057)	(4,082,688)
Credit card and other loans repaid	327,182	356,570	299,242	3,001,670
Cardmember receivables sold to trust, net	52,294	17,836	—	479,761
Purchases of available-for-sale securities	(1,002)	(237)	—	(9,193)
Proceeds from sales of available-for-sale securities	—	255	46	—
Net increase in other investments	1,576	403	(8)	14,459
Capital expenditures	(2,394)	(3,776)	(5,096)	(21,963)
Proceeds from sales of properties	477	19	200	4,376
Net cash used in investing activities	(66,880)	(22,598)	(48,673)	(613,578)
Cash flows from financing activities:				
Net increase (decrease) in short-term debt	30	(5,757)	8,516	275
Net (decrease) increase in commercial paper	(18,000)	(3,000)	4,000	(165,138)
Net proceeds from issuance of bond	67,503	56,683	14,911	619,294
Proceeds from long-term debt	10,045	17,785	41,286	92,156
Repayment of long-term debt	(52,272)	(29,123)	(26,937)	(479,560)
Proceeds from issuance of common stock by subsidiary	—	—	1,517	—
Dividends paid to the Company's shareholders	(2,735)	(2,617)	(2,141)	(25,092)
Dividends paid to minority shareholders	(598)	(565)	(456)	(5,486)
Purchases of treasury stock	(40)	(16)	—	(367)
Net cash provided by financing activities	3,933	33,390	40,696	36,082
Effect of exchange rate changes on cash and cash equivalents	(272)	(421)	405	(2,495)
Net increase in cash and cash equivalents	1,038	1,066	3,637	9,523
Cash and cash equivalents, beginning of year	14,877	13,811	10,174	136,486
Cash and cash equivalents, end of year	¥ 15,915	¥ 14,877	¥ 13,811	$ 146,009
Supplemental disclosure of cash flow information:				
Cash paid during the year for:				
Interest	¥ 5,220	¥ 6,441	¥ 6,041	$ 47,890
Income taxes	11,853	9,812	9,926	108,743

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

ÆON Credit Service Co., Ltd. and Subsidiaries

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

DESCRIPTION OF BUSINESS

ÆON Credit Service Co., Ltd. (the "Company") and its subsidiaries (together, the "Companies") are 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. The Companies' operations are conducted in Japan, Hong Kong, Thailand, Malaysia, Taiwan and Shenzhen, China. The operations of the foreign subsidiaries consist primarily of such businesses as credit card, uncollateralized personal loan and installment loan for specified personal property (whereby the property serves as loan collateral).

The Companies belong to ÆON, a group which consists of 140 companies, including supermarkets, specialty and convenience stores, in addition to credit card and other consumer financing services. The majority of the 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 Company is incorporated and principally operates. Translation of Japanese yen into U.S. dollar amounts as of and for the year ended February 20, 2004 is included solely for the convenience of readers outside Japan and has been made at the rate of ¥109=US$1, the approximate rate of exchange at February 20, 2004. 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 ("U.S. GAAP"). 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 gains 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 Company and all of its majority-owned domestic and foreign subsidiaries. Investments in associated companies, those owned 20% to 50%, are accounted for under the equity method. All significant intercompany accounts and transactions have been eliminated in consolidation.

On February 21, 2002, the Companies adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," issued by the Financial Accounting Standards Board (the "FASB") in the United States of America. The excess of cost of the Company's investments in subsidiaries and associated companies over their equity in the net assets at the dates of acquisition is no longer amortized, but instead tested for impairment at least annually in accordance with SFAS No. 142. The adoption of SFAS No. 142 did not have a material effect on the Company's consolidated financial position and results of operations.

Foreign Currency Translation

All asset and liability accounts of foreign subsidiaries are translated into Japanese yen at appropriate year-end current rates and all income and expense accounts are translated at average rates of exchange prevailing during the fiscal year. The resulting translation adjustments are accumulated as a component of accumulated other comprehensive income. Foreign currency receivables and payables are translated at appropriate year-end current rates and the resulting exchange gains or losses are recognized in earnings.

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.

Cash Equivalents

Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments, including short-term time deposits, which are readily convertible into cash and have no significant risk of change in value.

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 recoveries). At the Company level, the allowance for possible credit losses is provided at 100% of all receivables three months contractually past due, plus an amount calculated using a ratio which is determined based on a statistical analysis of historical credit losses. This reflects the 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 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 possible credit losses and the charge-off of receivables.

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.

Costs of securities sold are determined based on the moving average-cost method.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is computed under the straight-line method at rates based on the estimated useful lives of the assets.

Impairment of Long-Lived Assets

The impairment of long-lived assets for the Companies is accounted for in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" for the years ended February 20, 2004 and 2003. The adoption of SFAS No. 144 did not have a material effect on the Company's consolidated financial position or results of operations.

In accordance with SFAS No. 144, long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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.

