



Annual Report 2005

For the Year Ended February 20, 2005



AEON CREDIT SERVICE CO., LTD.



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.

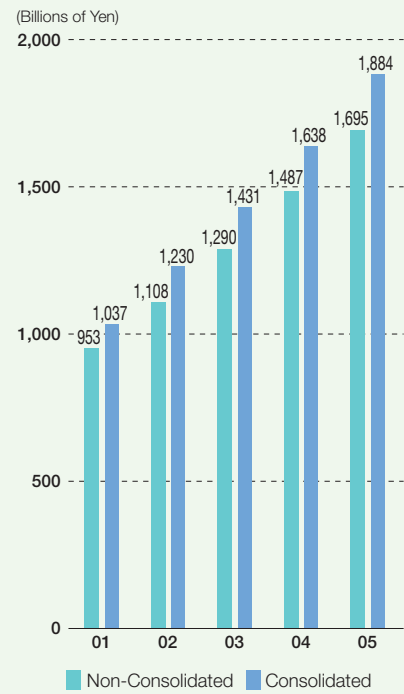
Forward-Looking Statements

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

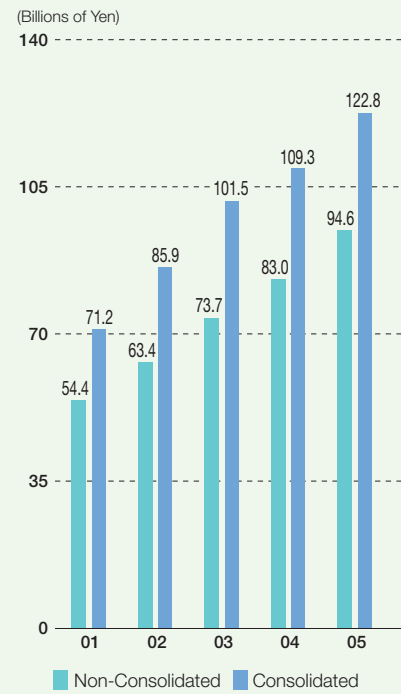
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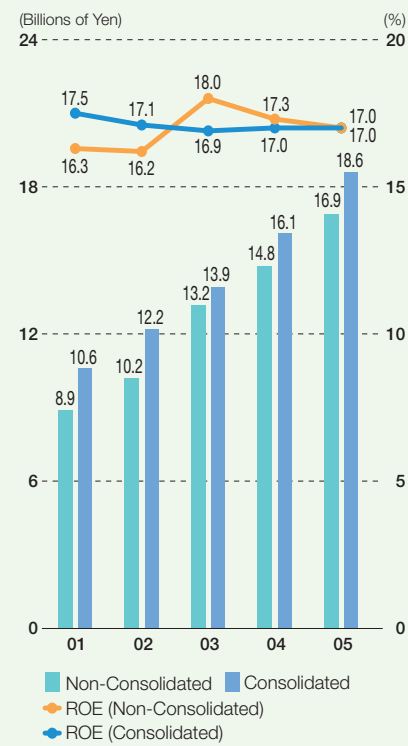
Total Transaction Volume



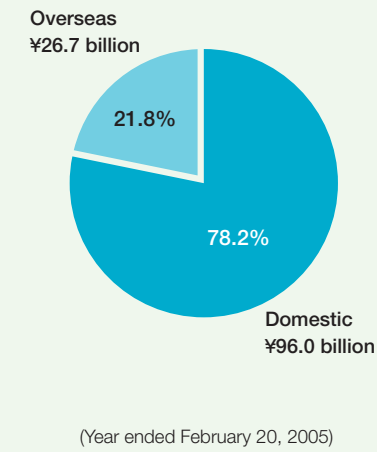
Total Operating Revenues



Net Income and Return on Equity (ROE)

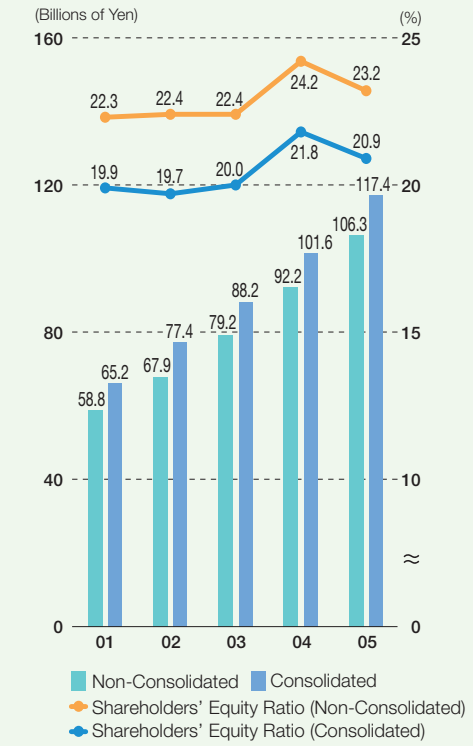


Overseas Revenues (Consolidated)

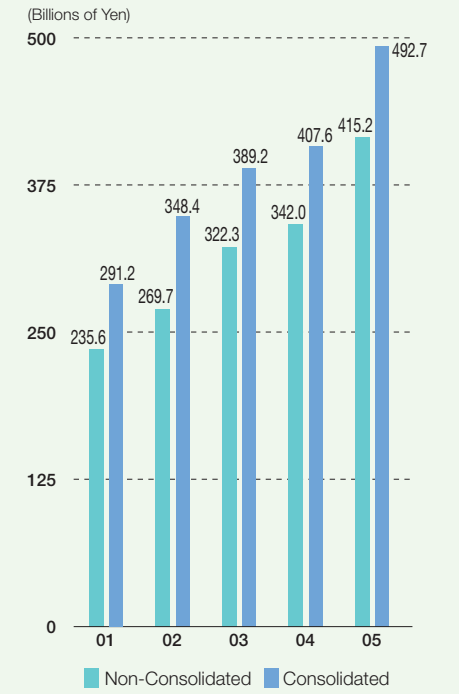


(Year ended February 20, 2005)

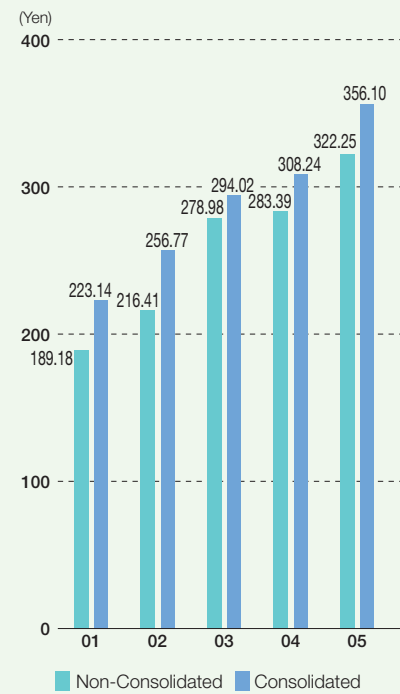
Total Shareholders' Equity and Shareholders' Equity Ratio



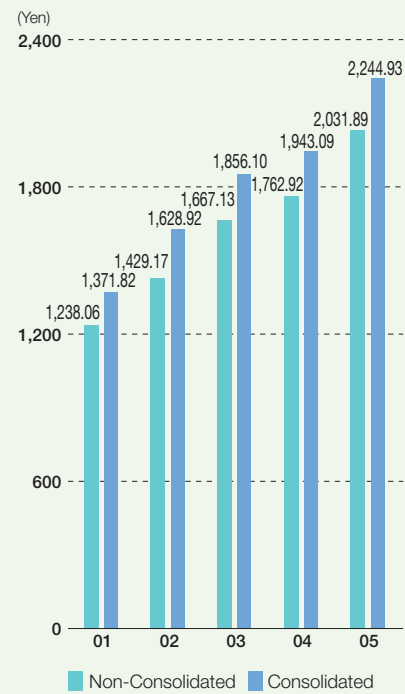
Finance Receivables—Net



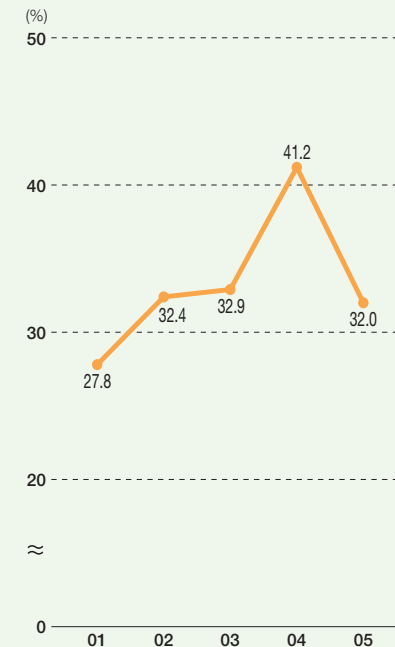
Net Income per Share



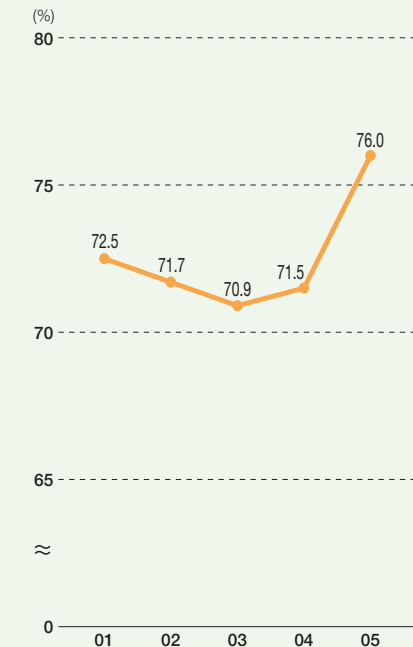
Net Assets per Share



Direct Financing Ratio (Non-Consolidated)



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



A Message from the President



**We seek to provide new financial services
in Japan and other parts of Asia.**

In the fiscal year ended February 20, 2005, AEON Credit Service continued striving to provide services tailored to cardholder needs. To achieve this goal, we enhanced our Tokimeki Point program, waived annual card fees and offered free insurance against card theft. We also stepped up efforts to attract new cardholders and enhanced our card-issuing process.

