ÆON

ÆON CREDIT SERVICE CO., LTD.

Annual Report 2006

For the Year Ended February 20, 2006

ÆON CREDIT SERVICE CO., LTD.

Supporting cardholders' lifestyles and maximizing future opportunities through effective use of credit

The unchanging corporate mission of ÆON Credit Service Co., Ltd., is to constantly benefit its cardholders through quality financial services. As a reflection of this, we have included "ÆON"—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.

CONTENTS

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.


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www.aeonmalaysia.

An Interview with Yoshiki Mori

Q Please tell us about ÆON Credit Service's results and operating environment in the year ended February 20, 2006.

A In the fiscal year ended February 20, 2006, ÆON Credit Service bolstered efforts to attract new cardholders and develop co-branded cards. At the same time, we enhanced on-the-spot card issuing services and launched a system for card applications via mobile phones. This drive to provide new channels for cardholder sign-ups enabled us to raise the consolidated number of cardholders to 16.1 million, an increase of 1,030,000 cardholders.

During the period under review, we continued to reinforce overseas operations. As part of this process, we became the first foreign-affiliated non-bank in Malaysia to issue credit cards and we established a representative office in Vietnam. We also strove to broaden the scope of our credit card-related operations, including insurance agency and servicer businesses.

As a result, consolidated total transaction volume climbed 15.8%, compared with the previous fiscal year, to ¥2,183,060 million, and total operating revenues increased 17.9%, to ¥144,751 million. Operating income rose 15.0%, to ¥40,231 million, and net income gained 13.8%, reaching ¥21,262 million. With such all-time high results, we were able to maintain our 12-year unbroken record of revenue and income growth.

Q In the year ended February 20, 2006, the number of cardholders in Japan rose by 800,000. What strategies will you focus on to ensure further increases in cardholders?

A We aim to add one million new cardholders each year through sign-up efforts that capitalize on the expanding operations of the ÆON Group. In doing so, we will continue to maximize the appeal of ÆON Group stores, which have four million visitors on weekdays and 10 million on weekends.

Furthermore, we are making every effort to launch co-branded cards that will cultivate demand among new types of customers. One example of this is Cosmo the Card Opus, introduced in collaboration with Cosmo Oil Co., Ltd., in June 2006. We have also established a tie-up with NTT DoCoMo, Inc., by which cardholders will be able to use iD, an electronic payment platform that enables credit card transactions via mobile phones, from autumn 2006. Furthermore, we plan to issue AEON Suica Card in January 2007, following a tie-up with East Japan Railway Company. Through such efforts, we aim to strengthen our customer base in traditionally weaker categories such as male consumers and residents in the greater Tokyo metropolitan area. We believe that mobile phone credit transactions, electronic money payments and other cutting-edge settlement methods will ensure greater convenience and portability for cardholders.

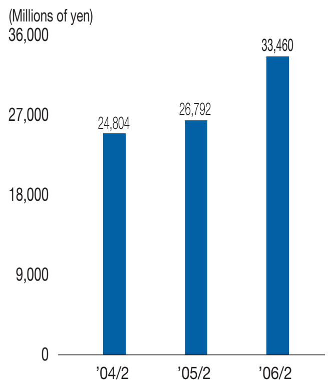
Q **ÆON Credit Service's full-fledged advance into other Asian markets is an important feature of its business, ensuring considerable advantages. Please tell us more about your activities in the region, including plans for expansion.**

A In the year ended February 20, 2006, we enjoyed increased revenue and income in our overseas operations, which generated operating revenues of ¥33,460 million and operating income of ¥7,170 million. In fact, operating income in our overseas operations has grown steadily and now represents 17.8% of consolidated operating income. The number of overseas cardholders has risen steadily too, reaching 2.4 million.

We will continue to gain cardholders in Hong Kong, Thailand, Malaysia and other countries in Asia—a region that is still enjoying rapid economic growth—and spin out credit card-related operations to expand our business further. Our new Indonesian subsidiary is capitalizing on the credit business expertise we have gained in Japan and other Asian countries to launch hire purchase services. Currently, the subsidiary is building a sales base with a view to issuing credit cards.

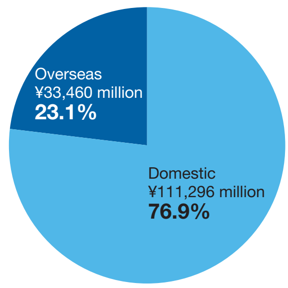
In China, the largest market in Asia, we continue to open sales branches in Shanghai and Guangzhou and have set up a credit guarantee company in Beijing. In addition, we are enhancing credit check, credit management and call center functions in preparation for the launch of credit card operations in this country.

Overseas Operating Revenues



Operating Revenues by Geographic Segment

For the fiscal year ended February 20, 2006

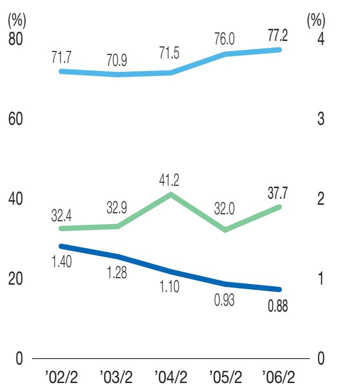


Q **Since listing, ÆON Credit Service has steadily improved its business results, enjoying 12 consecutive years of income and revenue growth. What business risks concern you and how do you intend to minimize them?**

A We procure funds for our operations through indirect financing, in other words, by borrowing from financial institutions. We also use direct financing, which includes issuing bonds and commercial paper as well as securitizing receivables. To minimize interest rate risk, we keep our long-term, fixed-interest financing ratio above 70%. This will alleviate the impact of interest rate fluctuations. However, we may become unable to procure funds at the appropriate time, with the same terms as now, if financial markets or business conditions change, or if the credit standing of the Group deteriorates. In the year ended February 20, 2006, we raised the long-term, fixed-interest financing ratio to 77.2% and the direct financing ratio to 37.7%. Furthermore, the weighted average of our procurement costs is only 0.88%.

Recently, the issue of maximum interest rates charged to consumers has been much discussed by various groups. The outcome of this debate will determine the new limits on such interest rates. We expect that our business will be impacted when we adjust for the difference between the new maximum interest rates and our current ones. Our goal is to boost revenues by expanding our card business and overseas operations. We will also continue to reduce expenses by aggressively promoting low-cost operations. Through efforts such as these, we will do everything possible to limit the effect of any reduction in maximum interest rates.

Fund Procurement (Non-Consolidated)



Long-term, fixed interest financing ratio (left axis)
Direct financing ratio (left axis)
Average fund procurement cost (right axis)

Q **Please tell us your views on returning profits to shareholders.**

A Returning profits to shareholders is a key management strategy of ÆON Credit Service. Our basic policy is to allocate an appropriate amount of retained earnings for this purpose, based on our business performance. At the same time, we seek to bolster our competitive advantages and therefore need to maintain sufficient internal reserves for expanding operations and improving productivity.

In line with this policy, we have ensured steady returns to shareholders by increasing dividends—after factoring in stock splits—for 12 consecutive years since our listing. In the year ending February 20, 2007, we plan to pay cash dividends applicable to the year of ¥35.00, comprising an interim cash dividend of ¥15.00 and a year-end cash dividend of ¥20.00, which will give a payout ratio of 26.2%. Without the 3-for-1 stock split implemented on February 21, 2006, the cash dividend forecast for the full year would be ¥105.00, including an interim cash dividend of ¥45.00 and a year-end cash dividend of ¥60.00. After adjusting for stock splits, this will be the 13th consecutive year of dividend increases.

Since listing, we have implemented eight stock splits. A shareholder owning 1000 shares on February 20, 1995 will have 12,645 shares on February 20, 2007—over 12 times the original number. Furthermore, annual dividends received will have increased by a factor of 30, to ¥442,000, over the same period.

Q **Finally, what is your outlook for the year ending February 20, 2007?**

A In the credit card industry, settlement services for utilities charges and medical fees are becoming more common. Credit cards are increasingly being used for small lot transactions that have traditionally been settled with cash. These include payments of national pension contributions and taxes, as well as transactions at convenience stores and payments for public travel passes. We anticipate further growth in these and other areas.

The Asian countries in which we operate belong to a region enjoying rapid economic expansion. We consider such countries as growth markets that will support the next stage of our development and provide considerable business opportunities.

Given this environment, we will implement key medium-term strategies in line with our basic management policy and medium-term vision. The strategies are, to build the competitive strengths of our credit card business; nurture new businesses that capitalize on the capabilities of our core operations; expand overseas businesses; strengthen our financial and operating base; and, step up efforts to promote corporate social responsibility (CSR). For the year ending February 20, 2007, we are forecasting consolidated total transaction volume of ¥2,480,000 million, up 14% from the previous year, and consolidated operating revenues of ¥162,000 million, a rise of 12%. We also aim to record consolidated operating income of ¥44,500 million, up 11%, and consolidated net income of ¥23,800 million, a rise of 12%.