Income Taxes

Deferred tax assets or liabilities are computed based on the difference between the financial statements 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. Valuation allowances are established when it is more likely than not that some or all of the deferred tax assets will not be realized.

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.

Gains Arising from Sale by a Subsidiary of Its Own Stock

The 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, 2004, 2003 and 2002.

Reclassification

Certain reclassifications and format changes have been made to prior year amounts to conform to the current year's presentation.

Accounting Changes

The FASB issued 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.

New Accounting Standards

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how certain financial instruments with characteristics of both liabilities and equity shall be classified and measured. The adoption of SFAS No. 150 applies to the Company's fiscal year ending February 20, 2005, and will not have a material effect on the Company's results of operations and financial position.

In December 2003, the FASB issued FASB Interpretation No. 46 (revised December 2003) ("FIN 46R"), "Consolidation of Variable Interest Entities." This interpretation, which replaces FIN No. 46, addresses consolidation by business enterprises of variable interest entities ("VIEs") when certain characteristics are present. The Company is required to apply this interpretation for periods ending after February 21, 2004. The Company is currently evaluating the impact of the adoption of the revised FIN No. 46 on its financial position and results of operations.

2. Finance Receivables

Finance receivables, principally from consumers, as of February 20, 2004 and 2003, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Credit card and hire purchase:			
Credit card	¥ 97,971	¥108,101	$ 898,817
Hire purchase	19,833	27,044	181,954
	117,804	135,145	1,080,771
Loans:			
Credit card, interest primarily at 18.0%–36.0%	282,763	243,119	2,594,156
Unsecured, interest primarily at 7.2%–36.0%	12,369	22,291	113,477
Secured, interest primarily at 2.8%–4.3%	1,048	257	9,614
Loans to ÆON Group's employees	17,169	646	157,514
	313,349	266,313	2,874,761
Total finance receivables	431,153	401,458	3,955,532
Accrued interest	5,220	4,388	47,890
Allowance for possible credit losses	(14,467)	(12,203)	(132,725)
Finance receivables—net	¥421,906	¥393,643	$3,870,697

At February 20, 2004, contractual maturities of loan receivables excluding accrued interest were as follows:

Years ending February 20	Millions of Yen	Thousands of U.S. Dollars
2005	¥193,195	$1,772,431
2006	109,854	1,007,835
2007	9,369	85,954
2008	774	7,101
2009	148	1,358
Thereafter	9	82
Total	¥313,349	$2,874,761

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 any time 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, 2004 and 2003, the ratios of loans repaid to average loan receivable balances were 53.4% and 55.7%, respectively.

The changes in the allowance for possible credit losses for the years ended February 20, 2004, 2003 and 2002 are shown below:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Balance, beginning of year	¥ 12,203	¥ 9,096	¥ 7,178	$ 111,954
Provision for possible credit losses	20,997	19,483	12,451	192,633
Charge-offs:				
Charge-offs	(18,899)	(17,063)	(11,740)	(173,385)
Recoveries	489	1,052	915	4,486
	(18,410)	(16,011)	(10,825)	(168,899)
Foreign currency translation adjustments	(323)	(365)	292	(2,963)
Balance, end of year	¥ 14,467	¥ 12,203	¥ 9,096	$ 132,725

A subsidiary of the Company securitized receivables from Hong Kong cardmembers for the year ended February 20, 2003 and subsequently transferred the cash flow interests in those assets to third party investors. These securitized receivable balances are comprised of existing balances as of the date of the initial securitization and all future charges on these accounts. The subsidiary accounts for these transactions as sales under SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." The subsidiary continues to service the accounts and receives a fee for doing so; the fair value and carrying amounts of these future servicing fees, net of related costs, are not material. Interests in the securitized financial assets are retained in the form of seller or subordinated tranches, interest-only strips or other residual interests ("retained interests"). The seller and subordinated tranches are recorded as finance receivables and are carried at amortized cost. The difference between the allocated carrying amount and the fair value of the securitized receivables at the date of the transfer is recognized as interest income over the life of investment using the effective interest method. The interest-only strips and other residual interests are recorded in the balance sheet as finance receivables and are carried at fair value. The determination of fair values of retained interests is generally based on listed market prices or by determining the present value of expected future cash flows using pricing models that incorporate management's best estimates of critical assumptions, which may include credit losses, discount rates, yield curves and other factors. Unrealized gains or losses are credited to income.

For the years ended February 20, 2004 and 2003, the subsidiary sold ¥3,590 million (US$32,936 thousand) and ¥15,414 million, respectively, of receivables from Hong Kong cardmembers, or ¥3,678 million (US$33,743 thousand) and ¥9,516 million, respectively, net of retained interests. The pretax gains on the securitizations were ¥328 million (US$3,009 thousand) and ¥2,029 million, respectively.

