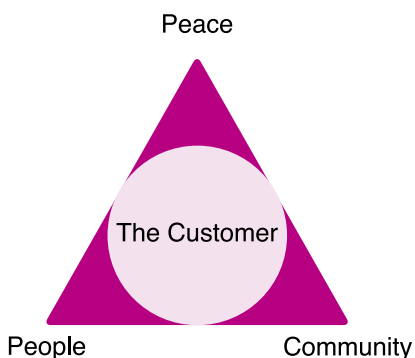


Philosophy and Policy

AEON Basic Principles



Pursuing peace, respecting humanity, and contributing to local communities, always with the customer's point of view as its core.

The word aeon (**ÆON**) has its origins in a Latin root meaning “eternity.” The customers’ beliefs and desires comprise the central core of our philosophy. At Aeon, our eternal mission as a corporate group is to benefit our customers, and our operations are thus customer-focused to the highest degree.

Aeon Basic Principles are the following:

- “Peace” Aeon is a corporate group whose operations are dedicated to the pursuit of peace through prosperity.
- “People” Aeon is a corporate group that respects human dignity and values personal relationships.
- “Community” Aeon is a corporate group rooted in local community life and dedicated to making a continuing contribution to the community.

Management Philosophy

Support customers’ lifestyles and enable each individual to maximize future opportunities through effective use of credit

Basic Policies

The management philosophy of AEON Financial Services Co., Ltd. is to support customers’ lifestyles and enable each individual to maximize future opportunities through effective use of credit in Japan and elsewhere in Asia. Our basic policies are to put customers first, provide financial services that are closely attuned to customers’ lives, earn the trust of society and meet its expectations, and maintain a corporate culture that encourages our people to excel. We are committed to our mission of truly contributing to our customers’ lives through financial services.

Editorial Policy

AEON Financial Service publishes the Annual Report to provide shareholders, investors, and other stakeholders with information on its initiatives to generate sustainable growth in corporate value. The report includes financial information, as well as non-financial information on environmental, social, governance (ESG) and other issues. The objectives of the Annual Report are to help readers understand our ideals and maintain an ongoing dialogue with them.

In addition, our website, corporate video, and other media disclose information so that readers can deepen their understanding of the Company.

Forward-Looking Notes

Note to Reader In this report AEON Financial Service is also referred to as “AFS.”

All of the matters related to our future management strategy, sales policy, business forecast, etc. described in this integrated report are assumed and calculated based on the information we have at the moment. It contains various uncertainties such as economic trends, competition in the industry, market demand, exchange rates, risks related to tax systems and various systems, etc. Therefore, it will actually be announced in the future. The performance, etc. to be performed may fluctuate due to these various factors.

Scope of Report

- Organization: AEON Financial Service Co., Ltd. and its consolidated subsidiaries
- Period: Fiscal 2019 (April 1, 2019 – February 29, 2020) (Some information is more recent)

Guidelines Referenced

- International Integrated Reporting Framework, International Integrated Reporting Council (IIRC) (December 2013)
- Sustainability Reporting Guidelines, Global Reporting Initiative

