Annual Report 2010

ÆON CREDIT SERVICE CO., LTD.

ÆON CREDIT SERVICE CO., LTD.

Supporting cardmembers' 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 cardmembers 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 cardmembers' 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 cardmembers' needs. We also seek to earn cardmember trust by striving hard to raise standards of corporate behavior in the financial services industry, adhering to a strict code of corporate ethics and engaging in activities that conserve the environment and contribute to society.

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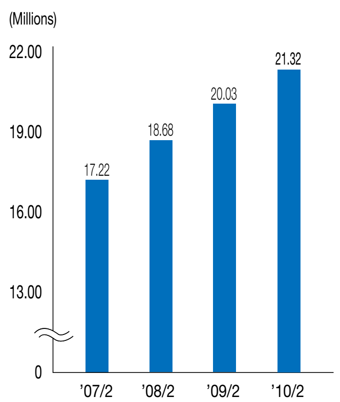
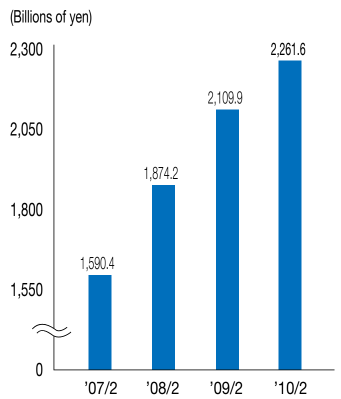
Forward-Looking Statements
Statements contained in this report with respect to the ÆON CREDIT SERVICE Group's plans, strategies and beliefs that are not historical facts are forward-looking statements about the future performance of the ÆON CREDIT SERVICE Group, which are based on management's assumptions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

To Our Stakeholders

Number of Cardmembers



Credit Card Purchase Volume



Fiscal 2009 Performance

In fiscal 2009, the Company expanded the cardmember base through alliances with business partners and use of the Internet, while strengthening the promotion of AEON CARD SELECT, which combines credit-card, ATM-card and e-money functions in one card. Our efforts were rewarded with substantial growth, an increase of 1.29 million cardmembers from the previous term, to 21.32 million, on a consolidated basis.

In our domestic credit card business, we have enhanced marketing efforts to increase cardmemberships and expanded our new businesses, including electronic money (e-money), bank agency and credit guarantee businesses, as an effort to convert our business structure via these new revenue sources.

In overseas operations, we have successfully expanded into new regions: we achieved a monthly profit at our local subsidiary in Indonesia, set up local representative offices in India (Mumbai) and Cambodia (Phnom Penh).

As a result of these efforts, non-consolidated operating revenue began to increase in the third quarter, and the transformation of our business structure proceeded smoothly. Although credit card purchase transaction volume recovered rapidly in the fourth quarter, the impact of both the appreciation of Japanese yen and the drop in demand for financing led to resulted in a 3.9% increase in total transaction volume year on year, to ¥2,993,335 million and total operating revenue fell 2.0% year on year, to ¥172,430 million, and operating income fell 22.7%, to ¥20,560 million. Furthermore, as a result of an non-operating loss of ¥16,053 million, for allowances, net income declined 98.7% to ¥198 million.

Fiscal 2010 Plans

The business environment is expected to continue to be harsh in the non-bank finance sector, due to factors such as the newly enforced Money Lending Business Control and Regulation Law and revision of the Installment Sales Act. Meanwhile, the Company sees bright outlook in the cashless-payment market, and expects its growth as settlement methods diversify from cash-payment to cashless-payment, such as credit card and e-money. Therefore, we remain fully committed to the credit card business and will develop services which are fine-tuned to local demands, making the most of customers' sense of familiarity with retail businesses.

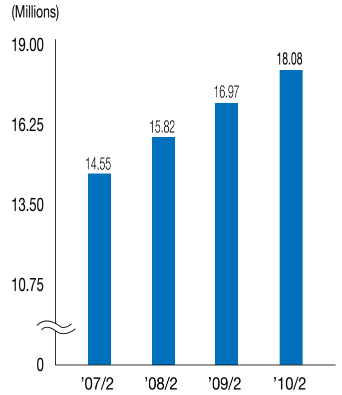
In an effort to realign our business structure, as a priority task, we will fortify our settlement businesses such as credit card and e-money businesses, expand our fee businesses including bank agency, credit guarantee and Internet businesses and work to expand our overseas business by promoting credit-related businesses in overseas operations while working to turn the businsses to profit in Indonesia and Vietnam.

As a response to the increasing cocern of corporate social responsibility from consumers and the public, we remain actively engaged in environmental protection and social contribution, which includes measures to reduce carbon dioxide emissions, and through enhanced corporate governance. Such efforts will help promoting the image and value of the Company.

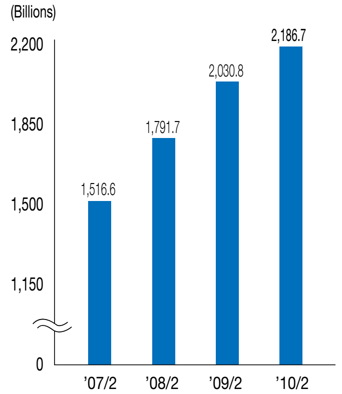
Domestic Operations

To achieve customer satisfaction, we always respond swiftly to customer needs. We strive to offer even more attractive financial services to cardmembers in our credit card business and other operations.

Number of Cardmembers (Domestic)



Credit Card Purchase Volume (Domestic)



Expanding the Cardmember Base

To respond to the diverse needs of our customers, we began to issue AEON CARD SELECT, which combines credit-card, ATM-card and e-money benefits and functions in one card. As a result, the Company posted a non-consolidated net increase of 1,110,000 cardmembers from the previous year, bringing the total number of cardmembers to 18.08 million.

Improving Credit Card Usage Ratio

In addition to sales campaigns with business partners, the Company encouraged more affiliated merchants from public utilities secrtors and medical institutions. The company also issued AEON GOLD CARD, with the annual fee waived for premium customers whose annual card usage exceeds ¥1 million. Through these efforts, the Company has recorded a net increase of approximately 920,000 active cardmembers year on year, for a total of 11.15 million, meanwhile the domestic volume of credit card purchase transactions increased 7.7% year on year, to ¥2,186,723 million.

Boosting Profitability

In response to the enforcement of the new Money Lending Business Control and Regulation Law the Company has lowered the ceiling of the effective annual interest rate on cash lending services to 18.0%. To cover the resulting drop in income, the Company has focused on improving the income from credit card purchase by promoting revolving payments through joint programs with business partners. The balance of revolving payments on credit card purchase was ¥116,378 million, a 13.6% increase over fiscal 2009.

Expanding New Sources of Revenue

To archive new sources of revenue the Company entered the e-money business in April 2007. The e-money card WAON has become more convenient for customers to use, as the number of merchants accepting WAON has grown to approximately 56,000 nationwide. The cumulative number of cards issued expanded to 13.4 million as of the end of February 2010. Furthermore, in addition to AEON Group companies, the Company has expanded the card acquiring businesses outside the Group. We also managed to be the first company in the industry to obtain bank agency license, and started recruitment of new customers for AEON Bank savings accounts, which started in October 2007.

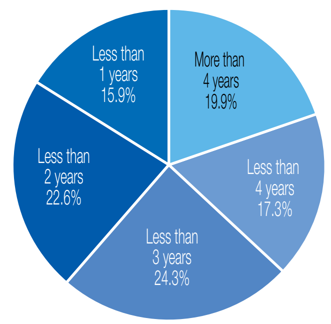
Reinforcing Our Financial Position

To hedge against the risk of higher interest rates in the future, the Company has worked to procure long-term fixed funding on a continuous basis, and the composition of long-term fixed-rate borrowings rose 10.3 points to 78.0%. Despite the stagnant economy and the extremely harsh business environment, the Company's expanding business and strong financial position have been highly appraised by credit rating companies. The Company has obtained an A+ rating from Japan Credit Rating Agency Ltd., and an A rating from Rating & Investment Information Inc.

E-money WAON

AEON Insurance service counter

Long-Term Debt Duration
As of February 20, 2010



Overseas Operations

Our business has been extended to China, Thailand, Malaysia, Taiwan, Indonesia and Vietnam. We have earned a solid reputation overseas as a company that takes a global perspective with the services offered, taking care to tailor them to cardmembers' lifestyles.

Hong Kong

China

Hong Kong-based AEON CREDIT SERVI CE (ASIA) CO., LTD., the Company's first overseas subsidiary, was established in 1987 and listed on the Hong Kong Stock Exchange in 1995. The subsidiary maintains a 16-branch network and actively develops co-branded cards, pursues promotional activities with alliance partners, and boosted a local cardmember base of 1.04 million, as of February 2010. In addition to working with affiliated merchants to promote card usage, in addition to direct sales, the company has built an insurance website for the isurance agency business as an effort to increase the number of insurance policies. As a result, Company secured operating revenues of HK$1,244 million, decreased by 0.8% from the previous year.

In China the company has extended its loan collection service to mainly local banks, in the meantime it has launched the insurance agency business.