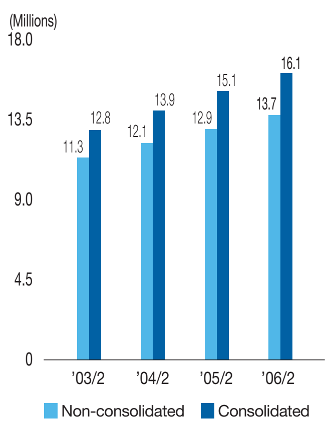
森 美樹

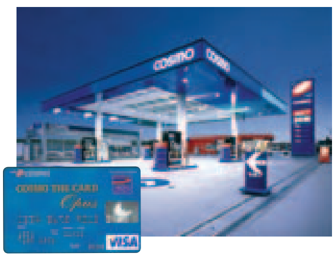
Yoshiki Mori
President and CEO

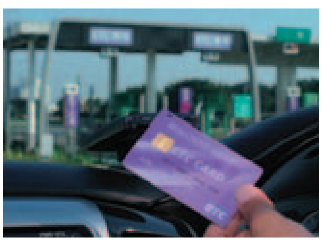
Domestic Activities

Maximum customer satisfaction is our goal. In our efforts to achieve this, we use cardholder feedback to provide attractive financial services through our credit card business and other operations.

Number of Cardholders







Outline of Operations

In our credit card business, which is positioned at the core of our operations, we endeavor to meet diverse cardholder needs. We therefore cooperate with major companies to issue a large range of co-branded cards including AEON Card, Toys "R" Us Card, SATY VIVRE Card and KASUMI Card. As of February 20, 2006, the non-consolidated number of cardholders was 13.7 million, reflecting a full-fledged drive to increase cardholders. During the period under review, efforts to issue new co-branded cards focused on cultivating new customer bases. To this end, we established a tie-up with Cosmo Oil Co., Ltd., launching Cosmo the Card Opus in June 2006. We sought to shorten card-issuing times by installing INFOX terminals and further increasing credit check automation. In addition, we strove hard to raise the number of affiliated merchants that register cardholder details for settlement of monthly bills by credit card. This entailed targeting electric power companies, newspaper publishers and health providers.

As a result of the above, non-consolidated credit card contracts transaction volume totaled ¥1,294,645 million and the number of active cardholders amounted to 7.7 million, up approximately 490,000 from the year before. Once again, both these improvements were well above average for the credit card industry.

Providing Attractive Card Services

During the period under review, we continued to enhance the Tokimeki Point program, whereby cardholders exchange points for gifts or use them for charity donations determined by the value of their card transactions. We also collaborated with affiliated merchants to launch Tokimeki Point Club, a joint campaign offering cardholders bonus points, and enable cardholders to convert Tokimeki points into Internet shopping points. To date, we have issued the AEON Gold Card—the first gold card in Japan without an annual fee—to AEON Card cardholders whose transactions total over one million yen per year, and have introduced free theft insurance for all our cards, including electronic toll collection (ETC) cards. We have recently added a free feature on ETC cards, compensating cardholders for automobile damage due to toll gates. By introducing new services such as these each year, we aim to be the No. 1 choice for even more cardholders.

Developing New Channels for Sign-Ups and Other Cardholder Services

We make every effort to create new channels for signing up cardholders. To this end, we have developed AEON Regi, an integrated online payment system enabling a variety of settlement methods. These include credit card transactions, bank transfers, cash-on-delivery (COD) payments for parcel deliveries and convenience store payments for purchases made at the web sites of affiliated merchants.

We provide other enhanced online services through web sites including AEON CARD NET BRANCH, which allows cardholders to check their billing statements and alter their registered details online; AEON CARD & LOAN MARKET, which issues cards and extends loans without delay; and AEON Hoken Market, which facilitates comparison shopping for cardholders wishing to buy automobile insurance. In addition, we have introduced a system for card sign-ups via mobile phones.

Capitalizing on Marketing-Related IT Infrastructure

We aim to carefully tailor our marketing activities to cardholder needs. For this reason, we utilize large data warehouses that collate, manage and analyze various information, including cardholder details, purchase history and sales campaign participation, as well as sales data from affiliated merchants. We will use this information to provide the most suitable services to each cardholder.

Establishing Strategic Tie-ups with Japan's Leading Brands

Another of our key goals is to raise the number of active new cardholders. We are therefore using strategic tie-ups with Japanese companies that enjoy nationwide brand recognition to offer more diverse credit card settlement services. In the fiscal year ended February 20, 2006, we established comprehensive business tie-ups with East Japan Railway Company to launch AEON Suica Card and also with NTT DoCoMo Inc. to develop a settlement service for users of iD, DoCoMo's electronic payment platform that enables credit card transactions via mobile phones.

Press conference announcing tie-up with East Japan Railway Company

Developing Credit Card-Related Businesses

We are developing various businesses to complement our credit card operations and meet an increasingly broad range of cardholder needs. Examples include insurance agency, servicer, consumer loans, card processing, and delivery businesses.

Overseas Activities

We have extended our business beyond Japan to China, Thailand, Malaysia, Taiwan and Indonesia. We enjoy strong support overseas, having established a reputation as a truly global company that offers services tailored to cardholder lifestyles.

China

AEON Credit Service (Asia) Co., Ltd., AEON Information Service (Shenzhen) Co., Ltd., AEON Credit Guarantee (China) Co., Ltd.

Hong Kong was the location of our first overseas branch. Since listing our local subsidiary on the Hong Kong Stock Exchange in September 1995, we have opened 20 branches, implemented various campaigns with affiliated merchants and developed co-branded cards. As a result, the number of cardholders reached approximately 900,000 as of February 20, 2006.

We have also established a tie-up with China Union Pay Co., Ltd., an operator of a credit-card settlement network in China. As a result of this agreement, in the district of Guangzhou, our cardholders can use their cards at China Union Pay's affiliated merchants. Furthermore, cardholders of our Chinese subsidiary and China Union Pay have access to both automatic teller machine (ATM) networks. The subsidiary is also preparing for the launch of a nationwide credit business and for this reason continues to enhance credit checks, credit management, call center operations and other functions of its outsourcing centers. In addition to these efforts, we established an operational tie-up with Bank of Communications Co., Ltd., in August 2006, through which we provide credit guarantees for personal loans.

Thailand

AEON Thana Sinsap (Thailand) Plc., ACS Capital Corporation, Ltd., ACS Insurance Broker (Thailand) Co., Ltd.

AEON Thana Sinsap (Thailand) Plc. was established in 1992, becoming our second overseas base after Hong Kong. Since then it has steadily expanded the scope of its operations, listing on the Stock Exchange of Thailand in December 2001. As of February 20, 2006, the subsidiary had approximately 1.4 million cardholders, ranking it as one of the top credit card companies in Thailand. This success reflected efforts to issue various co-branded cards and an intensified drive to sign up cardholders.

We also established ACS Insurance Broker (Thailand) Co., Ltd., to tap growing demand for insurance that accompanied the expansion of the Thai economy. The subsidiary began business in May 2005 after acquiring a license to operate as a non-life insurance agency. When selling insurance products, we capitalize on customer analysis techniques and a database that we have developed in our credit business and also utilize credit statement inserts, direct mail and telemarketing.

Malaysia

AEON Credit Service (M) Sdn. Bhd.

AEON Credit Service (M) Sdn. Bhd. was established in 1997 as our third base in Asia—a region enjoying rapid economic growth. We are expanding operations, which center on a hire purchase business, by capitalizing on overseas expertise gained in Hong Kong and Thailand. Since becoming the first foreign non-bank to issue credit cards in Malaysia in November 2005, by February 2006—a period of only four months—we signed up 30,000 cardholders. Such an achievement reflected intensified efforts to attract new cardholders at affiliated merchant stores.

Taiwan

AEON Credit Service (Taiwan) Co., Ltd., AEON Credit Card (Taiwan) Co., Ltd.

AEON Credit Service (Taiwan) continued to expand its hire purchase sales network by opening offices in Kaohsiung in the southern part of Taiwan. The subsidiary also sought to increase transaction volume through various measures, including joint campaigns with large consumer electronics stores. AEON Credit Card, which became the first foreign-affiliated non-bank to acquire a credit card issuing license in May 2002, made concerted efforts to develop new co-branded cards and boost over-the-counter sign-ups at affiliated merchant stores. As a result, the number of cardholders grew to 100,000 as of February 20, 2006.

Indonesia

PT AEON Credit Service Indonesia

After opening a representative office in Jakarta in August 2004, we conducted market surveys prior to launching full-fledged operations in June 2006. The new subsidiary has drawn on our credit business expertise, which we gained in Japan and other Asian countries, to start a hire purchase business targeting consumer electronics and furniture stores. The subsidiary is also building a network of affiliated merchants, creating a customer-oriented organization and taking other measures to develop a firm business base from which to launch credit card operations.

Other Parts of Asia

We have set up a representative office in Hanoi, Vietnam, to conduct research with a view to starting a credit business there.

