

# 11-Year Summary

Former AEON Credit Service Co., Ltd. (current AEON Financial Service Co., Ltd.)	2011	2012* <sup>1</sup>
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## Consolidated cardholders (millions)

Total	29.76	31.85
Domestic	21.01	22.24

## For the year (millions of yen)

Operating revenues	169,853	205,972
Operating expenses	145,572	172,892
Operating income	24,280	33,080
Ordinary income	24,268	33,367
Profit attributable to owners of parent	8,988	13,616

## Per share information (yen)

Book value per share	1,012.52	1,235.28
Earnings per share	57.30	88.12
Diluted earnings per share	57.30	78.25

## At year-end (millions of yen)

Operating loans	255,704	421,196
Operating loans including securitized receivables	488,549	518,908
Accounts receivable—installment	427,634	507,315
Accounts receivable—installment including securitized receivables	552,749	740,027
Total assets	907,658	2,534,208
Net assets	181,852	258,872

## Key indicators (%)

Operating income ratio	14.3	16.1
Equity ratio (domestic standard)	17.5	9.1
Return on assets	2.7	1.9
Return on equity	5.7	7.0

## Dividends

Dividend per share (yen)	45	50
Payout ratio (%)	78.5	56.9

AEON Financial Service Co., Ltd.* <sup>2</sup>	2013* <sup>3</sup>	2014
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## Consolidated cardholders (millions)

Total	33.90	35.67
Domestic	23.45	24.64

## For the year (millions of yen)

Operating revenue* <sup>5</sup>	286,070	329,046
Operating expenses* <sup>6</sup>	244,978	275,965
Operating profit* <sup>7</sup>	41,092	53,080
Profit attributable to owners of parent	20,743	30,491

## Per share information (yen)

Book value per share	1,316.00	1,377.56
Earnings per share	104.62	152.55
Diluted earnings per share	99.49	152.04

## At year-end (millions of yen)

Operating loans	1,276,741	1,474,236
Operating loans including securitized receivables	1,531,376	1,873,598
Accounts receivable—installment	957,403	1,038,221
Accounts receivable—installment including securitized receivables	1,085,969	1,185,191
Total assets	3,163,117	3,589,495
Net assets	307,291	324,948

## Key indicators (%)

Operating profit ratio* <sup>8</sup>	14.4	16.1
Equity ratio (domestic standard)	8.9	8.1
Return on assets	1.4	1.6
Return on equity	8.2	11.2

## Dividends

Dividends per share (yen)	60	60
Payout ratio (%)	57.4	39.3

### Notes:

- The consolidated amounts for the fiscal year ended March 31, 2013 cover a period of 13 months and 11 days from February 21, 2012 to March 31, 2013.
- The consolidated amounts from the fiscal year ended March 31, 2014 onward include the results of AEON Bank, Ltd. and its one subsidiary, as AEON Bank, Ltd. became a wholly-owned subsidiary of the Company through a share exchange as of January 1, 2013.
- On April 1, 2013, AEON Financial Service Co., Ltd. ("the Company") became a bank holding company. Accordingly, the Company has prepared the consolidated financial statements from the fiscal year ended March 31, 2014 onward in accordance with the Ordinance for Enforcement of the Banking Act (Ordinance of the Ministry of Finance No. 10 of 1982), which prescribes classifications of assets and liabilities and revenues and expenses for banking institutions.
- Figures for fiscal 2019 are for the 11-month period from April 1, 2019 to February 29, 2020 due to a change in the accounting period.
- Ordinary revenue is used from fiscal 2013 to fiscal 2018.
- Ordinary expenses is used from fiscal 2013 to fiscal 2018.
- Ordinary profit is used from fiscal 2013 to fiscal 2018.
- Ordinary profit ratio is used from fiscal 2013 to fiscal 2018.

(FY)

AEON Financial Service Co., Ltd.*2	2015	2016	2017	2018	2019*4	2020	2021
<b>Consolidated cardholders</b> (millions)							
Total	37.22	38.94	40.64	42.69	45.27	46.13	47.32
Domestic	25.88	26.92	27.75	28.40	28.89	29.45	30.09
<b>For the year</b> (millions of yen)							
Operating revenue*5	359,651	375,166	407,970	439,001	457,280	487,309	470,657
Operating expenses*6	300,270	313,559	342,223	368,830	392,209	446,657	411,804
Operating profit*7	59,380	61,606	65,746	70,171	65,070	40,651	58,852
Profit attributable to owners of parent	35,785	39,454	38,677	39,408	34,149	17,693	30,212
<b>Per share information</b> (yen)							
Book value per share	1,465.31	1,604.79	1,714.92	1,764.05	1,823.05	1,860.08	1,965.47
Earnings per share	180.09	189.75	179.29	182.64	158.25	81.99	139.98
Diluted earnings per share	180.00	183.96	170.02	173.20	154.15	81.97	139.97
<b>At year-end</b> (millions of yen)							
Operating loans	1,673,997	1,864,904	2,271,666	2,429,740	2,535,358	2,781,296	2,882,615
Operating loans including securitized receivables	2,364,444	2,757,434	3,326,572	3,757,628	4,153,294	4,507,680	4,824,899
Accounts receivable—installment	1,022,387	1,182,193	1,294,632	1,453,160	1,543,135	1,521,149	1,566,284
Accounts receivable—installment including securitized receivables	1,314,385	1,523,981	1,779,143	1,970,668	2,125,629	2,076,439	2,124,494
Total assets	3,745,546	4,187,263	4,852,844	5,342,228	5,781,370	6,123,721	6,278,586
Net assets	340,886	401,170	437,782	448,705	459,075	474,667	509,055
<b>Key indicators</b> (%)							
Operating profit ratio*8	16.5	16.4	16.1	16.0	14.2	8.3	12.5
Equity ratio (domestic standard)	7.4	8.5	8.3	7.3	6.8	6.6	6.8
Return on assets	1.6	1.6	1.5	1.4	1.2	0.7	1.0
Return on equity	12.7	12.4	10.8	10.5	8.8	4.5	7.3
<b>Dividends</b>							
Dividends per share (yen)	66	68	68	68	68	34	50
Payout ratio (%)	36.6	35.8	37.9	37.2	43.0	41.5	35.7

## Five-Year Performance Summary

AEON Financial Service Co., Ltd. and Subsidiaries

Year Ended February 28, 2022 and 2021, Year Ended February 29, 2020 and Years Ended March 31, 2019 and 2018

	Millions of Yen			Thousands of U.S. Dollars <sup>(*)</sup>
	2022 <sup>(*)</sup>	2021 <sup>(*)</sup>	2020 <sup>(*)</sup> , <sup>(*)</sup>	2022
<b>For the Year:</b>				
Total operating revenues	¥470,657	¥487,309	¥457,280	\$4,071,781
Total operating expenses	411,804	446,658	392,210	3,562,630
Income before income taxes	59,746	39,305	64,530	516,878
Net income attributable to owners of the parent	30,213	17,694	34,150	261,380
			Yen	U.S. Dollars <sup>(*)</sup>
<b>Per Share Data:</b>				
Net assets	¥1,965.47	¥1,860.08	¥1,823.05	\$17.00
Basic net income	139.98	81.99	158.25	1.21
Diluted net income	139.97	81.97	154.15	1.21
			Millions of Yen	Thousands of U.S. Dollars <sup>(*)</sup>
<b>At Year-End:</b>				
Finance receivables—net of allowance for credit losses	¥2,219,939	¥2,175,612	¥2,292,210	\$19,205,290
Loans in banking business—net of allowance for credit losses	2,104,536	1,993,575	1,672,020	18,206,904
Property and equipment	34,320	39,152	45,303	296,914
Total assets	6,278,586	6,123,722	5,781,371	54,317,727
Total liabilities	5,769,531	5,649,054	5,322,296	49,913,755
Total equity	509,055	474,668	459,075	4,403,972
			Percentage	
<b>Ratios:</b>				
Equity ratio	6.8%	6.6%	6.8%	
Return on assets	0.5	0.3	0.6	
Return on equity	7.3	4.5	8.8	
			Millions of Yen	
<b>For the Year:</b>				
Total income			¥438,441	¥409,426
Total expenses			368,420	342,854
Income before income taxes			69,178	66,572
Net income attributable to owners of the parent			39,408	38,678
			Yen	
<b>Per Share Data:</b>				
Net assets			¥1,764.05	¥1,714.92
Basic net income			182.64	179.29
Diluted net income			173.2	170.02
			Millions of Yen	
<b>At Year-End:</b>				
Loans and bills discounted—net of allowance for credit losses			¥2,197,819	¥2,238,952
Installment sales receivables—net of allowance for credit losses			1,582,322	1,268,584
Property and equipment			39,205	36,978
Total assets			5,254,080	4,852,844
Total liabilities			4,805,375	4,415,062
Total equity			448,705	437,782
			Percentage	
<b>Ratios:</b>				
Equity ratio			7.2%	7.6%
Return on assets			0.8	0.9
Return on equity			10.5	10.8

(\*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 ¥115.59 to U.S.\$1, the exchange rate as at February 28, 2022. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

(\*2) The consolidated financial statements for the fiscal years ended March 31, 2018 have been prepared in accordance with the "Ordinance for the Enforcement of the Banking Act" (Ordinance of the Ministry of Finance No. 10 of 1982), which prescribes classifications of assets and liabilities and revenues and expenses for banking institutions. Effective from April 1, 2019, AEON Financial Service Co., Ltd. (the "Company") has reorganized its business divisions and is no longer a bank holding company. Accordingly, the Company and its subsidiaries (the "Group") have prepared the consolidated financial statements for the fiscal years ended February 28, 2022 and 2021 and February 29, 2020 in accordance with the "Ordinance on the Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976), which prescribes classifications of assets and liabilities and revenues and expenses. The financial results for the fiscal year ended March 31, 2019 are reclassified on the modified basis of measurement.

(\*3) Since the Group has changed its consolidated fiscal year end to the last day of February, the consolidated fiscal year ended February 29, 2020 comprises 11 months from April 1, 2019 to February 29, 2020.

## Financial Review

AEON Financial Service Co., Ltd. and Subsidiaries  
Year Ended February 28, 2022 and 2021

### RESULTS OF OPERATIONS

	Millions of Yen			
	2022	2021	Amount Change	Percentage Change
<b>Operating Revenues:</b>				
Credit card purchase contracts	¥ 131,780	¥ 128,701	¥ 3,079	2.4 %
Hire purchase contracts	42,663	42,573	90	0.2
Loan contracts	128,421	136,913	(8,492)	(6.2)
Financial revenue	33,684	32,942	742	2.3
Insurance revenue	29,190	51,665	(22,475)	(43.5)
Fees and commissions	60,991	60,384	607	1.0
Gain on bad debts recovered	11,921	9,451	2,470	26.1
Other operating revenues	32,007	24,680	7,327	29.7
Total operating revenues	470,657	487,309	(16,652)	(3.4)%
<b>Operating Expenses:</b>				
Financial expenses	(21,433)	(23,030)	1,597	(6.9)%
Insurance expenses	(28,192)	(50,404)	22,212	(44.1)
Fees and commissions	(11,463)	(11,162)	(301)	2.7
Selling, general and administrative expenses	(295,403)	(284,664)	(10,739)	3.8
Provision for credit losses and write-off of bad debts	(52,364)	(74,026)	21,662	(29.3)
Other operating expenses	(2,949)	(3,372)	423	(12.5)
Total operating expenses	(411,804)	(446,658)	34,854	(7.8)%
<b>Operating Income</b>	¥ 58,853	¥ 40,651	¥ 18,202	44.8 %

#### Consolidated Financial Summary

The Group have established the basic policy for the Medium-term Management Plan (FY2021 – FY2025) as “Second founding: Value chain transformation and new network creation” and are implementing reforms for the growth of the Group. In fiscal year 2021, the first year of the Plan, the Group made investments and enhanced its infrastructure to integrate the common ID system of AEON Group and promoted cashless payments and introduced new services such as insurance products in Domestic segment. In Global segment, the Group worked on digital financial inclusion by developing applications that enable customers to complete the process from filling application forms to using various services on their smartphones and by sophisticating the credit administration process. In addition, the Group established the “Basic Policy on Sustainability” to serve as guidelines for promoting the Group’s sustainable management. Based on AEON’s fundamental philosophy of “pursuing peace, respecting humanity, and contributing to local communities, always with the customer’s point view as its core,” the Group, as a continuously evolving corporate group, will pursue both the “realization of a sustainable society” and the “growth of the Group.”

For the fiscal year ended February 28, 2022, economic conditions due to the coronavirus disease 2019 (“COVID-19”) gradually improved in countries and regions where the Group operates in the second half of the current fiscal year. However, uncertainty over economic recovery again heightened due to the

outbreak of the Omicron variant from the end of 2021. Under these circumstances, the Group took thorough measures to prevent infections and also worked to achieve medium- to long-term growth by expanding the Group’s online services, establishing AEON living areas that utilize common reward points of the Group and launching QR code payment and direct life insurer business in Domestic segment. In addition, the Group implemented sales promotions in response to changes in customer consumption trends and flexibly revised card usage limits based on the analysis of potential demand and repayment conditions, and accordingly, the volume of various transactions was expanded. In particular, the transaction volume of domestic credit card purchases reached a record high, exceeding the level prior to the COVID-19 pandemic. However, the recovery in the balance of operating receivables was sluggish mainly for domestic cash advances and hire purchases, and consolidated operating revenues decreased by 3.4% to ¥470,657 million (\$4,071,781 thousand) as compared to the fiscal year ended February 28, 2021. On the other hand, continuing efforts from the previous fiscal year to enhance the Group’s credit review process and debt collection activities resulted in a significant improvement in credit costs, as well as efforts to reduce selling, general and administrative expenses through digitalization. As a result, consolidated operating income increased by 44.8% to ¥58,853 million (\$509,151 thousand).

## Financial Review

### Finance Receivables and Loans in Banking Business

	Millions of Yen			
	2022	2021	Amount Change	Percentage Change
Installment sales receivables:				
Credit card purchase contracts	¥ 966,384	¥ 911,769	¥ 54,615	6.0 %
Hire purchase contracts	599,901	609,381	(9,480)	(1.6)
Subtotal	¥1,566,285	¥1,521,150	¥ 45,135	3.0 %
Operating loan receivables	772,604	782,916	(10,312)	(1.3)
Allowance for credit losses	(118,950)	(128,454)	9,504	(7.4)
Total finance receivables	¥2,219,939	¥2,175,612	¥ 44,327	2.0 %

	Millions of Yen			
	2022	2021	Amount Change	Percentage Change
Loans and bills discounted	¥2,110,011	¥1,998,380	¥111,631	5.6 %
Allowance for credit losses	(5,475)	(4,805)	(670)	13.9
Total loans in banking business	¥2,104,536	¥1,993,575	¥110,961	5.6 %

### Cash Flows

Net cash provided by operating activities for the fiscal year ended February 28, 2022 increased by ¥14,005 million (\$121,160 thousand) to ¥76,287 million (\$659,981 thousand) as compared to the fiscal year ended February 28, 2021, mainly due to an increase in installment sales receivables resulting from an expansion of the transaction volume of credit card purchases, while deposits in banking business increased as a result of expanded use of the deposits as settlement accounts.

Net cash used in investing activities for the fiscal year ended February 28, 2022 decreased by ¥60,995 million (\$527,682 thousand) to ¥33,562 million (\$290,358 thousand) as compared to the fiscal year ended February 28, 2021, mainly because

proceeds from sales and redemption of securities exceeded payments for purchases of securities.

Net cash used in financing activities for the fiscal year ended February 28, 2022 decreased by ¥846 million (\$7,318 thousand) to ¥13,508 million (\$116,865 thousand) as compared to the fiscal year ended February 28, 2021, mainly due to a decrease in payments of cash dividends.

As a result of the above, the balance of cash and cash equivalents as at February 28, 2022 increased by ¥30,891 million (\$267,241 thousand) to ¥697,629 million (\$6,035,372 thousand) as compared to that as at February 28, 2021.

## BUSINESS PERFORMANCE BY REPORTABLE SEGMENT

### Total Assets and Ordinary Income by Reportable Segment

	Millions of Yen			
	2022	2021	Amount Change	Percentage Change
Total Assets:				
Retail	¥4,818,288	¥4,682,930	¥135,358	2.9 %
Solutions	935,681	947,027	(11,346)	(1.2)
China Area	76,592	71,262	5,330	7.5
Mekong Area	321,276	310,371	10,905	3.5
Malay Area	290,395	279,741	10,654	3.8
Reconciliations	(163,646)	(167,609)	3,963	(2.4)
Total assets	¥6,278,586	¥6,123,722	¥154,864	2.5 %
Operating Revenues <sup>(*)</sup> :				
Retail	¥ 213,579	¥ 230,251	¥ (16,672)	(7.2)%
Solutions	178,848	182,719	(3,871)	(2.1)
China Area	15,743	15,568	175	1.1
Mekong Area	72,416	73,883	(1,467)	(2.0)
Malay Area	49,980	47,680	2,300	4.8
Reconciliations	(59,909)	(62,792)	2,883	(4.6)
Total operating revenues	¥ 470,657	¥ 487,309	¥ (16,652)	(3.4)%
Segment Profits:				
Retail	¥ 8,090	¥ 4,648	¥ 3,442	74.1 %
Solutions	17,836	16,615	1,221	7.3
China Area	5,531	4,546	985	21.7
Mekong Area	15,298	10,706	4,592	42.9
Malay Area	12,977	4,178	8,799	210.6
Reconciliations	(879)	(42)	(837)	1,992.9
Total segment profits	¥ 58,853	¥ 40,651	¥ 18,202	44.8 %

(\*) For segment revenues, the Group uses operating revenues instead of sales, which are used by normal commercial companies.