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Website guidance

<https://www.aeonfinancial.co.jp/en/>

Corporate Information

<https://www.aeonfinancial.co.jp/en/corp/>



Shareholder and Investor Information

<https://www.aeonfinancial.co.jp/en/ir/>



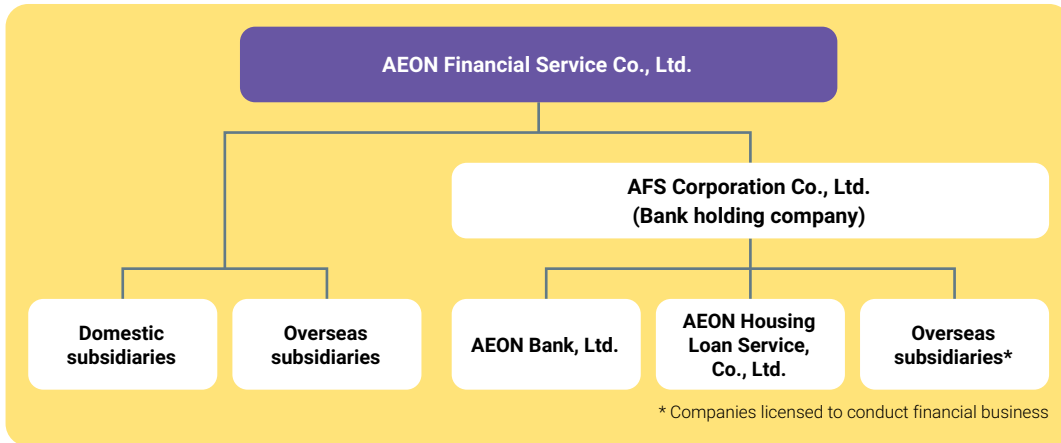
CSR Information

<https://www.aeonfinancial.co.jp/en/activity/>



About AEON Financial Service

AEON Financial Service Co., Ltd. is a comprehensive financial group with roots in the retail sector and is responsible for the AEON Group's wide-ranging financial businesses, with 32 local subsidiaries and one equity method affiliate spanning 11 countries and regions in Asia, including Japan.



The AEON Group is a corporate group consisting of seven businesses that support customers' daily lives under the pure holding company, AEON Co., Ltd.



* The Financial Services Business includes 33 Group companies of the AEON Financial Service Group, in addition to AEON Reit Management Co., Ltd. and FeliCa Pocket Marketing Inc.