China

Thailand

AEON THANA SINSAP (THAILAND) PLC. was established in 1992 and progressively expanded its business activities as the second overseas subsidiary after Hong Kong, listing on the Stock Exchange of Thailand since 2001. AEON THANA SINSAP has expanded to an 80-branch network, and its ongoing emphasis is to reinforce its cardmember base, primarily by issuing more co-branded cards with airline companies and mobile phone service providers, as well as by issuing the AEON GOLD CARD to cardmembers with particularly good credit histories, bringing the total number of card members to 1.84 million as of February 2010. Operating revenues of alliance partners totaled THB10,323 million, decreased by 2.2% from the previous year.

In new business areas, the subsidiary is expanding its credit-related business activities. In addition to its non-life insurance agency business, which utilizes the branch network and cardmember base of the credit card business, the subsidiary is implementing a full scale development of the life insurance agency business that will also benefit from the rapidly growing insurance needs in Thailand. The expansion of the collection service business to companies outside the Group, and the leasing business, which focuses on corporate automobile leasing, will also continue to contribute to the Group's credit-related business. Furthermore, to cope with the business expansion and business contingency, four administration centers were established in the country.

Thailand

Malaysia

AEON CREDIT SERVI CE (M) BERHAD, the Company's third overseas subsidiary, was established in 1997 and listed on the Bursa Malaysia in 2007. The subsidiary has steadily expanded its operations, primarily by boosting its cardmember base through alliances with local companies and by installing the first non-bank-operated automated teller machines (ATM) in the country. As a result of issuing cards which combined the rewards point program offered by alliance partners and improving cardmember benefits, the cardmember base totaled 110,000 as of February 2010, and operating revenues increased significantly to MYR259 million, increased by 14.0% year on year.

To enhance customer service and cost effectiveness, four administration centers have been established. Furthermore, the subsidiary has continued to expand its cardmember base by issuing AEON GOLD CARD to its prime customers and has introduced Touch'n Go Card, a co-branded card issued in association with transportation campanies that can be used to pay for highway tolls and train and bus fares.

Malaysia

Taiwan

In the hire purchase business, AEON CREDIT SERVICE (TAIWAN) CO., LTD., has steadily expanded its business to motorcycles, in addition to electric home appliances and furniture.

The subsidiary acquired a local credit card issuing license in 2002, making it the first Japanese non-bank to do so. As a result of the expansion of the cardmember base through the issuance of new co-branded cards, including a co-branded card with a major local retail group, the total number of cardmembers as of February 2009 was approximately 120,000. To enhance the features of the credit cards, the subsidiary has initiated card settlement service for public utility bills. As a result, the transaction volume has grown steadily.

Taiwan

Indonesia

PT. AEON CREDIT SERVICE INDONESIA was established in 2006. By using expertise accumulated in the consumer finance industry in Japan and other Asian countries, the subsidiary is providing a hire-purchase service for electrical appliances and furniture in the country.

Through energetic marketing activities, the subsidiary has built a network of 1,600 affiliated merchants. Seeking to complement this network with a solid client base to support the future promotion of credit card operations, the subsidiary has issued membership cards.

Indonesia

Vietnam

ACS Trading Vietnam Co., Ltd., was established in Ho Chi Minh City in June 2008. The subsidiary is the first Japanese company in Vietnam to provide installment payment plans and is working to expand its business.

Five-Year Summary

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

	Millions of Yen					Thousands of U.S. Dollars[1]
	2010	2009	2008	2007	2006	**2010**
For the Year:						
Total operating revenues	**¥172,430**	¥176,007	¥181,076	¥173,482	¥144,751	**$1,877,301**
Total operating expenses	**151,870**	149,396	148,213	132,526	104,520	**1,653,456**
Income before income taxes and minority interests	**4,698**	30,365	34,327	38,265	38,655	**51,152**
Net income	**198**	14,789	17,653	20,592	21,262	**2,154**
	Yen					U.S. Dollars[1]
Per Share Data[2]:						
Net assets	**¥994.42**	¥1,036.35	¥1,040.97	¥991.07	¥883.44	**$10.83**
Basic net income	**1.26**	94.29	112.52	131.23	135.07	**0.01**
Diluted net income[4]	**1.26**	94.28				**0.01**
	Millions of Yen					Thousands of U.S. Dollars[1]
At Year-End:						
Finance receivables—net of allowance for possible credit losses	**¥671,493**	¥678,148	¥743,160	¥721,551	¥602,873	**$7,310,758**
Net property and equipment	**9,929**	9,470	9,843	8,037	6,374	**108,102**
Total assets	**866,365**	854,194	862,061	834,254	689,357	**9,432,390**
Total liabilities	**689,647**	672,293	678,724	661,643	535,472	**7,508,407**
Equity[3]	**176,718**	181,901	183,337	172,611	138,691	**1,923,983**
	Percentage					
Ratios:						
Equity ratio	**18.0%**	19.0%	18.9%	18.6%	20.1%	
Return on assets (ROA)	**0.0**	1.7	2.1	2.7	3.4	
Return on equity (ROE)	**0.1**	9.1	11.1	14.0	16.6	

1. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥91.85 to U.S.$1, the approximate rate of exchange on February 20, 2010. 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 February 21, 2006, the Company made a stock split by way of a free share distribution at the rate of three shares for each outstanding share. Each figure included in Per Share Data was retroactively adjusted for the stock split.
3. According to a new accounting standard for presentation of equity, which is effective for fiscal years ending on or after May 1, 2006, stock acquisition rights, minority interests and any deferred gain or loss on derivatives under hedge accounting are now presented as components of equity. Accordingly, the amount of equity as of February 20, 2006 is not directly comparable to shareholders' equity of following years, stated above.
4. Diluted EPS for the years ended February 20, 2008, 2007 and 2006 are not disclosed as there is no potential dilution existing.

Financial Review

ÆON Credit Service Co., Ltd. and Subsidiaries
Years Ended February 20, 2010 and 2009

RESULTS OF OPERATIONS

	Millions of Yen			
	2010	2009	Amount Change	Percentage Change
Operating revenues:				
Credit card purchase contracts	**¥ 55,966**	¥ 52,697	¥ 3,269	6.2%
Hire purchase contracts	**8,051**	9,304	(1,253)	(13.5)
Loan contracts	**80,598**	96,041	(15,443)	(16.1)
Processing service fees	**13,013**	6,150	6,863	111.6
Other operating revenues	**14,802**	11,815	2,987	25.3
Total operating revenues	**¥172,430**	¥176,007	¥ (3,577)	(2.0)%
Operating expenses:				
Financial costs	**¥ 14,499**	¥ 15,035	¥ (536)	(3.6)%
Provision for possible credit losses and write-off of bad debts	**36,388**	32,767	3,621	11.1
Other operating expenses	**100,983**	101,594	(611)	(0.6)
Total operating expenses	**151,870**	149,396	2,474	1.7
Operating income	**¥ 20,560**	¥ 26,611	¥ (6,051)	(22.7)%

Fiscal Summary

In the fiscal year under review, the operating environment was particularly challenging due to a prolonged downturn in consumer spending caused by the deteriorating employment situation and reductions in payrolls, while the credit industry was affected by factors such as claims for repayment of interest and responses to the revision of the Money Lending Business Control and Regulation Law and the Installment Sales Act. Faced with these economic conditions, AEON Credit Service Co., Ltd. (the "Company") has been actively engaged in the enhancement of competitiveness in the credit card business, the establishment of new revenue sources and the expansion of overseas business in order to accelerate the transformation of the Company's business structure.

As a result of efforts to attract new cardmembers inside and outside Japan, our cardmember base increased by 1.29 million to 21.32 million on a consolidated basis. To establish new sources of revenue, the Company worked on the expansion of its e-money business resulting from the development of its WAON member stores, the enhancement of bank agency services including the promotion of "AEON CARD SELECT," which is a bank card with credit card and e-money functions embedded, and increased handling of home mortgage loans.

In its overseas business, centering on listed companies in Hong Kong, Thailand and Malaysia, the overseas subsidiaries built up their primary credit card business and their credit-peripheral business, which includes insurance agency services and servicer operations. We also successfully expanded business in new regions, such as turning profitable on a monthly basis in an Indonesian subsidiary.

Through such efforts, new sources of revenue such as e-money business and bank agency services have grown, and by strengthening our sales plans with member stores inside and outside Japan, we are seeing a rapid recovery in credit card purchase sales during the fourth quarter and steadily transforming our business structure.

However, total operating revenues fell 2.0% to ¥172,430 million, and operating income fell 22.7% to ¥20,560 million due to the tightening of credit standards, the increased expenses required for doubtful accounts in preparation for the implementation of the restriction on the total amount of individual debt by the revised Money Lending Business Control and Regulation Law and continued investment in new business.

Furthermore, as a result of recording non-operating expenses of ¥15,862 million, consolidated net income declined 98.7% to ¥198 million.

Transaction volume

	Millions of Yen			
	2010	2009	Amount Change	Percentage Change
Credit card purchase contracts	**¥2,261,616**	¥2,109,905	¥151,711	7.2%
Hire purchase contracts	**44,119**	49,051	(4,932)	(10.1)
Loan contracts	**586,125**	655,488	(69,363)	(10.6)
Processing services	**66,831**	31,732	35,099	110.6
Other transaction volume	**34,644**	33,674	970	2.9
Total transaction volume	**¥2,993,335**	¥2,879,850	¥113,485	3.9%

"Processing services," which used to include the volume of e-money settlement service related to the cards issued by both the Company and other companies, includes only the volume of e-money settlement service related to the Company's card.