Owing to our efforts in these countries, overseas activities generated approximately 23% of consolidated operating revenue in the fiscal year ended February 20, 2006. We will remain a financial services company centered on credit card operations and continue to use expertise acquired in each country to expand our Asian network of subsidiaries and branches.

Efforts to Provide Secure and Reliable Services

We aim to provide high levels of security so that cardholders may use their cards without worry. We realize we have an important responsibility to protect personal information carefully and ensure it is managed and used appropriately. In light of this, we make every effort to implement suitable strategies that will improve security and increase convenience for cardholders.

Corporate Governance

We will pursue the goals outlined in our basic management policy and medium-term vision, while further increasing corporate value in a continually changing social environment. To this end, we prioritize rigorous discussion and evaluation of business issues by the decision-making bodies in our organization, such as the Board of Directors. We also aim to ensure objective decisions and strict compliance in every area of our operations. For this reason, we persist with efforts to improve management oversight and internal controls. By doing so, we endeavor to promote objective decision making and strict compliance throughout the Company. To ensure better supervision of Japanese and overseas subsidiaries, we require each company to submit a monthly report to the Board of Directors and hold regular meetings, mainly with the Affiliated Company Management Division.

ÆON Credit Service Code of Conduct 110, an internal hotline

Compliance

To bolster our internal controls system, we have established several offices under the supervision of the CSR Management Division. These include the Quality Control Office, which promotes the development of ISO certified, quality management systems; the Customer Service Development Office, which ensures that our operations are guided by customer feedback; the Legal Office, which is responsible for our compliance system; the Personal Information Protection Office, which implements measures to facilitate secure management of information; and the Internal Audit Office, which conducts internal checks. Through these means, we strive to enhance the quality of products and services, achieve more effective and efficient operations, and maintain even stricter compliance with relevant laws and regulations.

We aim to instill the highest ethical standards in all employees and ensure conduct that complies with all relevant laws and regulations. For this purpose, we have created the ÆON Credit Service Code of Conduct and Compliance Handbook. All employees receive ongoing 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 ÆON Credit Service Code of Conduct 110, an internal hotline. Employees can use this hotline to prevent violations of the law or regulations outlined in the ÆON Credit Service Code of Conduct.

Efforts to Provide Secure and Reliable Services

We have taken steps to enhance our disaster recovery system by minimizing the impact of earthquakes and other natural disasters on our IT infrastructure. For this reason, we opened

administrative centers in Tokyo, Chubu and Osaka, and became the first credit card company in Japan to use two backbone system centers and two authorization centers.

To prevent losses due to unauthorized use of missing or stolen cards, we have installed an unauthorized-access detection system. This system is able to analyze immediately cardholder transaction data from affiliated merchants and identify suspicious transactions with a high risk of unauthorized access. We are also taking other precautions in a full-fledged effort to provide greater security.

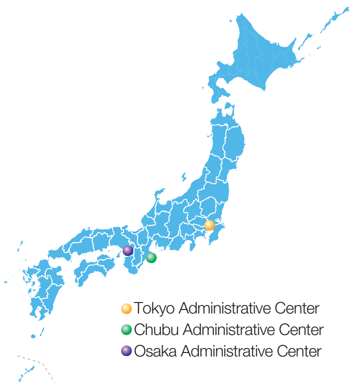
Protection of Personal Information

We are committed to promoting secure management of personal information. For this reason, the Personal Information Management Committee, chaired by the president, meets regularly to propose, evaluate and revise measures for the protection of personal information. In each office, a Personal Information Protection Officer educates and trains each member of staff, helping them to evaluate their own work processes. Through such efforts, we are raising awareness of the need to protect personal information and comply fully with relevant laws.

We control access to rooms, e-mails, photocopies and faxes and make sure documents are locked away safely. Personal information databases are monitored and limits have been placed on e-mail and Internet use. Personal computers (PCs) in our offices are unable to transfer data to external recording devices or media. We keep and analyze comprehensive access logs and have introduced a double log-in system to protect every terminal. In addition, our access control system, in use from August 2005, utilizes integrated-circuit (IC) cards to control access to every room in the Company.

	Personal Information Security Measures
Jan. 2002	Received ISO 9001 quality management certification
May 2002	Established the Personal Information Compliance Program
Jan. 2003	Acquired Privacy Mark System certification
Sept. 2003	Brought online Data Management Center
Mar. 2004	Established the Personal Information Protection Office
July 2004	Acquired ISMS (Information Security Management Systems) certification
July 2004	Acquired TRUSTe® certification for PC web sites
Mar. 2005	Acquired TRUSTe® certification for mobile phone web sites
July 2005	Acquired BS7799 certification
June 2006	Acquired ISO 27001 certification

Disaster Recovery System



Finger vein authentication system

Environmental Protection and Social Contribution Activities

As part of its mission to remain a good corporate citizen, the ÆON Credit Service Group conducts volunteer activities tailored to the needs of each local community while it strives to protect the global environment.

AEON Green Fund card

Environmental Protection

Nature produces resources for our operations and society provides a market for our services. We wish to repay both for their contribution to our success. Taking this approach, we have cooperated with the National Land Afforestation Promotion Organization to issue an affinity card that donates a portion of each transaction to aid tree planting and conservation activities. In addition, we use the Tokimeki Points program to support environmental protection efforts, including conservation of Japan's forests. We also endeavor to use materials that do not emit dioxins or other harmful substances when incinerated. For example, our credit cards are made of glycol-modified polyethylene terephthalate (PETG)—a non-polyvinyl chloride (non-PVC) resin. In addition, we use environment-friendly glassine for the windows of envelopes used to mail credit-card billing statements.

Through recycling activities, we aim to reduce environmental impact. Our employees wear uniforms made of fibers that are produced from polyester raw materials recovered from recycled PET bottles. As part of efforts to maintain ISO-certified environmental management systems, we have set specific numerical goals for reducing paper and energy consumption, including targets for decreasing photocopies. We are committed to promoting the above activities on an ongoing basis. To ensure our commitment, we acquired ISO 14001, an international environmental management certification, for all our offices in Japan, including our head office, in July 2001. In addition, we are involved in tree-planting campaigns in Japan and overseas and we organize cleanup activities by employees in areas near our offices.


Local cleanup by employee volunteers

Japan Braille Library card

Social Contribution Activities

To date, employees at 58 branches throughout Japan have participated in volunteer activities for social welfare facilities. We have also developed an affinity card through which we donate ¥1,000 for every card issued and two yen for every ¥1,000 spent, to the Japan Braille Library for braille and audio books. We also make donations through the Japan Committee for Unicef to victims of the Indian Ocean earthquake and tsunami, Hurricane Katrina and the Pakistan earthquake of 2005. Furthermore, we co-sponsor the 24-hour charity television show titled *Ai Wa Chikyuu o Sukuu*

("Love can save the world") and conduct fund-raising activities at offices and sign-up counters across Japan, as well as via the Internet.

Through AEON 1% Club and AEON Environment Foundation, we engage in various environmental protection activities, including tree-planting in Japan and the rest of Asia and fund-raising for forest regeneration projects in Hokkaido's Shiretoko Peninsula, a world heritage site. In addition, we have sponsored nationwide tours of *Tengu no Kakurezato*—an ecology-themed musical production with participation by local children—ecology tours to Germany, and *Kodomo Kankyo Summit 2005* ("Children's Environmental Summit 2005") at EXPO 2005 in Aichi, Japan. We make every effort to promote these and other activities as part of our contribution to society.

In recognition of such efforts, the UK's FTSE Group* has included ÆON Credit Service in its FTSE4Good Index, an internationally respected index that investors use when searching for highly trustworthy companies with a solid record of corporate social responsibility (CSR).

*The FTSE Group was established in 1995 as a joint venture between the UK newspaper publisher Financial Times Ltd. and the London Stock Exchange Plc. It is a large, internationally recognized organization that develops and manages indices for investors across the world. Its diverse indices are used for various purposes, such as analyzing investments and evaluating business performance.

Kodomo Kankyo Summit 2005
("Children's Environmental Summit 2005")

Corporate Social Responsibility Report

In the fiscal year ended February 20, 2006, we became the first credit card company in Japan to issue a CSR report. We will continue to reexamine our various responsibilities to society and report on our CSR-related activities.

CSR Report 2006

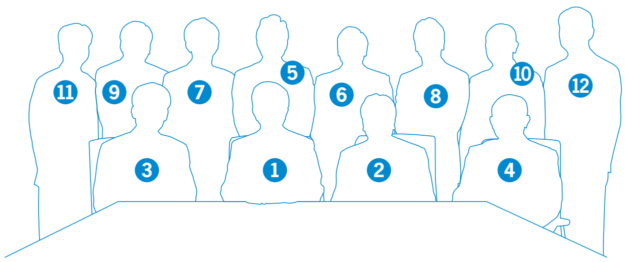
Board of Directors and Auditors

(As of May 16, 2006)

Directors

1	President and CEO	Yoshiki Mori*
2	Senior Managing Director	Kazuhide Kamitani
3	Managing Director	Tatsuya Saito
4	Managing Director	Takashi Kiyonaga
5	Director	Kazuhiko Kawata
6	Director	Masamichi Kamiyama
7	Director	Yasuhiko Kondo
8	Director	Kiyoaki Takano
9	Director	Ken Kasai
10	Director	Yoshitaka Yamada
11	Director	Kouji Hatakeda
12	Director	Mitsugu Tamai

*Representative Director



Auditors

Statutory Auditor
Hisateru Taniuchi

Auditor
Hiroyasu Sugihara

Auditor
Nobuo Hitomi

Auditor
Shuichiro Hara

Statutory auditor Hisateru Taniuchi and auditors Hiroyasu Sugihara, Nobuo Hitomi and Shuichiro Hara are all external auditors, in compliance with the requirements of Item 16, Article 2, of the Corporate Law.