# Consolidated Balance Sheet

AEON Financial Service Co., Ltd. and Subsidiaries  
February 28, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Note 16)	¥ 697,629	¥ 666,738	\$ 6,035,372
Deposits with banks (Notes 6 and 16)	41,154	39,001	356,037
Call loans (Note 16)	8,864	30,842	76,685
Finance receivables—net of allowance for credit losses (Notes 3, 5, 6 and 16)	2,219,939	2,175,612	19,205,290
Lease receivables and investment assets (Note 15)	12,585	12,285	108,876
Loans in banking business—net of allowance for credit losses (Notes 3, 5, 16, 18 and 21)	2,104,536	1,993,575	18,206,904
Securities in banking business (Notes 4, 6 and 16)	536,221	519,024	4,638,995
Securities in insurance business (Notes 4 and 16)	49,397	70,262	427,348
Monetary claims bought (Notes 4 and 16)	27,029	30,801	233,833
Money held in trust (Notes 4 and 16)	111,016	92,567	960,428
Other current assets (Note 16)	170,800	184,103	1,477,633
Total current assets	5,979,170	5,814,810	51,727,401
<b>Property and equipment:</b>			
Structures	23,883	23,777	206,619
Equipment	87,333	84,468	755,542
Construction in progress	109	233	948
Other property and equipment	448	354	3,872
Total	111,773	108,832	966,981
Accumulated depreciation	(77,453)	(69,680)	(670,067)
Net property and equipment (Note 22)	34,320	39,152	296,914
<b>Investments and other assets:</b>			
Investment securities (Notes 4 and 16)	12,990	12,425	112,377
Deferred tax assets (Note 13)	39,022	44,289	337,585
Guarantee money deposits (Note 6)	50,438	56,115	436,353
Goodwill (Note 22)	14,925	16,785	129,119
Software (Note 3)	107,732	100,250	932,021
Other assets	39,989	39,896	345,957
Total investments and other assets	265,096	269,760	2,293,412
Total assets	¥6,278,586	¥6,123,722	54,317,727
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable (Note 16)	¥ 281,117	¥ 321,042	\$ 2,432,019
Deposits in banking business (Note 16)	4,178,545	4,018,666	36,149,707
Short-term borrowings (Notes 6, 7 and 16)	204,074	216,468	1,765,500
Commercial paper (Notes 7 and 16)	85,000	85,000	735,358
Current portion of long-term borrowings (Notes 7 and 16)	90,215	62,159	780,470
Current portion of bonds (Notes 7 and 16)	63,410	23,013	548,577
Current portion of convertible bonds (Notes 7 and 16)	7,129	20,685	61,675
Allowance for point program	142,755	141,827	1,235,015
Other current liabilities (Note 7)	5,052,245	4,888,860	43,708,321
Total current liabilities	5,052,245	4,888,860	43,708,321
<b>Non-current liabilities:</b>			
Reserve for insurance policy liabilities	64,368	86,639	556,865
Bonds (Notes 7 and 16)	277,250	282,722	2,398,566
Long-term borrowings (Notes 6, 7 and 16)	335,933	337,026	2,906,249
Deferred tax liabilities (Note 13)	1,274	1,519	11,019
Allowance for loss on refund of interest received	6,476	5,706	56,028
Other liabilities (Notes 7 and 8)	31,985	46,582	276,707
Total non-current liabilities	717,286	760,194	6,205,434
Total liabilities	5,769,531	5,649,054	49,913,755
<b>Commitments and contingent liabilities (Notes 15, 17 and 18)</b>			
<b>Equity (Notes 9 and 10):</b>			
Common stock—authorized, 540,000,000 shares; issued, 216,010,128 shares in 2022 and 216,010,128 shares in 2021	45,698	45,698	395,347
Capital surplus	119,990	120,145	1,038,068
Stock acquisition rights—191 rights in 2022 and 262 rights in 2021	33	44	286
Retained earnings	258,525	237,385	2,236,573
Treasury stock—at cost, 172,749 shares in 2022 and 179,553 shares in 2021	(443)	(461)	(3,827)
Accumulated other comprehensive income:			
Unrealized (loss) gain on available-for-sale securities (Note 4)	(2,550)	3,284	(22,060)
Deferred loss on derivatives under hedge accounting	(1,628)	(3,902)	(14,092)
Foreign currency translation adjustments	4,852	(335)	41,977
Accumulated adjustments for retirement benefits (Note 8)	(222)	(353)	(1,927)
Total	424,255	401,505	3,670,345
Non-controlling interests	84,800	73,163	733,627
Total equity	509,055	474,668	4,403,972
Total liabilities and equity	¥6,278,586	¥6,123,722	\$54,317,727

See notes to consolidated financial statements.

# Consolidated Statement of Income

AEON Financial Service Co., Ltd. and Subsidiaries  
Year Ended February 28, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>Operating revenues:</b>			
Credit card purchase contracts	¥ 131,780	¥ 128,701	\$ 1,140,061
Hire purchase contracts	42,663	42,573	369,088
Loan contracts	128,421	136,913	1,111,008
Financial revenue:			
Interest on loans in banking business	22,879	22,405	197,932
Interest and dividends on securities in banking business	4,866	4,650	42,103
Interest on call loans	30	277	255
Interest income	774	672	6,693
Other financial revenue	5,135	4,938	44,430
Total financial revenue	33,684	32,942	291,413
Insurance revenue:			
Reversal of policy reserve	22,271	40,667	192,675
Other insurance revenue	6,919	10,998	59,854
Total insurance revenue	29,190	51,665	252,529
Fees and commissions	60,991	60,384	527,651
Gain on bad debts recovered	11,921	9,451	103,129
Other operating revenues	32,007	24,680	276,902
Total operating revenues (Note 22)	470,657	487,309	4,071,781
<b>Operating expenses:</b>			
Financial expenses:			
Interest expenses	(16,596)	(18,437)	(143,576)
Interest on deposits in banking business	(1,864)	(2,322)	(16,127)
Other financial expenses	(2,973)	(2,271)	(25,720)
Total financial expenses	(21,433)	(23,030)	(185,423)
Insurance expenses:			
Insurance claims	(28,045)	(50,331)	(242,629)
Other insurance expenses	(147)	(73)	(1,268)
Total insurance expenses	(28,192)	(50,404)	(243,897)
Fees and commissions	(11,463)	(11,162)	(99,167)
Selling, general and administrative expenses (Note 11)	(295,403)	(284,664)	(2,555,610)
Provision for credit losses and write-off of bad debts	(52,364)	(74,026)	(453,015)
Other operating expenses	(2,949)	(3,372)	(25,518)
Total operating expenses	(411,804)	(446,658)	(3,562,630)
Operating income	58,853	40,651	509,151
<b>Non-operating revenues (expenses):</b>			
Dividends income	202	246	1,750
Loss on disposal of non-current assets (Note 12)	(574)	(709)	(4,967)
Impairment loss (Note 22)	(203)	(144)	(1,752)
Other non-operating revenues (expenses)—net (Note 12)	1,468	(739)	12,696
Total non-operating expenses	893	(1,346)	7,727
Income before income taxes	59,746	39,305	516,878
<b>Income taxes (Note 13):</b>			
Current	(13,068)	(21,316)	(113,056)
Deferred	(5,630)	8,120	(48,709)
Total income taxes	(18,698)	(13,196)	(161,765)
Net income	41,048	26,109	355,113
<b>Net income attributable to non-controlling interests</b>	(10,835)	(8,415)	(93,733)
<b>Net income attributable to owners of the parent</b>	¥ 30,213	¥ 17,694	\$ 261,380
<b>PER SHARE OF COMMON STOCK (Note 20):</b>	Yen		U.S. Dollars
Basic net income	¥139.98	¥81.99	\$1.21
Diluted net income	139.97	81.97	1.21
Cash dividends applicable to the year	50.00	34.00	0.43

See notes to consolidated financial statements.

## Consolidated Statement of Comprehensive Income

AEON Financial Service Co., Ltd. and Subsidiaries  
Year Ended February 28, 2022 and 2021

		Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>Net income</b>	<b>¥41,048</b>	<b>¥26,109</b>	<b>\$355,113</b>
Other comprehensive income (Note 19):			
Unrealized (loss) gain on available-for-sale securities	(5,757)	243	(49,808)
Deferred gain on derivatives under hedge accounting	3,946	1,079	34,142
Foreign currency translation adjustments	8,226	106	71,168
Adjustments for retirement benefits	130	238	1,127
Total other comprehensive income	6,545	1,666	56,629
Comprehensive income:	¥47,593	¥27,775	\$411,742
Total comprehensive income attributable to:			
Owners of the parent	¥31,970	¥19,002	\$276,579
Non-controlling interests	15,623	8,773	135,163

See notes to consolidated financial statements.



# Consolidated Statement of Changes in Equity

AEON Financial Service Co., Ltd. and Subsidiaries  
Year Ended February 28, 2022 and 2021

	Thousands				Millions of Yen								Total	Non-controlling Interests	Total Equity
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income								
							Unrealized (Loss) Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Accumulated adjustments for retirement benefits					
<b>Balance, March 1, 2020</b>	215,802	¥45,698	¥120,360	¥ 82	¥230,508	¥(535)	¥ 2,913	¥(4,469)	¥ (467)	¥(591)	¥393,499	¥65,576	¥459,075		
Net income attributable to owners of the parent					17,694						17,694		17,694		
Cash dividends, ¥50 per share					(10,790)						(10,790)		(10,790)		
Purchase of treasury stock	(1)					(1)					(1)		(1)		
Disposal of treasury stock	29				(27)	75					48		48		
Change in the parent's ownership interest arising from transactions with non-controlling interests			(215)								(215)	215			
Net change in the year				(38)			371	567	132	238	1,270	7,372	8,642		
<b>Balance, February 28, 2021</b>	215,830	¥45,698	¥120,145	¥ 44	¥237,385	¥(461)	¥ 3,284	¥(3,902)	¥ (335)	¥(353)	¥401,505	¥73,163	¥474,668		
Net income attributable to owners of the parent					30,213						30,213		30,213		
Cash dividends, ¥42 per share					(9,065)						(9,065)		(9,065)		
Purchase of treasury stock	(1)					(1)					(1)		(1)		
Disposal of treasury stock	8				(8)	19					11		11		
Change in the parent's ownership interest arising from transactions with non-controlling interests			(155)								(155)	155			
Net change in the year				(11)			(5,834)	2,274	5,187	131	1,747	11,482	13,229		
<b>Balance, February 28, 2022</b>	215,837	¥45,698	¥119,990	¥ 33	¥258,525	¥(443)	¥(2,550)	¥(1,628)	¥4,852	¥(222)	¥424,255	¥84,800	¥509,055		

	Thousands				Millions of Yen								Total	Non-controlling Interests	Total Equity
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income								
							Unrealized (Loss) Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Accumulated adjustments for retirement benefits					
<b>Balance, February 28, 2021</b>	215,830	\$395,347	\$1,039,409	\$378	\$2,053,682	\$(3,981)	\$ 28,410	\$(33,761)	\$ (2,896)	\$(3,054)	\$3,473,534	\$632,946	\$4,106,480		
Net income attributable to owners of the parent					261,380						261,380		261,380		
Cash dividends, \$0.36 per share					(78,423)						(78,423)		(78,423)		
Purchase of treasury stock	(1)					(3)					(3)		(3)		
Disposal of treasury stock	8				(66)	157					91		91		
Change in the parent's ownership interest arising from transactions with non-controlling interests			(1,341)								(1,341)	1,341			
Net change in the year				(92)			(50,470)	19,669	44,873	1,127	15,107	99,340	114,447		
<b>Balance, February 28, 2022</b>	215,837	\$395,347	\$1,038,068	\$286	\$2,236,573	\$(3,827)	\$(22,060)	\$(14,092)	\$41,977	\$(1,927)	\$3,670,345	\$733,627	\$4,403,972		

See notes to consolidated financial statements.

# Consolidated Statement of Cash Flows

AEON Financial Service Co., Ltd. and Subsidiaries  
Year Ended February 28, 2022 and 2021

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2022	2021	2022
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes	¥ 59,746	¥ 39,305	\$ 516,878
Adjustments for:			
Income taxes—paid	(21,519)	(21,890)	(186,168)
Income taxes—refund	2,536	3,125	21,937
Depreciation and amortization	30,561	29,580	264,393
Amortization of goodwill	1,874	1,872	16,212
Financial revenue	(33,684)	(32,942)	(291,413)
Financial expenses	21,433	23,030	185,423
Dividends income	(202)	(246)	(1,750)
Net loss on disposal of non-current assets	553	701	4,784
Net (decrease) increase in allowance for credit losses	(10,602)	18,496	(91,725)
Net decrease in allowance for point program	(13,556)	(28)	(117,278)
Net increase in allowance for loss on refund of interest received	770	741	6,660
Net (increase) decrease in finance receivables	(12,381)	100,821	(107,109)
Net increase in loans in banking business	(111,631)	(323,594)	(965,747)
Net (increase) decrease in lease receivables and investment assets	(300)	498	(2,599)
Net increase in deposits in banking business	159,878	228,425	1,383,153
Net (decrease) increase in accounts payable	(40,638)	12,801	(351,568)
Net (decrease) increase in borrowed money	(8,626)	59,746	(74,626)
Net (increase) decrease in deposits with banks	(1,311)	10,686	(11,340)
Net decrease in call loans and others	25,750	6,954	222,769
Net decrease in commercial paper	—	(74,824)	—
Net increase in bonds	33,071	6,354	286,111
Net decrease in reserve for insurance policy liabilities	(22,271)	(40,667)	(192,675)
Financial revenue received	33,988	33,393	294,043
Financial expenses paid	(21,711)	(23,719)	(187,828)
Other—net	4,559	3,664	39,444
Net cash provided by operating activities	76,287	62,282	659,981
<b>INVESTING ACTIVITIES:</b>			
Purchases of securities	(518,991)	(589,889)	(4,489,927)
Proceeds from sales of securities	248,187	189,861	2,147,130
Proceeds from redemption of securities	283,852	368,592	2,455,679
Purchases of money held in trust	(28,451)	(44,045)	(246,137)
Proceeds from collection of money held in trust	10,823	7,224	93,633
Purchases of property and equipment	(4,101)	(4,908)	(35,483)
Proceeds from sale of property and equipment	77	8	666
Purchases of intangible assets	(24,962)	(30,996)	(215,952)
Proceeds from sale of intangible assets	4	—	33
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 14)	—	9,596	—
Net cash used in investing activities	(33,562)	(94,557)	(290,358)
<b>FINANCING ACTIVITIES:</b>			
Dividends paid to the Company's shareholders	(9,065)	(10,790)	(78,423)
Repayments to non-controlling shareholders	—	(26)	—
Dividends paid to non-controlling shareholders	(4,443)	(3,536)	(38,439)
Purchase of treasury stock	(1)	(1)	(4)
Proceeds from disposal of treasury stock	1	1	1
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2)	—
Net cash used in financing activities	(13,508)	(14,354)	(116,865)
<b>FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS</b>	1,674	(40)	14,483
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	30,891	(46,669)	267,241
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	666,738	713,407	5,768,131
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	¥ 697,629	¥ 666,738	\$ 6,035,372

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Year Ended February 28, 2022 and 2021

## 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 accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS") and accounting principles generally accepted in the United States of America ("U.S. GAAP").

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 2021 consolidated financial statements to conform to the classifications used in 2022.

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 ¥115.59 to \$1, the exchange rate at February 28, 2022. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The balance sheet date of the consolidated subsidiaries excluding the companies below corresponds with the consolidated closing date.

AFS Corporation Co., Ltd.

AEON Bank, Ltd. and 17 other companies

The above companies are consolidated with appropriate adjustments to material transactions during the periods between their respective balance sheet dates and the consolidated closing date. Certain subsidiaries are consolidated using their provisional financial statements as at certain dates within three months prior to the consolidated closing date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Consolidation**—The consolidated financial statements as at February 28, 2022 include the accounts of the Company and its 32 subsidiaries and one affiliate company.

During the current fiscal year, Insurepro Sdn. Bhd has been included in the scope of consolidation due to acquisition of shares.

AEON MICRO FINANCE (SHENYANG) CO., LTD. has been excluded from the scope of consolidation due to completion of liquidation.

Rabbit Cash Company Limited is an affiliate that is not accounted for using the equity method, because its net income and retained earnings (corresponding to the equity interest held by the Company) have an insignificant effect on the consolidated financial statements as a whole.

Under the control and influence concepts, 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 difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition is recorded as goodwill. Goodwill recognized by the Company or its consolidated domestic subsidiaries is amortized over a period not exceeding 20 years (estimated effective period). Insignificant goodwill and bargain purchase gain are recognized in profit or loss in the period in which the business combination occurs.

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

(b) **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—**

Under Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements," 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. However, financial statements prepared by foreign subsidiaries in accordance with either IFRS or U.S. GAAP (Financial Accounting Standards Board Accounting Standards Codification) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (i) amortization of goodwill; (ii) scheduled amortization of actuarial gain or loss of defined benefit plans that has been recorded in equity through other comprehensive income; (iii) expensing capitalized development costs of R&D; (iv) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (v) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of

an investment in an equity instrument.