Finance receivables

	Millions of Yen			
	2010	2009	Amount Change	Percentage Change
Installment sales receivables:				
Credit card purchase contracts	**¥262,812**	¥211,117	¥ 51,695	24.5%
Hire purchase contracts	**37,971**	34,261	3,710	10.8
Subtotal	**300,783**	245,378	55,405	22.6
Operating loan receivables	**423,324**	483,528	(60,204)	(12.5)
Allowance for possible credit losses	**(52,614)**	(50,758)	(1,856)	3.7
Total finance receivables	**¥671,493**	¥678,148	¥ (6,655)	(1.0)%

Installment sales receivables increased by ¥55,405 million, due to the increase in the transaction volume of credit card purchase and the redemption of securitized credit card receivables.

Operating loan receivables declined by ¥60,204 million, due to a decline in cash advance service and the securitization of cash advance receivables.

Operating revenues

	Millions of Yen			
	2010	2009	Amount Change	Percentage Change
Credit card purchase contracts	**¥ 55,966**	¥ 52,697	¥ 3,269	6.2%
Hire purchase contracts	**8,051**	9,304	(1,253)	(13.5)
Loan contracts	**80,598**	96,041	(15,443)	(16.1)
Processing service fees	**13,013**	6,150	6,863	111.6
Other operating revenues	**14,802**	11,815	2,987	25.3
Total operating revenues	**¥172,430**	¥176,007	¥ (3,577)	(2.0)%

Total operating revenues decreased ¥3,577 million compared with the previous fiscal year, resulting from a 6.2%, or ¥3,269 million, increase in credit card purchase contracts, a 111.6%, or ¥6,863 million increase in processing service fees, and a 16.1%, or ¥15,443 million decrease in loan contracts.

The main reason for the increase in credit card purchase contracts and processing service fees was a steady increase in credit card purchase and e-money transaction volume. The principal cause of the decrease in loan contracts was a decline in cash advance service.

Operating expenses

	Millions of Yen			
	2010	2009	Amount Change	Percentage Change
Financial costs	**¥ 14,499**	¥ 15,035	¥ (536)	(3.6)%
Provision for possible credit losses and write-off of bad debts	**36,388**	32,767	3,621	11.1
Other operating expenses	**100,983**	101,594	(611)	(0.6)
Total operating expenses	**¥151,870**	¥149,396	¥2,474	1.7%

Total operating expenses climbed ¥2,474 million (1.7%) from the previous fiscal year. This was primarily because the commission payment rose by ¥5,215 million (36.7%) and the provision for possible credit losses and write-off of bad debts rose by ¥3,621 million (11.1%), while the provision for loss on refund of interest received decreased by ¥5,120 million (52.4%).

CASH FLOWS

Net cash provided by operating activities decreased ¥29,322 million over the previous fiscal year, to ¥16,387 million, due to an increase in installment sales receivables resulting from an expansion of the credit card business inside and outside Japan and the redemption of securitized receivables.

Net cash used in investing activities increased ¥16,721 million, to ¥17,420 million, due to ¥10,360 million being used to purchase investment securities.

Net cash used in (provided by) financing activities turned into a cash outflow of ¥36,376 million due to the repayment of short-term borrowings in order to reduce interest rate risk exposures.

Consequently, cash and cash equivalents at the end of the fiscal year under review amounted to ¥23,013 million, down ¥37,189 million from a year earlier.

BUSINESS PERFORMANCE BY GEOGRAPHIC AREA

Total assets and total operating revenues by geographic area

	Millions of Yen			
	2010	2009	Amount Change	Percentage Change
Total assets:				
Domestic	**¥665,488**	¥664,789	¥ 699	0.1%
Overseas	**211,429**	199,946	11,483	5.7
Elimination/Corporate	**(10,552)**	(10,541)		
Total assets	**¥866,365**	¥854,194	¥12,171	1.4%
Operating revenues:				
Domestic	**¥122,004**	¥121,070	¥ 934	0.8%
Overseas	**50,426**	54,937	(4,511)	(8.2)
Total operating revenues	**¥172,430**	¥176,007	¥(3,577)	(2.0)%

Consolidated Balance Sheets

ÆON Credit Service Co., Ltd. and Subsidiaries
February 20, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
ASSETS			
Current assets:			
Cash and cash equivalents	**¥ 23,013**	¥ 60,202	**$ 250,545**
Finance receivables—net of allowance for possible credit losses (Notes 4 and 5)	**671,493**	678,148	**7,310,758**
Deferred tax assets (Note 11)	**18,765**	16,796	**204,301**
Prepaid expenses and other current assets	**56,257**	42,808	**612,486**
Total current assets	**769,528**	797,954	**8,378,090**
Property and equipment:			
Structures	**3,124**	2,629	**34,007**
Vehicles	**4,170**	3,726	**45,399**
Equipment	**17,377**	15,886	**189,193**
Total	**24,671**	22,241	**268,599**
Accumulated depreciation	**(14,742)**	(12,771)	**(160,497)**
Net property and equipment	**9,929**	9,470	**108,102**
Investments and other assets:			
Investment securities (Notes 3 and 4)	**53,064**	18,042	**577,723**
Investments in associated companies	**430**	133	**4,679**
Software	**12,566**	11,425	**136,814**
Deferred tax assets (Note 11)	**9,093**	4,782	**98,996**
Guarantee money deposits	**1,813**	2,360	**19,738**
Deferred charges	**119**	158	**1,297**
Long-term prepaid expenses	**6,879**	7,710	**74,890**
Other assets (Note 6)	**2,944**	2,160	**32,061**
Total investments and other assets	**86,908**	46,770	**946,198**
TOTAL	**¥866,365**	¥854,194	**$9,432,390**
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable (Note 17)	**¥116,654**	¥ 97,247	**$1,270,050**
Short-term borrowings (Note 5)	**18,672**	26,581	**203,284**
Current portion of long-term debt (Note 5)	**111,048**	86,960	**1,209,018**
Accrued expenses	**3,515**	4,067	**38,267**
Allowance for point program	**3,717**	4,142	**40,473**
Deferred revenue	**535**	296	**5,822**
Accrued income taxes	**3,988**	4,773	**43,415**
Other current liabilities	**14,049**	6,730	**152,962**
Total current liabilities	**272,178**	230,796	**2,963,291**
Long-term liabilities:			
Long-term debt (Note 5)	**392,310**	427,408	**4,271,198**
Deferred tax liabilities (Note 11)	**404**	393	**4,401**
Allowance for loss on refund of interest received	**22,841**	11,936	**248,674**
Other liabilities (Note 6)	**1,914**	1,760	**20,843**
Total long-term liabilities	**417,469**	441,497	**4,545,116**
Commitment and contingent liabilities (Notes 12, 13, 14 and 15)			
Equity (Note 7):			
Common stock—authorized, 540,000,000 shares; issued, 156,967,008 shares in 2010 and 2009	**15,467**	15,467	**168,389**
Capital surplus	**17,047**	17,053	**185,595**
Stock acquisition rights (Note 8)		25	
Retained earnings	**129,385**	135,162	**1,408,668**
Unrealized gain on available-for-sale securities	**770**	767	**8,385**
Deferred loss on derivatives under hedge accounting	**(1,599)**	(420)	**(17,408)**
Foreign currency translation adjustments	**(4,905)**	(5,274)	**(53,406)**
Treasury stock—at cost, 112,878 shares in 2010 and 131,823 shares in 2009	**(187)**	(220)	**(2,039)**
Total	**155,978**	162,560	**1,698,184**
Minority interests	**20,740**	19,341	**225,799**
Total equity	**176,718**	181,901	**1,923,983**
TOTAL	**¥866,365**	¥854,194	**$9,432,390**

See notes to consolidated financial statements.

Consolidated Statements of Income

ÆON Credit Service Co., Ltd. and Subsidiaries
Years Ended February 20, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	**2010**
Operating revenues (Notes 4 and 17):			
Credit card purchase contracts	**¥ 55,966**	¥ 52,697	**$ 609,323**
Hire purchase contracts	**8,051**	9,304	**87,654**
Loan contracts	**80,598**	96,041	**877,501**
Processing service fees	**13,013**	6,150	**141,672**
Other operating revenues	**14,802**	11,815	**161,151**
Total operating revenues	**172,430**	176,007	**1,877,301**
Operating expenses (Note 17):			
Financial costs	**(14,499)**	(15,035)	**(157,859)**
Provision for possible credit losses and write-off of bad debts	**(36,388)**	(32,767)	**(396,166)**
Other operating expenses (Note 9)	**(100,983)**	(101,594)	**(1,099,431)**
Total operating expenses	**(151,870)**	(149,396)	**(1,653,456)**
Operating income	**20,560**	26,611	**223,845**
Non-operating revenues (expenses)			
Provision for loss on refund of interest received (Note 2.i.)	**(14,000)**		**(152,422)**
Provision of allowance for doubtful accounts (Note 2.d.)	**(2,053)**	(6,564)	**(22,347)**
Gain on sale of investment securities		9,431	
Other non-operating revenues, net (Notes 6 and 10)	**191**	887	**2,076**
Total non-operating revenues (expenses)	**(15,862)**	3,754	**(172,693)**
Income before income taxes and minority interests	**4,698**	30,365	**51,152**
Income taxes (Note 11):			
Current	**(5,572)**	(12,658)	**(60,663)**
Deferred	**4,878**	1,474	**53,103**
Total income taxes	**(694)**	(11,184)	**(7,560)**
Minority interests in net income	**(3,806)**	(4,392)	**(41,438)**
Net income	**¥ 198**	¥ 14,789	**$ 2,154**