Our 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 cultivating new markets in their own areas of business.

In Asia, we steadily extended the scope of our business to new regions as our overseas subsidiaries continued to aggressively expand their operations.

Key Strategies

Realignment in the consumer credit industry is leading to intensified competition as a stream of major corporations, emerging information technology (IT) and Internet heavyweights enter the market, and major banking groups reinforce their retail strategies. On an encouraging note, we believe broad deregulation of the financial sector, including banking, securities and insurance, will provide attractive opportunities to develop a diverse range of financial service businesses.

Furthermore, we have identified the high-growth Asian countries and regions in which we operate as having the potential to become a major new growth frontier in retail finance.

In such an operating environment, we will strive to achieve the goals outlined in our basic management policy and medium-term vision by implementing five key strategies: (1) develop a range of financial service businesses focused on our cardholder base; (2) further bolster operations in Asia; (3) achieve a qualitative shift in our credit card business; (4) strengthen our financial base; and (5) enhance efforts to promote corporate social responsibility (CSR).

To develop a range of financial service businesses focused on our cardholder base, we will seize on opportunities created by the wide-ranging deregulation of the financial sector. By doing so, we intend to nurture various financial services businesses that will secure a share of new growth markets. We also aim to further develop insurance agency and servicer businesses, broadening the scope of their operations into new fields.

With a view to further bolstering operations in Asia, our subsidiaries in the region will continue efforts to increase cardholders and promote insurance agency, servicer and other peripheral businesses. Having opened a representative office in Jakarta in August 2004, we are now planning to expand our network into new regions. In China—a market with enormous growth potential—we will work even harder to bring about a substantial expansion of our credit operations, which currently center on subsidiaries in Hong Kong and Shenzhen.

To achieve a qualitative shift in our credit card business, we will overhaul every aspect of our card-issuing process, from cardholder application to the actual issuing of the card. We will also strive to provide better services that accommodate the needs of an increasing number of cardholders. In our marketing activities, we will utilize the large data warehouse that collates and analyzes our cardholder data and the point of sale (POS) information from Group companies. We plan to continue boosting card-use rate by conducting such marketing activities and enhancing our cardholder points system.

The drive to strengthen our financial base will place an ongoing emphasis on securing stable sources of low-interest financing to reduce the risk of losses due to interest rate hikes. As consumers in the credit card market become increasingly discriminating, we will continue to build our brand so that we become the card of choice.

Finally, to promote CSR, we will continue to develop highly effective security systems—a reflection of the importance we attach to protecting personal information. As part of efforts to revamp our crisis management system, we are concentrating core systems in three centers to limit the damage due to large-scale disasters. In the area of social contribution and environmental conservation, we will maintain our volunteer and fund-raising activities for the benefit of social welfare facilities. Through the Tokimeki Point program, we remain committed to supporting forest regeneration projects. Having gained ISO 14001 accreditation for our environmental management systems, we will continue to promote these and other environmental protection activities.

By pursuing these key strategies, we will further demonstrate our unending commitment to enhancing services.

森 美樹

Yoshiki Mori
President and CEO



Domestic Activities

We aim to provide a broad range of credit card and other financial services through persistent efforts to develop new services tailored to cardholder needs.



Outline of Operations

In our credit card operations—our core business—we issue ÆON Card and co-branded cards tailored to the cardholder's lifestyle. During the fiscal year ended February 20, 2005, we remained focused on providing cardholder-centered services and raising the number of cardholders. To achieve the latter, we strove harder to attract new cardholders and improved our card-issuing processes. As a result, the number of cardholders as of February 20, 2005, totaled approximately 12.9 million. To ensure greater cardholder convenience, we increased the number of affiliated merchants and expanded the network of cash dispensers (CDs) and automated teller machines (ATMs) that accept our cards. At fiscal year-end, we had tie-ups with approximately 478,000 affiliated merchants and our cards could be used at more than 131,000 CDs and ATMs.

Non-consolidated credit card shopping at fiscal year-end climbed 20.0%, to ¥1,754,073 million, and the number of active cardholders—cardholders who used their cards at least once during the fiscal period—reached 7.2 million, compared with 6.4 million a year earlier. These two improvements are considerably more substantial than the average increases enjoyed by other companies in the credit card industry and testify to the popularity of our cards among millions of cardholders.

Attractive Card Services

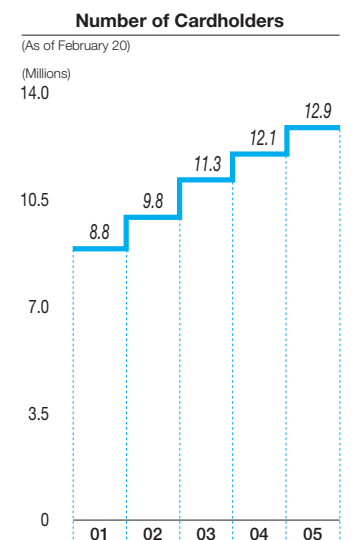
We constantly listen to cardholders to help us provide an extensive range of services tailored to their needs. To provide comprehensive support for cardholder lifestyles, we continue to offer the ÆON Gold Card—the first gold card in Japan without an annual fee—to ÆON Card cardholders whose transactions total over one million yen per year. Besides the regular features of ÆON Card, ÆON Gold Card allows cardholders to increase their credit limits and provides up to ¥30 million worth of domestic and overseas travel insurance coverage, as well as up to ¥3 million worth of insurance for shopping purchases.

In July 2004, we became Japan's first credit card company to waive annual card fees and offer free theft insurance for all our cards, including ETC (electronic toll collection) cards. This move was particularly well received by cardholders. We are also proud of our constantly evolving Tokimeki Point program. In addition to Tokimeki Day, a system whereby cardholders earn five times the usual number of points by making purchases on the 10th of each month, we welcome newly enrolled cardholders with a gift of 100 Tokimeki Points. We will continue making strenuous efforts to raise cardholder satisfaction levels by developing attractive card services such as those described above.

Enhanced Card-Issuing Process

We aim to respond effectively to increasing numbers of cardholder applications and reduce card-issuing time. For this reason, we are currently revamping every stage of our card-issuing process, from card application to the actual issuing of the card. To make card applications more efficient, we have so far installed approximately 1,000 INFOX terminals. Applicants place their cash card over the terminal's sensors and input a personal identification number (PIN) to designate a bank account for debiting credit card charges. In addition, we are working to increase credit check automation and improve accuracy through such measures as developing the Decision Activator system that enables the user to adjust credit check settings.

Domestic Activities



Our goal is to provide innovative services that increase cardholder satisfaction.



We will bring about a qualitative shift in our credit card business and reinforce our credit card-related businesses by providing a comprehensive range of services.

Domestic Activities

Next-Generation Systems

To facilitate more carefully planned marketing activities, we rely on a large data warehouse that collates, manages and analyzes cardholder details, purchasing history and responses to various campaigns as well as sales information from affiliated merchants about individual purchases. By collecting and analyzing information in this way, we aim to provide services tailored to the needs of each cardholder. In addition, to build a fail-safe system that will allow cardholders to feel secure when making card transactions, we have installed a 24-hour fraud detection system (FDS) to prevent unauthorized use of cards.

New Payment Services

In June 2004, we collaborated with AEON Cinemas Co., Ltd., a cinema complex operator, to develop Actis, a "ticketless" reservation and payment system for movie theaters. This radical new service allows moviegoers to reserve and pay for seats with their mobile phones and then print out two dimensional (2D) codes, which are scanned at movie theater entrances. During the period under review, we also launched the Business-to-Business (B2B) Payment Service to accelerate payments between retailers and wholesalers. Building on these achievements, we continue to make full-fledged efforts to develop other new payment services.

We are fully committed to developing cutting-edge systems that enable us to provide carefully tailored services.

Credit Card-related Businesses

Our credit card-related businesses center on three domestic subsidiaries—an insurance agency, a servicer business and a small loans company. We seek to harness synergies between the businesses of these subsidiaries and our sales activities to cultivate new markets in each sector. In May 2004, NCS Kosan Co., Ltd., our insurance agency subsidiary, added a new service to its AEON Hoken Market web site (<http://www.hokenmarket.net>). The service, which is named Osusume Hoken Navi, uses information input by potential buyers to assess their insurance needs and recommend policies. In November 2004, we launched AEON Investment Market (<http://www.aeontoushi.net>) as Japan's first Internet-based securities intermediation service. Through advances such as these, we intend to improve our online financial services and widen the scope of our operations.