**(c) Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method**—ASBJ Statement No. 16, “Accounting Standard for Equity Method of Accounting for Investments,” requires adjustments to be made to conform the associate’s accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate’s financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or U.S. GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (i) amortization of goodwill; (ii) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (iii) expensing capitalized development costs of R&D; (iv) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (v) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

**(d) Business Combination**—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as at the acquisition date and that would have affected the measurement of the amounts recognized as at that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. The acquirer recognizes any bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. A parent’s ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of non-controlling interest is adjusted to reflect the change in the

parent’s ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the non-controlling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

**(e) Cash Equivalents**—Cash equivalents are short-term investments that are readily convertible into cash and that are not exposed to significant risk of changes in value. Cash equivalents of the Company and its consolidated subsidiaries, excluding the domestic subsidiary that operates banking business (hereinafter, the “domestic banking subsidiary”), include time deposits, certificates of deposit, and commercial paper, all of which mature or become due within three months from the date of acquisition. Cash equivalents of the domestic banking subsidiary comprise cash in hand and due from the Bank of Japan.

**(f) Finance Receivables**—Finance receivables that the Group has 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.

**(g) Allowance for Credit Losses**—The allowance for credit losses is provided in accordance with the Group’s internal standards developed based on the past credit loss experience and evaluation of potential losses for normal receivables and doubtful receivables.

Certain overseas subsidiaries adopted IFRS 9 and used the impairment model based on expected credit losses to recognize the amount based on the credit risk as at the end of the reporting period.

The domestic banking subsidiary determines the allowance for credit losses in accordance with the internally developed standards for write-offs and provisions. It classifies its obligors into five categories for self-assessment purposes in accordance with “Practical Guidance for Checking Internal Controls for Self-Assessments of Assets by Banks and Other Financial Institutions and for Audits of Loans Written Off and Loan Loss Allowance Provisions” (Japanese Institute of Certified Public Accountants (“JICPA”) Special Committee for Audits of Banks, etc., Report No. 4, October 8, 2020), namely, “normal,” “in need of caution,” “possible bankruptcy,” “substantial bankruptcy,” and “legal bankruptcy.” For credits to obligors classified as normal or in need of caution, the allowance for credit losses is provided based on the bad debt ratio derived from credit loss experience over a certain past period. For credits classified as possible bankruptcy, the allowance for credit losses is provided for the amount management determines is required out of the following: credit amount, less the expected amount recoverable through the disposal of collateral or execution of guarantee. For credits classified as substantial bankruptcy or legal bankruptcy, the allowance for credit losses is provided for the full amounts of such credits, deducting the

## Notes to Consolidated Financial Statements

expected amount recoverable through the disposal of collateral or execution of guarantee. All claims are assessed initially by the operational department and credit department based on the internal standards for self-assessment of asset quality. The Internal Audit Department, which is independent from the operational departments, reviews the results of the self-assessments.

**(h) Property and Equipment**—Property and equipment are stated at cost, less accumulated depreciation and impairment. 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 2 to 20 years.

**(i) Securities**—Securities are classified and accounted for depending on management's intent as follows: trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in profit or loss. 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. Available-for-sale securities whose fair values are deemed to be difficult to determine are stated at cost determined by the moving-average method. Securities other than those classified as for trading purposes (excluding securities whose fair values are deemed to be difficult to determine) are considered to be impaired if the fair values of the securities decrease materially below the acquisition cost and such decline is not considered to be recoverable. The amount of write-down is accounted for as an impairment loss on the securities for the fiscal year.

**(j) Software (excluding lease assets and right-of-use assets)**—Software is carried at cost, less accumulated amortization and impairment. Amortization of software is calculated by the straight-line method over an estimated useful life of within five years.

**(k) Bond Issuance Costs**—Bond issuance costs as at February 28, 2022 and 2021, which have been deferred and included in other assets, were ¥716 million (\$6,198 thousand) and ¥781 million, respectively. These costs are amortized by the interest method through the maturity of the bonds.

**(l) Allowance for Point Program**—Certain domestic subsidiaries of the Group offer point programs to their customers. The allowance for point program is provided for the cost to be incurred in the future by redemption of the points that have been given to customers as at the end of the fiscal year based on past experience.

**(m) Policy Reserves**—The amount of policy reserves, which account for the majority of reserves for insurance policy liabilities, are calculated and accumulated in accordance with the method stipulated in the Statement of Calculation Procedures for Insurance Premiums and Policy Reserves (Article 4,

Paragraph (2), Item (iv) of the Insurance Business Act), pursuant to Article 116 of the Insurance Business Act, to provide for future fulfillment of obligations for which liabilities under the insurance contracts has commenced at the end of the reporting period. No policy reserve for the reinsured portion is accumulated in accordance with Article 71 of the Ordinance for Enforcement of the Insurance Business Act.

The amount of policy reserves for insurance premiums are calculated as follows:

- (i) For contracts which are subject to the standard policy reserve requirements, the premium reserves are calculated using the method stipulated by the Commissioner of Financial Services Agency (Ministry of Finance Notification No. 48 in 1996).
- (ii) For contracts which are not subject to the standard policy reserve requirements, the premium reserves are calculated using the net level premium method.

For a certain portion of the policy reserves, actuaries confirm whether the policy reserves have been appropriately accumulated for each reporting period in accordance with Article 121, Paragraph (1) of the Insurance Business Act and Article 80 of the Ordinance for Enforcement of the Insurance Business Act.

The policy reserves for contingencies are accumulated to ensure the fulfillment of future obligations under insurance contracts and to prepare for possible future risks in accordance with Article 116 of the Insurance Business Act and Article 69, Paragraph (1), Item (iii) of the Ordinance for Enforcement of the Insurance Business Act.

### **(n) Insurance Premiums and Other and Insurance Claims—**

- (i) Insurance premiums and other (excluding reinsurance revenue)  
Insurance premiums and other (excluding reinsurance revenue) are recorded at the amount received for which liabilities under insurance contracts have been assumed.
- (ii) Insurance claims (excluding reinsurance premiums)  
Insurance claims (excluding reinsurance premiums) are recorded at the amount paid, which is calculated based on the terms and conditions of the policies.

For insurance claims payable, or considered to be payable but not yet reported, at the end of the reporting period that are not recognized as insurance claims, reserves for outstanding claims are accumulated in accordance with Article 117 of the Insurance Business Act and Article 72 of the Ordinance for Enforcement of the Insurance Business Act.

- (iii) Reinsurance revenue and reinsurance premiums  
Of the insurance premiums and other, reinsurance revenue, which is mainly reinsurance claims, is recorded at the amount calculated based on the terms and conditions of the reinsurance contracts for which the reinsurance claims become receivable. Of the insurance claims, reinsurance premiums are recorded at the amount calculated based on the terms and conditions of the reinsurance contracts.

**(o) Allowance 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 certain domestic subsidiaries of the Group and is stated at the amount considered to be appropriate based on the Group's past refund experience.

**(p) Retirement Benefits and Pension Plans**—The Company and its consolidated domestic subsidiaries have a funded defined benefit pension plan, advance payment plan, and defined contribution pension plan covering substantially all employees. Overseas subsidiaries have unfunded severance payment plans for their employees. Certain consolidated subsidiaries adopt the simplified method, which is allowed for small entities that meet certain criteria under generally accepted accounting standards in Japan, for calculating the projected benefit obligation and net periodic benefit costs.

In calculation of retirement benefit obligation, estimated amounts of retirement benefits are allocated to each period by the benefit formula method.

Unrecognized past service costs of domestic subsidiaries are amortized using the straight-line method within the employees' average remaining service period from the fiscal year of its incurrence, over a period not exceeding 10 years.

Unrecognized actuarial gains and losses of domestic subsidiaries are amortized using the straight-line method within the employees' average remaining service period, commencing from the following fiscal year of incurrence, over a period of 10 years.

**(q) Stock Options**—The cost of employee stock options is measured based on the fair value at the date of grant and recognized as compensation expense over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

**(r) Recognition of Operating Revenues**—The operations of the Group mainly comprise the following, and the recognition of operating revenues varies by business.

**(i) Credit card purchase contracts and hire purchase contracts**

Installment sales receivables are recognized after the Group has accepted the relevant contracts referred by participating member stores.

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.

The Group receives fees from customers under credit card purchase contracts and hire purchase contracts. The

fees from customers are recognized at each installment payment date principally by the declining balance method.

**(ii) Loan contracts**

The Group provides cash advance and loan services. Loan receivables are recognized when cash is drawn down by customers. The interest income and the customer charge at the start of the contract are recognized at each installment payment date principally by the declining balance method.

**(s) Lease Transactions**—All finance lease transactions as a lessee are capitalized to recognize lease assets and lease obligations on the balance sheet. All other leases are accounted for as operating leases.

Certain consolidated domestic subsidiaries recognize revenue and related cost of sales for lease transactions as a lessor upon receipt of lease payments.

**(t) Right-of-use Assets**—Certain consolidated overseas subsidiaries account for lease transactions under IFRS 16 "Leases." Under IFRS 16, lessees shall recognize all lease transactions as right-of-use assets, and depreciation expenses on these assets are computed using the straight-line method.

**(u) Income Taxes**—The provision for income taxes is computed based on the pretax income included in the consolidated statement 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.

**(v) Consumption Taxes**—National and local consumption taxes of the Company and its domestic subsidiaries are accounted for using the tax-exclusion method. However, consumption taxes relating to assets that are not tax deductible are recognized as other assets and amortized over the period stipulated in the Corporation Tax Act.

**(w) 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 as at each balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

**(x) Foreign Currency Financial Statements**—The balance sheet accounts of the foreign subsidiaries are translated into Japanese yen at the current exchange rate as at each balance sheet date, except for equity, which is translated at the historical rate. Revenue and expense accounts of foreign subsidiaries are translated into yen at the average exchange rate. Differences

## Notes to Consolidated Financial Statements

arising from such translation are shown as “Foreign currency translation adjustments” under accumulated other comprehensive income in a separate component of equity.

**(y) 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: (i) derivatives are generally recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statement of income; and (ii) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, the unrealized gains or losses, net of applicable taxes, are deferred until maturity as deferred gain/loss on derivatives under hedge accounting under accumulated other comprehensive income in a separate component of equity. Foreign currency-denominated long-term debt for which forward exchange contracts are used as hedging instruments are translated at the forward exchange rate if the derivatives qualify for hedge accounting. Interest rate swaps are utilized to hedge interest rate exposures of long-term debt. Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential to be paid or received under the swap agreements is recognized and included in interest expense or income.

**(z) 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. Diluted net income per share of common stock is calculated assuming all outstanding stock acquisition rights are exercised.

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

### **(aa) Accounting Changes and Error Corrections**

Under 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 are required as follows:

#### **(i) Changes in accounting policies**

When a new accounting policy is applied due to a revision of accounting standards, the 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.

#### **(ii) Changes in presentation**

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

#### **(iii) 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.

#### **(iv) Correction of prior-period errors**

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

Effective from February 28, 2022, the Group has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the current fiscal year. Accordingly, the Group discloses “Significant Accounting Estimates” in the notes to the consolidated financial statements.

However, the details for the previous fiscal year are not disclosed in the notes in accordance with the transitional treatment stipulated in the proviso of Paragraph 11 of the Accounting Standard.

### **(ab) New Accounting Pronouncements**

The Company and its consolidated domestic subsidiaries

#### **(i) Accounting standards for revenue recognition**

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

#### **(1) Overview**

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) in the United States jointly developed comprehensive accounting standards for revenue recognition and released the “Revenue from Contracts with Customers” (IFRS 15 in the IASB and Topic 606 in the FASB) in May 2014. In light of this situation, the ASBJ has developed comprehensive accounting standards for revenue recognition and published them in step with the Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is to set accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from a standpoint of comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15. It is also intended to provide

alternative accounting treatments to the extent not to compromise comparability, if there is any commonly accepted practice in Japan that should be taken into account.

#### (2) Effective date

The Group plans to apply these accounting standards at the beginning of the fiscal year ending February 28, 2023.

#### (3) Effects of adoption of these accounting standards

The Group is currently evaluating the effects of adoption of these accounting standards.

#### (ii) Accounting standards for fair value measurement

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020)

#### (1) Overview

The IASB and FASB provided detailed guidance on fair value measurement with similar details (IFRS 13 “Fair Value Measurement” for IFRS and Accounting Standards Codification Topic 820 “Fair Value Measurement” for U.S. GAAP). In light of this situation, the ASBJ has taken measures to ensure that Japanese accounting standards are consistent with the international accounting standards, mainly regarding the guidance and disclosure of fair value of financial instruments, and issued the “Accounting Standard for Fair Value Measurement.”

The basic policy of the ASBJ in developing the accounting standards for fair value measurement is to improve the

comparability of financial statements between domestic and overseas companies by using a uniform fair value measurement method, which is basically achieved by adopting almost all requirements of IFRS 13. In consideration of the practices that have been conducted in Japan to date, the other treatments for individual items are stipulated to the extent that comparability between financial statements is not significantly impaired.

#### (2) Effective date

The Group plans to apply these accounting standards at the beginning of the fiscal year ending February 28, 2023.

The Group will apply the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (revised in 2021) from the beginning of the fiscal year ending February 29, 2024.

#### (3) Effects of adoption of these accounting standards

The Group is currently evaluating the effects of adoption of these accounting standards.

#### (ac) Additional Information

(Accounting principles and procedures adopted where the provisions of the relevant Accounting Standards, etc. are not clear)

Effective from February 28, 2022, the Group has applied the “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020) to the consolidated financial statements for the current fiscal year. As the notes on the “accounting principles and procedures adopted where the provisions of the relevant Accounting Standards, etc. are not clear,” the Group discloses accounting policies related to “(m) Policy Reserves” and “(n) Insurance Premiums and Other and Insurance Claims” in Note 2.

### 3. SIGNIFICANT ACCOUNTING ESTIMATES

The following items recorded in the consolidated financial statements for the current fiscal year are based on accounting estimates and may have significant effects on the consolidated financial statements for the following fiscal year:

#### (a) Allowance for credit losses

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Allowance for credit losses: ¥124,550 million  
(\$1,077,513 thousand)

(2) Information on the nature of significant accounting estimates for identified items

##### (i) Calculation method

The calculation method of the allowance for credit losses is described in Note 2, “SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (g) Allowance for Credit Losses.”

##### (ii) Key assumptions

The Group assumes that it will incur losses on operating receivables of domestic subsidiaries equivalent to those incurred in prior years for each category of receivables based on type of products and status of repayment.

For certain overseas subsidiaries applying the impairment model based on expected credit losses, their assumptions include a correlation between past credit losses and macroeconomic indicators and the forecast of the macroeconomic indicators.

The Group assumes that it will take more time until the impact of COVID-19 is alleviated based on the collection status of receivables subject to repayment graces in some countries and regions. There is no significant change in the assumptions regarding the impact of COVID-19 from those disclosed as “Additional Information” in the consolidated financial statements for the previous fiscal year.



## Notes to Consolidated Financial Statements

(iii) Effect on the consolidated financial statements for the following fiscal year

If the assumptions used in the initial estimates change due to changes in the economic environment of respective countries and regions, or if the extent of the impact of COVID-19 on the economic environment changes, the consolidated financial statements for the following fiscal year may be significantly affected.

### (b) Impairment loss on non-current assets

(1) Amount recorded in the consolidated financial statements for the current fiscal year

Software: ¥107,732 million (\$932,021 thousand)

(2) Information on the nature of significant accounting estimates for identified items

Retail financial services operated by the Group require a large amount of data processing based on transactions with a large number of individuals. The Group makes significant system investments such as the updating of core systems in response to changes in the external environment.

Of this, the balance of the next-generation core business system under development, which is scheduled to be used

for domestic credit card operations, was ¥50,287 million (\$435,044 thousand) as at February 28, 2022, which accounted for 46% of the balance of Software.

If the total amount of undiscounted future cash flows from software assets or asset groups with impairment indicators falls below their carrying amount, the Group reduces their carrying amount to the recoverable amount and recognizes the reduction as an impairment loss. The Group makes reasonable judgment in identifying impairment indicators and recognizing and measuring impairment losses based on the information available at the end of the reporting period regarding the investment recovery plan and the usage situation. However, if the assumptions and conditions used for the judgment change due to changes in business plans and market conditions, impairment losses may need to be recognized in the subsequent fiscal year.

As a result of monitoring the most recent progress of the next-generation core business system under development (software) described above, the Group has determined that it is not in a situation where impairment losses should be recognized.

## 4. SECURITIES IN BANKING BUSINESS AND INSURANCE BUSINESS, MONETARY CLAIMS BOUGHT, MONEY HELD IN TRUST AND INVESTMENT SECURITIES

### (a) Trading securities

Unrealized gains (losses) on trading securities held as at February 28, 2022 and 2021 were ¥(788) million (\$(6,822) thousand) and ¥1,928 million, respectively.

### (b) Securities other than trading securities

Securities other than trading securities in banking business and insurance business, monetary claims bought and investment securities as at February 28, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Marketable equity securities	¥ 6,904	¥ 6,567	\$ 59,729
Marketable debt securities:			
Government bonds	68,331	27,581	591,153
Municipal bonds	400	400	3,461
Corporate bonds	127,675	121,507	1,104,545
Total marketable debt securities	196,406	149,488	1,699,159
Other securities			
Foreign securities	67,395	112,224	583,055
Other <sup>(*)</sup>	336,376	322,579	2,910,078
Total other securities	403,771	434,803	3,493,133
Total	¥607,081	¥590,858	\$5,252,021

(\*) Includes investments in associated companies of ¥747 million (\$6,466 thousand) and ¥248 million as at February 28, 2022 and 2021, respectively.