The table below summarizes cash flows received from (paid to) securitization trust for the years ended February 20, 2004 and 2003:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Proceeds from new securitizations	¥ 3,678	¥9,516	$ 33,743
Collections used by the trust to purchase new balances in revolving credit card securitizations	(17,415)	(8,320)	(159,771)
Servicing fees received	311	130	2,853
Cash flows received on interests retained	3,811	1,465	34,963
Purchases of delinquent or foreclosed assets	742	—	6,807

The value of retained interests is primarily a result of credit risk, average loan life and interest rates on the transferred financial assets. Key economic assumptions used in measuring the retained interests resulting from securitization during the years ended February 20, 2004 and 2003 and the sensitivity of the fair value to immediate 10% and 20% adverse changes in assumed economics were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Weighted-average life:			
Assumption	20 months	20 months	
Impact on fair value of 10% adverse change	¥136	¥ 92	$1,248
Impact on fair value of 20% adverse change	258	191	2,367
Expected credit losses:			
Assumption	9.08%	11.45%	
Impact on fair value of 10% adverse change	¥126	¥105	$1,156
Impact on fair value of 20% adverse change	249	230	2,284
Cash flows from retained interests discounted at:			
Assumption	20%	20%	
Impact on fair value of 10% adverse change	¥ 43	¥ 25	$ 394
Impact on fair value of 20% adverse change	82	61	752

These sensitivities are hypothetical and should be viewed with caution. As the figures indicate, changes in fair value based on a 10% and a 20% variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumptions; in reality, changes in one assumption may result in changes in another, which might counteract or compound the sensitivities.

The following table presents quantitative information about delinquencies, net credit losses and the components of securitized receivables from Hong Kong cardmembers at February 20, 2004 and 2003:

	Millions of Yen					
	Total principal amount of receivables		Principal amount of receivables 60 days or more past due		Credit losses during the period	
	2004	2003	2004	2003	2004	2003
Receivables managed	¥32,455	¥34,850	¥1,865	¥2,328	¥5,704	¥3,978
Less: Securitized receivables	17,558	15,392	601	192	690	1
Receivables on balance sheet	¥14,897	¥19,458	¥1,264	¥2,136	¥5,014	¥3,977

	Thousands of U.S. Dollars		
	Total principal amount of receivables	Principal amount of receivables 60 days or more past due	Credit losses during the period
	2004		
Receivables managed	$297,752	$17,110	$52,330
Less: Securitized receivables	161,082	5,514	6,330
Receivables on balance sheet	$136,670	$11,596	$46,000

During the years ended February 20, 2004, 2003 and 2002, the Companies also sold credit card receivables of ¥48,929 million (US$448,890 thousand), ¥6,489 million and ¥9,279 million, respectively, to a special purpose company. Gains and losses on such sales were not significant.

3. Investments

MARKETABLE EQUITY SECURITIES

The Companies' investments in marketable equity securities have been classified as available-for-sale and were reported at their fair value. At February 20, 2004, the Companies had no temporarily impaired securities. The marketable equity securities at February 20, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Marketable Equity Securities			
Cost	¥2,302	¥2,380	$21,119
Gross unrealized gains	4,578	3,022	42,000
Gross unrealized losses	—	121	—
Fair value	6,880	5,281	63,119

Proceeds from sales of available-for-sale securities and gross realized gains and losses resulting from these sales for the years ended February 20, 2004, 2003 and 2002 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Proceeds from sales	—	¥255	¥46	—
Gross realized gains	—	206	1	—
Gross realized losses	—	—	7	—

OTHER INVESTMENTS

Other investments at February 20, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Non-marketable equity securities	¥1,185	¥ 184	$10,872
Investments accounted for under the equity method	22	17	202
Time deposits with original maturities in excess of three months	84	1,718	770
Total	¥1,291	¥1,919	$11,844

4. Property and Equipment

Property and equipment at February 20, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Leasehold improvement	¥ 1,248	¥ 1,225	$ 11,450
Equipment	16,285	16,888	149,404
Vehicle	71	367	651
Total	17,604	18,480	161,505
Accumulated depreciation	(12,150)	(10,749)	(111,468)
Property and equipment—net	¥ 5,454	¥ 7,731	$ 50,037

Depreciation of property and equipment during the years ended February 20, 2004, 2003 and 2002 totaled ¥2,612 million (US$23,963 thousand), ¥2,858 million and ¥2,290 million, respectively.

5. Debt

Short-term debt

Short-term debt at February 20, 2004 and 2003 consisted of the following:

	Millions of Yen						Thousands of U.S. Dollars
	2004			2003			2004
		Weighted-average interest rate			Weighted-average interest rate		
		Japan	Overseas		Japan	Overseas	
Bank loans	¥21,826	0.52%	1.65%	¥22,514	1.23%	1.39%	$200,239
Commercial paper	8,000	0.01%		26,000	0.03%		73,394
Total	¥29,826			¥48,514			$273,633

The Companies maintain line-of-credit arrangements with several banks to support overdrafts. Under the arrangements in effect at February 20, 2004 and 2003, the Companies had available lines of credit in the amount of ¥36,394 million (US$333,890 thousand) and ¥28,270 million, respectively. Generally, lines of credit are renewed annually.