Five-Year Summary

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

	Millions of Yen					Thousands of U.S. Dollars[1]
	2006	2005	2004	2003	2002	**2006**
For the Year:						
Total operating revenues	**¥144,751**	¥122,811	¥109,389	¥101,540	¥85,993	**$1,226,703**
Total operating expenses	**104,520**	87,841	78,886	74,859	62,158	**885,762**
Income before income taxes and minority interests	**38,655**	34,867	30,292	26,065	23,150	**327,585**
Net income	**21,262**	18,684	16,179	13,984	12,213	**180,186**
	Yen					U.S. Dollars[1]
Per Share Data[2]:						
Net assets	**¥2,650.32**	¥2,244.93	¥1,943.09	¥1,856.10	¥1,628.92	**$22.46**
Basic net income	**405.22**	356.10	308.24	294.02	256.77	**$ 3.43**
	Millions of Yen					Thousands of U.S. Dollars[1]
At Year-End:						
Finance receivables—net of allowance for possible credit losses	**¥608,587**	¥492,700	¥407,630	¥389,254	¥348,424	**$5,157,517**
Net property and equipment	**6,374**	5,404	5,455	7,780	7,520	**54,017**
Total assets	**689,357**	562,094	465,720	441,405	393,949	**5,842,008**
Total liabilities	**535,472**	432,747	353,837	343,390	306,062	**4,537,899**
Total shareholders' equity	**138,691**	117,480	101,695	88,281	77,479	**1,175,347**
	Percentage					
Ratios:						
Shareholders' equity ratio	**20.1%**	20.9%	21.8%	20.0%	19.7%	
Return on assets (ROA)	**3.4**	3.6	3.6	3.3	3.4	
Return on equity (ROE)	**16.6**	17.0	17.0	16.9	17.1	

1. 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 ¥118 to U.S.$1, the approximate rate of exchange on February 20, 2006. 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.
2. 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, 2006 and 2005

RESULTS OF OPERATIONS

	Millions of Yen			
	2006	2005	Amount Change	Percentage Change
Operating revenues:				
Credit card contracts	**¥ 31,701**	¥ 25,559	¥ 6,142	24.0%
Hire purchase contracts	**7,635**	6,064	1,571	25.9
Loan contracts	**98,640**	83,967	14,673	17.5
Service fees	**2,375**	2,735	(360)	(13.2)
Other operating revenues	**4,400**	4,486	(86)	(1.9)
Total operating revenues	**¥144,751**	¥122,811	¥21,940	17.9%
Operating expenses:				
Financial costs	**¥ 7,810**	¥ 6,050	¥ 1,760	29.1%
Provision for possible credit losses and write-off of bad debts	**30,103**	26,623	3,480	13.1
Other operating expenses	**66,607**	55,168	11,439	20.7
Total operating expenses	**104,520**	87,841	16,679	19.0
Operating income	**¥ 40,231**	¥ 34,970	¥ 5,261	15.0%

Summary

In the fiscal year ended February 20, 2006, ÆON Credit Service intensified efforts to sign up cardholders and develop co-branded cards. At the same time, we enhanced on-the-spot card issuing services and introduced a system for card applications via mobile phones. Such efforts to provide new channels for cardholder sign-ups helped raise the consolidated number of cardholders to 16.1 million, an increase of one million cardholders.

To ensure greater convenience, we stepped up our drive to cultivate affiliations with health and utility proviers to enable the payment of utilities charges and medical fees. We also continued to reinforce overseas operations, becoming the first non-bank in Malaysia to issue credit cards and, establishing a representative office in Vietnam. In addition, we endeavored to expand the scope of our credit-card related operations, including insurance agency and servicer businesses.

As a result, the ÆON Credit Group's consolidated total transaction volume increased 15.8%, compared with the previous fiscal year, to ¥2,183,060 million, and total operating revenues rose 17.9%, to ¥144,751 million. Operating income climbed 15.0%, to ¥40,231 million. Net income totaled ¥21,262 million, up 13.8% from the fiscal year ended February 20, 2005. These results preserved our unbroken record of revenue and income growth since becoming a listed company in 1994.

Transaction volume

	Millions of Yen			
	2006	2005	Amount Change	Percentage Change
Credit card contracts	**¥1,348,861**	¥1,117,934	¥230,927	20.7%
Hire purchase contracts	**45,024**	53,444	(8,420)	(15.8)
Loan contracts	**609,944**	512,167	97,777	19.1
Service fees	**174,036**	194,052	(20,016)	(10.3)
Other transaction volume	**5,195**	7,312	(2,117)	(29.0)
Total transaction volume	**¥2,183,060**	¥1,884,909	¥298,151	15.8%

Consolidated total transaction volume climbed 15.8%, or ¥298,151 million, reflecting a 20.7%, or ¥230,927 million, rise in credit card contracts transaction volume and a 19.1%, or ¥97,777 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			
	2006	2005	Amount Change	Percentage Change
Installment sales receivables:				
Credit card contracts	**¥172,073**	¥130,635	¥ 41,438	31.7%
Hire purchase contracts	**25,019**	27,373	(2,354)	(8.6)
Subtotal	**197,092**	158,008	39,084	24.7
Operating loans receivables	**439,366**	355,041	84,325	23.8
Allowance for possible credit losses	**(27,871)**	(20,349)	(7,522)	(37.0)
Total finance receivables	**¥608,587**	¥492,700	¥115,887	23.5%

Consolidated total finance receivables increased ¥115,887 million. Significant factors included a 24.7%, or ¥39,084 million, gain in installment sales receivables and a 23.8%, or ¥84,325 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			
	2006	2005	Amount Change	Percentage Change
Credit card contracts	**¥ 31,701**	¥ 25,559	¥ 6,142	24.0%
Hire purchase contracts	**7,635**	6,064	1,571	25.9
Loan contracts	**98,640**	83,967	14,673	17.5
Service fees	**2,375**	2,735	(360)	(13.2)
Other operating revenues	**4,400**	4,486	(86)	(1.9)
Total operating revenues	**¥144,751**	¥122,811	¥21,940	17.9%

The ÆON Credit Group's consolidated total operating revenues grew ¥21,940 million, mainly reflecting a ¥6,142 million, or 24.0%, rise in revenues from credit card contracts and a ¥14,673 million, or 17.5%, 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 aforementioned efforts to attract new cardholders and develop a stronger lineup of carefully tailored services.

Operating expenses

	Millions of Yen			
	2006	2005	Amount Change	Percentage Change
Financial costs	**¥ 7,810**	¥ 6,050	¥ 1,760	29.1%
Provision for possible credit losses and write-off of bad debts	**30,103**	26,623	3,480	13.1
Other operating expenses	**66,607**	55,168	11,439	20.7
Total operating expenses	**¥104,520**	¥87,841	¥16,679	19.0%

Consolidated total operating expenses rose ¥16,679 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 ¥3,806 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 ¥7,286 million, which required us to raise the provision for possible credit losses and write-off of bad debts by ¥3,480 million.

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 ¥3,662 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 ¥2,204 million increase in employee salaries and benefits. Communications and transportation expenses edged up ¥464 million.

CASH FLOWS

Net cash used in operating activities totaled ¥59,643 million. Significant items in this total included increase in notes and accounts receivable of ¥122,857 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 ¥38,655 million, up 10.9%.

Net cash used in investing activities came to ¥7,728 million, owing to investment in new cash dispensers (CDs) and next-generation systems in response to diversifying cardholder needs and expanding transaction volume.

Net cash provided by financing activities amounted to ¥66,961 million. An important item in this total was proceeds from long-term debts of ¥120,594. This item reflected measures to procure funds that entailed the issuance of unsecured bonds and the receipt of long-term loans. We took such measures to ensure a stable supply of financing and to minimize the risk of losses due to interest rate hikes.

As a result, cash and cash equivalents, end of year, totaled ¥16,499 million, down ¥187 million from the previous fiscal year-end.