Collections Business

Credit Card Business

Leasing Business

Installment
Finance Business



**AEON Financial Services
Co., Ltd.**

Small Amount
Short-Term
Insurance Business

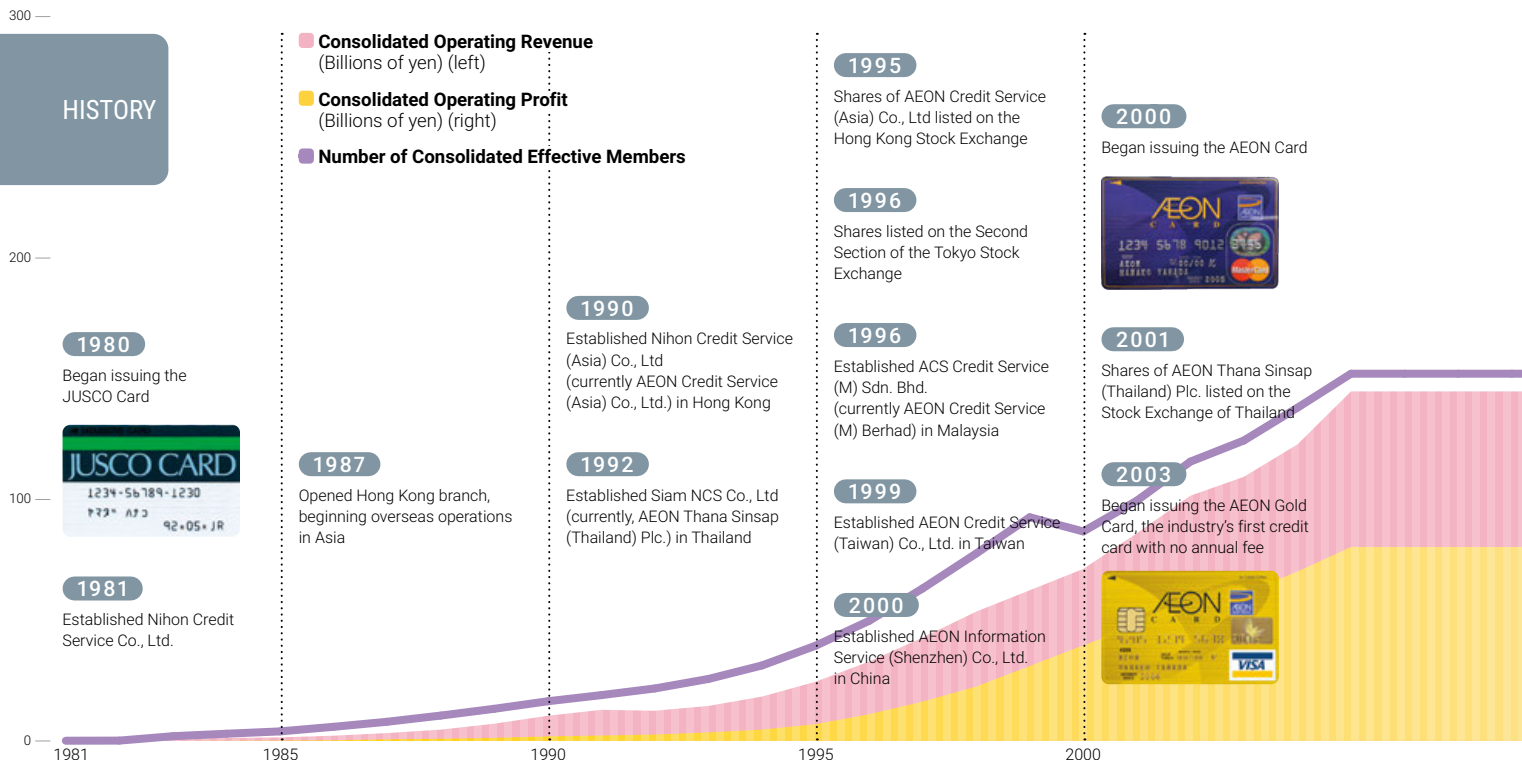
Banking Business

Insurance Agency
Business

For an overview of the AFS Group, please refer to "AFS at a Glance" on p. 18.

Growth Trajectory

In 1980 our predecessor, Nihon Credit Service Co., Ltd., was established as a company that issued proprietary JUSCO credit cards to customers of JUSCO Co., Ltd. (currently AEON Co., Ltd.). Since then, we have made use of the AEON Group's sales network to expand business as a comprehensive financial group that focuses on credit cards to provide banking, insurance, and other financial services. We have also engaged in active expansion into other Asian countries since 1987, with shares listed on stock exchanges in Hong Kong, Thailand, and Malaysia. Through these actions and others, we have continued to grow while providing new value to our customers and keeping our eyes trained on the changing times and environment.



1981~



Launching the card shopping business

We have expanded our card shopping business in collaboration with AEON Group retailers. We have made efforts to increase our range of services, which include issuing cards that do not require signatures for food purchases, and combined postal savings cards.

1987~



Providing financial services for convenient and enriching lifestyles in Japan and other Asian countries