Long-term debt

Long-term debt at February 20, 2004 and 2003 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Debt under securitized finance receivables—Secured	—	¥ 5,115	—
Loans from banks and insurance companies—Unsecured	¥213,160	195,337	$1,955,597
Japanese yen bonds—Unsecured	52,740	42,770	483,853
Less current maturities	(33,502)	(52,102)	(307,358)
Total	¥232,398	¥191,120	$2,132,092

At February 20, 2004 and 2003, interest rates on long-term debt were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
0.0%–1.0%	¥ 84,043	¥ 43,500	$ 771,037
1.1%–2.0%	127,472	136,100	1,169,468
2.1%–3.0%	16,234	21,323	148,936
3.1%–4.0%	9,467	10,004	86,853
4.1%–5.0%	16,100	5,674	147,706
5.1%–6.0%	1,500	1,500	13,762
6.1%–7.0%	3,403	5,434	31,220
7.1%–8.0%	4,647	8,376	42,633
8.1%–9.0%	2,620	5,566	24,037
9.1% and over	414	763	3,798
HIBOR plus 0.75%	—	4,982	—
Total	¥265,900	¥243,222	$2,439,450

The annual maturities of long-term debt outstanding at February 20, 2004 were as follows:

Years ending February 20	Millions of Yen	Thousands of U.S. Dollars
2005	¥ 33,503	$ 307,367
2006	39,500	362,385
2007	62,417	572,633
2008	54,319	498,340
2009	51,751	474,780
Thereafter	24,410	223,945
Total	¥265,900	$2,439,450

Unused commitments for long-term financing arrangements at February 20, 2004 and 2003 were ¥17,882 million (US$164,055 thousand) and ¥23,431 million, respectively.

At February 20, 2004, time deposits totaling ¥80 million (US$734 thousand) were pledged as collateral for contingent liabilities of the Companies.

6. Derivative Financial Instruments and Risk Management

As part of their 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 exposure 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 the floating interest rate exposures for a fixed interest rate. The interest rate swap contracts mature at various dates through 2009.

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

Notional amounts for derivatives at February 20, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Interest rate swap contracts	¥9,824	¥ 7,929	$90,128
Interest cap contracts	—	30,734	—

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

FOREIGN CURRENCY RISK MANAGEMENT

The Companies enter into currency swap contracts and foreign currency forward contracts in managing their foreign exchange risk at February 20, 2004 and 2003, as indicated in the following table:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Currency swap and foreign currency forward contracts	¥13,179	¥5,589	$120,908

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, net of related income tax of ¥185 million, in net income. The adoption of the statement resulted in the Company recognizing ¥490 million of derivative instrument liabilities. Derivative liabilities are included in "Accrued liabilities" on the consolidated balance sheets.

The effective portion of changes in the fair value of derivatives designated as cash flow hedges is initially recorded in other comprehensive income (loss) and reclassified into earnings when the hedged transaction affects earnings. The Companies had interest rate swaps designated as cash flow hedges of underlying forecast interest payments. For the years ended February 20, 2004 and 2003, net losses on the interest rate swaps that were reclassified from other comprehensive income (loss) into earnings as "Expenses, Other—net" were ¥26 million (US$239 thousand) and ¥32 million, respectively. The amount to be reclassified from other comprehensive income (loss) within the next 12 months is expected to be a net loss of ¥19 million (US$174 thousand). Net gains of ¥5 million (US$42 thousand) and net losses of ¥217 million, which represented the total ineffectiveness of cash flow hedges, were recorded in "Expenses, Other—net" for the years ended February 20, 2004 and 2003, respectively. There was no material impact on income due to hedge ineffectiveness for the year ended February 20, 2004.

At February 20, 2004, currency swap and foreign currency forward contracts were designated as cash flow hedges of underlying cash flow requirements for the Companies' debt obligations denominated in foreign currencies. These cash flow hedges are highly effective. As a result, there was no material impact on income due to hedge ineffectiveness. The amounts to be reclassified from other comprehensive income (loss) for the year ended February 20, 2004 and within the next 12 months are not material.

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 Company and domestic subsidiaries, 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, 2004, 2003 and 2002. Foreign subsidiaries are subject to income taxes of the countries in which they operate. On March 31, 2003, taxation of corporations by size of their business was enacted in Japan, which changed the normal effective statutory tax rate from 41.8% to 40.4%, effective for years beginning on or after April 1, 2004. This change will not have a material effect on the Company's consolidated financial position and results of operations.