BUSINESS PERFORMANCE BY GEOGRAPHIC AREA
Total assets and total operating revenues by geographic area

	Millions of Yen			
	2006	2005	Amount Change	Percentage Change
Total assets:				
Domestic	**¥547,445**	¥461,168	¥ 86,277	18.7%
Overseas	**148,121**	105,518	42,603	40.4
Elimination/Corporate	**(6,209)**	(4,592)		
Total assets	**¥689,357**	¥562,094	¥127,263	22.6%
Operating revenues:				
Domestic	**¥111,296**	¥ 96,023	¥15,273	15.9%
Overseas	**33,460**	26,792	6,668	24.9
Elimination/Corporate	**(5)**	(4)		
Total operating revenues	**¥144,751**	¥122,811	¥21,940	17.9%

Japan

In Japan, we strove to increase customer satisfaction through the provision of new services and intensified efforts to develop affiliated merchants. As a result, our network of affiliated merchants grew to approximately 840,000 locations. The number of active cardholders totaled 7.7 million, up roughly 490,000, and non-consolidated credit card contracts transaction volume rose 20.4%, to ¥1,294,645 million. These two increases were once again significantly higher than improvements enjoyed by other credit card companies.

During the fiscal year, we focused on boosting the number of cardholders further by issuing new co-branded cards and expanding on-the-spot card issuing services. We also sought to develop new card application channels. To this end, we strove harder to promote card sign-ups via the Internet and introduced a system for card applications by mobile phone. These factors and measures to reduce card-issuing time boosted the non-consolidated number of cardholders by approximately 800,000 to 13.7 million.

We aim to remain a company that provides maximum customer satisfaction, and will therefore continue to enhance our operations while stepping up efforts to build our brand with the message, “Mainichi AEON CARD” (Every day with AEON CARD).

In addition to the above successes, our three domestic subsidiaries—an insurance agency, a servicer business and a small loans company—recorded steady increases in operating revenues.

Hong Kong

In Hong Kong, we expanded our sales network from 15 to 20 branch offices, issued five new co-branded cards and intensified efforts to attract new cardholders. As a result, the number of cardholders rose to approximately 870,000.

We also cooperated with China Union Pay Co., Ltd., which operates a credit card settlement network in China. Thanks to a tie-up with this company, our cards can now be used at its affiliated merchants and ATMs in Guangzhou.

Owing to the above, operating revenues in Hong Kong totaled HK$880 million (¥12,670 million), up 3.4% from the previous fiscal year.

Shenzhen, China

During the period under review, we remained focused on launching a full-fledged credit business in mainland China. For this reason, we enhanced our outsourcing centers that provide credit checks, debt recovery and call-center services.

Thailand

In Thailand, we endeavored to improve card sign-ups by issuing four new co-branded cards with a cosmetics chain, an automobile supplies chain and other affiliated merchants. As a result, the number of cardholders grew to 1.4 million.

In our non-life insurance agency business, we saw a substantial increase in the number of policies sold, owing to effective sales activities that capitalized on our database of cardholder details. Reflecting the above efforts, operating revenues climbed 30.9%, to B6,453 million (¥17,940 million).

Malaysia

In Malaysia, where our subsidiary became the first non-bank to receive a credit card issuing license, we strove hard to attract new cardholders through affiliated merchants. As a result, we signed up approximately 30,000 cardholders in the first four months after we began issuing cards.

In our hire purchase business, we continued our efforts to develop tie-ups with motorcycle stores and other affiliated merchants. Through such efforts, our affiliated merchant network in Malaysia grew to 5,000 stores. In addition, our sales network expanded to 20 branch offices, owing to the opening of seven new locations.

Reflecting the above, operating income climbed 62.2%, to M$82 million (¥2,451 million).

Taiwan

In our credit card business in Taiwan, we continued to issue new co-branded cards boosting the number of cardholders to 100,000. In our hire purchase business, we endeavored to expand transaction volume by opening a branch office in Kaohsiung in the southern part of Taiwan and by implementing promotional campaigns with large consumer electronics stores.

Other Asian Countries

Having opened a representative office in Jakarta, Indonesia, in August 2004, we opened a representative office in Hanoi, Vietnam, where we began to conduct market surveys.

Consolidated Balance Sheets

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries
February 20, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	**2006**
ASSETS			
Current assets:			
Cash and cash equivalents	**¥ 16,499**	¥ 16,686	**$ 139,822**
Finance receivables—net of allowance for possible credit losses (Note 4)	**608,587**	492,700	**5,157,517**
Deferred tax assets (Note 10)	**10,228**	5,258	**86,678**
Prepaid expenses and other current assets	**23,780**	24,575	**201,525**
Total current assets	**659,094**	539,219	**5,585,542**
Property and equipment:			
Buildings and structures	**1,914**	1,517	**16,220**
Vehicles	**223**	74	**1,890**
Equipment	**19,914**	17,697	**168,763**
Total	**22,051**	19,288	**186,873**
Accumulated depreciation	**(15,677)**	(13,884)	**(132,856)**
Net property and equipment	**6,374**	5,404	**54,017**
Investments and other assets:			
Investment securities (Note 3)	**13,474**	9,312	**114,186**
Investments in associated companies	**39**	29	**331**
Software	**6,061**	4,761	**51,364**
Deferred tax assets (Note 10)	**8**	17	**68**
Guarantee money deposits	**2,894**	2,490	**24,525**
Long-term prepaid expenses and other assets (Note 6)	**1,413**	862	**11,975**
Total investments and other assets	**23,889**	17,471	**202,449**
TOTAL	**¥689,357**	¥562,094	**$5,842,008**

LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable (Note 15)	**¥ 56,338**	¥ 49,844	**$ 477,441**
Short-term borrowings (Note 5)	**28,238**	18,589	**239,305**
Commercial paper (Note 5)	**7,000**		**59,322**
Current portion of long-term debt (Note 5)	**46,383**	54,387	**393,076**
Accrued expenses	**2,934**	2,493	**24,864**
Allowance for the program named "Tokimeki Point"	**1,938**	719	**16,424**
Allowance for loss of interest repayment	**224**		**1,898**
Accrued income taxes	**11,015**	8,831	**93,347**
Other current liabilities	**3,862**	3,172	**32,730**
Total current liabilities	**157,932**	138,035	**1,338,407**
Long-term liabilities:			
Long-term debt (Note 5)	**371,748**	292,807	**3,150,407**
Deferred tax liabilities (Note 10)	**3,290**	1,801	**27,881**
Other liabilities	**2,502**	104	**21,204**
Total long-term liabilities	**377,540**	294,712	**3,199,492**
MINORITY INTERESTS	**15,194**	11,867	**128,762**
COMMITMENTS (Note 13)			
SHAREHOLDERS' EQUITY (Notes 7 and 14)**:**			
Common stock—authorized, 180,000,000 shares; issued, 52,322,336 shares in 2006 and 2005	**15,467**	15,467	**131,076**
Capital surplus	**17,051**	17,049	**144,500**
Retained earnings	**99,975**	82,692	**847,246**
Net unrealized gain on available-for-sale securities	**5,679**	3,414	**48,127**
Foreign currency translation adjustments	**608**	(1,066)	**5,152**
Treasury stock—at cost, 17,642 shares in 2006 and 16,484 shares in 2005	**(89)**	(76)	**(754)**
Total shareholders' equity	**138,691**	117,480	**1,175,347**
TOTAL	**¥689,357**	¥562,094	**$5,842,008**

See notes to consolidated financial statements.

Consolidated Statements of Income

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries
Years Ended February 20, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	**2006**
Operating revenues (Notes 4 and 15)**:**			
Credit card contracts	**¥ 31,701**	¥ 25,559	**$ 268,653**
Hire purchase contracts	**7,635**	6,064	**64,703**
Loan contracts	**98,640**	83,967	**835,932**
Service fees	**2,375**	2,735	**20,127**
Other operating revenues	**4,400**	4,486	**37,288**
Total operating revenues	**144,751**	122,811	**1,226,703**
Operating expenses (Note 15)**:**			
Financial costs	**(7,810)**	(6,050)	**(66,186)**
Provision for possible credit losses and write-off of bad debts	**(30,103)**	(26,623)	**(255,110)**
Other operating expenses (Note 8)	**(66,607)**	(55,168)	**(564,466)**
Total operating expenses	**(104,520)**	(87,841)	**(885,762)**
Operating income	**40,231**	34,970	**340,941**
Non-operating expenses, net (Note 9)	**(1,576)**	(103)	**(13,356)**
Income before income taxes and minority interests	**38,655**	34,867	**327,585**
Income taxes (Note 10)**:**			
Current	**(19,586)**	(15,649)	**(165,983)**
Deferred	**4,929**	1,849	**41,771**
Total income taxes	**(14,657)**	(13,800)	**(124,212)**
Minority interests in net income	**(2,736)**	(2,383)	**(23,187)**
Net income	**¥ 21,262**	¥ 18,684	**$ 180,186**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 14)**:**			
Basic net income	**¥405.22**	¥356.10	**$3.43**
Cash dividends applicable to the year	**90.00**	70.00	**0.76**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries
Years Ended February 20, 2006, 2005 and 2004