The carrying amounts, aggregate fair values, costs and unrealized gains (losses) of available-for-sale securities in banking business and insurance business, monetary claims bought and investment securities as at February 28, 2022 and 2021 consisted of the following:

Millions of Yen				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>February 28, 2022</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,094	¥4,909	¥ (99)	¥ 6,904
Debt securities	197,675	66	(1,335)	196,406
Other securities	401,098	3,703	(7,115)	397,686
<b>February 28, 2021</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 2,079	¥4,494	¥ (6)	¥ 6,567
Debt securities	150,357	60	(929)	149,488
Other securities	425,948	6,195	(3,197)	428,946

Thousands of U.S. Dollars				
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
<b>February 28, 2022</b>				
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 18,118	\$42,466	\$ (854)	\$ 59,730
Debt securities	1,710,138	569	(11,549)	1,699,158
Other securities	3,470,010	32,033	(61,557)	3,440,486

Available-for-sale securities whose fair values are deemed to be difficult to determine as at February 28, 2022 and 2021 are disclosed in Note 16.

Impairment loss on securities for the year ended February 28, 2022 was ¥500 million (\$4,326 thousand) (which was recognized in corporate bonds).

There was no impairment loss on securities for the years ended February 28, 2021.

Money held in trust as at February 28, 2022 and 2021 consisted of the following:

Millions of Yen		
	Consolidated Balance Sheet Amount	Unrealized Gains
<b>February 28, 2022</b>		
Trading purposes	¥111,016	¥462

Millions of Yen		
	Consolidated Balance Sheet Amount	Unrealized Gains
<b>February 28, 2021</b>		
Trading purposes	¥91,614	¥473
Other	953	—

Thousands of U.S. Dollars		
	Consolidated Balance Sheet Amount	Unrealized Gains
<b>February 28, 2022</b>		
Trading purposes	\$960,428	\$3,994

## Notes to Consolidated Financial Statements

Unrealized (losses) gains on available-for-sale securities on the consolidated balance sheets as at February 28, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Unrealized gains (losses) before deferred tax on:			
Available-for-sale securities <sup>(*)</sup>	¥ 214	¥ 6,680	¥ 1,852
Deferred tax liabilities	(2,343)	(3,008)	(20,274)
Unrealized (losses) gains on available-for-sale securities (before adjustment)	(2,129)	3,672	(18,422)
Non-controlling interests	(421)	(388)	(3,638)
Unrealized (losses) gains on available-for-sale securities	¥(2,550)	¥ 3,284	¥(22,060)

(\*) Includes a gain on revaluation of available-for-sale securities that are included in assets in investment limited partnerships whose fair values are deemed to be difficult to determine, amounted to ¥86 million (\$744 thousand) and ¥64 million for the year ended February 28, 2022 and 2021, respectively.

### 5. FINANCE RECEIVABLES AND LOANS IN BANKING BUSINESS

Finance receivables as at February 28, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Installment sales receivables:			
Credit card purchase contracts	¥ 966,384	¥ 911,769	\$ 8,360,448
Hire purchase contracts	599,901	609,381	5,189,902
Subtotal	1,566,285	1,521,150	13,550,350
Operating loan receivables <sup>(*)1</sup>	772,604	782,916	6,684,007
Allowance for credit losses <sup>(*)2</sup>	(118,950)	(128,454)	(1,029,067)
Total	¥2,219,939	¥2,175,612	\$19,205,290

(\*)1 Includes cash advances and personal loan receivables.

(\*)2 Of which, ¥51,190 million (\$442,854 thousand) for installment sales receivables and ¥67,760 million (\$586,213 thousand) for operating loan receivables as at February 28, 2022.

Loans in banking business as at February 28, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Loans and bills discounted <sup>(*)</sup>	¥2,110,011	¥1,998,380	\$18,254,267
Allowance for credit losses	(5,475)	(4,805)	(47,363)
Total	¥2,104,536	¥1,993,575	\$18,206,904

(\*) Includes housing loan receivables.

Bills discounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24, October 8, 2020). The Group has rights to sell or pledge commercial bills discounted without restrictions. The total face value as at February 28, 2021 was ¥36 million. There were no bills discounted held as at February 28, 2022.

## 6. PLEDGED ASSETS

Assets pledged as collateral as at February 28, 2022 and 2021 consisted of the following:

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Assets pledged as collateral:			
Finance receivables	¥ 4,948	¥ 5,229	\$ 42,807
Securities in banking business	32,788	33,306	283,657
Total	¥37,736	¥38,535	\$326,464
Liabilities corresponding to assets pledged as collateral:			
Short-term borrowings	¥30,000	¥30,000	\$259,538
Long-term borrowings (including current portion)	5,497	5,466	47,554
Total	¥35,497	¥35,466	\$307,092

In addition to the assets presented above, the following assets were pledged as collateral for exchange settlements and other transactions as at February 28, 2022 and 2021:

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Guarantee money deposits (Initial margins deposited at central counterparty clearing houses)	¥45,000	¥50,000	\$389,307

## 7. SHORT-TERM BORROWINGS, COMMERCIAL PAPER, BONDS, LONG-TERM BORROWINGS AND LEASE OBLIGATIONS

Short-term borrowings, commercial paper, bonds, long-term borrowings and lease obligations included in other liabilities as at February 28, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars		Average interest rate <sup>(*)</sup>	Due
	2022	2021	2022	2022		
Short-term borrowings	¥204,074	¥216,468	\$1,765,500	0.61%		
Commercial paper	85,000	85,000	735,358	0.01%		
Long-term borrowings (current portion)	90,215	62,159	780,470	3.16%		
Lease obligations (current portion)	9,955	11,946	86,124	1.74%		
Long-term borrowings (non-current portion)	335,933	337,026	2,906,249	3.48%		From March 2023 to February 2028
Lease obligations (non-current portion)	21,623	24,916	187,065	1.64%		From February 2023 to February 2031

(\*1) Average interest rate represents the weighted-average interest rate based on the balances and rates at the end of fiscal year.

## Notes to Consolidated Financial Statements

Bonds and convertible bonds with stock acquisition rights as at February 28, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
<b>Issued by the Company:</b>			
Unsecured 0.572% pari passu Japanese yen notes due March 2021	—	¥ 10,000	—
Unsecured 0.552% pari passu Japanese yen notes due April 2022	¥ 10,000	10,000	\$ 86,513
Unsecured 0.23% pari passu Japanese yen notes due May 2022	30,000	30,000	259,538
Unsecured 0.35% pari passu Japanese yen notes due May 2024	30,000	30,000	259,538
Unsecured 0.19% pari passu Japanese yen notes due March 2023	25,000	25,000	216,282
Unsecured 0.3% pari passu Japanese yen notes due September 2024	25,000	25,000	216,282
Unsecured 0.38% pari passu Japanese yen notes due September 2026	20,000	20,000	173,025
Unsecured 0.22% pari passu Japanese yen notes due July 2023	30,000	30,000	259,538
Unsecured 0.3% pari passu Japanese yen notes due January 2025	20,000	20,000	173,025
Unsecured 0.29% pari passu Japanese yen notes due January 2023	10,000	10,000	86,513
Unsecured 0.38% pari passu Japanese yen notes due July 2025	5,000	5,000	43,256
Unsecured 0.29% pari passu Japanese yen notes due February 2024	20,000	20,000	173,025
Unsecured 0.36% pari passu Japanese yen notes due February 2026	15,000	15,000	129,769
Unsecured 0.27% pari passu Japanese yen notes due June 2025	30,000	—	259,538
Unsecured 0.34% pari passu Japanese yen notes due July 2026	20,000	—	173,025
<b>Issued by AEON Product Finance Co., Ltd.:</b>			
Unsecured 0.38% Japanese yen notes due April 2023	5,000	5,000	43,256
Unsecured 0.4% Japanese yen notes due October 2023	5,000	5,000	43,256
<b>Issued by AEON THANA SINSAP (THAILAND) PLC.:</b>			
Unsecured 1.047% Thai baht notes due August 2021	—	1,588	—
Unsecured 3.48% Thai baht notes due December 2021	—	3,509	—
Unsecured 0.817% Thai baht notes due December 2021	—	3,174	—
Unsecured 2.93% Thai baht notes due December 2022	3,529	3,508	30,532
Unsecured 3.26% Thai baht notes due November 2021	—	2,807	—
Unsecured 2.27% Thai baht notes due November 2022	9,881	9,821	85,482
Unsecured 2.57% Thai baht notes due November 2024	3,527	3,506	30,516
Unsecured 0.65% Japanese yen notes due December 2026	7,019	—	60,723
<b>Issued by AEON CREDIT SERVICE (M) BERHAD:</b>			
Unsecured 3.8% senior Malaysia ringgit notes due February 2027	8,242	7,838	71,304
Unsecured 3.85% senior Malaysia ringgit notes due February 2028	5,494	5,225	47,531
Unsecured 3.95% subordinated Malaysia ringgit notes due March 2030	2,744	2,610	23,742
<b>Issued by AEON CREDIT SERVICE (PHILIPPINES) INC.:</b>			
Unsecured 7.299% Philippine peso notes due November 2021	—	1,935	—
Unsecured 7.695% Philippine peso notes due November 2023	224	214	1,934
<b>Total</b>	<b>¥340,660</b>	<b>¥305,735</b>	<b>\$2,947,143</b>

The annual maturities of long-term borrowings as at February 28, 2022 were as follows:

Years ending the last day of February	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 90,215	\$ 780,470
2024	105,682	914,282
2025	90,913	786,511
2026	50,325	435,379
2027	68,561	593,141
2028 and thereafter	20,452	176,936
<b>Total</b>	<b>¥426,148</b>	<b>\$3,686,719</b>

The annual maturities of bonds as at February 28, 2022 were as follows:

Years ending the last day of February	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 63,410	\$ 548,577
2024	85,224	737,292
2025	78,527	679,361
2026	50,000	432,563
2027	55,261	478,077
2028 and thereafter	8,238	71,273
Total	¥340,660	\$2,947,143

The annual maturities of lease obligations as at February 28, 2022 were as follows:

Years ending the last day of February	Millions of Yen	Thousands of U.S. Dollars
2023	¥ 9,955	\$ 86,124
2024	7,956	68,830
2025	4,877	42,192
2026	3,642	31,503
2027	3,259	28,196
2028 and thereafter	1,889	16,344
Total	¥31,578	\$273,189

## 8. RETIREMENT BENEFITS AND PENSION PLANS

The Company and its consolidated domestic subsidiaries have a funded defined benefit pension plan, advance payment plan, and defined contribution pension plan for their employees. Certain consolidated subsidiaries have unfunded severance payment plans for their employees.

Certain consolidated subsidiaries adopt the simplified method, which allows them to calculate their benefit obligations as the amount of benefits that would be payable if they voluntarily retire or terminate at fiscal year-end.

(a) The changes in defined benefit obligation (including the obligation calculated by the simple method) for the years ended February 28, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥ 7,233	¥6,669	\$ 62,570
Current service cost	548	625	4,744
Interest cost	58	36	503
Past service costs	(57)	—	(496)
Actuarial gains and losses	45	(193)	388
Benefits paid	(374)	(481)	(3,231)
Other	(2,427)	577	(20,996)
Balance at end of year	¥ 5,026	¥7,233	\$ 43,482

(b) The changes in plan assets for the years ended February 28, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Balance at beginning of year	¥2,525	¥2,288	\$21,842
Expected return on plan assets	79	81	688
Actuarial gains and losses	28	22	239
Contributions from the employer	239	243	2,065
Benefits paid	(116)	(109)	(1,002)
Balance at end of year	¥2,755	¥2,525	\$23,832

## Notes to Consolidated Financial Statements

(c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets for the years ended February 28, 2022 and 2021

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Funded defined benefit obligation	¥ 3,155	¥ 3,070	\$ 27,298
Plan assets	(2,755)	(2,525)	(23,832)
	400	545	3,466
Unfunded defined benefit obligation	1,871	4,163	16,184
Net liability arising from defined benefit obligation	¥ 2,271	¥ 4,708	\$ 19,650

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Liability for retirement benefits <sup>(*)</sup>	¥2,271	¥4,708	\$19,650
Net liability arising from defined benefit obligation	¥2,271	¥4,708	\$19,650

(\*) Includes the obligation calculated by the simplified method.

(d) The components of net periodic benefit costs for the years ended February 28, 2022 and 2021 were as follows:

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Service cost <sup>(*)</sup>	¥ 548	¥ 625	\$ 4,744
Interest cost	58	36	503
Expected return on plan assets	(80)	(81)	(688)
Recognized actuarial (gains) losses	(196)	297	(1,700)
Amortization of past service costs	(57)	—	(496)
Other	30	133	262
Net periodic benefit costs	¥ 303	¥1,010	\$ 2,625

(\*) Includes the cost calculated by the simplified method.

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended February 28, 2022 and 2021

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Actuarial losses	¥(189)	¥(370)	\$(1,634)
Total	¥(189)	¥(370)	\$(1,634)

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as at February 28, 2022 and 2021

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Unrecognized actuarial gains	¥323	¥512	\$2,793
Total	¥323	¥512	\$2,793

(g) Plan assets

(i) Components of plan assets

Plan assets consisted of the following:

	2022	2021
Debt securities	41.4%	41.9%
Equity securities	29.2%	29.3%
Assets in the life insurer's general account	10.9%	11.4%
Other <sup>(*)</sup>	18.5%	17.4%
Total	100.0%	100.0%

(\*) Includes mainly cash and alternative investments.

(ii) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the current and future allocations of plan assets and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(h) Assumptions used for the years ended February 28, 2022 and 2021 were set forth as follows:

	2022 <sup>(*)</sup>	2021 <sup>(*)</sup>
Discount rate	0.8%	0.8%
Expected rate of return on plan assets	3.21%	3.60%

(\*) In addition to the above, salary increase rate by age calculated as at the base date of March 31, 2021 was used as an assumption.

The required contribution amounts to the defined contribution pension plan for the years ended February 28, 2022 and 2021 are ¥862 million (\$7,458 thousand) and ¥737 million, respectively.

The amounts of benefits paid under the advance payment plan for the years ended February 28, 2022 and 2021 are ¥107 million (\$923 thousand) and ¥97 million, respectively.

## 9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions 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 (i) having a Board of Directors, (ii) having independent auditors, (iii) having an Audit & Supervisory Board, and (iv) the term of service of the directors being prescribed as one year rather than the normal two-year 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 the Company can declare dividends without resolution at the shareholders' meeting since the Company is organized as a company with board committees and meet the above criteria. The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to certain limitations 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 the aggregate amount of the 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. 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



## Notes to Consolidated Financial Statements

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 a 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.

### 10. STOCK-BASED COMPENSATION

The stock options outstanding as at February 28, 2022 were as follows:

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2012 Stock Option	12 directors	15,500 shares	April 21, 2011	¥ 1 \$0.01	From May 21, 2011 through May 20, 2026
2013 Stock Option	6 directors	12,100 shares	April 21, 2012	¥ 1 \$0.01	From May 21, 2012 through May 20, 2027
2014 Stock Option	6 directors	12,000 shares	July 21, 2013	¥ 1 \$0.01	From August 21, 2013 through August 20, 2028
2015 Stock Option	8 directors	9,500 shares	July 21, 2014	¥ 1 \$0.01	From August 21, 2014 through August 20, 2029
2016 Stock Option	7 directors	12,600 shares	July 21, 2015	¥ 1 \$0.01	From August 21, 2015 through August 20, 2030
2017 Stock Option	9 directors	15,300 shares	July 21, 2016	¥ 1 \$0.01	From August 21, 2016 through August 20, 2031
2018 Stock Option	8 directors	18,100 shares	July 21, 2017	¥ 1 \$0.01	From August 21, 2017 through August 20, 2032
2019 Stock Option	7 directors	16,300 shares	July 21, 2018	¥ 1 \$0.01	From August 21, 2018 through August 20, 2033
2020 Stock Option	7 directors	15,000 shares	July 21, 2019	¥ 1 \$0.01	From August 21, 2019 through August 20, 2034
2021 Stock Option	6 directors	12,800 shares	July 21, 2020	¥ 1 \$0.01	From August 21, 2020 through August 20, 2035

The summary of stock option activity is as follows:

	2021 Stock Option	2020 Stock Option	2019 Stock Option	2018 Stock Option	2017 Stock Option	2016 Stock Option	2015 Stock Option	2014 Stock Option	2013 Stock Option	2012 Stock Option
<b>Non-vested (Shares)</b>										
Outstanding at beginning of year										
Granted										
Expired										
Vested										
Outstanding at end of year										
<b>Vested (Shares)</b>										
Outstanding at beginning of year	5,400	2,700	2,700	1,800	2,700	1,800	3,100	3,000	1,500	1,500
Vested										
Exercised	3,600				900	900	1,700			
Expired										
Outstanding at end of year	1,800	2,700	2,700	1,800	1,800	900	1,400	3,000	1,500	1,500
Exercise price	¥ 1 \$ 0.01	¥ 1 \$ 0.01	¥ 1 \$ 0.01	¥ 1 \$ 0.01	¥ 1 \$ 0.01	¥ 1 \$ 0.01	¥ 1 \$ 0.01	¥ 1 \$ 0.01	¥ 1 \$ 0.01	¥ 1 \$ 0.01
Average stock price upon exercise	¥1,319 \$11.41				¥1,237 \$ 10.7	¥1,237 \$ 10.7	¥1,237 \$ 10.7			
Fair value price at grant date	¥ 742 \$ 6.42	¥1,309 \$11.32	¥1,808 \$15.64	¥1,856 \$16.06	¥1,940 \$16.78	¥3,072 \$26.58	¥2,006 \$17.35	¥2,715 \$23.49	¥1,081 \$ 9.35	¥ 809 \$ 7.00