A reconciliation of the combined statutory tax rates for the years ended February 20, 2004, 2003 and 2002 to the effective rate of income taxes reflected in the accompanying consolidated statements of income was as follows:

	2004	2003	2002
Combined statutory income tax rate	41.8%	41.8%	41.8%
Expenses not deductible for income tax purposes	0.3	0.5	0.3
Lower income tax rates applicable to income in certain foreign countries	(3.1)	(3.3)	(4.1)
Effect of taxation on dividend	1.1	2.6	0.9
Other—net	(1.0)	(0.3)	0.8
Effective income tax rate	39.1%	41.3%	39.7%

Total income taxes recognized for the years ended February 20, 2004, 2003 and 2002 were as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Provision for income taxes	¥11,753	¥10,120	¥9,173	$107,826
Shareholders' equity—charged (credited):				
Net unrealized gains on available-for-sale securities	650	505	112	5,963
Net unrealized gains (losses) on derivative instruments	26	(133)	11	239
Total income taxes	¥12,429	¥10,492	¥9,296	$114,028

Significant components of deferred tax assets and liabilities at February 20, 2004 and 2003 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Assets:			
Allowance for possible credit losses	¥2,438	¥1,346	$22,367
Enterprise tax	693	561	6,358
Accrued pension and severance liabilities	66	69	606
Other accrual	431	326	3,954
Long-term prepaid expense	345	309	3,165
Software	176	211	1,615
Other	362	389	3,321
Gross deferred tax assets	4,511	3,211	41,386
Liabilities:			
Investment securities	1,708	1,143	15,670
Property	—	79	—
Other	75	195	688
Gross deferred tax liabilities	1,783	1,417	16,358
Net deferred tax assets	¥2,728	¥1,794	$25,028

Income taxes are not provided on the accumulated undistributed earnings of foreign subsidiaries which are considered to be permanently reinvested in the operations of such subsidiaries. At February 20, 2004, the amount of undistributed earnings of foreign subsidiaries was approximately ¥8,433 million (US$77,367 thousand).

Determination of the amount of tax on these undistributed earnings is not practicable because of the complexity associated with its hypothetical calculation, including foreign withholding taxes and foreign tax credits. The domestic undistributed earnings would not, under present Japanese tax laws, be subject to additional taxation.

8. Employees' Benefit Plans

The Company participates with its parent and the affiliates in a multi-employer defined benefit pension plan (the "plan") covering employees of ÆON Co., Ltd. and certain domestic subsidiaries (the "ÆON Group companies"), 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. The plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the ÆON Group companies on behalf of the government and a corporate portion established at the discretion of ÆON Co., Ltd. Annual contributions are made by ÆON Group companies 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. However, assets contributed by an employer are not segregated in a separate account or restricted to provide benefits only to employees of that employer, including the Company.

Total annual contributions by the Company to the plan for the years ended February 20, 2004, 2003 and 2002 were ¥147 million (US$1,349 thousand), ¥177 million and ¥172 million, respectively. Such contributions are charged to income when paid.

According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the ÆON Group companies applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion, which would result in the transfer of the pension obligations and related assets to the government by another subsequent application. The ÆON Group companies obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on September 1, 2002.

9. Fair Value of Financial Instruments

The carrying amounts and the estimated fair values of financial instruments at February 20, 2004 and 2003 were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2004		2003		2004	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:						
Cash and cash equivalents	¥ 15,915	¥ 15,915	¥ 14,877	¥ 14,877	$ 146,009	$ 146,009
Investments (excluding investments accounted for under the equity method)	8,171	8,171	7,200	7,200	74,963	74,963
Liabilities:						
Short-term debt	29,826	29,826	48,514	48,514	273,633	273,633
Long-term debt	265,900	267,410	243,222	246,871	2,439,450	2,453,303
Derivative financial instruments:						
Interest rate swap contracts	(588)	(588)	(251)	(251)	(5,394)	(5,394)
Foreign currency swap and forward contracts	(248)	(248)	(51)	(51)	(2,275)	(2,275)

The following methods and assumptions were used to estimate the fair value of each class 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 class of security is set forth in Note 3. Other investments also include time deposits with original maturities in excess of three months, and their fair value approximates their carrying amounts due to the relatively short maturity.

Short-term debt is carried at amounts which approximate fair value. 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 value of derivatives is 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 value of 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. Shareholders' Equity

Japanese companies are subject to the Japanese Commercial Code (the "Code") to which various amendments have become effective since October 1, 2001.

The Code was revised whereby common stock par value was eliminated resulting in all shares being recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The revised Code also provides that an amount at least equal to 10% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% of the amount of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock amount may be available for dividends by resolution of the shareholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors. The Company's legal reserve amount, which is included in retained earnings, at February 20, 2004 and 2003, was ¥3,687 million (US$33,826 thousand) and ¥3,687 million, respectively.

The revised Code eliminated restrictions on the repurchase and use of treasury stock allowing Japanese companies to repurchase treasury stock by a resolution of the shareholders at the general shareholders' meeting and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general shareholders' meeting.