	Thousands	Millions of Yen						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Shareholders' Equity
Balance, February 21, 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
Net income				**21,262**				**21,262**
Cash dividends, ¥90 per share				**(3,922)**				**(3,922)**
Bonuses to directors and corporate auditors				**(57)**				**(57)**
Repurchase of treasury stock	**(2)**						**(17)**	**(17)**
Disposal of treasury stock	**1**		**2**				**4**	**6**
Net increase in unrealized gain on available-for-sale securities					**2,265**			**2,265**
Net change in foreign currency translation adjustments						**1,674**		**1,674**
Balance, February 20, 2006	**52,305**	**¥15,467**	**¥17,051**	**¥99,975**	**¥5,679**	**¥ 608**	**¥(89)**	**¥138,691**

	Thousands of U.S. Dollars (Note 1)						
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Foreign Currency Translation Adjustments	Treasury Stock	Total Shareholders' Equity
Balance, February 20, 2005	$131,076	$144,483	$700,780	$28,932	$ (9,034)	$(644)	$ 995,593
Net income			**180,186**				**180,186**
Cash dividends, $0.76 per share			**(33,237)**				**(33,237)**
Bonuses to directors and corporate auditors			**(483)**				**(483)**
Repurchase of treasury stock						**(144)**	**(144)**
Disposal of treasury stock		**17**				**34**	**51**
Net increase in unrealized gain on available-for-sale securities				**19,195**			**19,195**
Net change in foreign currency translation adjustments					**14,186**		**14,186**
Balance, February 20, 2006	**$131,076**	**$144,500**	**$847,246**	**$48,127**	**$ 5,152**	**$(754)**	**$1,175,347**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ÆON Credit Service Co., Ltd. and Consolidated Subsidiaries
Years Ended February 20, 2006 and 2005

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2006	2005	**2006**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 38,655**	¥ 34,867	**$ 327,585**
Adjustment for:			
Income taxes—paid	**(17,503)**	(14,897)	**(148,331)**
Depreciation	**3,949**	3,292	**33,466**
Provision for possible credit losses	**27,668**	20,382	**234,475**
Provision for the program named “Tokimeki Point”	**1,217**	538	**10,314**
Provision for loss of interest repayment	**224**		**1,898**
Loss on disposal of software	**527**	61	**4,466**
Loss due to changes in accounting procedures for foreign subsidiaries	**312**		**2,644**
Gain on sales of investment securities	**(605)**		**(5,125)**
Bonuses to directors and corporate auditors	**(57)**	(55)	**(483)**
Revaluated gain from interest rate swaps	**(72)**	(125)	**(610)**
Changes in assets and liabilities:			
Increase in notes and accounts receivable	**(122,857)**	(105,857)	**(1,041,161)**
Decrease (increase) in other assets	**1,503**	(4,814)	**12,737**
Decrease (increase) in prepaid pension expenses	**81**	(118)	**686**
Increase (decrease) in notes and accounts payable	**7,327**	(5,356)	**62,093**
(Decrease) increase in other current liabilities	**(914)**	3,461	**(7,746)**
Decrease in liability for retirement benefits		(25)	
Other	**902**	(22)	**7,643**
Net cash used in operating activities	**(59,643)**	(68,668)	**(505,449)**
INVESTING ACTIVITIES:			
Decrease in time deposits—net		76	
Purchases of property and equipment	**(3,428)**	(2,119)	**(29,051)**
Proceeds from sale of property and equipment	**27**	4	**229**
Purchases of software	**(3,379)**	(2,975)	**(28,636)**
Purchases of investment securities	**(398)**	(28)	**(3,373)**
Proceeds from sale of investment securities	**609**	1	**5,161**
Other	**(1,159)**	(782)	**(9,822)**
Net cash used in investing activities	**(7,728)**	(5,823)	**(65,492)**
FINANCING ACTIVITIES:			
Payment of short-term bank loans—net	**(1,098)**	(3,222)	**(9,305)**
Increase (decrease) in commercial paper—net	**7,000**	(8,000)	**59,322**
Proceeds from long-term debts	**120,594**	123,833	**1,021,983**
Repayments of long-term debts	**(54,819)**	(33,245)	**(464,568)**
Increase in treasury stock—net	**(10)**	(18)	**(85)**
Dividends paid to the Company’s shareholders	**(3,923)**	(3,400)	**(33,246)**
Dividends paid to minority shareholders	**(857)**	(674)	**(7,263)**
Other	**74**		**628**
Net cash provided by financing activities	**66,961**	75,274	**567,466**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**223**	(16)	**1,890**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(187)**	767	**(1,585)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**16,686**	15,919	**141,407**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 16,499**	¥ 16,686	**$ 139,822**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended February 20, 2006 and 2005

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 ¥118 to U.S.$1, the approximate rate of exchange on February 20, 2006. 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 2005 to conform to the classifications and presentations used in fiscal 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of February 20, 2006 include the accounts of the Company and all of its 12 (11 in 2005) 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 2005) 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. Long-Lived Assets—In August 2002, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASBJ) issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were 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 Company and consolidated domestic subsidiaries adopted the new accounting standard for impairment of fixed assets as of February 21, 2005.

The Company and consolidated domestic subsidiaries reviews its long-lived assets for impairment whenever events or changes in circumstance indicate 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. Consolidated foreign subsidiaries have previously adopted similar impairment accounting standards.

The adoption of the new accounting standard for impairment of fixed assets have no impact on the financial position or results of operations of the Group for the year ended February 20, 2006.

i. Allowance for the Program Named "Tokimeki Point"—The allowance for the program named "Tokimeki Point" is stated in amounts considered to be appropriate based on the companies' past redemption experience.

j. Allowance for Loss of Interest Repayment—The allowance for loss of interest repayment, the amount of interest that exceeds the ceiling rate imposed by the Interest Rate Restriction Law, is stated in amounts considered to be appropriate based on the companies' past repayment experience.

k. 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.

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

m. 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 generally 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 and the customer charge at the start of the contract are recognized principally by the interest method.

n. 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.

o. 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.

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

q. 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.

r. 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.

s. 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.

t. 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.

u. New Accounting Pronouncements

Business combination and business separation

In October 2003, the Business Accounting Council (BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the Accounting Standards Board of Japan (ASBJ) issued "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,
(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and
(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options and Related Guidance." The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. INVESTMENT SECURITIES

Investment securities as of February 20, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Non-current:			
Marketable equity securities	**¥12,211**	¥8,122	**$103,483**
Other equity securities	**1,263**	1,190	**10,703**
Total	**¥13,474**	¥9,312	**$114,186**

The carrying amounts and aggregate fair values of investment securities as of February 20, 2006 and 2005 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
February 20, 2006				
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,685**	**¥9,559**	**¥33**	**¥12,211**
February 20, 2005				
Securities classified as:				
Available-for-sale:				
Equity securities	¥2,355	¥5,807	¥40	¥8,122

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
February 20, 2006				
Securities classified as:				
Available-for-sale:				
Equity securities	**$22,754**	**$81,009**	**$280**	**$103,483**

Available-for-sale securities whose fair value was not readily determinable as of February 20, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Available-for-sale:			
Equity securities	**¥1,263**	¥1,190	**$10,703**
Total	**¥1,263**	¥1,190	**$10,703**

Proceeds from sales of available-for-sale securities for the year ended February 20, 2006 were ¥686 million ($5,813 thousand).

4. FINANCE RECEIVABLES

Finance receivables as of February 20, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Installment sales receivables:			
Credit card contracts	**¥172,073**	¥130,635	**$1,458,246**
Hire purchase contracts	**25,019**	27,373	**212,025**
Subtotal	**¥197,092**	¥158,008	**$1,670,271**
Operating loans receivables	**439,366**	355,041	**3,723,441**
Allowance for possible credit losses	**(27,871)**	(20,349)	**(236,195)**
Total	**¥608,587**	¥492,700	**$5,157,517**

For the years ended February 20, 2006 and 2005, 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, 2006 and 2005 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
The Company	**¥50,000**	¥41,304	**$423,729**
The consolidated subsidiaries	**6,885**	8,131	**58,347**
Total	**¥56,885**	¥49,435	**$482,076**

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, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Finance receivables:			
Installment sales receivables	**¥ 3,098**	¥ 3,625	**$ 26,254**
Operating loans receivables	**12,163**	14,634	**103,077**
Total	**¥15,261**	¥18,259	**$129,331**

Transaction volume and realized operating revenue by type of contract for the years ended February 20, 2006 and 2005 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2006		2005		2006	
	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue
Credit card contracts	**¥1,348,861**	**¥ 31,701**	¥1,117,934	¥ 25,559	**$11,431,025**	**$ 268,653**
Hire purchase contracts	**45,024**	**7,635**	53,444	6,064	**381,559**	**64,703**
Loan contracts	**609,944**	**98,640**	512,167	83,967	**5,169,017**	**835,932**
Service fees	**174,036**	**2,375**	194,052	2,735	**1,474,881**	**20,127**
Other	**5,195**	**4,400**	7,312	4,486	**44,025**	**37,288**
Total	**¥2,183,060**	**¥144,751**	¥1,884,909	¥122,811	**$18,500,507**	**$1,226,703**