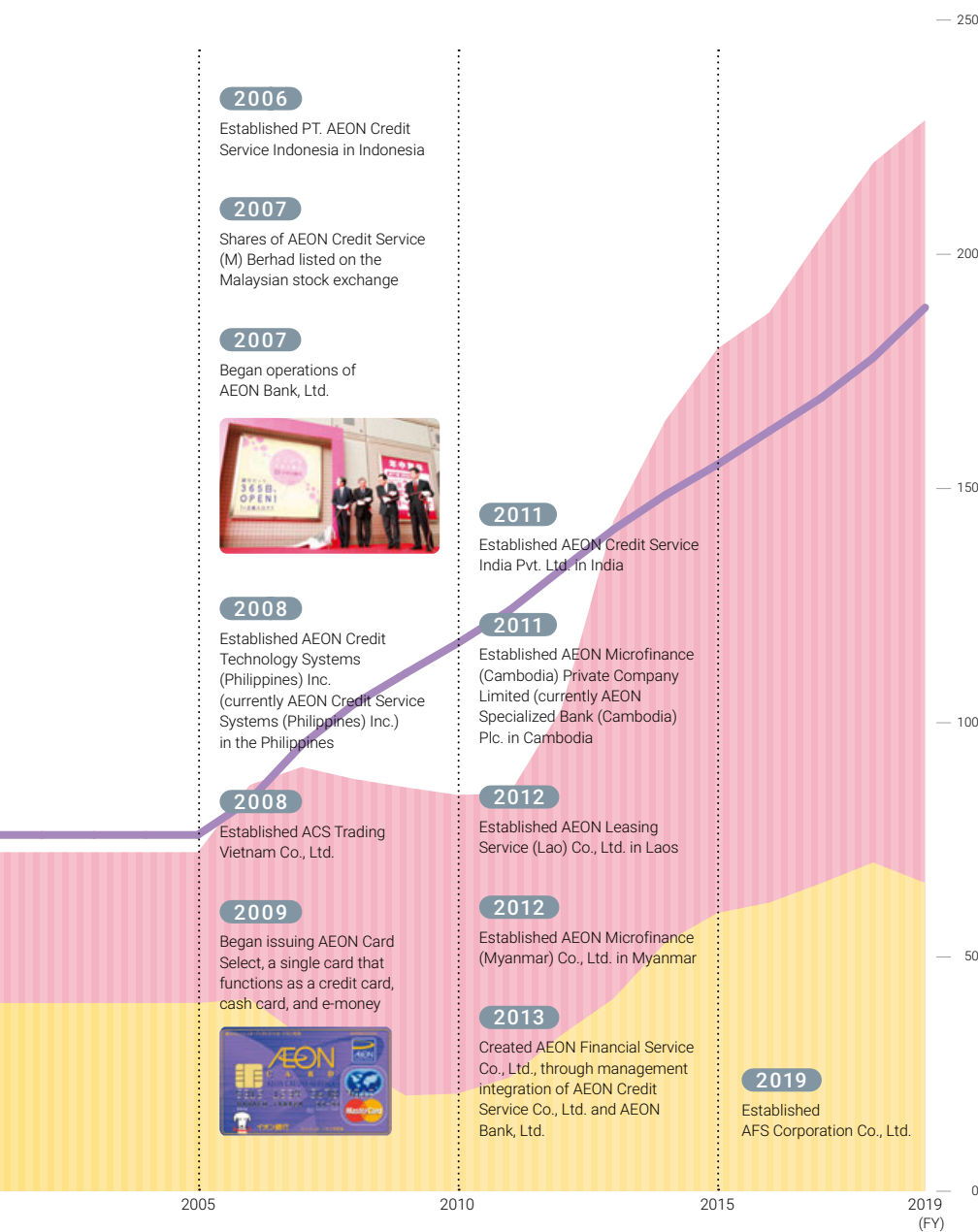
We have developed our financial service businesses not only in Japan, but various other Asian countries as well. Starting in Hong Kong, which already had AEON Group retail stores in operation, we then expanded into Thailand and Malaysia. Since then, we have continued our active push for expansion overseas in pursuit of new markets.

PROVIDING VALUE

RELATED SOCIAL MOVEMENTS

The proliferation of credit cards

The bubble economy and contraction of the Japanese market



FISCAL 2019 RESULTS

Transaction Volume

¥8,970.3 billion

Consolidated Operating Revenue

¥457.2 billion

Consolidated Operating Profit

¥65.0 billion

Proportion of Operating Profit from Global Business

Approx. 45%

Cardholders

45.27 million cardholders

Note: Starting from the fiscal year under review, the Group has changed the end its consolidated fiscal year from the end of March to the end of February. As a result, fiscal 2019 refers to the 11 months from April 1, 2019 to February 29, 2020.

2007~



Offering total support suitable for customers' lifestyles and life stages

From day-to-day credit payments to savings and deposits, insurance, and asset formation, we have been focused on supporting customers' financial needs at each stage of life to make sure they lead as enriching a life as possible.

2019~



Evolving from comprehensive financial services to comprehensive life services by transitioning to a business company to provide flexible responses to changes in difficult times

The Company underwent a change in organizational structure and transitioned from a bank holding company to a business company. Through actions that include entering the life insurance business, we are putting forth new forms of enrichment that are not restricted by the traditional financial framework.