ACS Credit Management Co., Ltd., our servicer subsidiary, continued to secure more business from companies outsourcing their small debt recovery functions. To facilitate more effective operations, the company opened a call center in Fukuoka. With this addition, it now has a network of four call centers, with the other three in Tokyo, Osaka and Nagoya.



Overseas Activities

Overseas Activities

We plan to expand our financial services business not only in Japan, but overseas, where we will focus our efforts on Hong Kong, Thailand, Malaysia, Taiwan and Shenzhen, China. In the fiscal year ended February 20, 2005, overseas revenues accounted for approximately 22% of consolidated revenues.



Hong Kong

In Hong Kong, AEON Credit Service (Asia) Co., Ltd., our first overseas subsidiary, intensified efforts to attract new cardholders and capitalized on the accumulated expertise of its parent, AEON Credit Service. As a result, the number of cardholders in Hong Kong rose to 790,000. The subsidiary remains committed to increasing cardholder convenience. With this goal in mind, it provided cardholders access to an even greater number of CDs and ATMs through a tie-up with China Union Pay Co., Ltd., the operator of China's largest credit card settlement network. The subsidiary also established a tie-up with Octopus Cards Limited, which issues over 10 million Octopus cards—contactless smart cards used to pay public transport fares—in Hong Kong. As a result of the tie-up, the subsidiary's cardholders can boost Octopus card balances by charging the amount to their credit card. Planning further expansion, we are preparing to launch operations in mainland China, where we see considerable opportunities for growth.

Thailand

The number of cardholders in Thailand rose to 1.3 million, as we expanded the scope of our operations to take advantage of our position as Thailand's No. 1 credit card company. Through AEON Thana Sinsap (Thailand) Plc., we continue to bolster our reputation as a pioneer of Thai credit and credit-related markets. This subsidiary stepped up efforts to cultivate affiliated merchants that register cardholder details to allow automatic settlement of utility and other monthly bills. It also cooperated with mobile phone companies to launch a service that allows cardholders to purchase prepaid mobile phone cards with their credit cards. To capitalize on growing demand for insurance due to Thailand's economic expansion, we commenced insurance agency operations following the opening of our new subsidiary, ACS Insurance Broker (Thailand) Co., Ltd., in February 2005.

To facilitate further expansion of our Asian network, we will continue to cultivate new markets where we see previously undiscovered business opportunities.

Malaysia

AEON Credit Service (M) Sdn. Bhd., which became the first foreign-affiliated non-bank in Malaysia to receive a credit card-issuing license, started issuing credit cards. As part of its business expansion, the subsidiary established a tie-up with Malaysia's national savings bank to offer hire purchase agreements that hold savings account deposits as collateral. The company also formed a tie-up with Malaysia's second largest bank with a view to launching a personal loans business.

Taiwan

Since issuing its first credit cards in Taiwan in January 2003, AEON Credit Card (Taiwan) Co., Ltd., has made solid progress raising its number of cardholders through a concerted drive to develop co-branded cards. As a result of these efforts, the subsidiary had issued 10 kinds of co-branded cards as of February 20, 2005. The subsidiary remains firmly focused on building its affiliated merchant network and promoting joint campaigns.

Shenzhen, China

AEON Information Service (Shenzhen) Co., Ltd., continues to enhance its call center, debt recovery and credit check services, which it provides to companies outsourcing such functions. The subsidiary has set up a branch office in Guangzhou as a springboard from which to launch its credit business in mainland China.

In addition to the achievements above, we opened a representative office in Indonesia in August 2004 and are being evaluated by the financial authorities for approval to begin credit operations. We plan to cultivate markets in Vietnam and the Philippines and will therefore continue to lay the groundwork for further expansion of our Asian network.





Corporate Social Responsibility

AEON Credit Service strives to fulfill its duty as a good corporate citizen by building a rigorous system of corporate governance and compliance as well as involving the entire Company in a wide range of activities from volunteer services at the local level to global environmental protection work.

Corporate Governance and Compliance

To ensure rapid responses to changes in our operating environment, we conduct rigorous debate and carefully examine policy alternatives within the Board of Directors, the Policy Review Committee and Management Committee before making decisions on important management issues. Our statutory auditors attend meetings of the Board of Directors and other key management meetings and constantly endeavor to better coordinate their activities with internal audit functions. As part of their varied activities to enhance corporate governance, the statutory auditors implement thorough checks to maintain the financial health of the Company. In addition, the Board of Directors monitors the management of domestic subsidiaries by requiring each company to submit business reports and holds regular meetings to discuss performance.

Our Corporate Social Responsibility (CSR) Management Division reports directly to the President and CEO and oversees five organizational units: the Internal Audit Office, which conducts internal checks; the Quality Control Office, which promotes better quality standards through our ISO 9001 certified quality management system; the Customer Service Development Office, which conveys customer opinions to management to aid the development of higher quality services and operational improvements; the Legal Advice Office, which is responsible for managing various legal risks; and the Personal Information Protection Office, which has full-time staff charged with implementing policies to guarantee the secure handling of personal information.

Compliance

AEON Credit Service aims to instill the highest ethical standards in all of its employees and ensure conduct that complies with all relevant laws and regulations. For this purpose, we have created the Code of Conduct and Compliance Handbook. All employees receive compliance training based on these two documents, which outline appropriate attitudes and approaches in day-to-day operations, and indicate codes, laws and industry regulations that must be followed. Furthermore, to ensure strict compliance we have established an internal hotline so that employees may report any violations of Code of Conduct regulations.

Protection of Personal Information

We are fully aware of our social responsibility to manage and use appropriately the personal information entrusted to us by customers. In our unending, full-fledged drive to protect personal information, we have acquired the Privacy Mark, Information Security Management Systems (ISMS), BS 7799 (ISO 17799) and TRUSTe® certification for our personal information management systems, in addition to ISO 9001 certification.

To enhance information security even further, we are implementing organizational, technological, personnel-related and physical measures to safeguard information and build a highly effective personal information protection system. During the fiscal year ended February 20, 2005, we revamped authorization systems by introducing a log-in system requiring the use of integrated circuit (IC) cards and the input of biometric data. We also installed the SWAT system to detect unauthorized connection to networks via terminals and information devices or misuse of information by those responsible for managing it.

Environmental Protection and Social Contribution Activities

Environmental Protection

To conserve the environment, 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.

Having obtained ISO 14001 certification for environmental management systems, we will continue to reduce our consumption of paper and energy. Through our Tokimeki Point program, we support charitable activities that contribute to environmental protection, including conservation of Japan's forests. We also regularly organize local clean-up projects involving our employees.

Social Contribution Activities

In our social contribution activities, we fully support efforts to raise funds for welfare facilities as well as volunteer assistance for seasonal events at such facilities. We also make donations to the Japan Braille Library to help enlarge its collection of braille and audio books.

AEON Environment Foundation and AEON 1% Club

Through the AEON Environment Foundation and AEON 1% Club, we are actively involved in a range of environmental initiatives and educational programs. These include sponsoring a nationwide tour of the ecology-themed musical *Tengu no Kakurezato* ("Hidden Village of the Long-Nosed Goblin"), the AEON Eco Tour in Germany and the Kaga Coast Reforestation Project. We also raised funds for school construction in Nepal and Cambodia as well as forest regeneration efforts on the Shiretoko Peninsula in Hokkaido and mine-clearing activities.

Corporate
Social
Responsibility

CSR report



AEON Credit Service has produced a CSR report to reexamine how the Company may contribute to society through its credit business and remain a responsible corporate citizen. We will use this document as a tool to communicate our views on CSR and describe our current activities in this area to stakeholders and the general public.

We contribute to society and benefit local communities through our CSR activities.

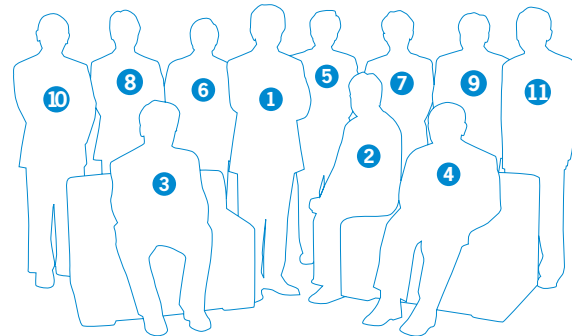
Board of Directors and Auditors

Directors (As of May 12, 2005)



- | | | |
|----|---|--------------------|
| 1 | President and CEO | Yoshiki Mori* |
| 2 | Senior Managing Director | Kazuhide Kamitani |
| 3 | Managing Director | Tatsuya Saito |
| 4 | Managing Director | Takashi Kiyonaga |
| 5 | Director | Kazuhiro Kawata |
| 6 | Director | Masamichi Kamiyama |
| 7 | Director | Yasuhiko Kondo |
| 8 | Director | Kiyoaki Takano |
| 9 | Director | Ken Kasai |
| 10 | Director | Yoshitaka Yamada |
| 11 | External Director
(Senior Executive Vice President,
AEON Co., Ltd.) | Yutaka Furutani |

*Representative Director



Auditors (As of May 12, 2005)



Corporate Auditor
Hisateru Taniuchi



Auditor
Yoichi Kimura



Auditor
Hiroyasu Sugihara



Auditor
Nobuo Hitomi

Five-Year Summary

AEON Credit Service Co., Ltd. and Consolidated Subsidiaries
Years Ended February 20¹