The amount of retained earnings available for dividends under the Code was ¥53,428 million (US$490,165 thousand), at February 20, 2004, based on the amount recorded in the Company's general books of account maintained in accordance with generally accepted Japanese accounting practices. The adjustments included in the accompanying consolidated financial statements to conform with U.S. GAAP but not recorded in the books have no effect on the determination of retained earnings available for dividends under the Code. In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends.

11. Other Comprehensive Income (Loss)

The changes in the components of other comprehensive income (loss) for the years ended February 20, 2004, 2003 and 2002 are reported (net of income taxes) as follows:

	Millions of Yen		
2004:	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during period	¥1,572	¥(627)	¥ 945
Reclassification adjustment for losses included in net income	54	(23)	31
Net unrealized gains on available-for-sale securities	1,626	(650)	976
Net unrealized losses on derivative instruments:			
Unrealized holding losses arising during period	32	(26)	6
Reclassification adjustment for losses on derivative instruments	0	0	0
Net unrealized losses on derivative instruments	32	(26)	6
Foreign currency translation adjustments	(919)	—	(919)
Other comprehensive loss	¥ 739	¥(676)	¥ 63

	Millions of Yen		
2003:	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during period	¥ 1,257	¥(522)	¥ 735
Reclassification adjustment for gains included in net income	(25)	17	(8)
Net unrealized gains on available-for-sale securities	1,232	(505)	727
Net unrealized losses on derivative instruments:			
Unrealized holding losses arising during period	(405)	144	(261)
Reclassification adjustment for losses on derivative instruments	43	(11)	32
Net unrealized losses on derivative instruments	(362)	133	(229)
Foreign currency translation adjustments	(1,205)	—	(1,205)
Other comprehensive loss	¥ (335)	¥(372)	¥ (707)

	Millions of Yen		
2002:	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
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 derivative instruments:			
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		
2004:	Pre-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net unrealized gains on available-for-sale securities:			
Unrealized holding gains arising during period	$14,422	$(5,752)	$ 8,670
Reclassification adjustment for losses included in net income	495	(211)	284
Net unrealized gains on available-for-sale securities	14,917	(5,963)	8,954
Net unrealized losses on derivative instruments:			
Unrealized holding losses arising during period	294	(239)	55
Reclassification adjustment for losses on derivative instruments	0	0	0
Net unrealized losses on derivative instruments	294	(239)	55
Foreign currency translation adjustments	(8,431)	—	(8,431)
Other comprehensive loss	$ 6,780	$(6,202)	$ 578

12. 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, 2004, 2003 and 2002 were ¥2,971 million (US$27,257 thousand), ¥3,020 million and ¥2,657 million, respectively.

At February 20, 2004, the future minimum lease payments under non-cancelable leases were as follows:

Years ending February 20	Millions of Yen	Thousands of U.S. Dollars
2005	¥2,514	$23,064
2006	472	4,330
2007	194	1,780
Total	¥3,180	$29,174

13. Commitments

Commitments outstanding at February 20, 2004, for purchases of software, property and equipment, approximated ¥198 million (US$1,821 thousand).

The Companies have agreements under which they are committed to execute loans as long as the agreed-upon terms are met. At February 20, 2004, the total unused credit available amount was ¥3,039,890 million (US$27,888,899 thousand).

14. 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
	2004	2003	2002	2004
Income before cumulative effect of change in accounting principle	¥15,669	¥13,066	¥12,317	$143,752
Cumulative effect of change in accounting principle	—	—	(305)	—
Net income	15,669	13,066	12,012	143,752
Effect of dilutive securities	—	—	—	—
Adjusted net income	¥15,669	¥13,066	¥12,012	$143,752

	Number of Shares (Thousands)		
	2004	2003	2002
Average common shares outstanding	52,322	52,322	52,322
Dilutive effect	—	—	—
Diluted common shares outstanding	52,322	52,322	52,322

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

15. Related Party Transactions

Significant related party transactions and balances as of and for the years ended February 20, 2004, 2003 and 2002 are summarized as follows:

	Millions of Yen			Thousands of U.S. Dollars
	2004	2003	2002	2004
Revenues and Expenses:				
Credit card fees				
ÆON Co., Ltd.	¥6,275	¥5,363	¥4,893	$57,569
ÆON Kyushu Co., Ltd.	317	242	198	2,908
Maxvalu Nishinihon Co., Ltd.	220	171	139	2,018
AEON Stores (Hong Kong) Co., Limited	199	289	323	1,826
MYCAL Corporation	169	—	—	1,550
ÆON Mall Co., Ltd.	140	—	—	1,284
Other operating revenues				
ÆON Co., Ltd.	190	126	147	1,743
Rental expenses (included in other operating expenses)				
ÆON Co., Ltd.	332	322	339	3,046
AEON Stores (Hong Kong) Co., Limited	—	100	107	—