	Yen		U.S. Dollars (Note 1)
PER SHARE OF COMMON STOCK (Note 16):			
Basic net income	**¥ 1.26**	¥94.29	**$0.01**
Diluted net income	**1.26**	94.28	**0.01**
Cash dividends applicable to the year	**40.00**	40.00	**0.44**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

ÆON Credit Service Co., Ltd. and Subsidiaries
Years Ended February 20, 2010 and 2009

	Thousands	Millions of Yen										
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain (Loss) on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, February 20, 2008	156,837	¥15,467	¥17,053		¥126,647	¥4,356	¥(339)	¥ 297	¥(218)	¥163,263	¥20,074	¥183,337
Net income					14,789					14,789		14,789
Cash dividends, ¥40 per share					(6,274)					(6,274)		(6,274)
Purchase of treasury stock	(2)								(3)	(3)		(3)
Disposal of treasury stock									1	1		1
Net change in the year				25		(3,589)	(81)	(5,571)		(9,216)	(733)	(9,949)
Balance, February 20, 2009	156,835	15,467	17,053	25	135,162	767	(420)	(5,274)	(220)	162,560	19,341	181,901
Effect of application of ASBJ Practical Task Force No.18 (Note 2.u.)					**302**					**302**		**302**
Net income					**198**					**198**		**198**
Cash dividends, ¥40 per share					**(6,274)**					**(6,274)**		**(6,274)**
Purchase of treasury stock	**(1)**								**(1)**	**(1)**		**(1)**
Disposal of treasury stock	**20**		**(6)**		**(3)**				**34**	**25**		**25**
Net change in the year				**(25)**		**3**	**(1,179)**	**369**		**(832)**	**1,399**	**567**
Balance, February 20, 2010	**156,854**	**¥15,467**	**¥17,047**		**¥129,385**	**¥ 770**	**¥(1,599)**	**¥(4,905)**	**¥(187)**	**¥155,978**	**¥20,740**	**¥176,718**

	Thousands	Thousands of U.S. Dollars (Note 1)										
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
Balance, February 20, 2009	156,835	$168,389	$185,660	$273	$1,471,553	$8,354	$(4,569)	$(57,417)	$(2,391)	$1,769,852	$210,567	$1,980,419
Effect of application of ASBJ Practical Task Force No.18 (Note 2.u.)					**3,289**					**3,289**		**3,289**
Net income					**2,154**					**2,154**		**2,154**
Cash dividends, $0.44 per share					**(68,304)**					**(68,304)**		**(68,304)**
Purchase of treasury stock	**(1)**								**(12)**	**(12)**		**(12)**
Disposal of treasury stock	**20**		**(65)**		**(24)**				**364**	**275**		**275**
Net change in the year				**(273)**		**31**	**(12,839)**	**4,011**		**(9,070)**	**15,232**	**6,162**
Balance, February 20, 2010	**156,854**	**$168,389**	**$185,595**		**$1,408,668**	**$8,385**	**$(17,408)**	**$(53,406)**	**$(2,039)**	**$1,698,184**	**$225,799**	**$1,923,983**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

ÆON Credit Service Co., Ltd. and Subsidiaries
Years Ended February 20, 2010 and 2009

	Millions of Yen 2010	Millions of Yen 2009	Thousands of U.S. Dollars (Note 1) 2010
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 4,698**	¥ 30,365	**$ 51,152**
Adjustments for:			
Income taxes—paid	**(6,396)**	(11,001)	**(69,631)**
Depreciation and amortization	**6,849**	6,060	**74,566**
Provision for possible credit losses	**33,077**	34,610	**360,124**
Loss on changes in interests in consolidated subsidiaries		348	
Gain on sale of investment securities		(9,431)	
Gain on redemption of investment securities		(2,706)	
Loss of revaluation of investment securities	**7**	618	**73**
Loss on disposal of cash dispenser		1,034	
Changes in assets and liabilities:			
Increase in finance receivables	**(47,341)**	(13,221)	**(515,420)**
Increase in other assets	**(14,903)**	(11,361)	**(162,253)**
Increase in accounts payable	**18,425**	9,979	**200,595**
Increase in other current liabilities	**6,527**	2,469	**71,057**
Increase in allowance for loss on refund of interest received	**10,905**	3,395	**118,723**
Other	**4,539**	4,551	**49,423**
Net cash provided by operating activities	**16,387**	45,709	**178,409**
INVESTING ACTIVITIES:			
(Increase) decrease in time deposits—net	**(52)**	760	**(570)**
Purchase of property and equipment	**(2,747)**	(5,013)	**(29,902)**
Proceeds from sale of property and equipment	**181**	320	**1,972**
Purchase of software	**(4,634)**	(6,012)	**(50,449)**
Purchase of investment securities	**(10,360)**	(532)	**(112,792)**
Purchase of investment in subsidiary	**(14)**		**(156)**
Proceeds from sale of investment securities		10,874	
Proceeds from redemption of investment securities		2,706	
Other	**206**	(3,802)	**2,242**
Net cash used in investing activities	**(17,420)**	(699)	**(189,655)**
FINANCING ACTIVITIES:			
(Repayment) borrowing of short-term bank loans—net	**(8,560)**	4,622	**(93,201)**
Decrease in commercial paper—net		(603)	
Proceeds from long-term debt	**70,209**	101,034	**764,383**
Repayments of long-term debt	**(89,923)**	(95,528)	**(979,012)**
Increase in treasury stock—net	**(1)**	(2)	**(11)**
Dividends paid to the Company's shareholders	**(6,274)**	(6,273)	**(68,304)**
Dividends paid to minority shareholders	**(1,827)**	(1,730)	**(19,896)**
Proceeds from issuance of subsidiaries' stock to minority shareholders		16	
Net cash used in (provided by) financing activities	**(36,376)**	1,536	**(396,041)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**150**	(2,184)	**1,634**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(37,259)**	44,362	**(405,653)**
ACCRUAL OF CASH AND CASH EQUIVALENTS WITH THE DIVISION ABSORPTION		86	
CASH AND CASH EQUIVALENTS OF NEWLY-CONSOLIDATED SUBSIDIARIES, BEGINNING OF YEAR	**70**		**757**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**60,202**	15,754	**655,441**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 23,013**	¥ 60,202	**$ 250,545**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years Ended February 20, 2010 and 2009

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 Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards and accounting principles generally accepted in the United States of America.

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. In addition, certain reclassifications have been made in the 2009 financial statements to conform to the classifications used in 2010.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥91.85 to $1, the approximate rate of exchange at February 20, 2010. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements as of February 20, 2010 include the accounts of the Company and its 23 significant (21 in 2009) subsidiaries and three (one in 2009) companies under the equity method (collectively, 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.

The differences between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition are recorded as goodwill and are amortized over a period not exceeding 20 years (estimated effective period) for the Company and consolidated domestic subsidiaries.

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, certificates of deposit, 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 write-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 past credit loss experience and an evaluation of potential losses in receivables.

The Company revised its credit control management methodology and implemented the new credit control system, considering the recent changes in the business environment, including the revision of the Money Lending Business Control and Regulation Law which regulates lower ceiling rates.

At the beginning of the fiscal year 2009, the Company changed its estimation method for the allowance for possible credit losses based on the revised credit control management methodology and the detailed data from its new system.

The effect of this change was to record provision of allowance for doubtful accounts of ¥6,564 million at the beginning of the fiscal year 2009, and this provision is stated as "Provision of allowance for doubtful accounts" in the consolidated statements of income.

e. Investment Securities—Investment securities are classified and accounted for, depending on management's intent, as follows: available-for-sale securities are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of 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 based on the estimated useful lives of the assets. The range of useful lives is principally from two to 15 years.

g. Software—Software is carried at cost less accumulated amortization. Amortization of software of the Group is calculated by the straight-line method. Software is amortized mainly over five years.

h. Allowance for Point Program—The allowance for the point program is stated in amounts considered to be appropriate based on the companies' past redemption experience.

i. Allowances for Loss on Refund of Interest Received—The allowance for loss on refund of interest received (the amount of interest that exceeds the ceiling rate imposed by the Interest Rate Restriction Law) is provided by the Company and is stated in amounts considered to be appropriate based on the Company's past refund experiences. In October 2006, "Application of auditing for provision of allowance for loss for reclaimed refund of interest in the accounting of consumer finance companies" of the industry audit practice committee report No. 37 by the Japanese Institute of Certified Public Accountants was issued and was adopted at the beginning of the fiscal year ended February 20, 2007.

The Company fundamentally changed the estimation of the provision for the year ended February 20, 2010. This change is due to the current tendency of higher refund amounts after the Supreme Court's judgement in January 2009 regarding extinctive prescription for refund claims, and the potential increase in claims corresponding to the full application of the revised Money Lending Business Control and Regulation Law, which restricts the total amount of individual debt.