## 11. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended February 28, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Salaries and allowances	¥ (67,390)	¥ (67,187)	\$ (583,011)
Advertising expenses	(70,174)	(53,325)	(607,098)
Provision for bonuses	(5,657)	(3,826)	(48,940)
Retirement benefit expenses	(1,272)	(1,845)	(11,007)
Provision for loss on refund of interest received	(4,356)	(4,337)	(37,682)
Provision for point program	13,556	28	117,278
Other	(160,110)	(154,172)	(1,385,150)
Total	¥(295,403)	¥(284,664)	\$(2,555,610)

## 12. NON-OPERATING REVENUES (EXPENSES)

Loss on disposal of non-current assets for the years ended February 28, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Structures	¥ (90)	¥ (55)	\$ (780)
Equipment	(381)	(291)	(3,296)
Software	(103)	(363)	(891)
Total	¥(574)	¥(709)	\$(4,967)

Other non-operating revenues (expenses)—net for the years ended February 28, 2022 and 2021 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Gain on investments in partnership	¥ 361	¥ 272	\$ 3,124
Impairment loss on investment securities	(54)	(670)	(467)
Gain on sales of investment securities	437		3,775
Other—net	724	(341)	6,264
Total	¥1,468	¥(739)	\$12,696

## Notes to Consolidated Financial Statements

### 13. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes, which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.6% and 30.6% for the years ended February 28, 2022 and 2021, respectively. The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities as at February 28, 2022 and 2021 were as follows:

	2022	Millions of Yen 2021	Thousands of U.S. Dollars 2022
Deferred tax assets:			
Allowance for credit losses	¥ 26,898	¥28,478	\$ 232,698
Loans in banking business and finance receivables	162	136	1,404
Allowance for point program	2,529	6,910	21,877
Allowance for loss on refund of interest received	1,983	1,747	17,156
Accrued income	21	31	181
Property and equipment	803	835	6,947
Intangible assets	940	675	8,137
Liability for retirement benefits	475	1,220	4,110
Tax loss carryforwards	2,243	1,661	19,402
Unrealized loss on acquisition of subsidiaries	22	26	192
Other	18,243	13,465	157,824
Less valuation allowance	(11,979)	(6,863)	(103,632)
Total deferred tax assets	¥ 42,340	¥48,321	\$ 366,296
Deferred tax liabilities:			
Depreciation in consolidated foreign subsidiaries	¥ 378	¥ 455	\$ 3,275
Unrealized gain on available-for-sale securities	2,616	3,008	22,631
Unrealized gain on acquisition of subsidiaries	1,328	1,450	11,486
Other	270	638	2,338
Total deferred tax liabilities	¥ 4,592	¥ 5,551	\$ 39,730
Net deferred tax assets	¥ 37,748	¥42,770	\$ 326,566

Reconciliations between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the years ended February 28, 2022 and 2021 were as follows:

	2022	2021
Effective statutory tax rate	30.6%	30.6%
Per capita portion of inhabitants tax	0.6	0.9
Lower income tax rates applicable to income in certain foreign countries	(4.9)	(6.7)
Impact from elimination in consolidation	1.5	0.7
Tax loss carryforwards	0.9	0.1
Valuation allowance	1.5	7.6
Income taxes for prior periods	(0.6)	(1.8)
Other	1.7	2.2
Actual effective tax rate	31.3%	33.6%

## 14. SUPPLEMENTAL CASH FLOW INFORMATION

### Purchase of newly consolidated subsidiaries

For the year ended February 28, 2021, the Company acquired AEON Allianz Life Insurance Co., Ltd. (herein, "AEON Allianz") through share acquisition and included it in the scope of consolidation. Assets and liabilities of AEON Allianz at the time of consolidation were as follows:

	Millions of Yen
Current assets	¥ 135,676
Non-current assets	47
Goodwill	278
Current liabilities	(3,234)
Non-current liabilities	(127,552)
Non-controlling interests	(1,975)
Acquisition cost of shares of AEON Allianz	¥ 3,240
Cash and cash equivalents of AEON Allianz	¥ (12,836)
Net proceeds from the acquisition of AEON Allianz	¥ 9,596

## 15. LEASES

(Lessee side)

The Group leases equipment, software, and other assets.

Total rental expenses for the years ended February 28, 2022 and 2021 were ¥15,540 million (\$134,441 thousand) and ¥15,030 million, respectively.

The minimum rental commitments under noncancelable operating leases as at February 28, 2022 and 2021 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Due within one year	¥1,081	¥ 998	\$ 9,353
Due after one year	692	844	5,988
Total	¥1,773	¥1,842	\$15,341

(Lessor side)

(a) Breakdown of lease receivables and investment assets

	Millions of Yen		Thousands of U.S. Dollars
	2022	2021	2022
Lease payments receivables	¥12,034	¥11,716	\$104,114
Estimated residual value	1,632	1,617	14,116
Unearned interest income	(1,081)	(1,048)	(9,354)
Lease receivables and investment assets	¥12,585	¥12,285	\$108,876

## Notes to Consolidated Financial Statements

(b) The scheduled collections of lease receivables related to lease receivables and investment assets are as follows:

Millions of Yen

	2022					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Lease receivables and investment assets	¥2,616	¥2,421	¥1,970	¥1,500	¥1,185	¥2,342

Millions of Yen

	2021					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Lease receivables and investment assets	¥2,483	¥2,260	¥2,003	¥1,576	¥1,115	¥2,279

Millions of Yen

	2022					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Lease receivables and investment assets	\$22,629	\$20,950	\$17,043	\$12,974	\$10,253	\$20,265

## 16. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### (a) Conditions of financial instruments

#### (i) Group policy for financial instruments

The Group operates a variety of financial service businesses, such as credit card business, housing loan business, and hire purchase business. The domestic banking subsidiary engages in business of investing in securities, including debt securities, as well.

The Group raises funds for these businesses mainly through customer deposits, borrowings from financial institutions, issuance of bonds and commercial paper, and securitization of receivables in the view of the market conditions and short-term/long-term balance. The Group also manages and raises funds through money market in response to temporary financial surplus or deficit.

Certain subsidiaries are located overseas, and they conduct their business in foreign currencies.

Accordingly, the Group holds financial assets and liabilities, which are exposed to interest rate risk and foreign exchange risk, and manages the interest rate risk through Asset Liability Management. The Group also utilizes derivative financial instruments to hedge interest rate risk and foreign exchange risk.

#### (ii) Nature and extent of risks arising from financial instruments

The Group's major financial assets are loans and installment sales receivables for customers such as housing loans and credit card services and corporate loans, which are exposed to credit risk of customer defaults and interest rate risk. In addition, securities, such as foreign securities, debt securities, and equity securities, and monetary claims bought are mainly exposed to market risk and credit risk of their issuers.

Financial liabilities, such as deposits, borrowings, and bonds, are exposed to liquidity risk in that the Group cannot make

necessary payments upon due dates under certain circumstances, such as when it cannot access the market due to changes in financial situation or other situations or when its financial results deteriorate. Financial liabilities are also exposed to interest rate risk and foreign exchange risk.

The Group enters into derivative transactions to avoid part of its exposure to interest rate risk and foreign exchange risk.

Derivative financial instruments include interest rate swap contracts and currency swap contracts, and are used to hedge interest rate risk and foreign exchange risk. These instruments are exposed to credit risk of counterparty defaults.

#### (iii) Risk management for financial instruments

The Company considers the Group's risk management to be one of the most important issues for the Group's management. The Board of Directors resolves the fundamental matters on risk management as the highest decision-making body. Information concerning risk management is regularly reported to the Board. In addition, the Company has established the Internal Control Promotion Committee to conduct group-wide risk management based on the basic risk management policy resolved by the Board of Directors. The Company also established the Group Risk Management Department as a supervisory function for management of risks related to financial instruments. In order to develop group-wide risk management structures, the fundamental matters on risk management for the Group are set forth in "Group Risk Management Policies."

These risk management structures are audited internally by the Management Audit Department, which is independent from the audited departments, to verify their effectiveness and appropriateness.

- Credit risk management

The Group manages credit risk through appropriate credit

assessment and management in accordance with the Group's credit risk control policies and structures. This credit assessment and management is conducted by the following divisions: the Group Risk Management Department monitors the credit status of customers at the time of new credit execution and thereafter and the credit management division conducts analysis and research on credit risk and collaborates with the credit assessment division.

The domestic banking subsidiary mainly calculates Value at Risk (an estimated amount of loss on financial instruments held for a certain future time period based on the historical data at a certain confidence level, hereinafter "VaR") to quantify credit risk and regularly reports to the Internal Control Promotion Committee and the Board of Directors.

Credit risk arising from default of the counterparties of derivative transactions is considered to be limited, as such transactions are conducted with various highly credible financial institutions.

- Market risk management

The Company appropriately manages market risk by determining the position and scale of the risk in accordance with the Group's market risk control policies and structures. The status of risk management is regularly reported to the Internal Control Promotion Committee. The Group maintains a reciprocal control mechanism as an organizational system to manage the market risk by establishing an internal organization independent from the revenue-generating divisions.

The domestic banking subsidiary performs quantitative market risk analysis for all financial instruments held to manage the risk level by using VaR. Specifically, market risk is controlled so that VaR does not exceed risk limits (allocated capital amount) decided by the Board of Directors.

(1) Interest rate risk management

The Company appropriately responds to customer needs for various financial services provided by the Group and improve its overall earning capacity.

The domestic banking subsidiary measures and manages VaR as the interest rate risk management structure throughout its internal divisions. The domestic banking subsidiary also performs stress tests and regularly reports to the Internal Control Promotion Committee and the Board of Directors.

(2) Security price risk management

The risk of holding securities and monetary claims bought is managed under the basic policy of risk management: "for the various risks that we face, we capture the risks assessed for each risk category comprehensively based on a consistent approach as much as possible to ensure more reliable and continuous performance."

The domestic banking subsidiary measures security price risk through VaR and regularly monitors the results of VaR and stress tests against the risk limits to ensure both soundness and profitability of securities. In addition, it monitors results of the investments, including securities issuers' performance, as changes in creditworthiness of the securities issuers affect the price of the securities.

(3) Foreign exchange risk management

Of the various market risks to which the Group is exposed, foreign exchange risk of foreign currency financial instruments is hedged by raising funds in foreign currencies and utilizing currency swap contracts, so that part of the effect resulting from fluctuations in each exchange rate is mitigated.

(4) Derivative financial instruments

The Group hedges the interest rate risk and foreign exchange risk related to financing by utilizing derivative financial instruments. The Group contemplates the terms and conditions, including price, period, and timing of settlement, in entering into the derivative contracts. The department that conducts the transactions and the department that monitors the transactions are separated.

(5) Quantitative information on market risk

As for market risk of financial instruments held by the domestic banking subsidiary, the Monte-Carlo simulation (holding period: 120 days, historical observation period: three year, and confidence interval: 99%) is applied to calculate VaR. The amount of VaR as at February 28, 2022 was ¥15,294 million (\$132,310 thousand) (¥14,500 million, as at February 28, 2021).

These figures represent the amounts of market risk calculated statistically based on a probability-based approach that takes into account historical market fluctuations. Accordingly, the market risk may not be captured properly in the event of an extreme market movement beyond normal expectations.

- Liquidity risk management

The Group manages liquidity risk through continuous monitoring of cash flows to maintain the appropriate funding level and through other means, including diversifying financial instruments and adjusting short-term/long-term balances taking into account the market conditions.

The domestic banking subsidiary controls liquidity risk by establishing a payment reserve asset holding ratio and cash gap limits, which are monitored by the Risk Management Department. The monitoring results are reported regularly to the Internal Control Promotion Committee and the Board of Directors. Although the domestic banking subsidiary places value on efficient cash management, it places more weight on securing liquidity for risk management purposes.

## Notes to Consolidated Financial Statements

### (b) Fair value of financial instruments

The carrying amount of financial instruments in the consolidated balance sheets, the fair value, and the difference between the two as at February 28, 2022 and 2021 are as follows. Financial instruments whose fair values are deemed to be difficult to determine are not included in the fair value disclosure.

Millions of Yen

	2022		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	¥ 697,629	¥ 697,629	—
(2) Deposits with banks	41,154	41,154	—
(3) Call loans	8,864	8,864	—
(4) Finance receivables—net of allowance for credit losses	2,215,168	2,270,185	¥55,017
(5) Loans in banking business—net of allowance for credit losses	2,104,536	2,133,256	28,720
(6) Securities in banking business	536,221	536,221	—
(7) Securities in insurance business	49,397	49,397	—
(8) Monetary claims bought	27,029	27,029	—
(9) Money held in trust	111,016	111,016	—
(10) Foreign exchanges <sup>(*)</sup>	4,703	4,703	—
(11) Investment securities	6,904	6,904	—
Total	¥5,802,621	¥5,886,358	¥83,737
(12) Accounts payable	¥ 281,117	¥ 281,117	—
(13) Deposits in banking business	4,178,545	4,178,875	¥ 330
(14) Short-term borrowings	204,074	204,074	—
(15) Commercial paper	85,000	85,000	—
(16) Bonds (including current portion)	340,660	340,112	(548)
(17) Long-term borrowings (including current portion)	426,148	430,239	4,091
Total	¥5,515,544	¥5,519,417	¥ 3,873
(18) Derivative financial instruments (Note 17):			
Hedge accounting not applied	¥ (242)	¥ (242)	—
Hedge accounting applied	(3,299)	(3,299)	—
Total	¥ (3,541)	¥ (3,541)	—

Millions of Yen

	2021		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	¥ 666,738	¥ 666,738	—
(2) Deposits with banks	39,001	39,001	—
(3) Call loans	30,842	30,842	—
(4) Finance receivables—net of allowance for credit losses	2,170,817	2,256,590	¥ 85,773
(5) Loans in banking business—net of allowance for credit losses	1,993,575	2,016,323	22,748
(6) Securities in banking business	519,024	519,024	—
(7) Securities in insurance business	70,262	70,262	—
(8) Monetary claims bought	30,801	30,801	—
(9) Money held in trust	92,567	92,567	—
(10) Foreign exchanges <sup>(*)</sup>	6,947	6,947	—
(11) Investment securities	6,567	6,567	—
Total	¥5,627,141	¥5,735,662	¥108,521
(12) Accounts payable	¥ 321,042	¥ 321,042	—
(13) Deposits in banking business	4,018,666	4,019,294	¥ 628
(14) Short-term borrowings	216,468	216,468	—
(15) Commercial paper	85,000	85,000	—
(16) Bonds (including current portion)	305,735	304,874	(861)
(17) Long-term borrowings (including current portion)	399,185	402,819	3,634
Total	¥5,346,096	¥5,349,497	¥ 3,401
(18) Derivative financial instruments (Note 17):			
Hedge accounting not applied	¥ (159)	¥ (159)	—
Hedge accounting applied	(18,780)	(18,780)	—
Total	¥ (18,939)	¥ (18,939)	—

Thousands of U.S. Dollars

	2022		
	Carrying Amount	Fair Value	Difference
(1) Cash and cash equivalents	\$ 6,035,372	\$ 6,035,372	—
(2) Deposits with banks	356,037	356,037	—
(3) Call loans	76,685	76,685	—
(4) Finance receivables—net of allowance for credit losses	19,164,009	19,639,973	\$475,964
(5) Loans in banking business—net of allowance for credit losses	18,206,904	18,455,368	248,464
(6) Securities in banking business	4,638,995	4,638,995	—
(7) Securities in insurance business	427,348	427,348	—
(8) Monetary claims bought	233,833	233,833	—
(9) Money held in trust	960,428	960,428	—
(10) Foreign exchanges <sup>(*)</sup>	40,690	40,690	—
(11) Investment securities	59,729	59,729	—
Total	\$50,200,030	\$50,924,458	\$724,428
(12) Accounts payable	\$ 2,432,019	\$ 2,432,019	—
(13) Deposits in banking business	36,149,707	36,152,566	\$ 2,859
(14) Short-term borrowings	1,765,500	1,765,500	—
(15) Commercial paper	735,358	735,358	—
(16) Bonds (including current portion)	2,947,143	2,942,395	(4,748)
(17) Long-term borrowings (including current portion)	3,686,719	3,722,115	35,396
Total	\$47,716,446	\$47,749,953	\$ 33,507
(18) Derivative financial instruments (Note 17):			
Hedge accounting not applied	\$ (2,086)	\$ (2,086)	—
Hedge accounting applied	(28,544)	(28,544)	—
Total	\$ (30,630)	\$ (30,630)	—

(\*) Included in "Other current assets" in the consolidated balance sheets.

(i) Fair value of financial instruments

(1) Cash and cash equivalents and (2) Deposits with banks

The carrying amounts of cash and cash equivalents and deposits with banks are considered to approximate fair value because of their short maturities.

(3) Call loans

The carrying amount of call loans is considered to approximate fair value because of their short maturity of less than one year.

(4) Finance receivables—net of allowance for credit losses

The fair value of finance receivables is determined by discounting expected cash flows that reflect credit risk adjustments by their type and maturity with a discount rate consisting of a risk-free rate and collection costs of each product (expense ratio).

(5) Loans in banking business—net of allowance for credit losses

The carrying amount of loans and bills discounted in the banking business with floating interest rates approximates the fair value as long as borrowers' credit risks have not changed significantly after the execution of loans as the market rates are promptly reflected in the floating interest rates. The fair value of loans and bills discounted in the banking business with fixed-interest rates is the present value that is estimated for each classification based on the type, internal rating, and term of the loans, and by discounting the total amounts of the principal and interest using the rates at which similar new loans would be made. For loans and bills discounted in the banking business with maturity of less than one year, the

carrying amount is considered to approximate fair value because of their short maturities.