	Millions of Yen					Thousands of U.S. Dollars ²
	2005	2004	2003	2002	2001	2005
For the Year:						
Total operating revenues	¥122,811	¥109,389	¥101,540	¥85,993	¥71,232	\$1,158,594
Total operating expenses	87,841	78,886	74,859	62,158	51,289	828,689
Income before income taxes and minority interests	34,867	30,292	26,065	23,150	19,802	328,934
Net income	18,684	16,179	13,984	12,213	10,613	176,264

	Yen					U.S. Dollars ²
	Per Share Data³:					
Net assets	¥2,244.93	¥1,943.09	¥1,856.10	¥1,628.92	¥1,371.82	\$21.18
Basic net income	356.10	308.24	294.02	256.77	223.14	\$ 3.36

	Millions of Yen					Thousands of U.S. Dollars ²
	At Year-End:					
Finance receivables—net of allowance for possible credit losses	¥492,700	¥407,630	¥389,254	¥348,424	¥291,243	\$4,648,113
Net property and equipment	5,404	5,455	7,780	7,520	5,437	50,981
Total assets	562,094	465,720	441,405	393,949	327,619	5,302,774
Total liabilities	432,747	353,837	343,390	306,062	255,388	4,082,519
Total shareholders' equity	117,480	101,695	88,281	77,479	65,251	1,108,302

	Percentage				
	Ratios:				
Shareholders' equity ratio	20.9%	21.8%	20.0%	19.7%	19.9%
Return on assets (ROA)	3.6	3.6	3.3	3.4	3.5
Return on equity (ROE)	17.0	17.0	16.9	17.1	17.5

- The financial information presented in previous annual reports of the Company was stated on the basis of U.S. GAAP. From the year ended February 20, 2005, such financial information for all periods presented was changed to comply with Japanese GAAP.
- The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to U.S.\$1, the approximate rate of exchange on February 20, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.
- On April 10, 2003, the Company made a stock split by way of a free share distribution at the rate of 1.1 shares for each outstanding share. Each figure included in Per Share Data was retroactively adjusted for the stock split.

Financial Review

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries
Years Ended February 20, 2005 and 2004

RESULTS OF OPERATIONS

	Millions of Yen			
	2005	2004	Amount Change	Percentage Change
Operating revenues:				
Credit card contracts	¥ 25,559	¥ 21,005	¥ 4,554	21.7%
Hire purchase contracts	6,064	6,423	(359)	(5.6)
Loan contracts	83,967	72,959	11,008	15.1
Service fees	2,735	3,129	(394)	(12.6)
Other operating revenues	4,486	5,873	(1,387)	(23.6)
Total operating revenues	¥122,811	¥109,389	¥13,422	12.3%
Operating expenses:				
Financial cost	¥ 6,050	¥ 6,173	¥ (123)	(2.0)%
Provision for possible credit losses and write-off of bad debts	26,623	23,458	3,165	13.5
Other operating expenses	55,168	49,255	5,913	12.0
Total operating expenses	87,841	78,886	8,955	11.4
Operating income	¥ 34,970	¥ 30,503	¥4,467	14.6%

Summary

In the fiscal year ended February 20, 2005, ÆON Credit Service enhanced its program named "Tokimeki Point", waived annual card fees and offered free insurance against card theft as part of its continuing drive to provide services tailored to cardholder needs. In addition to these improvements, we made greater efforts to attract new cardholders, taking specific steps, such as enhancing our card-issuing process.

We also continued to nurture credit-card related businesses of our domestic subsidiaries—an insurance agency, a servicer business and a small loans company.

In Asia, we made steady progress extending our business to new regions while our overseas subsidiaries continued to aggressively expand operations.

As a result, the ÆON Credit Group's consolidated total transaction volume increased 15.0%, compared with the previous fiscal year, to ¥1,884,909 million, and total operating revenues rose 12.3%, to ¥122,811 million. Operating income climbed 14.6%, to ¥34,970 million. Net income totaled ¥18,684 million, up 15.5% from the fiscal year ended February 20, 2004. These results preserved our unbroken record of revenue and income growth since becoming a listed company in 1994.

Transaction volume

	Millions of Yen			
	2005	2004	Amount Change	Percentage Change
Credit card contracts	¥1,117,934	¥ 928,364	¥189,570	20.4%
Hire purchase contracts	53,444	45,579	7,865	17.3
Loan contracts	512,167	445,606	66,561	14.9
Service fees	194,052	213,104	(19,052)	(8.9)
Other transaction volume	7,312	5,957	1,355	22.7
Total transaction volume	¥1,884,909	¥1,638,610	¥246,299	15.0%

Consolidated total transaction volume climbed 15.0%, or ¥246,299 million, reflecting a 20.4%, or ¥189,570 million, rise in credit card contracts transaction volume and a 14.9%, or ¥66,561 million, gain in loan contracts transaction volume.

These improvements were attributable to steady growth of cardholders and a variety of successful efforts to improve card-use rate in Japan, Hong Kong, Thailand and Taiwan.

Finance receivables

	Millions of Yen			
	2005	2004	Amount Change	Percentage Change
Installment sales receivables:				
Credit card contracts	¥130,635	¥ 97,971	¥32,664	33.3%
Hire purchase contracts	27,373	19,833	7,540	38.0
Sub-total	158,008	117,804	40,204	34.1
Operating loans receivables	355,041	304,293	50,748	16.7
Allowance for possible credit losses	(20,349)	(14,467)	(5,882)	(40.7)
Total finance receivables	¥492,700	¥407,630	¥85,070	20.9%

Consolidated total finance receivables increased ¥85,070 million. Significant factors included a 34.1%, or ¥40,204 million, gain in installment sales receivables and a 16.7%, or ¥50,748 million, rise in operating loans receivables. Both

of these results benefited from greater transaction volume in our domestic and overseas credit card businesses due to vigorous sales activities.

Operating revenues

	Millions of Yen			
	2005	2004	Amount Change	Percentage Change
Credit card contracts	¥ 25,559	¥ 21,005	¥ 4,554	21.7%
Hire purchase contracts	6,064	6,423	(359)	(5.6)
Loan contracts	83,967	72,959	11,008	15.1
Service fees	2,735	3,129	(394)	(12.6)
Other operating revenues	4,486	5,873	(1,387)	(23.6)
Total operating revenues	¥122,811	¥109,389	¥13,422	12.3%

The ÆON Credit Group's consolidated total operating revenues grew ¥13,422 million, mainly reflecting a ¥4,554 million, or 21.7%, rise in revenues from credit card contracts

and a ¥11,008 million, or 15.1%, improvement in revenues from loan contracts. Gains in revenues from credit card contracts and loan contracts reflected increases in the

number of active cardholders and total transaction volume. These two factors were mostly attributable to the

mentioned efforts to attract new cardholders and develop a stronger lineup of carefully tailored services.

Operating expenses

	Millions of Yen			
	2005	2004	Amount Change	Percentage Change
Financial costs	¥ 6,050	¥ 6,173	¥ (123)	(2.0)%
Provision for possible credit losses and write-off of bad debts	26,623	23,458	3,165	13.5
Other operating expenses	55,168	49,255	5,913	12.0
Total operating expenses	¥87,841	¥78,886	¥8,955	11.4%

Consolidated total operating expenses rose ¥8,955 million, compared with the previous fiscal year. The main components of operating expenses are outlined below.

Provision for possible credit losses and write-off of bad debts

Credit losses fell ¥2,604 million, resulting from fewer personal bankruptcy filings and intervention by lawyers on behalf of debtors. Nevertheless, in response to an increase in receivables accompanying steadily rising total transaction volume, we decided to boost the allowance for possible credit losses by ¥5,769 million, which required us to raise the provision for possible credit losses and write-off of bad debts by ¥3,165 million.

CASH FLOWS

Net cash used in operating activities totaled ¥68,668 million. Significant items in this total included increase in notes and accounts receivable of ¥105,857 million—due to steadily rising total transaction volume in our domestic and overseas credit card businesses—and income before income taxes and minority interests of ¥34,867 million, up 15.1%.

Net cash used in investing activities came to ¥5,823 million, owing to an increase in administrative centers and sales offices and ongoing investments in IT systems.

Provision for advertising, sales promotion and expenses for the program named “Tokimeki Point”

Provision for advertising, sales promotion and expenses for the program named “Tokimeki Point” increased ¥1,361 million, reflecting greater use of sales promotional materials to attract new cardholders and enhancements to the program named “Tokimeki Point”.

Other operating expenses

Our workforce grew as we expanded the scope of our operations. As a result, we recorded a ¥1,018 million increase in employee salaries and bonuses. Communications and transportation expenses edged up ¥1,244 million.

Net cash provided by financing activities amounted to ¥75,274 million. An important item in this total was proceeds from long-term debts of ¥123,833. This item reflected our continued efforts to provide capital for expanding operating activities by utilizing long-term debts.

As a result, cash and cash equivalents, end of year, totaled ¥16,686 million, up ¥767 million from the previous fiscal year-end.