The effect of this change from the previous estimated amount was to record provision for loss on refund of interest received of ¥14,000 million ($152,422 thousand) in non-operating expenses in the consolidated statements of income for the year ended February 20, 2010.

j. Retirement Benefit and Pension Plans—The Company and consolidated domestic subsidiaries have a defined benefit pension plan, advance payment plan and defined contribution pension plan covering substantially all employees. An overseas subsidiary has a severance payment plan for employees.

The defined benefit plan was amended on January 15, 2010 and a new cash balance plan was implemented on April 1, 2010. Under the cash balance plans, the pension payment is adjusted for fluctuations in market interest rates.

The Company and consolidated domestic subsidiaries recognized all prior service costs arising from the amendment of the plan. The effect of the amendment was to record reversal of retirement benefit liability of ¥297 million ($3,237 thousand) into other non-operating revenues in the consolidated statements of income for the year ended February 20, 2010.

k. Bond Issuance Costs—Bond issuance costs as of February 20, 2010, which were included in deferred charges, were ¥119 million ($1,297 thousand). These costs are amortized by the interest method over the lives of the bonds.

l. 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 purchase contracts and hire purchase contracts

Installment sales receivables are recognized 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 purchase 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 purchase contracts and hire purchase contracts. The fees from customers are recognized principally by the interest method.

(2) Loan contracts

The Group provides cash advance and personal loan services. Operating loan receivables are recognized 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.

m. Stock Options—ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance are applicable to stock options 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 the 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 consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised.

The Company has applied the accounting standard for stock options to those granted on and after May 1, 2006.

n. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008. Under the previous accounting standard, finance lease contracts that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance lease contracts were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the revised accounting standard allows continuing treatment for the finance lease contracts, which existed at the date of transition and which do not transfer ownership to the lessee, to be accounted for as operating lease transactions. The Company and the consolidated domestic subsidiaries applied the revised accounting standard effective February 21, 2009. The Company and the consolidated domestic subsidiaries accounted for lease contracts which existed at the transition date and which did not transfer ownership to the lessee as operating lease transactions. The effect of this change was insignificant. All other lease contracts are accounted for as operating lease transactions.

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. A valuation allowance is provided for any portion of the deferred tax assets that is not considered to be realizable.

p. Appropriations of Retained Earnings—Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon the Board of Directors' resolution or 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 consolidated statements of income 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 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 equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

s. Derivative Financial Instruments—The Group uses derivative financial instruments to manage its exposures to market fluctuations in foreign currency exchange and interest rates. The Group enters into forward exchange contracts, currency swap contracts and interest rate swap contracts to reduce its exposures to foreign currency and interest rate risk. The Group does not enter into any derivative contracts for trading or speculative purposes.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income 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 items. Foreign currency-denominated long-term debt for which forward exchange contracts are used as hedging instruments are translated at the forward exchange rate if derivatives qualify for hedge accounting. Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. In principle, these swaps which qualify for hedge accounting are measured at market value at the balance sheet date and the unrealized gains or losses, net of applicable taxes, are deferred until maturity as deferred gain/loss on derivatives under hedge accounting in a separate component of equity. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not re-measured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense 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 reflects the potential dilution that could occur if outstanding stock acquisition rights were exercised. Diluted net income per share of common stock assumes full exercise of outstanding stock acquisition rights.

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, retroactively adjusted for stock splits.

u. Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes: (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: 1) amortization of goodwill; 2) scheduled amortization of actuarial gain or loss of pensions that has been directly recorded in equity; 3) expensing capitalized development costs of R&D; 4) cancellation of the fair value model of accounting for property, plant, and equipment and investment properties and incorporation of the cost model of accounting; 5) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and 6) exclusion of minority interests from net income, if included. PITF No. 18 was effective for fiscal years beginning on or after April 1, 2008.

The Company applied this accounting standard effective February 21, 2009. The effect of this change was to increase operating income by ¥38 million ($413 thousand) and income before income taxes and minority interests by ¥94 million ($1,024 thousand). In addition, the Company adjusted the beginning balance of retained earnings at February 21, 2009, as if this accounting standard had been retrospectively applied.

v. New Accounting Pronouncements

Asset Retirement Obligations

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No. 21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard will be effective for fiscal years beginning on or after April 1, 2010, with early adoption permitted for fiscal years beginning on or before March 31, 2010.

Accounting changes and error corrections

In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows;

(1) Changes in accounting policies

When a new accounting policy is applied with revision of accounting standards, a new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentation

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Correction of prior period errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance will be applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. INVESTMENT SECURITIES

Investment securities as of February 20, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Non-current:			
Marketable equity securities	**¥ 4,003**	¥ 3,947	**$ 43,577**
Other securities	**49,061**	14,095	**534,146**
Total	**¥53,064**	¥18,042	**$577,723**

The carrying amounts and aggregate fair values of investment securities as of February 20, 2010 and 2009 were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
February 20, 2010				
Securities classified as:				
Available-for-sale:				
Equity securities	**¥2,683**	**¥1,695**	**¥(375)**	**¥4,003**
February 20, 2009				
Securities classified as:				
Available-for-sale:				
Equity securities	¥3,258	¥1,472	¥(783)	¥3,947

	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
February 20, 2010				
Securities classified as:				
Available-for-sale:				
Equity securities	**$29,205**	**$18,452**	**$(4,080)**	**$43,577**

Available-for-sale securities whose fair value was not readily determinable as of February 20, 2010 and 2009 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Available-for-sale:			
Beneficiary rights	**¥38,349**	¥13,333	**$417,523**
Equity securities	**10,712**	762	**116,623**
Total	**¥49,061**	¥14,095	**$534,146**

Proceeds from sale of available-for-sale securities and proceeds from redemption of investment securities for the year ended February 20, 2009 were ¥10,874 million and ¥2,706 million, respectively.

4. FINANCE RECEIVABLES

Finance receivables as of February 20, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Installment sales receivables:			
Credit card purchase contracts	¥262,812	¥211,117	$2,861,315
Hire purchase contracts	37,971	34,261	413,399
Subtotal	¥300,783	¥245,378	$3,274,714
Operating loan receivables	423,324	483,528	4,608,867
Allowance for possible credit losses	(52,614)	(50,758)	(572,823)
Total	¥671,493	¥678,148	$7,310,758

For the years ended February 20, 2010 and 2009, the Group securitized finance receivables and subsequently transferred the cash flow interests in those assets mainly to unconsolidated special purpose entities.

The total amount of securitized receivables during the years ended February 20, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
The Company	¥150,727	¥153,959	$1,641,015

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 and investment securities.

The remaining interests included in finance receivables and investment securities as of February 20, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Finance receivables:			
Installment sales receivables		¥ 1,245	
Operating loan receivables		2,955	
Investment securities	¥38,349	13,333	$417,523
Total	¥38,349	¥17,533	$417,523

Transaction volume and realized operating revenue by type of contract for the years ended February 20, 2010 and 2009 consisted of the following:

	Millions of Yen				Thousands of U.S. Dollars	
	2010		2009		2010	
	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue	Transaction Volume	Operating Revenue
Credit card purchase contracts	¥2,261,616	¥ 55,966	¥2,109,905	¥ 52,697	$24,622,932	$ 609,323
Hire purchase contracts	44,119	8,051	49,051	9,304	480,343	87,654
Loan contracts	586,125	80,598	655,488	96,041	6,381,332	877,501
Processing services	66,831	13,013	31,732	6,150	727,605	141,672
Other	34,644	14,802	33,674	11,815	377,184	161,151
Total	¥2,993,335	¥172,430	¥2,879,850	¥176,007	$32,589,396	$1,877,301

"Processing services," which used to include the volume of e-money settlement service related to the cards issued by both the Company and other companies, includes only the volume of e-money settlement service related to the Company's card.

5. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings as of February 20, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Bank loans, 0.54% to 12.0% (2010) and 0.60% to 12.5% (2009)	¥18,672	¥26,581	$203,284