For loans to borrowers which are bankrupt, substantially bankrupt, or potentially bankrupt, an allowance is provided based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The carrying value of those loans, net of allowance for credit losses, as at the consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

The carrying amount of loans and bills discounted in the banking business that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximates the fair value due to their expected repayment periods and interest rate conditions.

(6) Securities in banking business, (7) Securities in insurance business and (11) Investment securities

The fair value of equity securities is determined with reference to quoted prices on the stock exchange. The fair value of debt securities is determined based on prices published by the Japanese Securities Dealers Association, prices provided by financial institutions, or the discounted present value of future cash flows.

(8) Monetary claims bought

The fair value of monetary claims bought is determined based on prices provided by financial institutions or the discounted present value of future cash flows.

(9) Money held in trust

The fair value of money held in trust, which comprises trust assets, is determined by the same method as "(5) Loans in



## Notes to Consolidated Financial Statements

banking business—net of allowance for credit losses” described above. The fair value of securities is determined by the same method as “(7) Securities in insurance business” described above.

### (10) Foreign exchanges

Foreign exchanges are foreign currency deposits with other banks (due from foreign banks). The carrying amount of foreign exchanges is considered to approximate fair value because these deposits have no maturities.

### (12) Accounts payable

The carrying amount of accounts payable is considered to approximate fair value because these items are settled in a short period of time.

### (13) Deposits in banking business

For demand deposits, the amount payable on demand as at the consolidated balance sheet date is considered to be the fair value. The fair value of time deposits is calculated based on the discounted present value of future cash flows by a certain time period. The discount rate used in the calculation is the interest rate that would be applied to newly accepted deposits. For short-term deposits, the carrying amount is considered to approximate fair value because of their short maturities.

### (14) Short-term borrowings and (17) Long-term borrowings

The fair value of borrowings with fixed-interest rates is determined by discounting the total amounts of principal and interest payments into certain periods using a risk-free rate adjusted for credit risk. The carrying amount of borrowing with floating interest rates approximates the fair value or is determined based on the price specified by other financial institutions, because credit risks of the Company and its consolidated subsidiaries have not changed significantly after the execution of the borrowings and the market rates are shortly reflected in the floating interest rates. The carrying amount of short-term borrowings (within one year) is considered to approximate fair value because these items are settled in a short period not exceeding one year.

### (15) Commercial paper

The carrying amount of commercial paper is considered to approximate fair value because of its short maturity of less than one year.

### (16) Bonds

The fair values of bonds and convertible bonds with stock acquisition rights are determined with reference to quoted market prices.

### (18) Derivative financial instruments

Information on the fair values of derivative financial instruments is included in Note 17.

### (ii) Financial instruments whose fair values are deemed to be difficult to determine

The financial instruments below are not included in the fair value disclosure due to difficulties in the determination of fair values:

	2022	Millions of Yen 2021	Thousands of U.S. Dollars 2022
Stock with no active market quotations	¥ 2,112	¥ 1,675	\$18,270
Trust beneficiary rights	4,771	4,795	41,280
Investments in limited partnerships	3,974	4,182	34,377
Total	¥10,857	¥10,652	\$93,927

### (iii) Maturity analysis for financial assets with contractual maturities

The table below presents the carrying amounts of the Group’s assets by maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

	Millions of Yen 2022					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Due from banks	¥ 626,195	—	—	—	—	—
Call loans	8,864	—	—	—	—	—
Finance receivables <sup>(*)1</sup>	1,404,889	¥248,740	¥189,983	¥125,212	¥ 77,447	¥ 212,474
Loans in banking business <sup>(*)2</sup>	203,478	109,058	95,703	80,343	70,166	1,495,981
Securities in banking business and insurance business:	—	—	—	—	—	—
Available-for-sale securities:	—	—	—	—	—	—
Government bonds	—	—	—	—	—	70,000
Municipal bonds	200	200	—	—	—	—
Corporate bonds	65,800	—	3,000	3,600	—	55,469
Foreign securities	21,791	3,750	12,699	12,803	—	12,217
Total	87,791	3,950	15,699	16,403	—	137,686
Monetary claims bought	6,200	—	—	—	—	20,831
Money held in trust	12,429	11,203	10,059	8,967	7,932	55,148
Total	¥2,349,846	¥372,951	¥311,444	¥230,925	¥155,545	¥1,922,120

Millions of Yen

	2021					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Due from banks	¥ 613,552	—	—	—	—	—
Call loans	30,842	—	—	—	—	—
Finance receivables <sup>(*)</sup>	1,370,619	¥251,762	¥191,791	¥131,629	¥ 66,343	¥ 212,951
Loans in banking business <sup>(*)</sup>	214,363	96,942	93,080	83,799	74,859	1,379,543
Securities in banking business and insurance business:	—	—	—	—	—	—
Available-for-sale securities:	—	—	—	—	—	—
Government bonds	—	—	—	—	—	28,000
Municipal bonds	—	200	200	—	—	—
Corporate bonds	41,300	800	—	3,000	3,600	73,333
Foreign securities	48,000	1,647	3,448	11,677	15,491	21,392
Total	89,300	2,647	3,648	14,677	19,091	122,725
Monetary claims bought	6,200	—	—	—	—	24,572
Money held in trust	11,495	9,410	8,388	7,450	6,550	44,136
Total	¥2,336,371	¥360,761	¥296,907	¥237,555	¥166,843	¥1,783,927

Thousands of U.S. Dollars

	2022					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Due from banks	\$ 5,417,376	—	—	—	—	—
Call loans	76,685	—	—	—	—	—
Finance receivables <sup>(*)</sup>	12,154,074	\$2,151,916	\$1,643,594	\$1,083,244	\$ 670,018	\$ 1,838,170
Loans in banking business <sup>(*)</sup>	1,760,338	943,489	827,952	695,071	607,021	12,942,136
Securities in banking business and insurance business:	—	—	—	—	—	—
Available-for-sale securities:	—	—	—	—	—	—
Government bonds	—	—	—	—	—	605,589
Municipal bonds	1,730	1,730	—	—	—	—
Corporate bonds	569,254	—	25,954	31,144	—	479,879
Foreign securities	188,520	32,441	109,862	110,762	—	105,692
Total	759,504	34,171	135,816	141,906	—	1,191,160
Monetary claims bought	53,638	—	—	—	—	180,211
Money held in trust	107,529	96,921	87,023	77,576	68,622	477,098
Total	\$20,329,144	\$3,226,497	\$2,694,385	\$1,997,797	\$1,345,661	\$16,628,775

(\*) Finance receivables for the years ended February 28, 2022 and 2021 exclude ¥80,143 million (\$693,339 thousand) and ¥78,971 million, respectively, which have no specific contractual maturity date due to late payments or being under negotiations.

(\*) Loans in banking business for the years ended February 28, 2022 and 2021 exclude loans of ¥9,630 million (\$83,309 thousand) and ¥6,520 million with no specific recoverable amounts, such as loans to borrowers classified as legal bankruptcy, substantial bankruptcy, or possible bankruptcy, and ¥45,652 million (\$394,950 thousand) and ¥49,274 million, respectively, which have no fixed maturity.

(iv) Maturity analysis of financial liabilities with contractual maturities

The table below presents the carrying amounts of financial liabilities by the relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date:

Millions of Yen

	2022					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Deposits in banking business <sup>(*)</sup>	¥3,960,033	¥ 93,642	¥ 76,134	¥ 37,444	¥ 11,292	—
Short-term borrowings	204,074	—	—	—	—	—
Commercial paper	85,000	—	—	—	—	—
Bonds	63,410	85,224	78,527	50,000	55,261	¥ 8,238
Long-term borrowings	90,215	105,682	90,913	50,325	68,561	20,452
Lease obligations	9,955	7,956	4,877	3,642	3,259	1,889
Total	¥4,412,687	¥292,504	¥250,451	¥141,411	¥138,373	¥30,579

## Notes to Consolidated Financial Statements

Millions of Yen

	2021					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Deposits in banking business <sup>(*)</sup>	¥3,792,807	¥ 90,908	¥ 63,579	¥ 40,750	¥30,622	—
Short-term borrowings	216,468	—	—	—	—	—
Commercial paper	85,000	—	—	—	—	—
Bonds	23,013	63,329	85,214	78,506	20,000	¥35,673
Long-term borrowings	62,159	86,538	100,214	72,703	37,680	39,891
Lease obligations	11,946	7,807	5,989	3,785	2,622	4,713
Total	¥4,191,393	¥248,582	¥254,996	¥195,744	¥90,924	¥80,277

Thousands of U.S. Dollars

	2022					
	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years
Deposits in banking business <sup>(*)</sup>	\$34,259,307	\$ 810,125	\$ 658,654	\$ 323,935	\$ 97,686	—
Short-term borrowings	1,765,500	—	—	—	—	—
Commercial paper	735,358	—	—	—	—	—
Bonds	548,577	737,292	679,361	432,563	478,077	\$ 71,273
Long-term borrowings	780,470	914,282	786,511	435,379	593,141	176,936
Lease obligations	86,124	68,830	42,192	31,503	28,196	16,344
Total	\$38,175,336	\$2,530,529	\$2,166,718	\$1,223,380	\$1,197,100	\$264,553

(\*) The cash flow of demand deposits is included in the "Up to 1 year" group.

## 17. DERIVATIVES

The Group enters into forward exchange contracts and currency swap contracts to hedge foreign exchange risk 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 contracts effectively swap a floating-rate interest payment to a fixed-rate interest payment. The Group does not enter into or trade derivative financial instruments for 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 each time an evaluation and analysis are made.

Derivative financial instruments qualifying for hedge accounting as at February 28, 2022 and 2021 consisted of the following:

Millions of Yen

	2022		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay HKD	¥ 4,446	¥ (346)	¥ (346)
Receive JPY/Pay MYR	9,636	(412)	(412)
Receive JPY/Pay THB	33,560	(1,110)	(1,110)
Receive USD/Pay MYR	83,436	(788)	(788)
Receive USD/Pay THB	64,409	20	20
Interest rate swap contracts:			
Receive floating/Pay fixed	40,132	(663)	(663)

Millions of Yen

	2021		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts:			
Receive JPY/Pay HKD	¥ 4,115	¥ (159)	¥ (159)
Receive JPY/Pay THB	21,635	(1,752)	(1,752)
Receive USD/Pay HKD	5,313	(45)	(45)
Receive USD/Pay MYR	99,198	(7,383)	(7,383)
Receive USD/Pay THB	77,099	(8,008)	(8,008)
Interest rate swap contracts:			
Receive floating/Pay fixed	37,139	(1,433)	(1,433)

Thousands of U.S. Dollars

	2022		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay HKD	\$ 38,463	\$(2,993)	\$(2,993)
Receive JPY/Pay MYR	83,359	(3,568)	(3,568)
Receive JPY/Pay THB	290,336	(9,603)	(9,603)
Receive USD/Pay MYR	721,826	(6,816)	(6,816)
Receive USD/Pay THB	557,221	170	170
Interest rate swap contracts:			
Receive floating/Pay fixed	347,193	(5,734)	(5,734)

Derivative financial instruments not qualifying for hedge accounting as at February 28, 2022 and 2021 consisted of the following:

Millions of Yen

	2022		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay MYR	¥2,753	¥(242)	¥(242)
Currency forward contracts:			
Short position	511	1	1
Long position	188	(1)	(1)

Millions of Yen

	2021		
	Contract Amount	Fair Value	Unrealized Loss
Currency swap contracts:			
Receive JPY/Pay MYR	¥2,619	¥(160)	¥(160)
Currency forward contracts:			
Short position	1,363	2	2
Long position	358	(1)	(1)

Millions of Yen

	2022		
	Contract Amount	Fair Value	Unrealized Gain/Loss
Currency swap contracts:			
Receive JPY/Pay MYR	\$23,817	\$(2,094)	\$(2,094)
Currency forward contracts:			
Short position	4,418	9	9
Long position	1,628	(1)	(1)

## Notes to Consolidated Financial Statements

Fair values of derivative financial instruments are based on forward market quotations and mark-to-market reports provided by financial institutions.

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.

### 18. LOAN COMMITMENTS AND CONTINGENT LIABILITIES

(Lender side)

The Group provides cash advance and card loan services that supplement its credit card business. The unexercised portion of loan commitments in these businesses was as follows:

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Total loan limits	¥9,911,408	¥9,627,547	\$85,746,243
Loan executed	497,711	523,260	4,305,833
Unexercised portion of loan commitments	¥9,413,697	¥9,104,287	\$81,440,410

The above amounts include amounts related to securitized receivables. The execution of the loan commitments requires an assessment of the credit status of the borrower and the usage of the funds. Therefore, not all unexercised portions of loan commitments will necessarily be executed.

The Group has entered into overdraft facility and loan commitment contracts with corporate customers. These contracts commit the Group to lend to customers up to the prescribed limits upon receipt of a customer application as long as there is no violation of any conditions in the contracts. The amounts of unutilized commitments as at February 28, 2022 and 2021 were as follows:

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Unutilized commitments	¥23,034	¥24,696	\$199,275
Of which: those expiring within one year	4,999	4,471	43,243

Since many of these commitments expire without being drawn down, the unutilized amount does not necessarily affect future cash flows. Many of these contracts have conditions whereby the Group can refuse customer applications for loans or decrease the contract limits for certain reasons, such as changes in financial situation, credit maintenance, and other reasonable grounds. Furthermore, during the period that the contracts are effective, the Group performs periodic reviews of the customers' business results based on internal rules and takes necessary measures to reconsider contract terms for credit maintenance.

AEON Bank, Ltd., a consolidated subsidiary of the Company, has entered into credit line contracts to enhance the liquidity of the joint-investment designated money trusts established by AEON Bank, Ltd. These contracts are intended to avoid a temporary decline in the ability of the trusts to raise funds when they perform refinancing. In addition, AEON Bank, Ltd. has an option to execute loans and is not contractually committed to do so.

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Unutilized credit lines	¥26,693	¥12,656	\$230,930
Of which: those expiring within one year	8,853	4,277	76,589

Contingent liabilities as at February 28, 2022 and 2021 consisted of the following:

		Millions of Yen	Thousands of U.S. Dollars
	2022	2021	2022
Guarantee obligation related to credit guarantee business for general customers operated by a consolidated subsidiary	¥50,201	¥60,083	\$434,299

## 19. OTHER COMPREHENSIVE INCOME

Reclassification adjustments to profit or loss and tax effects of other comprehensive income for the years ended February 28, 2022 and 2021 were as follows:

	2022	Millions of Yen	Thousands of U.S. Dollars
		2021	2022
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥(8,771)	¥ 431	\$(75,884)
Reclassification adjustments to profit or loss	400	14	3,461
Amount before income tax effect	(8,371)	445	(72,423)
Income tax effect	2,614	(202)	22,615
Total	¥(5,757)	¥ 243	\$(49,808)
Deferred gains on derivatives under hedge accounting:			
Gains arising during the year	¥ 8,285	¥ 2,575	\$ 71,679
Reclassification adjustments to profit or loss	(3,236)	(1,244)	(27,999)
Amount before income tax effect	5,049	1,331	43,680
Income tax effect	(1,103)	(252)	(9,538)
Total	¥ 3,946	¥ 1,079	\$ 34,142
Foreign currency translation adjustments:			
Gains arising during the year	¥ 8,226	¥ 106	\$ 71,168
Amount before income tax effect	8,226	106	71,168
Total	¥ 8,226	¥ 106	\$ 71,168
Adjustments for retirement benefit:			
(Losses) gains arising during the year	¥ (17)	¥ 248	\$ (145)
Reclassification adjustments to profit or loss	205	123	1,775
Amount before income tax effect	188	371	1,630
Income tax effect	(58)	(133)	(503)
Total	¥ 130	¥ 238	\$ 1,127
Total other comprehensive income	¥ 6,545	¥ 1,666	\$ 56,629

## 20. NET INCOME PER SHARE

Basic and diluted EPS for the years ended February 28, 2022 and 2021 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollar
	Net income attributable to owners of the parent	Weighted-Average Shares	EPS	
<b>For the year ended February 28, 2022:</b>				
Basic EPS				
Net income	¥30,213	—	—	—
Net income available to common shareholders	¥30,213	215,833	¥139.98	\$1.21
Effect of dilutive securities				
—Warrants of the Company	—	24	—	—
—Convertible bonds with stock acquisition rights of the Company	—	—	—	—
Diluted EPS				
—Net income for computation	¥30,213	215,857	¥139.97	\$1.21
<b>For the year ended February 28, 2021:</b>				
Basic EPS				
Net income	¥17,694	—	—	—
Net income available to common shareholders	¥17,694	215,813	¥ 81.99	—
Effect of dilutive securities				
—Warrants of the Company	—	39	—	—
—Convertible bonds with stock acquisition rights of the Company	—	—	—	—
Diluted EPS				
—Net income for computation	¥17,694	215,852	¥ 81.97	—

## Notes to Consolidated Financial Statements

### 21. RELATED PARTY TRANSACTIONS

There were no transactions between the Company and related parties for the years ended February 28, 2022 and 2021.

Transactions between the Company's consolidated subsidiaries and related parties for the years ended February 28, 2022 and 2021 were as follows:

(1) Transactions with a subsidiary of the parent company(\*) and the Company's other subsidiaries

	2022	Millions of Yen	Thousands of U.S. Dollars
		2021	2022
<b>AEON Retail Co., Ltd. (subsidiary of the parent company)</b>			
Loans in banking business	¥30,000	¥32,000	\$259,538
Other assets	44	47	384
Lending of loans	30,666	32,666	265,298
Interest income	276	294	2,388

(\*) The parent company is AEON Co., Ltd., which is listed on the Tokyo Stock Exchange.