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
Assets and Liabilities:			
Lease deposit (included in other assets)			
ÆON Co., Ltd.	¥ 432	¥ 408	$ 3,963
Debt (short-term)			
ÆON Techno Service Co., Ltd.	800	800	7,339
Debt (long-term)			
Ministop Co., Ltd.	5,000	5,000	45,872
ÆON Techno Service Co., Ltd.	500	500	4,587
Accounts payable			
ÆON Co., Ltd.	21,925	21,880	201,147
MYCAL Corporation	3,188	—	29,248
ÆON Kyushu Co., Ltd.	1,288	1,099	11,817
Maxvalu Nishinihon Co., Ltd.	889	705	8,156
ÆON Mall Co., Ltd.	522	407	4,789
AEON Stores (Hong Kong) Co., Limited	436	483	4,000
Ryukyu JUSCO Co., Ltd.	363	286	3,330
Mega Petro Co., Ltd.	236	173	2,165
Maxvalu Chubu Co., Ltd.	223	176	2,046
Mega Sports Co., Ltd.	201	161	1,844
Maxvalu Tohoku Co., Ltd.	192	198	1,761
Maxvalu Hokkaido Co., Ltd.	183	150	1,679
Maxvalu Tokai Co., Ltd.	158	119	1,450
Ministop Co., Ltd.	102	—	936
Jusvel Co., Ltd.	—	130	—
Other payable (included in accrued liabilities)			
ÆON Co., Ltd.	242	102	2,220

16. 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 from each financial activity are disclosed in the consolidated statements of income. Revenues and long-lived assets and total assets by geographic area as of and for the years ended February 20, 2004, 2003 and 2002 are summarized as follows:

	Millions of Yen			
2004:	Japan	Hong Kong	Other areas	Total
Revenues	¥ 81,727	¥12,360	¥11,935	¥106,022
Long-lived assets	6,883	1,134	2,298	10,315
Total assets	387,964	41,328	45,950	475,242

	Millions of Yen			
2003:	Japan	Hong Kong	Other areas	Total
Revenues	¥ 71,770	¥14,681	¥11,444	¥ 97,895
Long-lived assets	8,218	1,503	2,488	12,209
Total assets	352,285	44,966	44,682	441,933

	Millions of Yen			
2002:	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

	Thousands of U.S. Dollars			
2004:	Japan	Hong Kong	Other areas	Total
Revenues	$ 749,789	$113,395	$109,495	$ 972,679
Long-lived assets	63,147	10,404	21,082	94,633
Total assets	3,559,303	379,156	421,559	4,360,018

17. Subsequent Events

On May 12, 2004, the shareholders authorized payment of a cash dividend of ¥35 (32¢) per share, totaling ¥1,830 million (US$16,789 thousand), to holders of record at February 20, 2004. On October 5, 2004, the Board of Directors declared an interim cash dividend of ¥30 (28¢) per share, totaling ¥1,569 million (US$14,394 thousand), to holders of record at August 20, 2004.

Independent Auditors' Report

Deloitte.

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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, 2004 and 2003, 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, 2004 (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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended February 20, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 7 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.

Deloitte Touche Tohmatsu

May 12, 2004 (March 29, 2005 as to Note 17)

Member of
Deloitte Touche Tohmatsu

Network (As of February 20, 2004)

■ Domestic Network
Sapporo Branch
Asahikawa Office
Kushiro Office
Aomori Branch
Morioka Office
Sendai Branch
Akita Branch
Yamagata Office
Fukushima Office
Mito Branch
Utsunomiya Office
Takasaki Office
Tsuchiura Office
Omiya Office
Kawaguchi Branch
Chiba Branch
Kashiwa Office
Funabashi Office
Ikebukuro Office
Shinjuku Office
Shibuya Office
Shinagawa Office
Tachikawa Office
Yokohama Branch
Niigata Branch
Toyama Office
Kanazawa Office
Matsumoto Branch
Gifu Office
Mishima Office
Hamamatsu Office
Nagoya Branch
Okazaki Branch
Yokkaichi Branch
Matsuzaka Office
Otsu Office
Kyoto Branch
Osaka Branch
Sakai Branch
Himeji Branch
Kobe Branch
Nara Branch
Tottori Office
Matsue Office
Okayama Office
Hiroshima Branch
Yamaguchi Office
Tokushima Office
Takamatsu Office
Matsuyama Office
Kochi Office
Fukuoka Branch
Nagasaki Office
Kumamoto Office
Oita Office
Miyazaki Office
Kagoshima Office
Okinawa Office

■ Overseas Network
Hong Kong Branch
Taipei Representative Office
Shanghai Representative Office

■ Overseas Subsidiaries
AEON Credit Service (Asia) Co., Ltd.
AEON Thana Sinsap (Thailand) Plc.
AEON Credit Service (M) Sdn. Bhd.
AEON Credit Service (Taiwan) Co., Ltd.
AEON Credit Card (Taiwan) Co., Ltd.
AEON Information Service (Shenzhen) Co., Ltd.
ACS Capital Corporation Ltd.