Long-term debt as of February 20, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Issued by the Company:			
Unsecured 1.47% Japanese yen notes due 2009		¥15,000	
Unsecured 0.81% Japanese yen notes due 2010	¥10,000	10,000	$108,873
Unsecured 1.60% Japanese yen notes due 2011	10,000	10,000	108,873
Unsecured 1.08% Japanese yen notes due 2012	20,000	20,000	217,746
Unsecured 1.55% Japanese yen notes due 2013	10,000	10,000	108,873
Unsecured 1.79% Japanese yen notes due 2014	20,000	20,000	217,746
Unsecured 1.78% Japanese yen notes due 2012	20,000	20,000	217,746
Issued by AEON Thana Sinsap (Thailand) Plc.:			
Unsecured 4.94% Thai baht notes due 2010	828	795	9,014
Unsecured 4.59% Thai baht notes due 2010	2,750	2,650	29,944
Unsecured 5.20% Thai baht notes due 2012	2,727	2,650	29,690
Unsecured 2.88% Thai baht notes due 2011	1,510	1,544	16,444
Issued by AEON Credit Service (M) Berhad:			
Medium Term Note 4.15% (*1) Malaysia ringgit due 2009		257	
Medium Term Note 4.37% (*1) Malaysia ringgit due 2010		508	
Medium Term Note 4.37% (*1) Malaysia ringgit due 2010		508	
Medium Term Note 3.81% (*1) Malaysia ringgit due 2010	1,078	1,028	11,735
Medium Term Note 4.85% (*1) Malaysia ringgit due 2010	808	771	8,799
Medium Term Note 4.11% (*1) Malaysia ringgit due 2010	1,347	1,285	14,665
Medium Term Note 5.25% (*1) Malaysia ringgit due 2011	1,212	1,156	13,190
Medium Term Note 4.80% (*1) Malaysia ringgit due 2012	673	642	7,327
Medium Term Note 4.54% (*1) Malaysia ringgit due 2012	1,048	986	11,404
Medium Term Note 3.89% (*1) Malaysia ringgit due 2012	1,077	1,028	11,727
Medium Term Note 4.18% (*1) Malaysia ringgit due 2013	807		8,787
Loans from banks and other financial institutions, due through 2016 with interest rates ranging from 0.74% to 12.00% (2010) and from 0.74% to 6.97% (2009):			
Collateralized	17,033	10,319	185,440
Unsecured	375,295	377,804	4,085,959
Loans from subsidiaries of the parent company due through 2010 with interest rates ranging from 1.21% to 1.34% (2010) and from 0.88% to 1.34% (2009):			
Unsecured	3,300	4,400	35,928
Lease obligations	1,865	1,037	20,306
Total	503,358	514,368	5,480,216
Less current portion	(111,048)	(86,960)	(1,209,018)
Long-term debt, less current portion	¥392,310	¥427,408	$4,271,198

(*1) Profit return rate

The annual maturities of long-term debt as of February 20, 2010 were as follows:

Years ending February 20	Millions of Yen	Thousands of U.S. Dollars
2011	¥111,048	$1,209,018
2012	141,790	1,543,714
2013	139,614	1,520,025
2014	77,543	844,232
2015	27,405	298,369
2016 and thereafter	5,958	64,858
Total	¥503,358	$5,480,216

The carrying amounts of assets pledged as collateral for long-term debt at February 20, 2010 was as follows:

	Millions of Yen	Thousands of U.S. Dollars
Installment sales receivables	¥15,787	$171,876
Operating loan receivables	14,774	160,852
Total	¥30,561	$332,728

6. RETIREMENT BENEFIT AND PENSION PLANS

The Company and consolidated domestic subsidiaries sponsor a defined benefit pension plan, advance payment plan and defined contribution pension plan for their employees. An overseas subsidiary has a severance payment plan for employees.

The net retirement benefit (asset) liability which is booked under other assets and/or other liabilities as of February 20, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Projected benefit obligation	**¥ 992**	¥1,193	**$10,805**
Fair value of plan assets	**(723)**	(690)	**(7,876)**
Unrecognized actuarial loss	**(362)**	(395)	**(3,939)**
Net retirement benefit (asset) liability	**(93)**	108	**(1,010)**
Asset	**(132)**		**(1,430)**
Liability	**¥ 39**	¥ 108	**$ 420**

The components of net periodic benefit costs for the years ended February 20, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Service cost	**¥ 82**	¥ 59	**$ 888**
Interest cost	**30**	23	**323**
Expected return on plan assets	**(9)**	(12)	**(98)**
Recognized actuarial loss	**68**	53	**738**
Other	**107**	96	**1,174**
Total	**¥278**	¥219	**$3,025**

The defined benefit plan was amended on January 15, 2010 and a new cash balance plan was implemented on April 1, 2010. Under the cash balance plans, the pension payment is adjusted for fluctuations in market interest rates.

The Company and consolidated domestic subsidiaries recognized all prior service costs arising from the amendment of the plan. The effect of the amendment was to record reversal of retirement benefit liability of ¥297 million ($3,237 thousand) into other non-operating revenues in the consolidated statement of income for the year ended February 20, 2010 (also see Note 10).

Assumptions used for the years ended February 20, 2010 and 2009 are set forth as follows:

	2010	2009
Discount rate	**2.4%**	2.4%
Expected rate of return on plan assets	**1.30%**	2.05%
Recognition period of actuarial gain/loss	**10 years**	10 years

7. EQUITY

On and after May 1, 2006, Japanese companies are subject to the Companies Act of Japan (the "Companies Act"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, 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 Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, 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 a Board of Directors, (2) having independent auditors, (3) having a 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) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with board committees (an appointment committee, compensation committee and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of the Board of Corporate Auditors.

The Board of Directors of the Company can declare dividends without resolution at the shareholders' meeting since the Company is organized as a company with board committees and meets the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to 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. The Companies Act 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 Companies Act 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 amount of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold.

The Companies Act 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 Companies Act 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 Companies Act, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Companies Act 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 equity or deducted directly from stock acquisition rights.

8. STOCK-BASED COMPENSATION

The stock options outstanding as of February 20, 2009 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price Yen	Exercise Period
2009 Stock Option	12 directors	20,000 shares	April 21, 2008	¥1	From May 21, 2008 to May 20, 2023

There were no stock options outstanding as of February 20, 2010.

The summary of stock option activity is as follows:

	2009 Stock Option
For the year ended February 20, 2009	
Non-vested (Shares)	
Outstanding at beginning of year	
Granted	20,000
Expired	
Vested	20,000
Outstanding at end of year	
Vested (Shares)	
Outstanding at beginning of year	
Vested	20,000
Exercised	
Expired	
Outstanding at end of year	20,000
For the year ended February 20, 2010	
Non-vested (Shares)	
Outstanding at beginning of year	
Granted	
Expired	
Vested	
Outstanding at end of year	
Vested (Shares)	
Outstanding at beginning of year	20,000
Vested	
Exercised	20,000
Expired	
Outstanding at end of year	
Exercise price	¥1
Average stock price at exercise	978
Fair value price at grant date	¥1,256

9. OTHER OPERATING EXPENSES

Other operating expenses for the years ended February 20, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Human resources	**¥ 21,487**	¥ 22,501	**$ 233,938**
Sales promotion expenses	**14,716**	15,408	**160,213**
Provision for loss on refund of interest received	**4,646**	9,766	**50,585**
Other	**60,134**	53,919	**654,695**
Total	**¥100,983**	¥101,594	**$1,099,431**

10. OTHER NON-OPERATING REVENUES, NET

Other non-operating revenues, net for the years ended February 20, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Amortization of negative goodwill	**¥230**	¥ 189	**$2,503**
Loss on revaluation of investment securities	**(7)**	(618)	**(73)**
Gain on redemption of investment securities		2,706	
Gain on changes in interests in consolidated subsidiaries		3	
Loss on changes in interests in consolidated subsidiaries		(352)	
Loss on disposal of cash dispenser		(1,034)	
Reversal of retirement benefit liability	**297**		**3,237**
Other	**(329)**	(7)	**(3,591)**
Total	**¥191**	¥ 887	**$2,076**

11. 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 years ended February 20, 2010 and 2009.

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as of February 20, 2010 and 2009, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Deferred tax assets:			
Enterprise taxes	**¥ 286**	¥ 286	**$ 3,113**
Allowance for possible credit losses	**15,087**	13,551	**164,257**
Finance receivables	**281**	182	**3,059**
Allowance for point program	**1,544**	1,642	**16,815**
Allowance for loss on refund of interest received	**9,228**	4,822	**100,464**
Accrued income	**816**	832	**8,882**
Property and equipment	**207**	241	**2,254**
Other	**1,037**	640	**11,289**
Less valuation allowance	**(143)**	(150)	**(1,558)**
Offset with deferred tax liabilities	**(485)**	(468)	**(5,278)**
Total deferred tax assets	**¥27,858**	¥21,578	**$303,297**
Deferred tax liabilities:			
Depreciation in consolidated foreign subsidiaries	**¥ 239**	¥ 214	**$ 2,604**
Undistributed earnings of consolidated foreign subsidiaries	**151**	179	**1,644**
Unrealized gain on available-for-sale securities	**446**	468	**4,854**
Other	**53**		**577**
Offset with deferred tax assets	**(485)**	(468)	**(5,278)**
Total deferred tax liabilities	**¥ 404**	¥ 393	**$ 4,401**
Net deferred tax assets	**¥27,454**	¥21,185	**$298,896**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rates reflected in the accompanying consolidated statements of income for the years ended February 20, 2010 and 2009 is as follows:

	2010	2009
Normal effective statutory tax rate	**40.4%**	40.4%
Earnings not taxable and expenses not deductible for income tax purposes—net	**(1.1)**	(0.3)
Deduction for foreign taxes	**(5.5)**	(0.9)
Per capita portion of inhabitants tax	**2.2**	0.3
Lower income tax rates applicable to income in certain foreign countries	**(36.2)**	(6.7)
Influence of elimination in consolidation	**17.2**	3.9
Deduction of taxes for IT infrastructure enhancement	**(1.9)**	
Other—net	**(0.3)**	0.1
Actual effective tax rate	**14.8%**	36.8%

12. LEASES

The Group leases certain equipment, office space and other assets.

Total rental expenses for the years ended February 20, 2010 and 2009 were ¥5,492 million ($59,793 thousand) and ¥5,555 million, respectively, including ¥363 million ($3,957 thousand) and ¥430 million of lease payments under finance leases.