BUSINESS PERFORMANCE BY GEOGRAPHIC AREA

Total assets and total operating revenues by geographic area

	Millions of Yen			
	2005	2004	Amount Change	Percentage Change
Total assets:				
Domestic	¥461,168	¥382,367	¥78,801	20.6%
Overseas	105,518	87,177	18,341	21.0
Elimination/Corporate	(4,592)	(3,824)		
Total assets	¥562,094	¥465,720	¥96,374	20.7%
Operating revenues:				
Domestic	¥ 96,023	¥ 84,591	¥11,432	13.5%
Overseas	26,792	24,804	1,988	8.0
Elimination/Corporate	(4)	(6)		
Total operating revenues	¥122,811	¥109,389	¥13,422	12.3%

Japan

In Japan, the number of cardholders grew steadily, reaching 12.9 million by February 20, 2005. Moreover, the number of active cardholders amounted to 7.2 million, reflecting efforts to provide a comprehensive range of services, including the improved program named “Tokimeki Point”. This achievement ranked us among the top companies in our industry and led to a record high total transaction volume. Our three domestic subsidiaries—an insurance agency, a servicer business and a small loans company—also enjoyed steadily rising transaction volume.

Hong Kong

The number of cardholders in Hong Kong rose to 790,000, owing in part to the launch of four new co-branded cards. Our subsidiary established a tie-up with China Union Pay Co., Ltd.—the operator of China’s largest credit card settlement network—and with Octopus Cards Limited, which issues over 10 million contactless smart cards called Octopus Cards that are used to pay public transport fares in Hong Kong. As a result of these tie-ups, we recorded operating revenues of HK\$851 million (¥11,762 million), up 0.5% from the previous fiscal year.

Shenzhen, China

In China, we continued to bolster our businesses providing credit check, debt recovery and call center services to companies outsourcing such functions. We also set up a branch office in Guangzhou and are currently building the infrastructure necessary to launch our credit business in mainland China.

Thailand

The number of cardholders in Thailand reached 1.3 million as a result of several co-branded card launches and greater efforts to sign up cardholders. To capitalize on growing insurance needs accompanying Thailand’s economic expansion, we commenced insurance agency operations. Reflecting these efforts, operating revenues totaled 4,930 million Thai baht (THB) (¥13,264 million), up 21.7% from the previous fiscal year.

Malaysia

Our subsidiary in Malaysia continued to focus on motorcycle hire purchase, where there is a strong demand for credit, promoting joint campaigns with affiliated merchants throughout the country. These efforts led to a 74.5% jump in transaction volume. Having become the first foreign-affiliated non-bank in Malaysia to receive a credit card-issuing license, our subsidiary is currently preparing for the launch of its first credit cards.

Taiwan

Cardholders in Taiwan totaled 60,000, partly owing to the launch of six new co-branded cards and an intensified drive to attract new cardholders.

Indonesia

We opened a representative office in Jakarta, Indonesia, in August 2004 and are preparing for the start of credit operations.

Consolidated Balance Sheets

AEON Credit Service Co., Ltd. and Consolidated Subsidiaries
February 20, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
ASSETS			
Current assets:			
Cash and cash equivalents	¥ 16,686	¥ 15,919	\$ 157,415
Finance receivables—net of allowance for possible credit losses (Note 4)	492,700	407,630	4,648,113
Deferred tax assets (Note 9)	5,258	3,389	49,604
Prepaid expenses and other current assets (Note 14)	24,575	19,883	231,840
Total current assets	539,219	446,821	5,086,972
Property and equipment:			
Buildings and structures	1,517	1,248	14,311
Vehicles	74	72	698
Equipment	17,697	16,285	166,953
Total	19,288	17,605	181,962
Accumulated depreciation	(13,884)	(12,150)	(130,981)
Net property and equipment	5,404	5,455	50,981
Investments and other assets:			
Investment securities (Note 3)	9,312	8,093	87,849
Investments in associated companies	29	21	274
Software	4,761	2,548	44,915
Deferred tax assets (Note 9)	17	28	160
Guarantee money deposits (Note 14)	2,490	2,272	23,491
Long-term prepaid expenses and other assets (Note 6)	862	482	8,132
Total investments and other assets	17,471	13,444	164,821
TOTAL	¥562,094	¥465,720	\$5,302,774
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable (Note 14)	¥ 49,844	¥ 52,507	\$ 470,226
Short-term borrowings (Note 5)	18,589	29,892	175,368
Current portion of long-term debt (Notes 5 and 14)	54,387	33,460	513,085
Accrued expenses (Note 14)	3,212	1,927	30,302
Accrued income taxes	8,831	8,083	83,311
Other current liabilities	3,172	3,068	29,925
Total current liabilities	138,035	128,937	1,302,217
Long-term liabilities:			
Long-term debt (Notes 5 and 14)	292,807	222,832	2,762,330
Deferred tax liabilities (Note 9)	1,801	1,373	16,991
Liability for retirement benefits (Note 6)		189	
Other liabilities	104	506	981
Total long-term liabilities	294,712	224,900	2,780,302
MINORITY INTERESTS	11,867	10,188	111,953
COMMITMENTS (Note 12)			
SHAREHOLDERS' EQUITY (Notes 7 and 13):			
Common stock—authorized, 80,000,000 shares; issued, 52,322,336 shares in 2005 and 2004	15,467	15,467	145,915
Capital surplus	17,049	17,047	160,840
Retained earnings	82,692	67,463	780,113
Net unrealized gain on available-for-sale securities	3,414	2,709	32,208
Foreign currency translation adjustments	(1,066)	(936)	(10,057)
Treasury stock—at cost, 16,484 shares in 2005 and 13,844 shares in 2004	(76)	(55)	(717)
Total shareholders' equity	117,480	101,695	1,108,302
TOTAL	¥562,094	¥465,720	\$5,302,774

See notes to consolidated financial statements.

Consolidated Statements of Income

AEON Credit Service Co., Ltd. and Consolidated Subsidiaries
Years Ended February 20, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Operating revenues (Notes 4 and 14):			
Credit card contracts	¥ 25,559	¥ 21,005	\$ 241,123
Hire purchase contracts	6,064	6,423	57,207
Loan contracts	83,967	72,959	792,141
Service fees	2,735	3,129	25,802
Other operating revenues	4,486	5,873	42,321
Total operating revenues	122,811	109,389	1,158,594
Operating expenses (Note 14):			
Financial costs	(6,050)	(6,173)	(57,076)
Provision for possible credit losses and write-off of bad debts	(26,623)	(23,458)	(251,160)
Other operating expenses (Note 8)	(55,168)	(49,255)	(520,453)
Total operating expenses	(87,841)	(78,886)	(828,689)
Operating income	34,970	30,503	329,905
Non-operating expenses, net			
Income before income taxes and minority interests	34,867	30,292	328,934
Income taxes (Note 9):			
Current	(15,649)	(13,349)	(147,632)
Deferred	1,849	1,083	17,443
Total income taxes	(13,800)	(12,266)	(130,189)
Minority interests in net income	(2,383)	(1,847)	(22,481)
Net income	¥ 18,684	¥ 16,179	\$ 176,264

	Yen	U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 13):		
Basic net income	¥356.10	¥308.24
Cash dividends applicable to the year	70.00	60.00
		\$3.36
		0.66

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

AEON Credit Service Co., Ltd. and Consolidated Subsidiaries
Years Ended February 20, 2005, 2004 and 2003

	Thousands	Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on AFS Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Shareholders' Equity
Balance, February 21, 2003	47,563	¥15,467	¥17,047	¥54,076	¥1,701	¥ 7	¥(16)	¥ 88,282
Net income				16,179				16,179
Cash dividends, ¥60 per share				(2,735)				(2,735)
Bonuses to directors and corporate auditors				(57)				(57)
Repurchase of treasury stock	(11)						(40)	(40)
Disposal of treasury stock							1	1
Net increase in unrealized gain on available-for-sale securities					1,008			1,008
Net change in foreign currency translation adjustments						(943)		(943)
Stock split (Note 7)	4,756							
Balance, February 20, 2004	52,308	15,467	17,047	67,463	2,709	(936)	(55)	101,695
Net income				18,684				18,684
Cash dividends, ¥70 per share				(3,400)				(3,400)
Bonuses to directors and corporate auditors				(55)				(55)
Repurchase of treasury stock	(3)						(24)	(24)
Disposal of treasury stock	1		2				3	5
Net increase in unrealized gain on available-for-sale securities					705			705
Net change in foreign currency translation adjustments						(130)		(130)
Balance, February 20, 2005	52,306	¥15,467	¥17,049	¥82,692	¥3,414	¥(1,066)	¥(76)	¥117,480

	Thousands of U.S. Dollars (Note 1)							
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on AFS Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Shareholders' Equity	
Balance, February 20, 2004	\$145,915	\$160,821	\$636,443	\$25,557	\$ (8,830)	\$(519)	\$ 959,387	
Net income			176,264				176,264	
Cash dividends, \$0.67 per share			(32,075)				(32,075)	
Bonuses to directors and corporate auditors			(519)				(519)	
Repurchase of treasury stock						(226)	(226)	
Disposal of treasury stock		19				28	47	
Net increase in unrealized gain on available-for-sale securities				6,651			6,651	
Net change in foreign currency translation adjustments					(1,227)		(1,227)	
Balance, February 20, 2005	\$145,915	\$160,840	\$780,113	\$32,208	\$(10,057)	\$(717)	\$1,108,302	