Diversification of lifestyles and ease of restrictions

Changes in the financial industry due to entering different businesses

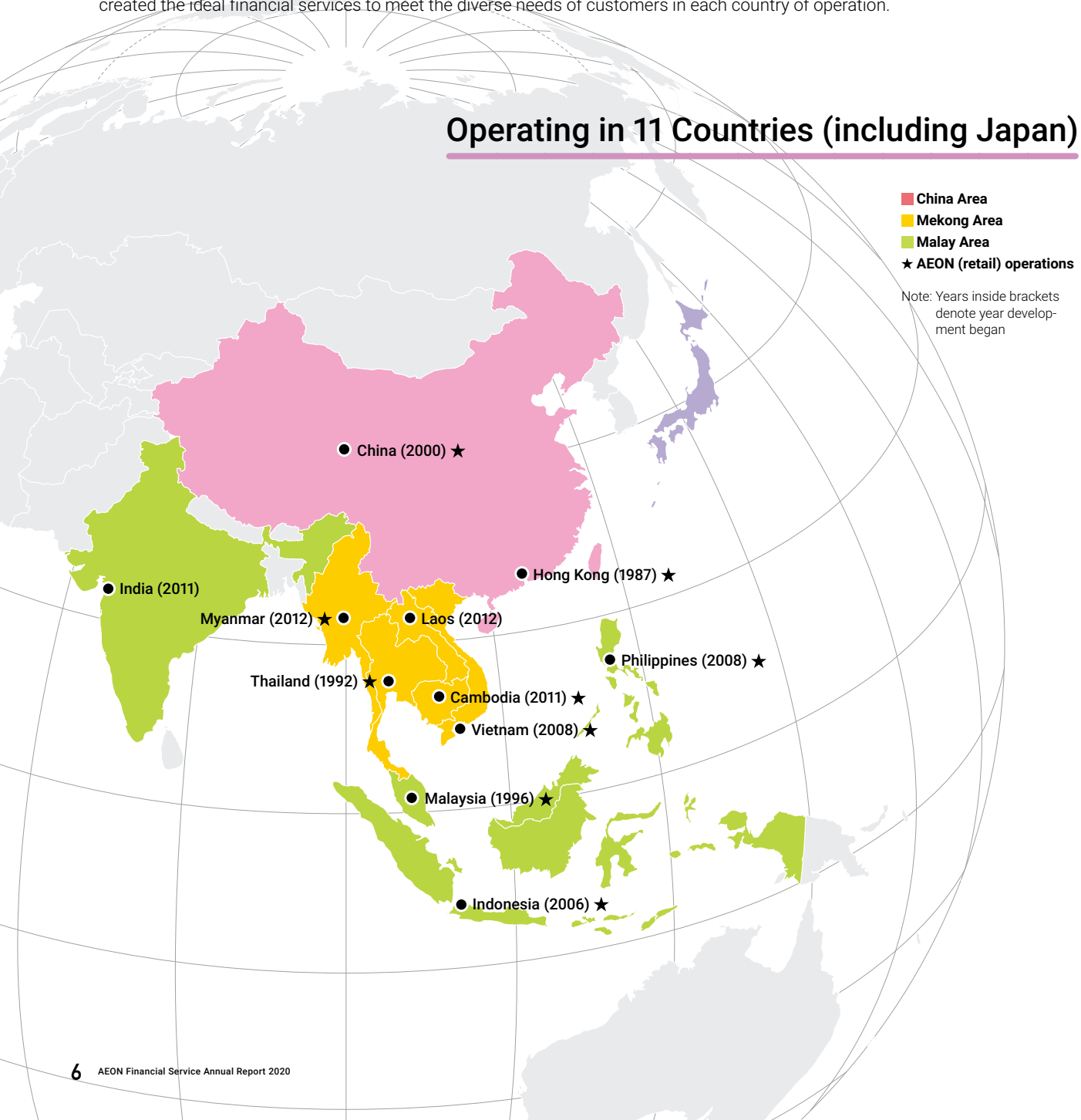
Our Strengths

We continue to grow and provide our unique value by making full use of the strengths we have cultivated since our founding in 1980 to the present day, including a store network in Japan and other Asian countries belonging to the AEON Group, Japan's largest retail group with consolidated operating revenue of over ¥8 trillion.