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of February 20, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Bank loans, 0.96% to 4.81% (2006) and 1.38% to 3.91% (2005)	**¥28,238**	¥18,589	**$239,305**
Commercial paper at 0.04% (2006)	**7,000**		**59,322**
Total	**¥35,238**	¥18,589	**$298,627**

Long-term debt as of February 20, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Issued by the Company:			
Unsecured 1.97% Japanese yen notes due 2008	**¥ 10,000**	¥ 10,000	**$ 84,747**
Unsecured 1.22% Japanese yen notes due 2009	**15,000**	15,000	**127,120**
Unsecured 1.47% Japanese yen notes due 2010	**15,000**	15,000	**127,120**
Unsecured 0.81% Japanese yen notes due 2011	**10,000**	10,000	**84,747**
Unsecured 1.60% Japanese yen notes due 2012	**10,000**	10,000	**84,747**
Unsecured 1.08% Japanese yen notes due 2013	**20,000**	10,000	**169,492**
Unsecured 1.55% Japanese yen notes due 2013	**10,000**	10,000	**84,747**
Issued by AEON Thana Sinsap (Thailand) Plc.:			
Unsecured 4.05% Thai baht notes due 2006		2,750	
Unsecured 4.45% Thai baht notes due 2009	**1,510**		**12,797**
Unsecured 4.77% Thai baht notes due 2009	**1,570**		**13,305**
Unsecured 4.94% Thai baht notes due 2011	**906**		**7,678**
Loans from banks and other financial institutions, due through 2014 with interest rates ranging from 1.04% to 5.12% (2006) and from 1.02% to 4.95% (2005):			
Unsecured	**315,345**	277,444	**2,672,407**
Loans from the subsidiary of the parent company, due through 2008 with interest rates ranging from 0.43% to 0.77% (2006) and from 0.60% to 0.77% (2005):			
Unsecured	**8,800**	7,000	**74,576**
Total	**418,131**	347,194	**3,543,483**
Less current portion	**(46,383)**	(54,387)	**(393,076)**
Long-term debt, less current portion	**¥371,748**	¥292,807	**$3,150,407**

The annual maturities of long-term debt as of February 20, 2006 were as follows:

Years ending February 20	Millions of Yen	Thousands of U.S. Dollars
2006	¥ 46,383	$ 393,076
2007	93,892	795,695
2008	91,554	775,881
2009	54,053	458,076
2010	50,449	427,534
2011 and thereafter	81,800	693,220
Total	¥418,131	$3,543,482

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 for employees' retirement benefits as of February 20, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Projected benefit obligation	**¥ 900**	¥ 807	**$ 7,627**
Fair value of plan assets	**(570)**	(560)	**(4,831)**
Unrecognized actuarial loss	**(367)**	(365)	**(3,110)**
Net asset	**¥ (37)**	¥(118)	**$ (314)**

The components of net periodic benefit costs for the years ended February 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Service cost	**¥ 62**	¥ 57	**$ 525**
Interest cost	**19**	19	**161**
Expected return on plan assets	**(11)**	(11)	**(93)**
Recognized actuarial loss	**45**	47	**381**
Other	**81**	75	**687**
Total	**¥196**	¥187	**$1,661**
Loss on amendment to pension plans		145	
Total	**¥196**	¥332	**$1,661**

Assumptions used for the years ended February 20, 2006 and 2005 are set forth as follows:

	2006	2005
Discount rate	**2.4%**	2.4%
Expected rate of return on plan assets	**1.95%**	2.29%
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

Through May 1, 2006, 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 ¥81,942 million ($694,424 thousand) as of February 20, 2006, 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.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Code, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of the common stock may be made available for dividends by resolution of the shareholders. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the Accounting Standards Board of Japan (ASBJ) published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

8. OTHER OPERATING EXPENSES

Other operating expenses for the years ended February 20, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Salaries and benefits	**¥15,978**	¥13,774	**$135,407**
Sales promotion expenses	**11,469**	7,807	**97,195**
Other	**39,160**	33,587	**331,864**
Total	**¥66,607**	¥55,168	**$564,466**

9. NON-OPERATING EXPENSES, NET

Non-operating expenses for the years ended February 20, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Loss on the deficit of the provision for "Tokimeki Point" accounting for the past fiscal year	**¥(1,057)**		**$ (8,958)**
Provision for loss of interest repayment	**(224)**		**(1,898)**
Loss on disposal of software	**(527)**	¥ (61)	**(4,466)**
Loss due to changes in accounting procedures for the foreign subsidiaries	**(312)**		**(2,644)**
Gain on sales of investment securities	**605**		**5,125**
Other	**(61)**	(42)	**(515)**
Total	**¥(1,576)**	¥(103)	**$(13,356)**

10. 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 40.4% for the year ended February 20, 2006 and 41.8% for the year ended February 20, 2005.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of February 20, 2006 and 2005, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Deferred tax assets:			
Enterprise tax	**¥ 682**	¥ 730	**$ 5,780**
Allowance for possible credit losses	**3,991**	1,741	**33,822**
Finance receivables	**3,909**	1,949	**33,127**
Allowance for the program named "Tokimeki Point"	**768**		**6,508**
Allowance for loss of interest repayment	**90**		**763**
Accrued income	**623**	398	**5,280**
Payables and accrued expenses	**165**	440	**1,398**
Property and equipment	**401**	318	**3,398**
Property and equipment charged to income	**8**	17	**67**
Software	**168**	72	**1,424**
Investment securities	**57**	71	**483**
Long-term prepaid expenses	**177**	231	**1,500**
Other	**113**	119	**958**
Less valuation allowance	**(47)**	(47)	**(398)**
Total	**¥11,105**	¥6,039	**$94,110**
Deferred tax liabilities:			
Prepaid pension expenses	**¥ 15**	¥ 47	**$ 127**
Reserve for special depreciation	**20**	35	**170**
Lower income tax rates applicable to income in certain foreign countries	**304**	165	**2,576**
Undistributed earnings of consolidated foreign subsidiaries	**162**	108	**1,373**
Unrealized gain on available-for-sale securities	**3,658**	2,210	**31,000**
Total	**¥ 4,159**	¥2,565	**$35,246**
Net deferred tax assets	**¥ 6,946**	¥3,474	**$58,864**

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, 2006 and 2005 is as follows:

	2006	2005
Normal effective statutory tax rate	**40.4%**	41.8%
Expenses not deductible for income tax purposes	**0.3**	(0.1)
Deduction for foreign taxes	**(0.3)**	(0.2)
Per capita portion of inhabitants tax	**0.2**	0.2
Lower income tax rates applicable to income in certain foreign countries	**(3.1)**	(3.0)
Influence of elimination in consolidation	**1.1**	0.8
Reduction of taxes for IT investments	**(1.0)**	
Other—net	**0.3**	0.1
Actual effective tax rate	**37.9%**	39.6%

11. LEASES

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

Total rental expenses for the years ended February 20, 2006 and 2005 were ¥3,770 million ($31,949 thousand) and ¥3,054 million, respectively, including ¥702 million ($5,949 thousand) and ¥466 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, 2006 and 2005 is as follows:

	Millions of Yen			
	2006			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**¥132**	**¥ 2,432**	**¥ 269**	**¥ 2,833**
Accumulated depreciation	**(44)**	**(1,040)**	**(134)**	**(1,218)**
Net leased property	**¥ 88**	**¥ 1,392**	**¥ 135**	**¥ 1,615**

	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

	Thousands of U.S. Dollars			
	2006			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**$1,119**	**$20,610**	**$ 2,280**	**$ 24,009**
Accumulated depreciation	**(373)**	**(8,814)**	**(1,136)**	**(10,323)**
Net leased property	**$ 746**	**$11,796**	**$ 1,144**	**$ 13,686**

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Due within one year	**¥ 686**	¥ 631	**$ 5,814**
Due after one year	**953**	1,469	**8,076**
Total	**¥1,639**	¥2,100	**$13,890**

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Depreciation expense	**¥671**	¥446	**$5,686**
Interest expense	**31**	26	**263**
Total	**¥702**	¥472	**$5,949**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancelable operating leases as of February 20, 2006 were as follows:

	Millions of Yen
Due within one year	¥ 907
Due after one year	1,063
Total	¥1,970

12. DERIVATIVES

The Group enters into foreign exchange forward contracts and currency swap contracts to hedge foreign exchange risk associated with certain liabilities denominated in foreign currencies. The Group also has purchased interest rate swaps and interest rate caps to limit the unfavorable impact from increases in interest rates on floating-rate long-term debt. The interest rate swaps and caps effectively limit the Group's interest expense on specified amounts of floating-rate long-term borrowings to a maximum rate. The Group does not hold or issue derivatives for trading or speculative purposes.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest or foreign exchange rates. Since the Group's derivatives are related to qualified hedges of the unfavorable impact from increases in interest rates on floating-rate long-term debt and fluctuations of foreign exchange associated with certain liabilities, market risk in these derivatives is basically offset by opposite movements in the value of hedged assets or liabilities. Credit risk is the possibility that a loss may result from the counterparty's failure to perform according to the terms and conditions of the contract. Because the counterparties to those derivatives are limited to major international financial institutions, the Company does not anticipate any losses arising from credit risk.