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

AEON Credit Service Co., Ltd. and Consolidated Subsidiaries
Years Ended February 20, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 34,867	¥ 30,292	\$ 328,934
Adjustment for:			
Income taxes—paid	(14,897)	(11,854)	(140,538)
Depreciation	3,292	3,403	31,057
Provision for possible credit losses	20,382	14,612	192,283
Loss on disposal of software	61	282	576
Bonuses to directors and corporate auditors	(55)	(57)	(519)
Revaluated gain from interest rate swaps	(125)	(20)	(1,179)
Changes in assets and liabilities:			
Increase in notes and accounts receivable	(105,857)	(37,334)	(998,651)
Increase in other assets	(4,814)	(4,901)	(45,415)
Increase in prepaid pension expenses	(118)		(1,113)
(Decrease) increase in notes and accounts payable	(5,356)	11,479	(50,528)
Increase in other current liabilities	3,999	2,143	37,726
Decrease in liability for retirement benefits	(25)	(39)	(236)
Other	(22)	384	(208)
Net cash (used in) provided by operating activities	(68,668)	8,390	(647,811)
INVESTING ACTIVITIES:			
Decrease in time deposits—net	76	1,575	717
Purchases of property and equipment	(2,119)	(1,014)	(19,991)
Proceeds from sale of property and equipment	4	703	38
Purchases of software	(2,975)	(1,371)	(28,066)
Proceeds from sale of software		109	
Purchases of investment securities	(28)	(1,002)	(264)
Other	(782)	(194)	(7,368)
Net cash used in investing activities	(5,823)	(1,194)	(54,934)
FINANCING ACTIVITIES:			
(Payment of) increase in short-term bank loans—net	(3,222)	30	(30,396)
Decrease in commercial paper—net	(8,000)	(18,000)	(75,472)
Proceeds from long-term debts	123,833	67,727	1,168,236
Purchases of long-term debts	(33,245)	(52,272)	(313,632)
Increase in treasury stock—net	(18)	(40)	(170)
Dividends paid to the Company's shareholders	(3,400)	(2,735)	(32,075)
Dividends paid to minority shareholders	(674)	(597)	(6,359)
Net cash provided by (used in) financing activities	75,274	(5,887)	710,132
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(16)	(272)	(151)
NET INCREASE IN CASH AND CASH EQUIVALENTS	767	1,037	7,236
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,919	14,882	150,179
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 16,686	¥ 15,919	\$ 157,415

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended February 20, 2005 and 2004

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which

ÆON Credit Service Co., Ltd. (the "Company"), is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥106 to U.S.\$1, the approximate rate of exchange on February 20, 2005. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

Certain reclassifications and rearrangements have been made to the consolidated financial statements for fiscal 2004 to conform to the classifications and presentations used in fiscal 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of February 20, 2005 include the accounts of the Company and all of its 11 (10 in 2004) subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method. Investments in two (two in 2004) associated companies are accounted for by the equity method.

The differences between the cost of an acquisition and the fair value of the net assets of the acquired associated companies at the date of acquisition, except for minor amounts which are charged to income in the period of acquisition, are being amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b. Cash Equivalents—Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value. Cash equivalents include time deposits, certificate of deposits, commercial paper and bond funds, all of which mature or become due within three months of the date of acquisition.

c. 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 valuation allowance.

d. Allowance for Possible Credit Losses—The allowance for possible credit losses is stated in amounts considered to be appropriate based on the companies' past credit loss experience and an evaluation of potential losses in the receivables outstanding.

e. Investment Securities—Investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of shareholders' equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

f. 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.

g. Software—Software is amortized by the straight-line method over five years.

h. Retirement and Pension Plans—The Company has a defined benefit pension plan, advance payment plan and defined contribution pension plan covering substantially all employees.

The liability for employees' retirement benefits is recorded based on the projected benefit obligations and plan assets at the balance sheet date.

Retirement benefits for directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at balance sheet date. These retirement benefits are paid subject to the approval of the shareholders. Since the Company ceased the severance payment plan for directors and corporate auditors effective May 12, 2004, the Company has not made any provision for retirement benefits to directors and corporate auditors since the years ended February 20, 2005.

i. Bond Issuance Costs—Bond issuance costs are charged to income as incurred.

j. Recognition of Operating Revenues—The operations of the Group mainly comprise the following areas, and the recognition of operating revenues is different according to each business. See Note 4 for amounts of transactions and realized operating revenues for each business.

(1) Credit card contracts and hire purchase contracts—Installment sales receivables are recorded after the Group has accepted the relevant contracts that participating member stores refer to the Group.

The Group receives fees for collection of the installment sales and the related administrative services from the member stores under credit card contracts and hire purchase contracts for shopping. The fees from the member stores are recognized at the time when the Group makes payments for the installment sales receivables to the member stores in advance.

The Group receives fees from customers under credit card contracts and hire purchase contracts. The fees from customers are recognized principally by the interest method.

(2) Loan contracts

The Group provides credit card cash advances and personal loans. Operating loans receivables are recorded when the Group loans cash to customers. The interest income is recognized principally by the interest method.

k. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

l. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

m. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

n. Foreign Currency Transactions—All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at each balance sheet date. The foreign exchange gains and losses from translation are recognized in the income statement to the extent that they are not hedged by forward exchange contracts.

o. Foreign Currency Financial Statements—The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of each balance sheet date except for shareholders' equity, which is translated at the historical rate.

Differences arising from such translation were shown as "Foreign currency translation adjustments" in a separate component of shareholders' equity.

Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

p. Derivatives and Hedging Activities—The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Interest rate swaps, interest rate caps, foreign exchange forward contracts and currency swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: a) all derivatives be recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the income statement and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The foreign currency forward contracts employed to hedge foreign exchange exposures for export sales are measured at the fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecast (or committed) transactions are also measured at the fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Long-term debt denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations are translated at the contracted rate if the forward contracts qualify for hedge accounting.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

q. Per Share Information—Basic net income per share is computed by dividing net income available to common

shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because it is anti-dilutive.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

r. New Accounting Pronouncements—In August 2002, the Business Accounting Council issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASB) issued ASB Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The new accounting standard requires an entity to review its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The Group expects to adopt these pronouncements as of February 21, 2006 and is currently in the process of assessing the effect of adoption of these pronouncements.

Management believes the adoption of these pronouncements will not have a material impact on the financial position or results of operations of the Group.

3. INVESTMENT SECURITIES

Investment securities as of February 20, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Non-current:			
Marketable equity securities	¥8,122	¥6,880	\$76,623
Other equity securities	1,190	1,213	11,226
Total	¥9,312	¥8,093	\$87,849

The carrying amounts and aggregate fair values of investment securities as of February 20, 2005 and 2004 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
February 20, 2005				
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,355	¥5,807	¥40	¥8,122
February 20, 2004				
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,315	¥4,585	¥20	¥6,880
	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
February 20, 2005				
Securities classified as:				
Available-for-sale:				
Equity securities	\$22,217	\$54,783	\$377	\$76,623

Available-for-sale securities whose fair value is not readily determinable as of February 20, 2005 and 2004 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Available-for-sale:			
Equity securities	¥1,190	¥1,213	\$11,226
Total	¥1,190	¥1,213	\$11,226

Proceeds from sales of available-for-sale securities for the year ended February 20, 2005 were ¥1 million (\$10 thousand).

4. FINANCE RECEIVABLES

Finance receivables as of February 20, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Installment sales receivables:			
Credit card contracts	¥130,635	¥ 97,971	\$1,232,406
Hire purchase contracts	27,373	19,833	258,236
Sub-total	¥158,008	¥117,804	\$1,490,642
Operating loans receivables	355,041	304,293	3,349,443
Allowance for possible credit losses	(20,349)	(14,467)	(191,972)
Total	¥492,700	¥407,630	\$4,648,113

For the years ended February 20, 2005 and 2004, the Group securitized finance receivables and subsequently transferred the cash flow interests in those assets mainly to unconsolidated special purpose entities.

The total of securitized receivables as of February 20, 2005 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
The Company	¥41,304	¥53,450	\$389,660
The consolidated subsidiaries	8,131	8,844	76,708
Total	¥49,435	¥62,294	\$466,368

Some of the interests in the securitized financial assets are retained in the form of seller or subordinated tranches ("remaining interests"), which are included in finance receivables.