Active Overseas Development

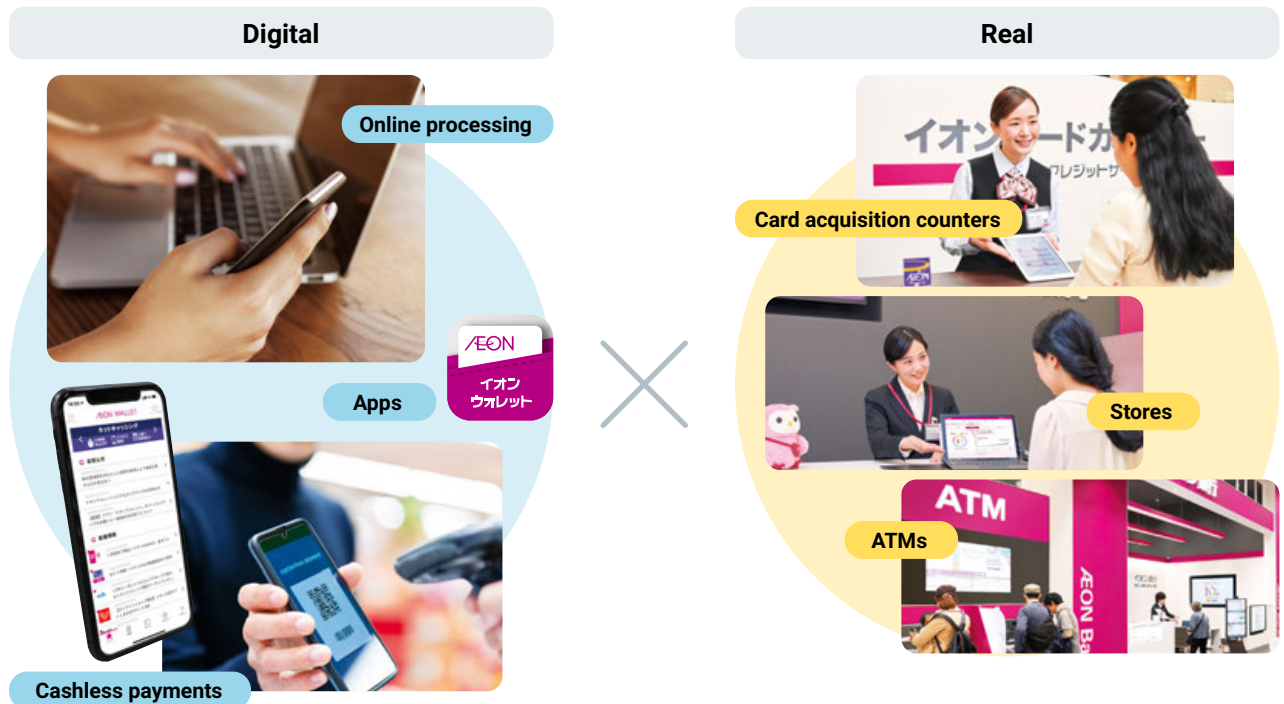
In 1987, we began business development in Asia by opening our first overseas base in our Hong Kong. Since then, we have created the ideal financial services to meet the diverse needs of customers in each country of operation.

Operating in 11 Countries (including Japan)









Digital × Real

We have combined the strength of our brick-and-mortar stores and ATMs located in AEON shopping centers and other locations across Japan with the digitalization of our increasingly in-demand services in order to meet customer needs from a multi-faceted series of contact points.



Comprehensive Financial Services for Any Lifestyle

Money exists to be spent, saved, borrowed—the list goes on. One of the true strengths of a comprehensive financial group with its roots in the retail sector is that we have a close connection with customers' varying lifestyles during the different stages of their lives, and can therefore provide fine-tuned support. We will continue to produce value unique to the Company by taking the various products and services handled by the AEON Group and linking them with finance.

<p>Expenditure</p> <p>Credit cards, debit cards, and e-money WAON</p> 	<p>Saving</p> <p>Deposit services</p> 	<p>Borrowing</p> <p>Cash advances, various types of loans, etc.</p> 
<p>Investment</p> <p>Investment trusts, foreign currency deposits, etc.</p> 	<p>Preparation for the Future</p> <p>Insurance services, etc.</p> 	<p>Asset Management</p> <p>Keikeibu household spending app, etc.</p> 

Value Creation Process

We provide a series of comprehensive services tailored toward our customers' diverse lifestyles and day-to-day lives while making use of the management resources and strengths cultivated as a company committed to lifestyle support.