The basic policies for the use of derivatives are approved by the Board of Directors and the execution and control of derivatives are controlled by the Finance Department. Each derivative transaction is periodically reported to the management, where evaluation and analysis of derivatives are made.

The contract or notional amounts of derivatives that are shown in the following table do not represent the amounts exchanged by the parties and do not measure the Company's exposure to credit or market risk.

The Group had the following derivatives contracts outstanding as of February 20, 2006 and 2005:

	Millions of Yen					
	2006			2005		
	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Interest rate swaps:						
(fixed rate payment, floating rate receipt)	**¥152**	**¥(7)**	**¥(7)**	¥1,625	¥(110)	¥(110)

	Thousands of U.S. Dollars		
	2006		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Interest rate swaps:			
(fixed rate payment, floating rate receipt)	**$1,288**	**$(59)**	**$(59)**

Foreign currency forward contracts which qualify for hedge accounting for the years ended February 20, 2006 and 2005 are excluded from the disclosure of market value information.

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

13. LOAN COMMITMENTS

The Group provides cashing and card loan services that supplement its credit card operations. The nonexercised portion of loan commitments in these businesses was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Total loan limits	**¥4,271,060**	¥3,679,240	**$36,195,424**
Loan executions	**388,743**	328,676	**3,294,432**
The nonexercised portion of loan commitments	**¥3,882,317**	¥3,350,564	**$32,900,992**

Most of the contracts for the above loan commitments were for cashing services supplementary to credit card services furnished to the Company's cardholders, such that not all unexecuted loans will be exercised.

14. NET INCOME PER SHARE

Basic and diluted net income per share ("EPS") for the years ended February 20, 2006 and 2005 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, 2006:				
Basic EPS				
Net income	**¥21,262**			
Bonuses to directors and corporate auditors	**67**			
Net income available to common shareholders	**¥21,195**	**52,305**	**¥405.22**	**$3.43**
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	

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

15. RELATED PARTY TRANSACTIONS

Transactions with the parent company and its subsidiaries for the years ended February 20, 2006 and 2005 were as follows:
ÆON Co., Ltd. (the parent company)

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Credit card contracts	**¥7,048**	¥6,793	**$59,729**
Hire purchase contracts	**1**	2	**8**
Other operating revenues	**119**	127	**1,008**
Other operating expenses	**798**	339	**6,763**
Fixed leasehold deposits to lessors	**24**	39	**203**

The balances due to or from the parent company and its subsidiary as of February 20, 2006 and 2005 were as follows:
ÆON Co., Ltd. (the parent company)

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Accounts payable	**¥5,482**	¥5,594	**$46,458**

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

16. 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, 2006 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 2006.

Information on geographic segments and operating revenues to foreign customers of the Company and its subsidiaries for the years ended February 20, 2006 and 2005 is as follows:

(1) Geographic segments

The geographic segments of the Company and its subsidiaries for the years ended February 20, 2006 and 2005 are summarized as follows:

	Millions of Yen				
	2006				
	Domestic	Overseas	Total	Eliminations/ Corporate	Consolidated
Operating revenues to customers	**¥111,294**	**¥ 33,457**	**¥144,751**		**¥144,751**
Interarea transfer	**2**	**3**	**5**	**¥ (5)**	
Total operating revenues	**111,296**	**33,460**	**144,756**	**(5)**	**144,751**
Operating expenses	**78,235**	**26,290**	**104,525**	**(5)**	**104,520**
Operating income	**¥ 33,061**	**¥ 7,170**	**¥ 40,231**		**¥ 40,231**
Total assets	**¥547,445**	**¥148,121**	**¥695,566**	**¥(6,209)**	**¥689,357**

	Thousands of U.S. Dollars				
	2006				
	Domestic	Overseas	Total	Eliminations/ Corporate	Consolidated
Operating revenues to customers	**$ 943,169**	**$ 283,534**	**$1,226,703**		**$1,226,703**
Interarea transfer	**17**	**25**	**42**	**$ (42)**	
Total operating revenues	**943,186**	**283,559**	**1,226,745**	**(42)**	**1,226,703**
Operating expenses	**663,008**	**222,796**	**885,804**	**(42)**	**885,762**
Operating income	**$ 280,178**	**$ 60,763**	**$ 340,941**		**$ 340,941**
Total assets	**$4,639,364**	**$1,255,263**	**$5,894,627**	**$(52,619)**	**$5,842,008**

	Millions of Yen				
	2005				
	Domestic	Overseas	Total	Eliminations/ Corporate	Consolidated
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

(2) Operating revenues to foreign customers

Operating revenues to foreign customers for the years ended February 20, 2006 and 2005 amounted to ¥33,457 million ($283,531 thousand) and ¥26,788 million, respectively.

17. SUBSEQUENT EVENTS

a. Stock Split

On January 12, 2006, the Company decided to make a stock split by way of a free share distribution at the rate of three shares for each outstanding share as of February 20, 2006, effective February 21, 2006.

b. Appropriations of Retained Earnings

The following appropriations of retained earnings as of February 20, 2006 were approved at the Company's shareholders' meeting held on May 16, 2006:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥55.00 ($0.47) per share	¥3,923	$33,245
Bonuses to directors and corporate auditors	57	483

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the 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, 2006 and 2005, 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 ÆON Credit Service Co., Ltd. and subsidiaries as of February 20, 2006 and 2005, 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.

As discussed in Note 2.h to the consolidated financial statements, the Company adopted the new accounting standard for impairment of fixed assets.

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 16, 2006

Network (As of February 20, 2006)

■ 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

Shanghai Representative Office
Hanoi Representative Office

■ 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 Credit Card (Taiwan) Co., Ltd.
AEON Information Service (Shenzhen) Co., Ltd.
ACS Capital Corporation Ltd.
ACS Insurance Broker (Thailand) Co., Ltd.
Eternal 3 Special Purpose Vehicle Co., Ltd.

■ ÆON World Desk

Sapporo
Sendai
Akita
Chiba
Shinagawa
Niigata
Nagoya
Osaka
Kyoto
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

Major Group Companies (As of February 20, 2006)

■ General Merchandise Stores (GMS)
ÆON Co., Ltd.
Posful Corporation
AEON Stores (Hong Kong) Co., Limited
AEON Co. (M) Bhd.
ÆON Kyushu Co., Ltd.
ÆON SUPERCENTER Co., Ltd.
ÆON 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 AEON Friendship Co., Ltd.
Taiwan AEON Stores Co., Ltd.

■ Supermarkets
Kasumi Co., Ltd.
Maxvalu Chubu Co., Ltd.
Maxvalu Nishinihon 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 Holdings, Inc.
WELCIA KANTO Co., Ltd.
KUSURI NO AOKI Co., Ltd.
Kraft Inc.
Drug Terashima Co., Ltd.
Medical Ikkou Co., Ltd.
Welpark Co., Ltd.
Takiya Co., Ltd.

■ Home Centers
Homac Corp.
SANDAY 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.
Taka-Q Co., Ltd.
YaMaYa CORPORATION
TSURUYA SHOE STORE Co., Ltd.
Cox Co., Ltd.
Blue Grass Co., Ltd.
Abilities JUSCO Co., Ltd.
ÆON Forest Co., Ltd.
Claire's Nippon Co., Ltd.
Talbots Japan Co., Ltd.
Nustep Co., Ltd.
Book Bahn Co., Ltd.
Petcity Co., Ltd.
MYCAL CANTEVOLE Co., Ltd.
Mega Sports Co., Ltd.
Mega Petro Co., Ltd.
Laura Ashley Japan Co., Ltd.

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

■ Financial Services
ÆON 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 Card (Taiwan) Co., Ltd.
AEON Credit Service (M) Sdn. Bhd.
AEON Credit Service (Taiwan) Co., Ltd.
AEON Information Service (Shenzhen) Co., Ltd.

■ Services
Japan Maintenance Co., Ltd.
ÆON Fantasy Co., Ltd.
Zwei Co., Ltd.
Certo Corporation
ÆON Cinemas Co., Ltd.
Jusvel Co., Ltd.
Quality Control Center Co., Ltd.
Reform Studio Co., Ltd.
MYCAL CREATE Co., Ltd.

■ Food Services
ORIGIN TOSHU Co., Ltd.
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
ÆON Visty Co., Ltd.

Listed companies are shown in bold.

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

Corporate Data (As of February 20, 2006)

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

Following approval by the Board of Directors' meeting on January 12, 2006, a 3-for-1 stock split of common shares was implemented on February 21 for shareholders with shares at the end of the day on February 20, 2006. As a result, on February 21, 2006, common stock, issued, increased by 104,644,672 shares, to 156,967,008 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
3,652 (Consolidated); 801 (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.
Eternal 3 Special Purpose Vehicle Co., Ltd.

Planting Seeds of Growth

We are ÆON

ÆON CREDIT SERVICE CO., LTD.

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