■ ÆON World Desk
Sapporo
Sendai
Akita
Chiba
Shinagawa
Niigata
Nagoya
Osaka
Fukuoka
New York
Chicago
Los Angeles
San Francisco
Honolulu
Guam
Saipan
Vancouver
Toronto
Amsterdam
Paris
London
Frankfurt
Madrid
Rome
Vienna
Sydney
Gold Coast
Cairns
Melbourne
Auckland
Singapore
Beijing
Seoul
Taipei
Bangkok
Hong Kong
Kuala Lumpur

Major Group Companies (As of February 20, 2004)

■ General Merchandise Stores (GMS)
ÆON Co., Ltd.
***ÆON Kyushu Co., Ltd.**
***Jaya JUSCO Stores Bhd.**
***AEON Stores (Hong Kong) Co., Limited**
*Ryukyu JUSCO Co., Ltd.
*MYCAL Corporation
*MYCALKYUSHU Corporation
Posful Corporation
*Siam JUSCO Co., Ltd.
*Guangdong JUSCO Teem Stores Co., Ltd.
*Qingdao AEON Dongtai Co., Ltd.
*Shenzhen JUSCO Friendship Stores Co., Ltd.
*Taiwan AEON Stores Co., Ltd.

■ Supermarkets
***Maxvalu Hokkaido Co., Ltd.**
***Maxvalu Tohoku Co., Ltd.**
***Maxvalu Chubu Co., Ltd.**
***Maxvalu Nishinihon Co., Ltd.**
*Maxvalu Tokai Co., Ltd.
*Maxvalu Kyushu Co., Ltd.
Kasumi Co., Ltd.

■ 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.**
*Talbots Japan Co., Ltd.
*Laura Ashley Japan Co., Ltd.
*ÆON Forest Co., Ltd.
*Mega Sports Co., Ltd.
Claire's Nippon Co., Ltd.
*Nustep Co., Ltd.
*Abilities JUSCO Co., Ltd.
*Book Bahn Co., Ltd.
*Petcity Co., Ltd.
*Mega Petro Co., Ltd.

■ Drugstores
Kraft Inc.
CFS Corporation
Green Cross－Coa Co., Ltd.
Medical Ikkou Co., Ltd.
*Takiya Co., Ltd.
Welpark Co., Ltd.
*IINO Co., Ltd.

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

■ Financial Services
***ÆON Credit Service Co., Ltd.**
***AEON Credit Service (Asia) Co., Ltd.**
***AEON Thana Sinsap (Thailand) Plc.**
*AEON Credit Service (M) Sdn. Bhd.
*AEON Credit Service (Taiwan) Co., Ltd.
*AEON Credit Card (Taiwan) Co., Ltd.

■ Services
***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.
*MYCAL-IST, Inc.

■ Food Processing, Distribution and Other Operations
*Certo Corporation
*Food Supply JUSCO Co., Ltd.
*Aic, Inc.
*Tasmania Feedlot Pty. Ltd.

e-commerce Business
*AEON Visty Co., Ltd.

**Consolidated subsidiaries*
Listed companies are shown in bold.

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

Board of Directors and Auditors, Corporate Data

■ Board of Directors and Auditors
(As of May 12, 2004)

President and CEO
Yoshiki Mori*

Senior Managing Director
Kazuhide Kamitani

Managing Directors
Hiroyuki Asai
Tatsuya Saito

Directors
Masamichi Kamiyama
Kazuhiko Kawata
Kouichi Takayama
Yasuhiko Kondo
Takashi Kiyonaga
Kiyoaki Takano

External Director
Yutaka Furutani
(Senior Exective Vice President, ÆON Co., Ltd.)

Corporate Auditor
Ken Kasai

Auditors
Yoichi Kimura
Minoru Saito
Hiroyasu Sugihara

**Representative Director*

■ Corporate Data
(As of February 20, 2004)

Company Name
ÆON Credit Service Co., Ltd.

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Kanda Mitoshiro-cho 1, Chiyoda-ku, Tokyo 101-8445, Japan
Tel: +81-3-5281-2030
Fax: +81-3-5281-2020
URL: http://www.aeoncredit.co.jp

Established
June 20, 1981

Capital Stock
¥15,466.5 million

Shares Issued
52,322,336 shares

Closing Date
February 20

Shareholders' Meeting
Held in May of each year

Stock Exchange Listing
Tokyo Stock Exchange, First Section (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

Number of Employees (Non-Consolidated)
716

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.
AEON Credit Service (M) Sdn. Bhd.
AEON Credit Service (Taiwan) Co., Ltd.
AEON Information Service (Shenzhen) Co., Ltd.
ACS Capital Corporation Ltd.
AEON Credit Card (Taiwan) Co., Ltd.

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