External Environment and Social Issues Affecting the Company

External Environment

- Japan's declining birthrate and aging population
- Economic growth in Asian countries
- Proliferation of smart devices
- Further development of IT technology
- Diversification of lifestyle needs
- Shift toward cashless payments

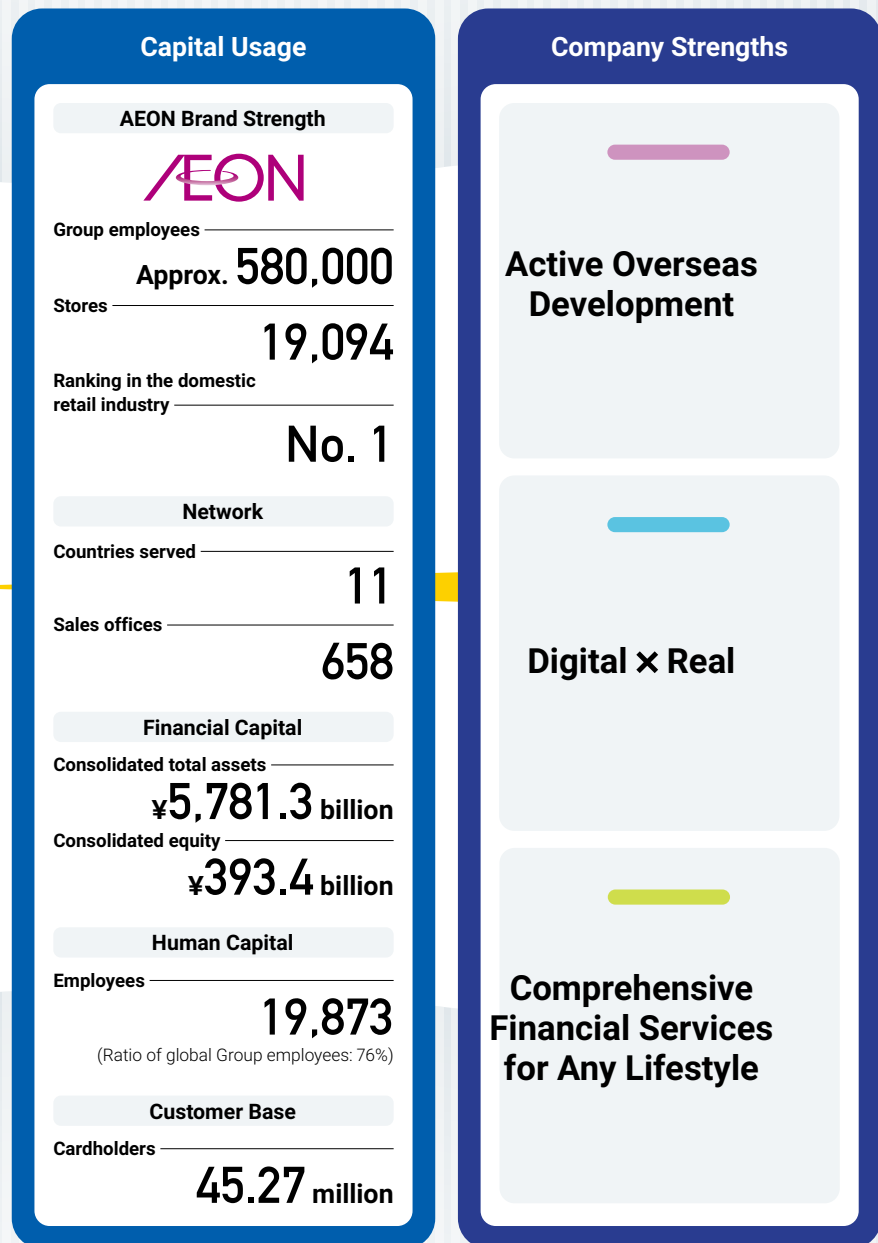
Social Issues

Overseas

- High proportion of low-income groups
- Unstable employment opportunities
- Inadequate accessibility to financial services
- Incomplete payment infrastructure

Domestic

- Labor shortages
- Growing social disparity
- COVID-19 countermeasures



(As of February 29, 2020)



Payment and remittance

Lending

Asset management

Shared living
Community living
Transportation
Food and fashion

Day-to-day living



Financial services by AFS

Insurance

Health
Work
Play
Communication
Education

Data utilization

OUR VALUE

As a company committed to lifestyle support, we provide comprehensive services that customers need—beyond finance.