Pro forma information for the years ended February 20, 2010 and 2009

As discussed in Note 2.n., the Group accounts for finance lease contracts, which existed at the transition date and which did not transfer ownership to the lessee, as operating lease transactions. Pro forma information of such finance lease contracts on an "as if capitalized" basis for the years ended February 20, 2010 and 2009 were as follows:

(a) Acquisition cost and accumulated depreciation of finance leases

	Millions of Yen			
	2010			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**¥136**	**¥1,355**	**¥102**	**¥1,593**
Accumulated depreciation	**(62)**	**(790)**	**(66)**	**(918)**
Net leased property	**¥ 74**	**¥ 565**	**¥ 36**	**¥ 675**

	Millions of Yen			
	2009			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	¥161	¥1,570	¥151	¥1,882
Accumulated depreciation	(55)	(706)	(98)	(859)
Net leased property	¥106	¥ 864	¥ 53	¥1,023

	Thousands of U.S. Dollars			
	2010			
	Equipment	Furniture and Fixtures	Software	Total
Acquisition cost	**$1,477**	**$14,751**	**$1,114**	**$17,342**
Accumulated depreciation	**(675)**	**(8,602)**	**(722)**	**(9,999)**
Net leased property	**$ 802**	**$ 6,149**	**$ 392**	**$ 7,343**

(b) Obligations under finance leases

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Due within one year	**¥264**	¥326	**$2,868**
Due after one year	**486**	747	**5,293**
Total	**¥750**	¥1,073	**$8,161**

(c) Depreciation expense and interest expense under finance leases

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	**2010**
Depreciation expense	**¥351**	¥445	**$3,818**
Interest expense	**16**	13	**179**
Total	**¥367**	¥458	**$3,997**

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, 2010 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	**¥ 969**	**$10,547**
Due after one year	**802**	**8,737**
Total	**¥1,771**	**$19,284**

13. DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into forward exchange contracts and currency swap contracts to hedge foreign currency risks on foreign currency-denominated debt. The Group also enters into interest rate swap contracts to limit the unfavorable impact from increases in interest rates on its floating-rate long-term debt. The interest rate swap effectively swaps a floating-rate interest payment to a fixed-rate interest payment. The Group does not enter into any derivative contracts for trading or speculative purposes.

Derivative financial instruments are subject to market risk and credit risk. Since the Group enters into derivative financial instruments only for hedging purposes, market risk in those hedging instruments is basically offset by opposite movements in the value of hedged items. The credit risk on those derivative financial instruments is limited as the counterparties are major financial institutions with high credit ratings.

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

Derivative financial instruments which qualify for hedge accounting are excluded from the disclosure of market value information below. There was no derivative financial instrument which did not qualify for hedge accounting as of February 20, 2009.

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
	Contract Amount	Fair Value	Unrealized Gain/Loss	Contract Amount	Fair Value	Unrealized Gain/Loss
Forward exchange contracts:						
Buying JPY/Selling MYR	**¥1,269**			**$13,811**		
Currency swap contracts:						
Receive JPY/Pay THB	**2,906**			**31,642**		
Receive JPY/Pay MYR	**2,084**	**¥30**	**¥30**	**22,692**	**$326**	**$326**
Receive USD/Pay MYR	**809**	**(12)**	**(12)**	**8,802**	**(131)**	**(131)**
Interest rate swap contracts:						
Receive floating/Pay fixed	**828**			**9,015**		

The contract or notional amounts of derivative contracts shown above do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit risk or market risk.

14. CONTINGENT LIABILITIES

Guaranteed amounts pertaining to finance receivables provided by partner firms, such as financial institutions, as of February 20, 2010 amounted to ¥2,754 million ($29,988 thousand).

15. LOAN COMMITMENTS

The Group provides cash advance 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
	2010	2009	2010
Total loan limits	**¥5,721,070**	¥5,463,603	**$62,287,104**
Loan executions	**397,230**	425,535	**4,324,771**
Nonexercised portion of loan commitments	**¥5,323,840**	¥5,038,068	**$57,962,333**

Most of the contracts for the above loan commitments were for cash advance services supplementary to credit card services furnished to the cardmembers. The execution of the loan commitments requires positive credit assessment. Therefore, not all nonexercised portions of loan commitments will necessarily be executed.

16. NET INCOME PER SHARE

Basic and diluted net income per share ("EPS") for the years ended February 20, 2010 and 2009 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, 2010:				
Basic EPS				
Net income	**¥198**			
Net income available to common shareholders	**¥198**	**156,852**	**¥1.26**	**$0.01**
Effect of dilutive securities—Warrants of the Company		**3**		
Diluted EPS—Net income for computation	**¥198**	**156,855**	**¥1.26**	**$0.01**
For the year ended February 20, 2009:				
Basic EPS				
Net income	¥14,789			
Net income available to common shareholders	¥14,789	156,836	¥94.29	$1.00
Effect of dilutive securities—Warrants of the Company		17		
Diluted EPS—Net income for computation	¥14,789	156,853	¥94.28	$1.00

17. RELATED PARTY TRANSACTIONS

The Company adopted "Accounting Standard for Related Party Disclosures" (ASBJ Statement No. 11 issued on October 17, 2006) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13 issued on October 17, 2006) for the year ended February 20, 2010. This adoption did not result in additional related party transaction disclosure.

Transactions with the parent company and its subsidiaries for the years ended February 20, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
AEON Co., Ltd.(*) (the parent company)	2010	2009	2010
Cash deposit	**¥12,892**		**$140,354**
Interest income	**77**		**837**

	Millions of Yen		Thousands of U.S. Dollars
AEON Retail Co., Ltd. (subsidiary of the parent company)	2010	2009	2010
Credit card purchase contracts	**¥7,514**	¥3,482	**$81,808**
Processing service fees	**5,848**	1,839	**63,672**
Other operating expenses	**7,226**	1,651	**78,674**

The balances due to or from the parent company and its subsidiary as of February 20, 2010 and 2009 were as follows:

AEON Retail Co., Ltd. (subsidiary of the parent company)	Millions of Yen 2010	2009	Thousands of U.S. Dollars 2010
Accounts payable	**¥9,707**	¥7,218	**$105,679**

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

AEON Retail CO., LTD., succeeded to any and all businesses operated by AEON CO., LTD., the parent company as of August 21, 2008 (except for control over and management of business activities of the companies of which shares are held by AEON CO., LTD., and businesses relevant to Group management) through a company split. The above-mentioned transaction amounts with AEON Retail CO., LTD. in 2009 indicate those made after August 21, 2008, while the transaction amounts with AEON CO., LTD., in the period before the relevant absorption-type company split are not included. The transaction amounts with AEON CO., LTD., from February 21, 2008 to August 20, 2008 were ¥3,833 million in credit card revenue, ¥1,098 million in processing service fees and ¥920 million in commission payments.

The transaction stated as "cash deposit" above is a deposit of temporary excess operating cash in hand. It is stated on an annual average outstanding balance basis and there was no outstanding balance as of February 20, 2010 and 2009. The interest on the deposit is based on a Japanese yen short-term market interest rate.

(*) AEON CO., LTD. is listed on the Tokyo Stock Exchange, First Section.

18. SEGMENT INFORMATION

The Company separates its operations into two segments comprised of the following industries:
The financial services industry consists of credit card contracts, hire purchase contracts and loan contracts;
the other operating services industry consists of an insurance agency and other operating services.

Operations in financial services for the years ended February 20, 2010 and 2009 amounted to more than 90% of consolidated operating revenues, operating income and assets, and accordingly, segment information for different industries is not disclosed for fiscal 2010 and 2009.

Information on geographic segments and operating revenues from foreign customers of the Company and its subsidiaries for the years ended February 20, 2010 and 2009 is as follows:

(1) Geographic segments

The geographic segments of the Company and its subsidiaries for the years ended February 20, 2010 and 2009 are summarized as follows:

	Millions of Yen				
	2010				
	Domestic	Overseas	Total	Eliminations/ Corporate	Consolidated
Operating revenues from customers	**¥122,004**	**¥ 50,426**	**¥172,430**		**¥172,430**
Interarea transfer					
Total operating revenues	**122,004**	**50,426**	**172,430**		**172,430**
Operating expenses	**110,987**	**40,883**	**151,870**		**151,870**
Operating income	**¥ 11,017**	**¥ 9,543**	**¥ 20,560**		**¥ 20,560**
Total assets	**¥665,488**	**¥211,429**	**¥876,917**	**¥(10,552)**	**¥866,365**

	Millions of Yen				
	2009				
	Domestic	Overseas	Total	Eliminations/ Corporate	Consolidated
Operating revenues from customers	¥121,070	¥ 54,937	¥176,007		¥176,007
Interarea transfer					
Total operating revenues	121,070	54,937	176,007		176,007
Operating expenses	105,842	43,554	149,396		149,396
Operating income	¥ 15,228	¥ 11,383	¥ 26,611		¥ 26,611
Total assets	¥664,789	¥199,946	¥864,735	¥(10,541)	¥854,194

	Thousands of U.S. Dollars				
	2010				
	Domestic	Overseas	Total	Eliminations/ Corporate	Consolidated
Operating revenues from customers	**$1,328,296**	**$ 549,005**	**$1,877,301**		**$1,877,301**
Interarea transfer					
Total operating revenues	**1,328,296**	**549,005**	**1,877,301**		**1,877,301**
Operating expenses	**1,208,348**	**445,108**	**1,653,456**		**1,653,456**
Operating income	**$ 119,948**	**$ 103,897**	**$ 223,845**		**$ 223,845**
Total assets	**$7,245,378**	**$2,301,892**	**$9,547,270**	**$(114,880)**	**$9,432,390**

Major countries and areas included in the overseas segment are as follows:

Hong Kong, Thailand, Malaysia, Taiwan, China, Indonesia, the Philippines and Vietnam.