The remaining interests included in finance receivables as of February 20, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Finance receivables:			
Installment sales receivables	¥ 3,625	¥ 5,876	\$ 34,198
Operating loans receivables	14,634	13,066	138,057
Total	¥18,259	¥18,942	\$172,255

Transaction volume and realized operating revenue by type of contract for the years ended February 20, 2005 and 2004 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2005		2004		2005	
	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue
Credit card contracts	¥1,117,934	¥ 25,559	¥ 928,364	¥ 21,005	\$10,546,547	\$ 241,123
Hire purchase contracts	53,444	6,064	45,579	6,423	504,189	57,207
Loan contracts	512,167	83,967	445,606	72,959	4,831,764	792,141
Service fees	194,052	2,735	213,104	3,129	1,830,679	25,802
Other	7,312	4,486	5,957	5,873	68,981	42,321
Total	¥1,884,909	¥122,811	¥1,638,610	¥109,389	\$17,782,160	\$1,158,594

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of February 20, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Bank loans, 1.38% to 3.91% (2005) and 0.52% to 3.61% (2004)	¥18,589	¥21,892	\$175,368
Commercial paper at 0.01% (2004)		8,000	
Total	¥18,589	¥29,892	\$175,368

Long-term debt as of February 20, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Issued by the Company:			
Unsecured 1.97% Japanese yen notes due 2008	¥ 10,000	¥ 10,000	\$ 94,340
Unsecured 1.22% Japanese yen notes due 2009	15,000	15,000	141,509
Unsecured 1.47% Japanese yen notes due 2010	15,000	15,000	141,509
Unsecured 0.81% Japanese yen notes due 2011	10,000	10,000	94,340
Unsecured 1.60% Japanese yen notes due 2012	10,000		94,340
Issued by AEON Thana Sinsap (Thailand) Plc.:			
Unsecured 4.05% Thai baht notes due 2006	2,750	2,740	25,943
Loans from banks and other financial institutions, due through 2013 with interest rates ranging from 1.02% to 4.95% (2005) and from 1.25% to 4.62% (2004):			
Unsecured	277,444	198,052	2,617,396
Loans from the subsidiary of the parent company, due through 2007 with interest rates ranging from 0.60% to 0.77% (2005) and from 0.54% to 0.60% (2004):			
Unsecured	7,000	5,500	66,038
Total	347,194	256,292	3,275,415
Less current portion	(54,387)	(33,460)	(513,085)
Long-term debt, less current portion	¥292,807	¥222,832	\$2,762,330

The annual maturities of long-term debt as of February 20, 2005 were as follows:

Years ending February 20	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 54,387	\$ 513,085
2007	45,360	427,925
2008	91,382	862,094
2009	53,713	506,726
2010	50,052	472,189
2011 and thereafter	52,300	493,396
Total	¥347,194	\$3,275,415

6. RETIREMENT AND PENSION PLANS

The Company has severance payment plans for employees, directors and corporate auditors, except that the Company ceased the severance payments for the directors and corporate auditors effective May 12, 2004.

The Company has a benefit pension plan, advance payment plan and defined contribution pension plan covering substantially all employees.

The Company had a contributory funded defined benefit pension plan, which is established under the Japanese Welfare Pension Insurance Law, covering a substitutional portion of the governmental pension program managed by the Company on behalf of the government and a corporate portion established at the discretion of the Company.

According to the enactment of the Defined Benefit Pension Plan Law in April 2002, the Company 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 Company obtained an approval of exemption from future obligation by the Ministry of Health, Labour and Welfare on September 1, 2002.

As a result of this exemption, the Company recognized a gain on exemption from future pension obligations of the governmental program in the amount of ¥313 million in accordance with a transitional measurement of the accounting standard for employees' retirement benefits for the year ended February 20, 2003.

The Company applied for an exemption from the obligation to pay benefits for past employee services related to the substitutional portion and obtained approval from the Ministry of Health, Labour and Welfare on May 31, 2004.

The Company thereafter transferred the benefit obligation and related substitutional portion of the plan assets to the government on February 17, 2005. The Company transferred the remaining fund assets to a new defined benefit pension and defined contribution pension plans. As a result, the Company recognized ¥145 million (\$1,368 thousand) as a loss on amendment to pension plans for the year ended February 20, 2005.

The (asset) liability for employees' retirement benefits as of February 20, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥ 807	¥ 938	\$ 7,613
Fair value of plan assets	(560)	(401)	(5,283)
Unrecognized actuarial loss	(365)	(512)	(3,443)
Net (asset) liability	¥(118)	¥ 25	\$(1,113)

The components of net periodic benefit costs for the years ended February 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥ 57	¥ 63	\$ 538
Interest cost	19	21	179
Expected return on plan assets	(11)	(9)	(104)
Recognized actuarial loss	47	45	443
Other	75	69	708
Net periodic benefit costs	¥187	¥189	\$1,764
Loss on amendment to pension plans	145		1,368
Total	¥332	¥189	\$3,132

Assumptions used for the years ended February 20, 2005 and 2004 are set forth as follows:

	2005	2004
Discount rate	2.4%	2.4%
Expected rate of return on plan assets	2.29%	2.36%
Recognition period of actuarial gain/loss	10 years	10 years

The liability for retirement benefits as of February 20, 2004 for directors and corporate auditors was ¥164 million.

As mentioned previously, since the Company ceased the severance payment plan for directors and corporate auditors effective May 12, 2004, the balance of retirement benefits for directors and corporate auditors as of February 20 was paid subject to the approval of the shareholders. Therefore the Company did not make provision for any retirement benefits to directors and corporate auditors as of February 20, 2005.

7. SHAREHOLDERS' EQUITY

Japanese companies are subject to the Japanese Commercial Code (the "Code").

The Code requires that all shares of common stock are 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, which is included in capital surplus. 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 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 common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% of the common stock 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 common stock by resolution of the Board of Directors.

The Code allows Japanese companies to repurchase treasury stock 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 shareholders' meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the case payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥66,867 million (\$630,821 thousand) as of February 20, 2005, based on the amount recorded in the Company's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal years to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On April 10, 2003, the Company made a stock split by way of a free share distribution at the rate of 1.1 shares for each outstanding share, and 4,756 shares were issued to shareholders of record on February 20, 2003.

8. OTHER OPERATING EXPENSES

Other operating expenses for the years ended February 20, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Salaries and benefits	¥13,774	¥12,548	\$129,943
Sales promotion expenses	7,807	6,445	73,651
Other	33,587	30,262	316,859
Total	¥55,168	¥49,255	\$520,453

9. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 41.8% for the years ended February 20, 2005 and 2004.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of February 20, 2005 and 2004, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets:			
Enterprise tax	¥ 730	¥ 693	\$ 6,887
Allowance for possible credit losses	1,741	1,018	16,424
Finance receivables	1,949	1,420	18,387
Accrued income	398	102	3,755
Payables and accrued expenses	440	150	4,151
Property and equipment	318	233	3,000
Property and equipment charged to income	17	13	160
Software	72	176	679
Investment securities	71	70	670
Long-term prepaid expenses	231	345	2,179
Liability for retirement benefits		76	
Other	119	112	1,123
Less valuation allowance	(47)	(47)	(443)
Total	¥6,039	¥4,361	\$56,972
Deferred tax liabilities:			
Prepaid pension expenses	¥ 47	¥	\$ 443
Reserve for special depreciation	35	50	330
Lower income tax rates applicable to income in certain foreign countries	165	386	1,557
Undistributed earnings of consolidated foreign subsidiaries	108	96	1,019
Unrealized gain on available-for-sale securities	2,210	1,785	20,849
Total	¥2,565	¥2,317	\$24,198
Net deferred tax assets	¥3,474	¥2,044	\$32,774

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended February 20, 2005 and 2004 is as follows:

	2005	2004
Normal effective statutory tax rate	41.8%	41.8%
Expenses not deductible for income tax purposes	(0.1)	0.2
Deduction for foreign taxes	(0.2)	(0.1)
Per capita portion of inhabitants tax	0.2	0.3
Lower income tax rates applicable to income in certain foreign countries	(3.0)	(2.6)
Influence of elimination in consolidation	0.8	0.9
Other—net	0.1	0.0
Actual effective tax rate	39.6%	40.5%

10. LEASES

The Companies lease certain equipment, office space and other assets.

Total rental expenses for the years ended February 20, 2005 and 2004 were ¥3,054 million (\$28,811 thousand) and ¥2,970 million, respectively, including ¥466 million (\$4,438 thousand) and ¥154 million of lease payments under finance leases.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended February 20, 2005 and 2004 is as follows:

	Millions of Yen			
	2005			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥61	¥2,352	¥268	¥2,681
Accumulated depreciation	(11)	(516)	(73)	(600)
Net leased property	¥50	¥1,836	¥195	¥2,081
	Millions of Yen			
	2004			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥10	¥947	¥169	¥1,126
Accumulated depreciation	(1)	(136)	(23)	(160)
Net leased property	¥ 9	¥811	¥146	¥ 966
	Thousands of U.S. Dollars			
	2005			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	\$575	\$22,189	\$2,528	\$25,292
Accumulated depreciation	(103)	(4,868)	(689)	(5,660)
Net leased property	\$472	\$17,321	\$1,839	\$19,632

13. NET INCOME PER SHARE

Basic and diluted net income per share ("EPS") for the years ended February 20, 2005 and 2004 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted-Average Shares	EPS	
For the year ended February 20, 2005:				
Basic EPS				
Net income	¥18,684			
Bonuses to directors and corporate auditors	57			
Net income available to common shareholders	¥18,627	52,307	¥356.10	\$3.36
For the year ended February 20, 2004:				
Basic EPS				
Net income	¥16,179			
Bonuses to directors and corporate auditors	55			
Net income available to common shareholders	¥16,124	52,312	¥308.24	\$2.91

Diluted EPS is not disclosed because it is anti-dilutive due to no dilutive securities.

14. RELATED PARTY TRANSACTIONS

Transactions with the parent company and its subsidiaries for the years ended February 20, 2005 and 2004 were as follows:

(1) AEON Co., Ltd. (the parent company)

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Credit card contracts	¥6,793	¥6,275	\$64,085
Hire purchase contracts	2	2	19
Other operating revenues	127	190	1,198
Other operating expenses	339	332	3,198
Fixed leasehold deposits to lessors	39	53	368

(2) Ministop Co., Ltd. (the subsidiary of the parent company)

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Interest expenses	¥ 33	¥27	\$ 311
Borrowed money	5,000		47,170

The balances due to or from the parent company and its subsidiary as of February 20, 2005 and 2004 were as follows:

(1) AEON Co., Ltd. (the parent company)

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Accounts payable	¥5,594	¥22,166	\$52,774
Prepaid expenses and other current assets	104	27	981
Accrued expenses	28	26	264
Guarantee money deposits	465	432	4,387

(2) Ministop Co., Ltd. (the subsidiary of the parent company)

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Accrued expenses	¥ 6	¥ 2	\$ 57
Current portion of long-term debt		5,000	
Long-term debt	5,000		47,170

Above transactions were on an arm's-length basis and in the normal course of business.