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

The transaction amounts of "lending of loans" represent the average outstanding balance for each fiscal year. The above amounts do not include consumption taxes.

(2) Transactions with directors, executive officers and their close relatives of the Company and its subsidiaries

	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
	2022	2022	2022	2022
	Transaction amount		Balance at end	
<b>Directors, executive officers and their close relatives of the Company and its subsidiaries</b>				
Housing loans (Loans in banking business)	¥30	\$260	¥272	\$2,356

	Millions of Yen	Millions of Yen
	2021	2021
	Transaction amount	Balance at end
<b>Directors, executive officers and their close relatives of the Company and its subsidiaries</b>		
Housing loans (Loans in banking business)	—	¥252

The "housing loans" presented above are standard products provided by AEON Bank, Ltd., a consolidated subsidiary of the Company. Interest rate and conditions of repayment are the same as those provided to third-party customers.

## 22. SEGMENT INFORMATION

Reportable segments of the Group are components of the Group for which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating segment performance and deciding how to allocate resources to segments.

### (a) Description of reportable segments

The Company's reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how resources are allocated among the Group.

As for the "Domestic" business, the Group has classified it into "Retail" and "Solutions" segments to clarify the responsibilities for their respective functions for domestic customers. As for the "Global" business, the Group has classified it into "China Area" (such as Hong Kong), "Mekong Area" (such as Thailand), and "Malay Area" (such as Malaysia) segments focusing on the Group's three listed companies to facilitate the horizontal development of the Group's business models.

Accordingly, the Group has five reportable segments, "Retail" and "Solutions" in "Domestic" segment and "China Area," "Mekong Area," and "Malay Area" in "Global" segment.

"Retail" consists of the banking and insurance businesses where individual customers are the main targets.

"Solutions" consists of the businesses which provide the Group's financial services to member shops through database utilization such as processing and hire purchase businesses.

"China Area," "Mekong Area," and "Malay Area" consist of the businesses which provide financial services focus on the needs from individual customers of each area and member shops such as credit card and loan businesses.

### (b) Methods of measurement for the amounts of operating revenues, profit (loss), assets, and other items for each reportable segment

The method of accounting by reportable segment is consistent with the method of accounting used for the preparation of the consolidated financial statements. Segment profit is adjusted to reconcile it to operating income in the accompanying consolidated statement of income. The intersegment revenue or transfers are based on the current market prices.

### (c) Information about operating revenues, profit (loss), assets, and other items for each reportable segment

Millions of Yen

	2022							
	Reportable Segment					Subtotal	Reconciliations <sup>(2)</sup>	Total
	Domestic		Global					
Retail	Solutions	China Area	Mekong Area	Malay Area				
Operating revenues <sup>(1)</sup>								
Operating revenues from customers	¥ 210,032	¥122,908	¥15,743	¥ 72,373	¥ 49,980	¥ 471,036	¥ (379)	¥ 470,657
Intersegment revenue or transfers	3,547	55,940	0	43	—	59,530	(59,530)	—
Total operating revenues	213,579	178,848	15,743	72,416	49,980	530,566	(59,909)	470,657
Segment profit <sup>(3)</sup>	¥ 8,090	¥ 17,836	¥ 5,531	¥ 15,298	¥ 12,977	¥ 59,732	¥ (879)	¥ 58,853
Segment assets	¥4,818,288	¥935,681	¥76,592	¥321,276	¥290,395	¥6,442,232	¥(163,646)	¥6,278,586
Other items								
Depreciation and amortization	¥ 6,797	¥ 16,036	¥ 1,251	¥ 3,820	¥ 2,331	¥ 30,235	¥ 326	¥ 30,561
Amortization of goodwill	1,457	416	—	—	1	1,874	—	1,874
Financial expenses	3,715	1,296	430	6,031	9,519	20,991	442	21,433
Provision for credit losses	1,001	16,843	144	23,195	9,033	50,216	32	50,248
Increases in tangible and intangible assets	5,526	22,702	783	2,815	2,199	34,025	325	34,350



## Notes to Consolidated Financial Statements

Millions of Yen

	2021							
	Reportable Segment						Reconciliations <sup>(2)</sup>	Total
	Domestic		Global					
	Retail	Solutions	China Area	Mekong Area	Malay Area	Subtotal		
Operating revenues <sup>(1)</sup>								
Operating revenues from customers	¥ 226,946	¥123,570	¥15,564	¥ 73,826	¥ 47,680	¥ 487,586	¥ (277)	¥ 487,309
Intersegment revenue or transfers	3,305	59,149	4	57	—	62,515	(62,515)	—
Total operating revenues	230,251	182,719	15,568	73,883	47,680	550,101	(62,792)	487,309
Segment profit <sup>(3)</sup>	¥ 4,648	¥ 16,615	¥ 4,546	¥ 10,706	¥ 4,178	¥ 40,693	¥ (42)	¥ 40,651
Segment assets	¥4,682,930	¥947,027	¥71,262	¥310,371	¥279,741	¥6,291,331	¥(167,609)	¥6,123,722
Other items								
Depreciation and amortization	¥ 7,184	¥ 14,966	¥ 1,129	¥ 3,678	¥ 2,217	¥ 29,174	¥ 406	¥ 29,580
Amortization of goodwill	1,444	428	—	—	—	1,872	—	1,872
Financial expenses	3,410	1,149	544	7,255	9,911	22,269	761	23,030
Provision for credit losses	2,613	24,645	1,165	26,272	16,787	71,482	(76)	71,406
Increases in tangible and intangible assets	7,492	26,473	1,093	1,931	1,847	38,836	671	39,507

Thousands of U.S. Dollars

	2022							
	Reportable Segment						Reconciliations <sup>(2)</sup>	Total
	Domestic		Global					
	Retail	Solutions	China Area	Mekong Area	Malay Area	Subtotal		
Operating revenues <sup>(1)</sup>								
Operating revenues from customers	\$ 1,817,041	\$1,063,310	\$136,198	\$ 626,117	\$ 432,392	\$ 4,075,058	\$ (3,277)	\$ 4,071,781
Intersegment revenue or transfers	30,684	483,948	2	377	—	515,011	(515,011)	—
Total operating revenues	1,847,725	1,547,258	136,200	626,494	432,392	4,590,069	(518,288)	4,071,781
Segment profit <sup>(3)</sup>	\$ 69,989	\$ 154,307	\$ 47,845	\$ 132,350	\$ 112,271	\$ 516,762	\$ (7,611)	\$ 509,151
Segment assets	\$41,684,296	\$8,094,827	\$662,617	\$2,779,443	\$2,512,286	\$55,733,469	\$(1,415,742)	\$54,317,727
Other items								
Depreciation and amortization	\$ 58,799	\$ 138,733	\$ 10,827	\$ 33,048	\$ 20,168	\$ 261,575	\$ 2,818	\$ 264,393
Amortization of goodwill	12,608	3,594	—	—	10	16,212	—	16,212
Financial expenses	32,137	11,214	3,717	52,175	82,356	181,599	3,824	185,423
Provision for credit losses	8,663	145,715	1,245	200,664	78,143	434,430	283	434,713
Increases in tangible and intangible assets	47,810	196,399	6,771	24,353	19,028	294,361	2,812	297,173

(\*1) For segment revenue, the Group uses operating revenues instead of sales, which are used by normal commercial companies.

(\*2) Details of the reconciliations are as follows:

- (1) A reconciliation to operating revenues from customers of ¥(379) million (\$ (3,277) thousand) and ¥(277) million represent operating revenues of holding company and others included in consolidation unattributable to any reportable segment for the years ended February 28, 2022 and 2021, respectively.
- (2) A reconciliation to segment profit of ¥(879) million (\$ (7,611) thousand) and ¥(42) million represent the operating revenues of holding company and others included in consolidation unallocated to any reportable segment and the eliminations of intersegment transactions for the years ended February 28, 2022 and 2021, respectively.
- (3) A reconciliation to segment assets of ¥(163,646) million (\$ (1,415,742) thousand) and ¥(167,609) million represent the corporate assets of holding company and others included in consolidation unallocated to any reportable segment and the eliminations of intersegment transactions for the years ended February 28, 2022 and 2021, respectively.

(\*3) Segment profit is adjusted to reconcile it to operating income in the accompanying consolidated statement of income.

(d) Information about geographic areas

(i) Operating revenues<sup>(\*)</sup>(<sup>(\*)</sup>)

Millions of Yen

2022				
Japan	Thailand	Malaysia	Other	Total
¥332,534	¥67,355	¥45,724	¥25,044	¥470,657

Millions of Yen

2021				
Japan	Thailand	Malaysia	Other	Total
¥350,146	¥67,058	¥43,236	¥26,869	¥487,309

Thousands of U.S. Dollars

2022				
Japan	Thailand	Malaysia	Other	Total
\$2,876,844	\$582,705	\$395,567	\$216,665	\$4,071,781

(\*1) For segment revenue, the Group uses operating revenues instead of sales, which are used by normal commercial companies.

(\*2) Operating revenues are classified by country or region based on the location of the customers.

(ii) Property and equipment

Millions of Yen

2022			
Japan	Thailand	Other	Total
¥25,873	¥3,917	¥4,530	¥34,320

Millions of Yen

2021			
Japan	Thailand	Other	Total
¥29,679	¥4,354	¥5,119	¥39,152

Thousands of U.S. Dollars

2022			
Japan	Thailand	Other	Total
\$223,838	\$33,883	\$39,193	\$296,914

(e) Information about impairment losses on non-current assets by reportable segment

Millions of Yen

2022						
Domestic		Global			Reconciliations	Total
Retail	Solutions	China Area	Mekong Area	Malay Area		
¥203	—	—	—	—	—	¥203

Millions of Yen

2021						
Domestic		Global			Reconciliations	Total
Retail	Solutions	China Area	Mekong Area	Malay Area		
¥144	—	—	—	—	—	¥144

## Notes to Consolidated Financial Statements

Thousands of U.S. Dollars

2022						
Domestic		Global			Reconciliations	Total
Retail	Solutions	China Area	Mekong Area	Malay Area		
\$1,752	—	—	—	—	—	\$1,752

### (f) Information about goodwill by reportable segment

Millions of Yen

	2022					
	Reportable Segment					
	Domestic		Global			Total
	Retail	Solutions	China Area	Mekong Area	Malay Area	
Goodwill at February 28, 2022 <sup>(*)</sup>	¥13,965	¥947	—	—	¥13	¥14,925

Millions of Yen

	2021					
	Reportable Segment					
	Domestic		Global			Total
	Retail	Solutions	China Area	Mekong Area	Malay Area	
Goodwill at February 28, 2021 <sup>(*)</sup>	¥15,422	¥1,363	—	—	—	¥16,785

Thousands of U.S. Dollars

	2022					
	Reportable Segment					
	Domestic		Global			Total
	Retail	Solutions	China Area	Mekong Area	Malay Area	
Goodwill at February 28, 2022 <sup>(*)</sup>	\$120,812	\$8,195	—	—	\$112	\$129,119

(\*) Amortization of goodwill is disclosed in "(c) Information about operating revenues, profit (loss), assets, and other items for each reportable segment."



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### INDEPENDENT AUDITOR'S REPORT

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

#### Opinion

We have audited the consolidated financial statements of AEON Financial Service Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as of February 28, 2022, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of February 28, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Convenience Translation

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

#### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent Auditor's Report

Allowance for credit losses	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>The Group, which mainly provides retail financial services throughout Asia, recorded installment sales receivables of ¥1,566,285 million and operating loan receivables of ¥772,604 million as disclosed in Note 4. For the installment sales receivables and the operating loan receivables, the Group recorded an allowance for credit losses of ¥51,190 million and ¥67,760 million respectively to absorb credit losses in the future, as disclosed in Note 3.</p> <p>As described in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (g)," to the consolidated financial statements, the allowance for credit losses is estimated mainly based on the historical loss experiences within each risk category of receivables and also it is estimated using the expected credit loss model in accordance with IFRS 9 in certain overseas subsidiaries. In addition, the impact of COVID-19 has been assessed in estimating the allowance for credit losses for repayment grace receivables in certain countries.</p> <p>The allowance for credit losses is estimated based on various input data gathered and calculated through operating processes, including IT systems, in accordance with the Group's accounting policy under accounting principles generally accepted in Japan. Management also considers forward looking information and the impact of the spread of COVID-19.</p> <p>We identified the allowance for credit losses as a key audit matter because of the following reasons:</p> <p>(1) The input data used in calculating the allowance for credit losses is gathered through internal controls including complex IT systems. If the input data were not properly processed, the monetary impact on the financial statements could be material.</p> <p>(2) Since the expected credit loss model requires a large number of input data for each product by delinquency period and assumptions, with a high degree of uncertainty for forward looking information, such as the probability of default and other parameters, management's judgment requires specialized skills and knowledge to establish the model.</p> <p>(3) As economic recovery from COVID-19 is expected to require a certain amount of time, the management overlay is highly uncertain and subject to management's judgment based on an assumption that an increase in credit risk of repayment grace receivables would arise.</p>	<p>In order to address the estimate of the allowance for credit losses, we performed the following procedures, among others:</p> <p>(1) Test of the design and operating effectiveness of controls, including IT systems</p> <ul style="list-style-type: none"> <li>• We evaluated the design and operating effectiveness of controls over business operating processes with the assistance of our IT specialists. Those controls included collection and write-off of delinquent loans, financial reporting processes for calculating and monitoring the allowance for credit losses, and relevant general IT controls and automated controls.</li> <li>• We evaluated whether the IT system properly captured relevant balance data of receivables and calculated the allowance rate applied to each risk category with the assistance of our IT specialists as necessary.</li> </ul> <p>(2) Test of the expected credit loss model</p> <p>We evaluated the reasonableness of the model to estimate expected credit losses in accordance with IFRS 9 adopted by certain overseas subsidiaries with the assistance of our risk management specialists. Our procedures included evaluating the accuracy of underlying data used and assumptions used for forward looking information.</p> <p>(3) Test of the reasonableness of assumptions in determining management overlay</p> <p>We evaluated the reasonableness of the management assumption that an increase in credit risks of repayment grace receivables would arise because economic recovery from COVID-19 would require a certain amount of time, and assessed the appropriateness of the management overlay established for the credit risks by inspecting relevant documents, inquiring of management in relevant departments, and reading external economic reports and other external resources.</p>

Assessment of capitalized software development costs	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>In response to changes in external business environments, the Group has invested significantly in software development, such as updating of the core business operating system, for purposes of processing a large volume of individual transaction data.</p> <p>As described in Note 3, "SIGNIFICANT ACCOUNTING ESTIMATES" to the consolidated financial statements, the balance of capitalized software developments costs related to the next generation core business system for credit card service (the "System") in Japan is ¥50,287 million, which accounts for 46% of the total software balance as of February 28, 2022.</p> <p>Since the development of the System is large-scale and complex and the development needs a long period of time to be completed, originally expected functions may not be developed due to technical or quality issues, or the total capitalized development costs may exceed the original budget due to an extension of the release, which may result in the capitalized development costs being significantly greater than the recoverable amount.</p> <p>To ensure that originally expected functions are fulfilled, the Group implements various internal controls over software development with external software vendors at each stage of development; these internal controls include system development project planning, multilayered monitoring, verification of system quality and so forth. Under those internal controls, the Group reviews the project to identify any deviations from the original plan and re-evaluates the project feasibility as necessary. If the capitalized software development costs are significantly greater than the recoverable amount due to the deviations from the plan, an impairment loss would be recognized.</p>	<p>In order to evaluate the reasonableness of assessments on capitalized costs of the System, with the assistance of our internal specialists with knowledge of software development, we performed the following procedures, among others:</p> <p><i>Test of internal controls over the review process of software</i></p> <p>We evaluated the design and operating effectiveness of the controls over software development and the financial reporting process in determining impairment of the software.</p> <p><i>Test of valuation of the capitalized costs of the System</i></p> <p>(1) Identifying risks in developing the software</p> <p>We inspected minutes of board of directors and relevant monitoring committee and also inquired of management in charge of the software development to evaluate whether those controls were properly established to identify risks in developing software.</p> <p>(2) Identifying and evaluating functions not to be implemented</p> <p>Our audit procedures to test whether the capitalized costs of the System were impaired when certain functions were not expected to be implemented as planned due to system development risks and significant impediments in the development included the following procedures, among others:</p> <ul style="list-style-type: none"> <li>• Inspection of the management evaluation of capitalized software development costs</li> <li>• Inquiries of management in charge of the software development</li> <li>• Inspection of minutes and relevant documents of discussions between the Group and external software vendors regarding software development issues</li> </ul>

## Independent Auditor's Report

<p>We identified the assessment of capitalized software development costs of the System as a key audit matter because it requires management judgment with specialized knowledge of both the business and system development in terms of the following aspects:</p> <ol style="list-style-type: none"> <li>(1) Identifying risks in developing the software</li> <li>(2) Identifying and evaluating functions of the software that are not to be implemented upon its completion</li> <li>(3) Understanding and assessing the impact from changes in internal and external business environments that will affect recoverability of the software development</li> </ol>	<p>(3) Understanding and assessing the impact from changes in internal and external business environments that would affect recoverability of the software development</p> <p>Our audit procedures to evaluate management judgment that capitalized costs of the System would be recoverable included the following procedures, among others:</p> <ul style="list-style-type: none"> <li>• Evaluating whether the plan of expected return on the System was based on the business plan approved by management</li> <li>• Evaluating whether the internal and external business environments are appropriately considered in the business plan</li> <li>• Assessing the reasonableness of the business plan by comparing it with the past operating results</li> </ul>
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### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Independent Auditor's Report

### Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

*Deloitte Touche Tohmatsu LLC*

May 20, 2022

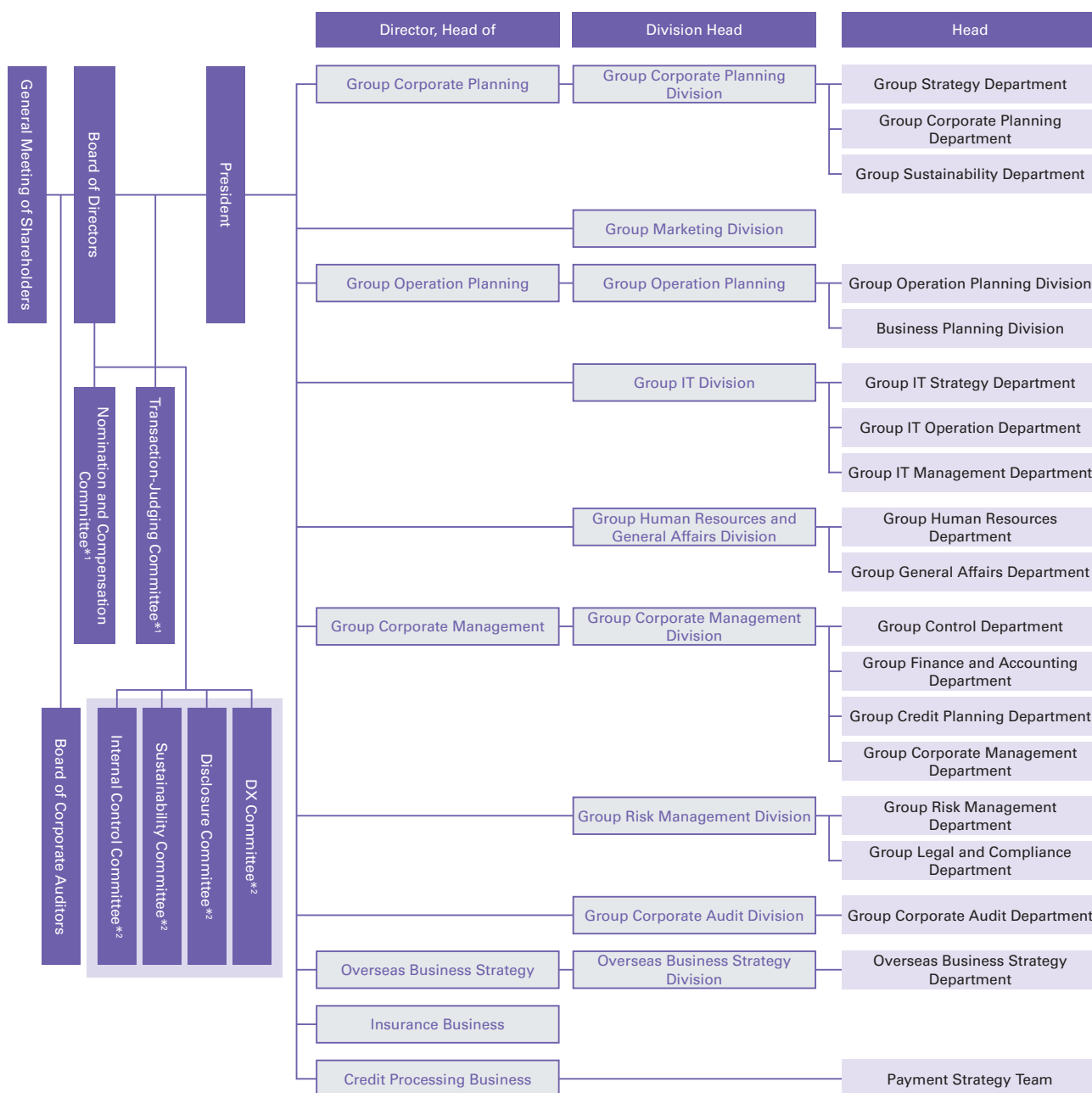
# Company Information

## Company Information

<b>Company Name</b>	AEON Financial Service Co., Ltd.
<b>Established</b>	June 20, 1981
<b>Representatives</b>	Masaki Suzuki, Chairman Kenji Fujita, President and CEO

<b>Capital Stock</b>	¥45,698 million
<b>Head Office</b>	Terrace Square, 3-22, Kandanishiki-cho, Chiyoda-ku, Tokyo 101-0054, Japan

## Organization (As of October 26, 2022)



\*1 An advisory body comprising mainly outside directors.

\*2 A committee comprising mainly executive officers.

## Affiliated Companies

Company Name	Location	Capital (millions of yen)	Main Business*1	Voting Rights (%)*2	Relationship to the Company			
					Concurrently Serving Officers	Financial Assistance	Business Transactions	Facility Leasing
(Parent) AEON Co., Ltd.*3	Mihama-ku, Chiba	220,007	Pure holding company	Ownership: 49.9 (1.8)	1	—	Outsourcing fees	Rental of office premises
(Consolidated Subsidiaries) ACS Credit Management Co., Ltd.	Mihama-ku, Chiba	600	Solutions	99.5	—	—	Management fees, outsourcing fees	—
AEON S.S. Insurance Co., Ltd.	Chiyoda-ku, Tokyo	280	Retail	100.0 (10.0)	—	—	Management fees, outsourcing fees	—
AEON Housing Loan Service Co., Ltd.	Chiyoda-ku, Tokyo	3,340	Solutions	100.0 (100.0)	—	Loans of capital	Management fees, outsourcing fees	—
AEON Bank, Ltd.*4,5	Chiyoda-ku, Tokyo	51,250	Retail	100.0 (100.0)	3	—	Management fees, outsourcing fees	Subletting of office premises
AEON Insurance Service Co., Ltd.	Mihama-ku, Chiba	250	Retail	99.0	—	—	Management fees, outsourcing fees	—
AEON Credit Service Co., Ltd.*4,5	Chiyoda-ku, Tokyo	500	Solutions	100.0	2	Loans of capital	Management fees, outsourcing fees	Subletting of office premises
AEON Product Finance Co., Ltd.	Chiyoda-ku, Tokyo	3,910	Solutions	100.0	—	Loans of capital	Management fees, outsourcing fees	—
ACS Leasing Co., Ltd.	Chiyoda-ku, Tokyo	250	Solutions	100.0	—	Loans of capital	Management fees, outsourcing fees	—
AFS Corporation Co., Ltd.*5	Chiyoda-ku, Tokyo	2,000	Holding Company or Other	100.0	3	Loans of capital	Management fees, outsourcing fees	—
AEON Allianz Life Insurance Co., Ltd.*5	Chiyoda-ku, Tokyo	17,199	Retail	60.0	—	—	—	—
AEON Credit Service (Asia) Co., Ltd.*6	Hong Kong	HKD 269 million	China Area	52.8 (52.8)	1	—	Management fees	—
AEON THANA SINSAP (THAILAND) PCL.*4,5,7	Thailand	THB 250 million	Mekong Area	54.3 (19.2)	1	—	Management fees	—
AEON CREDIT SERVICE (M) BERHAD*5,8	Malaysia	MYR 584 million	Malay Area	61.5	1	—	Management fees	—
AEON Credit Card (Taiwan) Co., Ltd.	Taiwan	TWD 615 million	China Area	100.0 (100.0)	—	—	—	—
AEON Information Service (Shenzhen) Co., Ltd.	Shenzhen, China	RMB 2 million	China Area	100.0 (50.0)	—	—	—	—
ACS Capital Corporation Ltd.	Thailand	THB 15 million	Holding Company or Other	29.0 (71.0)	—	—	Management fees	—
Insurepro Sdn. Bhd.	Malaysia	MYR 1 million	Malay Area	100.0 (100.0)	—	—	—	—
PT. AEON CREDIT SERVICE INDONESIA	Indonesia	IDR 200,400 million	Malay Area	95.5 (20.9)	1	—	Management fees	—
ACS Servicing (Thailand) Co., Ltd.	Thailand	THB 148 million	Mekong Area	100.0 (100.0)	—	—	Management fees	—
AEON Credit Service Systems (Philippines) Inc.	Philippines	PHP 650 million	Holding Company or Other	100.0	1	—	—	—
ACS Trading Vietnam Co., Ltd.	Vietnam	VND 330,000 million	Mekong Area	100.0 (3.0)	1	—	Management fees	—
AEON Insurance Brokers (HK) Ltd.	Hong Kong	HKD 1 million	China Area	100.0 (100.0)	—	—	—	—
AEON Credit Service India Pvt. Ltd.	India	INR 3,200 million	Malay Area	100 (5.6)	—	—	Management fees	—
AEON SPECIALIZED BANK (CAMBODIA) PLC.	Cambodia	USD 20 million	Mekong Area	100.0 (100.0)	—	—	Management fees	—
AEON Financial Service (Hong Kong) Co., Limited.*5	Hong Kong	RMB 740 million	Holding Company or Other	100.0	—	—	Management fees	Subletting of office premises
AEON Micro Finance (Tianjin) Co., Ltd.	Tianjin, China	RMB 100 million	China Area	100.0 (100.0)	—	—	—	—
AEON Leasing Service (Lao) Company Limited	Laos	LAK 28,000 million	Mekong Area	100.0 (100.0)	—	—	Management fees	—
AEON CREDIT SERVICE (PHILIPPINES) INC.*5	Philippines	PHP 3,500 million	Malay Area	99.1 (99.1)	—	—	—	—
AEON Microfinance (Myanmar) Co., Ltd.	Myanmar	MMK 17,021 million	Mekong Area	100.0 (100.0)	—	—	Management fees	—
AEON Insurance Service (Thailand) Co., Ltd.	Thailand	THB 100 million	Mekong Area	100.0 (100.0)	—	—	Management fees	—
AEON Micro Finance (Shenzhen) Co., Ltd.	Shenzhen, China	RMB 150 million	China Area	100.0 (100.0)	—	—	—	—
ATS Rabbit Special Purpose Vehicle Company Limited	Thailand	THB 0 million	Mekong Area	48.7 (48.7)	—	—	—	—
(Equity-Method Affiliate) Fujitsu Credit Service Systems (Tianjin) Co., Ltd.	Tianjin, China	RMB 20 million	Holding Company or Other	49.0	—	—	—	—

### Notes:

- Segment names are in the Main Business column.
- Figures in parentheses in the Voting Rights column indicate percentage of directly or indirectly owned voting rights. Figures in square brackets indicate percentage of voting rights held by entities that are close to and agree with the Company as indicated in external documents.
- AEON Co., Ltd. is a company that submits annual securities reports.
- AEON Bank, Ltd., AEON Credit Service Co., Ltd., AEON Allianz Life Insurance Co., Ltd., AEON THANA SINSAP (THAILAND) PCL. and AEON CREDIT SERVICE (M) BERHAD each account for more than 10% of consolidated ordinary revenue (excluding intersegment transactions).
- Specified subsidiary
- Shares of AEON Credit Service (Asia) Co., Ltd. are listed on the Hong Kong Stock Exchange.
- Shares of AEON THANA SINSAP (THAILAND) PCL. are listed on the Stock Exchange of Thailand.
- Shares of AEON CREDIT SERVICE (M) BERHAD are listed on Bursa Malaysia.

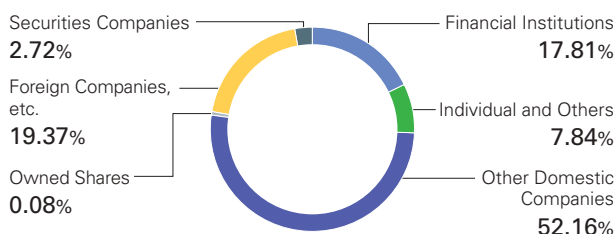
## Share Information

### Basic Share Information (As of February 28, 2022)

Stock Listing	Tokyo Stock Exchange, Prime Market
Industry Sector	Other Financing Business
Securities Code	8570
Share Unit	100
Fiscal Year	March 1 to February 28 of the following year
Dividend Record Date	End of February (interim dividend: August 31)
Authorized Shares	540,000,000
Issued Shares	216,010,128
Shareholders	33,758

### Shareholding Ratio by Type of Shareholder

(As of February 28, 2022)

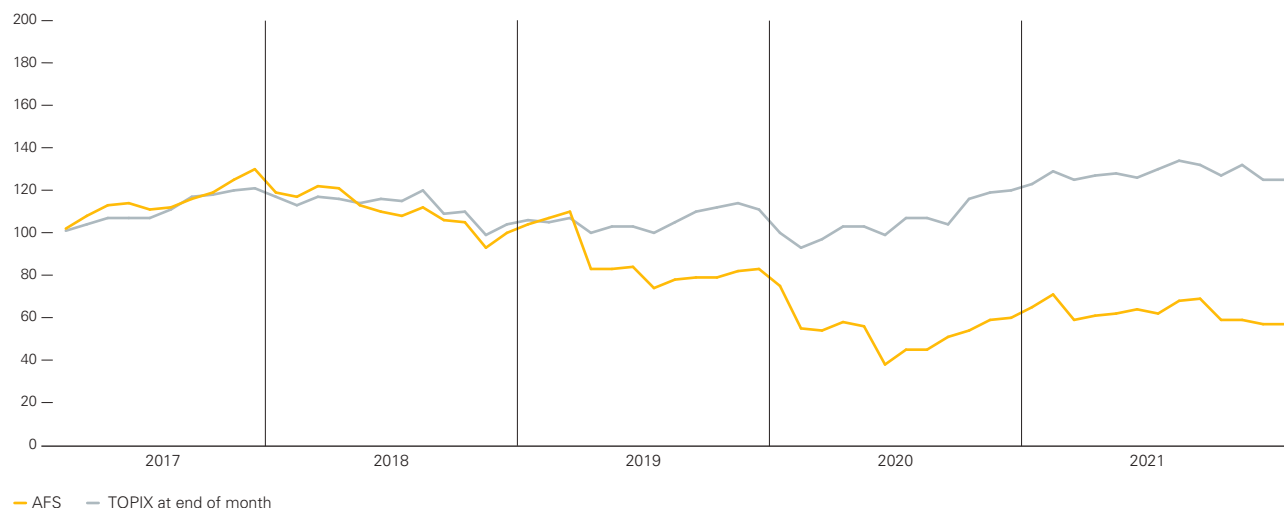


### Major Shareholders (As of February 28, 2022)

Shareholder Name	Shares Held (Thousands)	Percentage of Total Shares Held (Excluding Treasury Stock) (%)
AEON Co., Ltd	103,776	48.08
The Master Trust Bank of Japan, Ltd. (Trust Account)	20,577	9.53
Custody Bank of Japan, Ltd. (Trust Account)	6,600	3.06
STATE STREET BANK AND TRUST COMPANY 505223	4,187	1.94
J.P. MORGAN BANK LUXEMBOUG S.A. 381572	3,770	1.75
Maxvalu Nishinohon Co., Ltd.	2,646	1.23
STATE STREET BANK AND TRUST COMPANY 505103	2,352	1.09
JP MORGAN CHASE BANK 385632	2,261	1.05
JAPAN SECURITIES FINANCE CO., LTD.	1,764	0.82
NORTHERN TRUST CO. (AVFC) RE STATE TEACHERS RETIREMENT SYSTEM OF OHIO	1,762	0.82

Note: In addition to the above, the Company holds 172,000 shares of treasury stock.

### Share Price and Tokyo Stock Price Index (TOPIX)



Note: The stock price of AEON Financial Service and TOPIX are indexed with the closing price in April 2016 as 100.

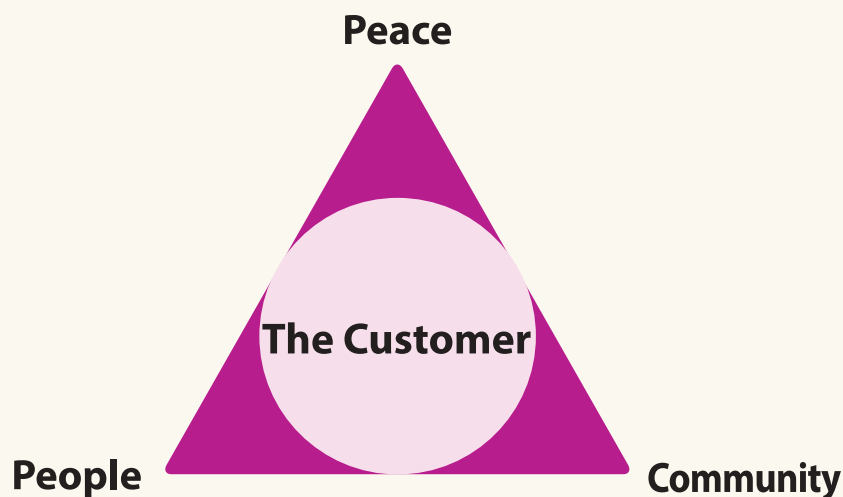
	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Fiscal 2021
Market capitalization (Billions of yen)	5,513	5,080	3,387	2,946	2,566
High (Yen)	2,914	2,785	2,329	1,601	1,608
Low (Yen)	2,067	1,849	1,493	793	1,135

Note: Market capitalization is calculated by multiplying the closing price of the stock price at the end of the fiscal year by the total number of shares issued at the end of the fiscal year.

### 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.

On the basis of the Aeon Basic Principles, Aeon practices its “Customer-First” philosophy with its ever-lasting innovative spirit.