(2) Operating revenues from foreign customers

Operating revenues from foreign customers for the years ended February 20, 2010 and 2009 amounted to ¥50,426 million ($549,005 thousand) and ¥54,937 million, respectively.

19. SUBSEQUENT EVENTS

a. Appropriations of retained earnings

The following appropriations of retained earnings as of February 20, 2010 were approved at the Company's Board of Directors' meeting held on April 15, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥25.00 ($0.27) per share	¥3,921	$42,693

b. Securitization

At the Board of Directors' meeting held on January 8, 2010, the securitization of finance receivables (cash advance) of ¥52,000 million ($566,140 thousand) was approved. On March 2, 2010, the Company entrusted its assets and granted the senior, seller and subordinated portions (tranches) of beneficiary rights in exchange. On March 10, 2010, the Company transferred the senior portion of ¥30,000 million ($326,619 thousand) to Mizuho Securities Co., Ltd.

Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of AEON Credit Service Co., Ltd. (the "Company") and subsidiaries as of February 20, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEON Credit Service Co., Ltd. and subsidiaries as of February 20, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

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

Deloitte Touche Tohmatsu LLC

May 11, 2010

Major AEON Group Companies

■ Pure Holding Company
AEON CO., LTD.

■ General Merchandise Store Business
AEON Retail Co., Ltd.
AEON Hokkaido Corporation
SUNDAY CO., LTD.
AEON KYUSHU CO., LTD.
AEON SUPERCENTER Co., Ltd.
AEON Marché Co., Ltd.
Bon Belta Co., Ltd.
MYCAL CORPORATION
RYUKYU JUSCO CO., LTD.

■ Supermarket Business
Maxvalu Chubu Co., Ltd.
Maxvalu Nishinihon Co., Ltd.
Maxvalu Tohoku Co., Ltd.
Maxvalu Tokai Co., Ltd.
Maxvalu Hokkaido Co., Ltd.
The Maruetsu, Inc.
Inageya Co., Ltd.
KASUMI CO., LTD.
Belc CO., LTD.
KOHYO CO., LTD.
MAXVALU KANTO CO., LTD.
MAXVALU KITA TOHOKU CO., LTD.
Maxvalu Kyushu Co., Ltd.
MAXVALU CHUKYO CO., LTD.
MAXVALU NAGANO CO., LTD.
MAXVALU HOKURIKU CO., LTD.
MAXVALU MINAMI TOHOKU CO., LTD.

■ Discount Store Business

■ Strategic Small Size Store Business
MINISTOP CO., LTD.
ORIGIN TOSHU CO., LTD.

■ Drugstore & Pharmacy Business
CFS Corporation
GROWELL HOLDINGS CO., LTD.
Medical Ikkou Co., Ltd.
TAKIYA Co., Ltd.
Welpark Co., Ltd.
Shimizu Drug Co., Ltd.

■ Specialty Store Business
GFOOT CO., LTD.
COX CO., LTD.
BLUE GRASS Co., Ltd.
Taka:Q Co., Ltd.
Abilities JUSCO Co., Ltd.
AEON FOREST CO., LTD.
AEON BODY Co., Ltd.
Talbots Japan Co., Ltd.
Branshes Co., Ltd.
PETCITY CO., LTD.
MIRAIYA SHOTEN CO., LTD.
Mega Sports Co., Ltd.
MEGA PETRO Co., Ltd.
LAURA ASHLEY JAPAN CO., LTD.
AT Japan Co., Ltd.
Claire's Nippon Co., Ltd.

■ Shopping Center Development Business
AEON Mall Co., Ltd.
LOC DEVELOPMENT CO., LTD.

■ Financial Services Business
AEON CREDIT SERVICE CO., LTD.
AEON CREDIT SERVICE (ASIA) CO., LTD.
AEON THANA SINSAP (THAILAND) PLC.
AEON CREDIT SERVICE (M) BERHAD
AEON INSURANCE SERVICE CO., LTD.
ACS CREDIT MANAGEMENT CO., LTD.
ACS CAPITAL CORPORATION LTD.
ACS TRADING VIETNAM CO., LTD.
AEON CREDIT CARD (TAIWAN) CO., LTD.
AEON CREDIT GUARANTEE (CHINA) CO., LTD.
AEON CREDIT SERVICE (TAIWAN) CO., LTD.
AEON INFORMATION SERVICE (SHENZHEN) CO., LTD.
PT. AEON CREDIT SERVICE INDONESIA
ACS INSURANCE BROKER (THAILAND) CO., LTD.
ACS SERVICING (THAILAND) CO., LTD.
ACS LIFE INSURANCE BROKER (THAILAND) CO., LTD.
AEON INSURANCE BROKERS (HK) LIMITED
AEON CREDIT TECHNOLOGY SYSTEMS (PHILIPPINES) INC.
AEON BANK, LTD.

■ Service Business
AEON DELIGHT CO., LTD.
AEON Fantasy Co., Ltd.
ZWEI CO., LTD.
CERTO Corporation
AEON Eaheart Co., LTD.
AEON CINEMAS CO., LTD.
JUSVEL CO., LTD.
Reform Studio Co., Ltd.
Warner Mycal Corporation

■ Information Technology & Digital Business
AEON Integrated Business Service Co., Ltd.
AEON VISTY CO., LTD.
Digital Direct Corporation

■ ASEAN Business
AEON Co. (M) Bhd.
AEON (Thailand) CO., LTD.

■ China Business
AEON Stores (Hong Kong) Co., Ltd.
Beijing AEON Co., Ltd.
Qingdao AEON Dongtai Co., Ltd.

■ Merchandise Procurement and Food Processing Operations
YAMAYA CORPORATION
AIC Inc.
AEON AGRI CREATE Co., Ltd.
AEON GLOBAL SCM CO., LTD.
AEON GLOBAL MERCHANDISING CO., LTD.
AEON TOPVALU CO., LTD.
AEON Bakery Systems Co., Ltd.
AEON MARKETING CO., LTD.
Cordon Vert CO., LTD.
Research Institute For Quality Living Co., Ltd.
Food Supply JUSCO Co., Ltd.
MYCAL CANTEVOLE Co., Ltd.
Tasmania Feedlot Pty. Ltd.
AEON Demonstration Service Inc.

Listed companies are shown in bold print.

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

Corporate Data (As of February 2010)

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

Number of Employees
1,125
5,655 (Consolidated)

Domestic Subsidiaries
AEON INSURANCE SERVICE CO., LTD.
ACS CREDIT MANAGEMENT CO., LTD.

Overseas Subsidiaries
AEON CREDIT SERVICE (ASIA) CO., LTD.
AEON INSURANCE BROKERS (HK) LIMITED.
AEON CREDIT GUARANTEE (CHINA) CO., LTD.
AEON INFORMATION SERVICE (SHENZEN) CO., LTD.
AEON THANA SINSAP (THAILAND) PLC.
ACS INSURANCE BROKER (THAILAND) CO., LTD.
ACS LIFE INSURANCE BROKER (THAILAND) CO., LTD.
ACS CAPITAL CORPORATION LTD.
ACS SERVICING (THAILAND) CO., LTD.
AEON CREDIT SERVICE (M) BERHAD
AEON CREDIT SERVICE (TAIWAN) CO., LTD.
AEON CREDIT CARD (TAIWAN) CO., LTD.
PT. AEON CREDIT SERVICE INDONESIA
ACS TRADING VIETNAM CO., LTD.
AEON CREDIT TECHNOLOGY SYSTEMS (PHILIPPINES) INC.

Shareholder Information (As of February 2010)

Closing Date
February 20

Stock Exchange Listing
Tokyo Stock Exchange, First Section (Securities Code: 8570)

Transfer Agent
Mizuho Trust & Banking Co., Ltd.

Shares Issued
156,967,008 shares

Shareholders’ Meeting
Held in May of each year

Independent Auditors
Deloitte Touche Tohmatsu LLC

Board of Directors and Auditors (As of June 2010)

Directors

Chairman	Tetsuo Imoto
President	Kazuhide Kamitani
Managing Directors	Takashi Kiyonaga
	Naruhito Kuroda
	Hideki Wakabayashi
	Kiyoaki Takano
Director, Corporate Adviser	Yoshiki Mori
Directors	Tatsuya Saito
	Yasuhiko Kondo
	Yoshitaka Yamada
	Mitsugu Tamai
	Kiyoyasu Asanuma
	Takatoshi Ikenishi
	Hideyuki Ito

Auditors

Corporate Auditors	Hisateru Taniuchi *
	Hiroyasu Sugihara *
	Koshi Yamaura *
	Masato Nishimatsu *

**External*

ÆON CREDIT SERVICE CO., LTD.