15. SEGMENT INFORMATION

The Company separates its operations into two segments comprising the following industries:

The Financial Services industry consisting of credit card contracts, hire purchase contracts and loan contracts;

The Other Operating Services industry consisting of an insurance agency and other operating services.

Operations in Financial Services for the year ended February 20, 2005 amounted to more than 90% of consolidated operating revenues, operating income and assets, and accordingly, the segment information in different industries is not disclosed for fiscal 2005.

Information on geographic segments and operating revenues to foreign customers of the Company and its subsidiaries for the years ended February 20, 2005 and 2004 is as follows:

(1) Geographic segments

The geographic segments of the Company and its subsidiaries for the years ended February 20, 2005 and 2004 are summarized as follows:

	Millions of Yen				
	2005			Eliminations/Corporate	Consolidated
	Domestic	Overseas	Total		
Operating revenues to customers	¥ 96,023	¥ 26,788	¥122,811		¥122,811
Interarea transfer		4	4	¥ (4)	
Total operating revenues	96,023	26,792	122,815	(4)	122,811
Operating expenses	66,593	21,252	87,845	(4)	87,841
Operating income	¥ 29,430	¥ 5,540	¥ 34,970		¥ 34,970
Total assets	¥461,168	¥105,518	¥566,686	¥(4,592)	¥562,094

Independent Auditors' Report

Deloitte.

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 Japan
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 Fax: +81(3) 3457 1694
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Thousands of U.S. Dollars					
2005					
	Domestic	Overseas	Total	Eliminations/ Corporate	Consolidated
Operating revenues to customers	\$ 905,877	\$252,717	\$1,158,594		\$1,158,594
Interarea transfer		38	38	\$ (38)	
Total operating revenues	905,877	252,755	1,158,632	(38)	1,158,594
Operating expenses	628,236	200,491	828,727	(38)	828,689
Operating income	\$ 277,641	\$ 52,264	\$ 329,905		\$ 329,905
Total assets	\$4,350,642	\$995,453	\$5,346,095	\$(43,321)	\$5,302,774

Millions of Yen					
2004					
	Domestic	Overseas	Total	Eliminations/ Corporate	Consolidated
Operating revenues to customers	¥ 84,591	¥24,798	¥109,389		¥109,389
Interarea transfer		6	6	¥ (6)	
Total operating revenues	84,591	24,804	109,395	(6)	109,389
Operating expenses	58,316	20,577	78,893	(7)	78,886
Operating income	¥ 26,275	¥ 4,227	¥ 30,502	¥ 1	¥ 30,503
Total assets	¥382,367	¥87,177	¥469,544	¥(3,824)	¥465,720

(2) Operating revenues to foreign customers

Operating revenues to foreign customers for the years ended February 20, 2005 and 2004 amounted to ¥26,788 million (\$252,717 thousand) and ¥24,798 million, respectively.

16. SUBSEQUENT EVENTS

a. Issuance of Bonds

On May 9, 2005, the Company issued ¥20,000 million (\$188,679 thousand) of unsecured 1.08% domestic bonds by resolution of the Board of Directors, which became effective on April 11, 2005. The bonds are due May 9, 2012. The issue price of the bonds was 100% of the face value of the bonds and the amount paid was appropriated for repayment of borrowings.

b. Appropriations of Retained Earnings

The following appropriations of retained earnings as of February 20, 2005 were approved at the Company's shareholders' meeting held on May 12, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥40.00 (\$0.38) per share	¥2,092	\$19,736
Bonuses to directors and corporate auditors	49	458

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
 AEON Credit Service Co., Ltd.:

We have audited the accompanying consolidated balance sheets of AEON Credit Service Co., Ltd. and subsidiaries as of February 20, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEON Credit Service Co., Ltd. and subsidiaries as of February 20, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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, 2005

Member of
 Deloitte Touche Tohmatsu

Network (As of February 20, 2005)

■ 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
Shinjuku Branch
Shibuya Office
Shinagawa Office
Tachikawa Office
Yokohama Branch
Niigata Branch
Toyama Office
Kanazawa Office
Yamanashi 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 Branch

■ Overseas Network

Hong Kong Branch
Taipei Representative Office
Shanghai Representative Office
Jakarta 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.
ACS Insurance Broker (Thailand) Co., Ltd.

■ AEON World Desk

Sapporo
Sendai
Akita
Chiba
Shinagawa
Niigata
Nagoya
Osaka
Fukuoka
Okinawa
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, 2005)

■ General Merchandise Stores (GMS)

AEON Co., Ltd.
Posful Corporation
AEON Stores (Hong Kong) Co., Limited
AEON Co. (M) Bhd.
AEON Kyushu Co., Ltd.
AEON Marché Co., Ltd.
MYCAL Corporation
MYCALKYUSHU Corporation
Ryukyu JUSCO Co., Ltd.
AEON (China) Co., Ltd.
Guangdong JUSCO Teem Stores Co., Ltd.
Qingdao AEON Dongtai Co., Ltd.
Shenzhen JUSCO Friendship Co., Ltd.
Taiwan AEON Stores Co., Ltd.

■ Supermarkets

Kasumi Co., Ltd.
Maxvalu Chubu Co., Ltd.
Maxvalu Nishinohon Co., Ltd.
Maxvalu Tohoku Co., Ltd.
Maxvalu Tokai Co., Ltd.
Maxvalu Hokkaido Co., Ltd.
Maxvalu Kyushu Co., Ltd.
JOY Co., Ltd.
Siam JUSCO Co., Ltd.

■ Drugstores

CFS Corporation
TSURUHA Co., Ltd.
Sugi Pharmacy Co., Ltd.
Green Cross-Coa Co., Ltd.
Kraft Inc.
Drug Terashima Co., Ltd.
Medical Ikkou Co., Ltd.
IINO Co., Ltd.
Welpark Co., Ltd.
KUSURI NO AOKI Co., Ltd.
Takiya Co., Ltd.

■ Convenience Stores

Ministop Co., Ltd.

■ Department Stores

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

■ Specialty Stores

The Talbots, Inc.
YaMaYa CORPORATION
Cox Co., Ltd.
Blue Grass Co., Ltd.
Abilities JUSCO Co., Ltd.
AEON Forest Co., Ltd.
Claire's Nippon Co., Ltd.

Talbots Japan Co., Ltd.
Nustep Co., Ltd.
Book Bahn Co., Ltd.
Petcity Co., Ltd.
Mega Sports Co., Ltd.
Mega Petro Co., Ltd.
Laura Ashley Japan Co., Ltd.

■ SC Development Operations

Diamond City Co., Ltd.
AEON Mall Co., Ltd.
Diamond Family Co., Ltd.
LOC Development Co., Ltd.

■ Financial Services

AEON Credit Service Co., Ltd.
AEON Credit Service (Asia) Co., Ltd.
AEON Thana Sinsap (Thailand) Plc.
ACS Credit Management Co., Ltd.
NCS Kosan Co., Ltd.
AEON Credit Service (M) Sdn. Bhd.
AEON Credit Service (Taiwan) Co., Ltd.
AEON Credit Card (Taiwan) Co., Ltd.
AEON Information Service (Shenzhen) Co., Ltd.

■ Services

Japan Maintenance Co., Ltd.
AEON Fantasy Co., Ltd.
Zwei Co., Ltd.
Certo Corporation
AEON Cinemas Co., Ltd.
AEON Techno Service Co., Ltd.
Jusvel Co., Ltd.
Quality Control Center Co., Ltd.
Reform Studio Co., Ltd.

■ Food Services

Gourmet D'Or Co., Ltd.
MYCAL-IST, Inc.

■ Food Processing, Distribution and Other Operations

Aic, Inc.
Food Supply JUSCO Co., Ltd.
Tasmania Feedlot Pty. Ltd.

■ e-commerce Business

AEON Visty Co., Ltd.

Listed companies are shown in bold.

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

Corporate Data (As of February 20, 2005)

Company Name

ÆON Credit Service Co., Ltd.

Head Office

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

3,159 (Consolidated); 716 (Non-Consolidated)

Domestic Subsidiaries

NCS Kosan Co., Ltd.

ACS Credit Management Co., Ltd.

ACS Finance Co., Ltd.

Overseas Subsidiaries

AEON Credit Service (Asia) Co., Ltd.

AEON Thana Sinsap (Thailand) Plc.

ACS Capital Corporation Ltd.

ACS Insurance Broker (Thailand) Co., Ltd.

AEON Credit Service (M) Sdn. Bhd.

AEON Credit Service (Taiwan) Co., Ltd.

AEON Credit Card (Taiwan) Co., Ltd.

AEON Information Service (Shenzhen) Co., Ltd.



AEON CREDIT SERVICE CO., LTD.



JQA-1M0178



JQA-1S0077



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